Slovenská sporiteľňa, a.s.

Separate financial statements
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union
for the year ended 31 December 2023

(Translated version, original version in Slovak)

Content

Independent Auditor's Report

To the Shareholder, Supervisory Board, and Board of Directors of Slovenská sporiteľňa, a.s.

Report on the audit of the separate financial statements

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Slovenská sporiteľňa, a.s. (the "Bank") as at 31 December 2023 and the Bank's separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 28 February 2024.

What we have audited

The Bank's separate financial statements comprise:

- the separate statement of income for the year ended 31 December 2023;
- the separate statement of comprehensive income for the year ended 31 December 2023;
- the separate statement of financial position as at 31 December 2023;
- the separate statement of changes in equity for the year ended 31 December 2023;
- the separate statement of cash flows for the year ended 31 December 2023; and
- the notes to the separate financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Act No. 423/2015 on Statutory Audit and on the amendments and supplements to the Act on Accounting No. 431/2002, as amended (hereafter the "Act on Statutory Audit") that are relevant to our audit of the separate financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Act on Statutory Audit.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Bank, to its parent or to its subsidiaries within the European Union are in accordance with the applicable law and regulations in the Slovak Republic and that we have not provided non-audit services that are prohibited under Regulation (EU) No. 537/2014.

The non-audit services that we have provided to the Bank, in the period from 1 January 2023 to 31 December 2023, are disclosed in Note 41 to the separate financial statements.

Our audit approach

Overview

Materiality	Overall materiality is EUR 19.9 million, which represents approximately 5% of the profit before income tax.
Key audit matters	The audit of the credit loss allowance estimate required our significant attention given the nature of this estimate and its significance to the separate financial statements.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate financial statements. In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the separate financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the separate financial statements as a whole.

Overall materiality	EUR 19.9 million
How we determined it	We determined the materiality as approximately 5% of the profit before income tax.
Rationale for the materiality benchmark applied	Performance of the Bank is most commonly evaluated by the financial statements' users based on the Bank's profitability. The quantitative threshold of approximately 5% was applied to profit before income tax.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Credit loss allowance estimate	
As explained in the Notes 13, 14 and 32 to the separate financial statements, management estimated total credit loss allowances for loans and advances to customers, finance lease receivables and trade and other receivables at EUR 363 million. The carrying value of loans and advances to customers, finance lease receivables and trade and other receivables measured at amortised cost may be materially misstated if individual or collective credit loss allowances are not appropriately identified and estimated. The estimates required for measuring credit loss allowances are significant estimates.	We assessed and tested design and operating effectiveness of manual and automated controls related to the timely identification of defaulted loans. We tested design and operating effectiveness of IT general controls, including access to programs and data, program changes and computer operations related to quantification of credit loss allowances. We verified that models used for accurate quantification of credit loss allowances are in line with the requirements of IFRS 9. A sample of loan exposures was examined in order to test accuracy of credit loss allowances calculated on an individual basis. We considered management's assumptions, including forecasts of future cash flows, by comparing them to historical performance of the customer and expected future performance. We assessed external and internal valuations of the underlying collateral and compared them to the values used by management in the expected credit loss quantification. On a sample basis, we assessed the underlying models, reasonableness of assumptions, and completeness and accuracy of the underlying data, which were used by the Bank to estimate collective credit loss allowances for loans that share similar credit risk characteristics.

The identification of significant increase in credit risk or default; the estimation of credit loss including estimates of future cash flows and valuation of collateral as well as application of comprehensive credit models are judgmental.

Incorporation of forward-looking information in the macro models together with application of stage overlays in the ECL calculation represent a significant management judgement.

In 2023, the estimate of credit loss allowances continued to be significantly influenced by the current geopolitical and macroeconomic situation, including high inflation and stagnation of economic activity.

Due to the significance of the amount of the credit loss allowances and material impact of the credit loss allowances on the net result for the year, we consider the credit loss estimate as a key audit matter.

The underlying models and expert judgement applied by the Bank in response to the current macroeconomic situation were assessed by our specialists dealing with financial risk management and modelling.

The specialists assessed reasonableness of the forward-looking information considering external sources of macro predictions prepared by local and global authorities and its impact on the risk parameters and accuracy of the collective credit loss allowances. Our specialists have assessed a validation process implemented by the Bank and interpreted results of the validation report.

The specialists also assessed the design and application of the models for compliance with the relevant reporting standards, including introduction of additional criteria used for identification of significant increase in credit risk. They assessed the relevance of the criteria used in application of stage overlays and tested on a sample basis that the criteria were applied appropriately.

Reporting on other information including the Annual Report

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated and separate financial statements and our auditor's reports thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the separate financial statements does not cover the other information.

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Annual Report, we will also consider whether it includes the disclosures required by the Act on Accounting No. 431/2002, as amended (hereafter the "Accounting Act"), when it becomes available to us. This will include checking the consistency of the Annual Report for the financial year for which the separate financial statements are prepared with the separate financial statements, and whether the Annual Report has been prepared in accordance with the Accounting Act.

In addition, our updated report will either state that we have nothing to report in regard of the above, or will describe any material misstatements we identified in the Annual Report based on our knowledge and understanding of the Bank and its environment, which we obtained during our audit.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the separate financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

Appointment as an independent auditor

We were first appointed as auditors of the Bank on 27 March 2017. Our appointment has been renewed annually by the shareholder's resolution representing a total period of uninterrupted engagement appointment of seven years. Our appointment for the year ended 31 December 2023 was approved by the shareholder's resolution on 29 March 2023.

The statutory auditor on the audit resulting in this independent auditor's report is Ing. Eva Hupková, FCCA.

PricewaterhouseCoopers Slovensko, s.r.o.
PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No. 161

Ing. Eva Hupková, FCCA
SKAU licence No. 672

28 February 2024
Bratislava, Slovak Republic

Slovenská komora audítorov
SKAU
Č. licencie 161
PricewaterhouseCoopers Slovensko, s.r.o.

Separate Statement of Income

for the year ended 31 December 2023

EUR ths.	Notes	2022	2023
Net interest income	2	443,561	521,555
Interest income		470,015	761,169
Other similar income		24,541	47,642
Interest expenses		(40,311)	(218,058)
Other similar expenses		(10,684)	(69,198)
Net fee and commission income	3	192,216	207,504
Fee and commission income		214,344	223,629
Fee and commission expenses		(22,128)	(16,125)
Dividend income	4	606	590
Net trading result	5	23,636	21,621
Gains/(losses) from financial instruments measured at fair value through profit or loss	6	907	2,467
Rental income from investment properties & other operating leases	7	316	411
Personnel expenses	8	(161,121)	(175,842)
Other administrative expenses	8	(111,113)	(121,496)
Depreciation and amortisation	8	(37,555)	(36,422)
Gains/(losses) from derecognition of financial assets measured at amortised cost		2	4
Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss		(452)	(147)
Impairment result from financial instruments	9	(32,114)	(15,194)
Other operating result	10	(5,100)	(6,740)
Levies on banking activities		(5,894)	(4,447)
Pre-tax result from continuing operations		**313,789**	**398,311**
Taxes on income	11	(69,230)	(89,735)
Net result for the period		**244,559**	**308,576**

Earnings per share

Earnings per share constitute net profit/loss for the year attributable to owners of the parent divided by the average number of ordinary shares outstanding. Diluted earnings per share represent the maximum potential dilution (through an increase in the average number of shares) that would occur if all subscription and conversion rights granted were exercised (also see Note 37 Total equity). As in the previous year no subscription and conversion rights were outstanding during the financial year. Diluted earnings per share were equal to the basic earnings per share.

		2022	2023
Net result attributable to owners of the parent	EUR ths.	244,559	308,576
Number of outstanding shares	pcs.	212,000	212,000
Basic and diluted earnings per share	**EUR**	**1,154**	**1,456**

The notes on pages 6 to 125 are an integral part of these separate financial statements.

Separate Statement of Comprehensive Income

for the year ended 31 December 2023

For a detailed split of income tax items within other comprehensive income please refer to Note 11 Taxes on income.

EUR ths.	2022	2023
Net result for the period	**244,559**	**308,576**
Other comprehensive income		
Items that may not be reclassified to profit or loss	**794**	**(334)**
Remeasurement of defined benefit plans	1,005	(423)
Deferred taxes relating to items that may not be reclassified	(211)	89
Items that may be reclassified to profit or loss	**-**	**-**
Total other comprehensive income	**794**	**(334)**
Total comprehensive income	**245,353**	**308,242**

The notes on pages 6 to 125 are an integral part of these separate financial statements.

Separate Statement of Financial Position

as at 31 December 2023

EUR ths.	Notes	31.12.2022	31.12.2023
Assets			
Cash and cash equivalents	12	1,254,543	3,030,858
Financial assets held for trading	16	77,139	60,289
Derivatives	16	77,139	60,289
Non-trading financial assets at fair value through profit or loss	17	21,843	24,038
Equity instruments	17	9,694	11,511
Debt securities	17	12,149	12,527
Financial assets at amortised cost	13	21,664,202	22,545,036
Pledged as collateral	22	3,914,418	4,937,680
Debt securities	13	4,154,899	4,121,181
Loans and advances to banks	13	26	10,032
Loans and advances to customers	13	17,509,277	18,413,823
Finance lease receivables	32	284,500	347,323
Hedge accounting derivatives	19	16,879	24,424
Property and equipment, right-of-use assets	29	162,420	158,797
Investment properties	29	1,453	1,173
Intangible assets	30	17,868	18,588
Investments in subsidiaries, associates and joint ventures	38, 39	38,659	58,628
Deferred tax assets	11	69,979	68,399
Trade and other receivables	14	155,526	133,577
Other assets	31	24,574	30,127
Total assets		**23,789,585**	**26,501,257**
Liabilities and Equity			
Financial liabilities held for trading	16	73,533	56,596
Derivatives		73,533	56,596
Financial liabilities at amortised cost	15	21,196,021	23,677,088
Deposits from banks	15	1,173,628	1,247,163
Deposits from customers	15	16,920,169	17,589,627
Debt securities issued	15	2,988,434	4,657,044
Other financial liabilities	15	113,790	183,254
Lease liabilities	33	81,718	77,106
Hedge accounting derivatives	19	103,266	64,227
Provisions	35	38,972	32,401
Current tax liabilities	11	7,374	19,746
Other liabilities	34	131,521	132,649
Equity		2,157,180	2,441,444
Equity attributable to owners of the parent	37	2,157,180	2,441,444
Subscribed capital	37	212,000	212,000
Legal reserve fund	37	79,795	79,795
Other funds	37	39,104	39,104
Retained earnings	37	1,447,237	1,631,835
Additional equity instruments	37	380,000	480,000
Other components of equity	37	(956)	(1,290)
Total liabilities and equity		**23,789,585**	**26,501,257**

The notes on pages 6 to 125 are an integral part of these separate financial statements.

Separate Statement of Changes in Equity

for the year ended 31 December 2023

EUR ths.	Subscribed capital	Legal reserve fund	Other funds	Retained earnings	Remeasurement of defined benefit pension liabilities	Additional equity instruments	Equity attributable to owners of the parent	Total equity
As at 01.01.2023	**212,000**	**79,795**	**39,104**	**1,447,237**	**(956)**	**380,000**	**2,157,180**	**2,157,180**
Dividends paid / Distribution for Investment certificate	-	-	-	(123,978)	-	-	**(123,978)**	**(123,978)**
Capital increases	-	-	-	-	-	100,000	**100,000**	**100,000**
Total comprehensive income	-	-	-	308,576	(334)	-	**308,242**	**308,242**
Net result for the period	-	-	-	308,576	-	-	**308,576**	**308,576**
Other comprehensive income	-	-	-	-	(334)	-	**(334)**	**(334)**
Change from remeasurement of defined benefit pension liabilities	-	-	-	-	(334)	-	**(334)**	**(334)**
As at 31.12.2023	**212,000**	**79,795**	**39,104**	**1,631,835**	**(1,290)**	**480,000**	**2,441,444**	**2,441,444**

For more details on deferred tax please refer to note 11.

For more details on changes in equity please refer to note 37.

EUR ths.	Subscribed capital	Legal reserve fund	Other funds	Retained earnings	Remeasurement of defined benefit pension liabilities	Additional equity instruments	Equity attributable to owners of the parent	Total equity
As at 01.01.2022	**212,000**	**79,795**	**39,104**	**1,316,883**	**(1,750)**	**380,000**	**2,026,032**	**2,026,032**
Dividends paid / Distribution for Investment certificate	-	-	-	(114,205)	-	-	**(114,205)**	**(114,205)**
Total comprehensive income	-	-	-	244,559	794	-	**245,353**	**245,353**
Net result for the period	-	-	-	244,559	-	-	**244,559**	**244,559**
Other comprehensive income	-	-	-	-	794	-	**794**	**794**
Change from remeasurement of defined benefit pension liabilities	-	-	-	-	794	-	**794**	**794**
As at 31.12.2022	**212,000**	**79,795**	**39,104**	**1,447,237**	**(956)**	**380,000**	**2,157,180**	**2,157,180**

The notes on pages 6 to 125 are an integral part of these separate financial statements.

Separate Statement of Cash Flows

for the year ended 31 December 2023

EUR ths.		2022	2023
Net result for the period	**Notes**	**244,559**	**308,576**
Non-cash adjustments for items in net profit/loss for the year			
Net allocation of credit loss allowances and other provisions	9,10	30,201	17,343
Depreciation, amortisation, impairment and reversal of impairment of assets	29,30	34,737	34,419
Gains/(losses) from measurement and derecognition of financial assets and financial liabilities	6	(1,422)	(2,563)
Accrued interest, amortisation of discount and premium	2	46,379	65,712
Fair value adjust - hedging	19	(116,201)	54,423
Other adjustments		(3,863)	1,507
Cash flows from operations before changes in operating assets and liabilities			
Financial assets held for trading	16	(29,265)	16,850
Non-trading financial assets at fair value through profit or loss	17		
Equity instruments	17	(1,117)	746
Debt securities	17	1,761	(376)
Financial assets at amortised cost	13		
Debt securities	13	(285,718)	38,608
Loans and advances to banks	13	49,957	(10,006)
Loans and advances to customers	13	(1,990,136)	(909,618)
Finance lease receivables	32	(50,803)	(62,823)
Hedge accounting derivatives	19	(425)	(7,545)
Trade and other receivables	14	(26,596)	21,949
Other assets from operating activities	31,11	11,328	(5,641)
Financial liabilities held for trading	16	27,402	(16,937)
Financial liabilities measured at amortised cost	15		
Deposits from banks	15	(1,719,719)	73,535
Deposits from customers	15	940,470	629,967
Other financial liabilities	15	77,264	69,464
Hedge accounting derivatives	19	71,422	(39,039)
Provisions	35	(2,571)	(9,474)
Other liabilities from operating activities	34,11	26,847	13,917
Cash flow from operating activities		**(2,665,509)**	**282,994**
Dividends received from subsidiaries, associates and other investments	4	606	590
Purchase of share in subsidiaries, associates and joint ventures	38,39	(1,657)	(19,969)
Purchase of intangible assets, property and equipment	29,30	(23,411)	(26,143)
Proceeds from sale of intangible assets, property and equipment	29,30	2,267	2,760
Cash flow from investing activities		**(22,195)**	**(42,762)**
Dividends paid	37	(114,205)	(123,978)
AT1 certificate - issue	37	-	100,000
Repayment of subordinated debt	15	(20,000)	(4,250)
Issue of the bonds	15	1,436,855	1,610,469
Repayment of the bonds		(253,511)	(30,625)
Lease liabilities	32	(14,446)	(15,485)
Cash flow from financing activities		**1,034,693**	**1,536,131**
Cash and cash equivalents at beginning of the year	12	**2,907,420**	**1,254,543**
Cash flows from operating activities		(2,665,509)	282,994
Cash flow from investing activities		(22,195)	(42,762)
Cash flow from financing activities		1,034,693	1,536,131
Effect of foreign exchange rate changes on cash and cash equivalents		134	(48)
Cash and cash equivalents at end of period	12	**1,254,543**	**3,030,858**
Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)		**415,116**	**539,093**
Payments for taxes on income	11	(66,373)	(76,254)
Interest paid	2	(42,497)	(139,974)
Interest received	2	523,380	754,731
Dividends received	4	606	590

Further information related to net debt reconciliation are provided in note 15.

The notes on pages 6 to 125 are an integral part of these separate financial statements.

Notes to the Separate Financial Statements

General information

Slovenská sporiteľňa, a.s. (hereinafter referred to as 'the Bank') has its registered office at Tomášikova 48, 832 37 Bratislava, Slovak Republic. The Bank was incorporated as a joint stock company on 15 March 1994 and registered in the Commercial Register on 1 April 1994. The identification number of the Bank is 00 151 653. The tax identification number of the Bank is 2020411536.

The Bank is a universal bank offering a wide range of banking and financial services to commercial, financial and private customers, principally in the Slovak Republic.

The Bank's sole shareholder is Erste Group Bank AG, which has its registered office at Am Belvedere 1, 1100 Vienna, and which is the ultimate 100% parent company of the Bank. Information on the shareholding structure of the ultimate parent company is disclosed in the 2023 financial statements of Erste Group Bank AG or up-to-date information is available on its homepage.

The Board of Directors of the Bank had five members as at 31 December 2023:
Ing. Peter Krutil (chairman), Ing. Pavel Cetkovský (member), RNDr. Milan Hain, PhD. (member), Mgr. Ing. Norbert Hovančák (member) and Mgr. Juraj Barta, CFA (member).

The chairman of the Board of Directors is also the Chief Executive Officer (CEO) of the Bank. Other members of the Board of Directors are the deputies of the Chief Executive Officer.

The Supervisory Board of the Bank had six members as at 31 December 2023:
David O´Mahony (chairman), Mag. Jan Homan (vice-chairman), Paul Formanko, MBA (member), JUDr. Vazil Hudák (member), Mgr. Alena Adamcová (member) and Juraj Futák (member).

The Bank is subject to various regulatory requirements of local, Slovak regulatory bodies defined by Slovak legislation as well as European regulatory bodies defined by EU legislation.

The Bank is under direct supervision of the European Central Bank within a Single Supervision Mechanism.

These separates financial statements have been prepared and authorized for issue by the management board as at the signing date of this report. However, these separate financial statements are subject of approval on the supervisory board (28 February 2024) and the annual general meeting (27 March 2024).

Material accounting policy information

These separate financial statements are directed to primary users, being investors who lend or provide equity capital to the reporting entity. These separate financial statements assume that the primary users have a reasonable knowledge of business and economic activities and review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena reported in these separate financial statements.

These separate financial statements aim disclosing only information that management considers is material for the primary users. Management seeks not to reduce the understandability of these separate financial statements by obscuring material information with immaterial information. Hence, only material accounting policy information is disclosed, where relevant, in the related disclosure notes.

a) Basis of preparation

The separate financial statements of the Bank for the financial year ending on 31 December 2023 and the related comparative information were prepared in compliance with applicable International Financial Reporting Standards as adopted by the European Union on the basis of IAS Regulation (EC) No. 1606/2002.

The principal accounting policies applied in the preparation of these separate financial statements are set out in respective parts of these statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

There is a change in the presentation of lines in equity in comparison with prior year. The line "Retained earnings and other funds" disclosed in 2022 was split into lines: Legal reserve fund, Other funds, Retained earnings, Other components of equity. Over the last 3 years there has been no significant increase or decrease in the lines mentioned. The Bank changed the presentation as is provides information that is reliable and more relevant.

Measurement bases or bases used in the financial statements (like amortised cost, fair value, etc.) are set out in respective parts of these statements.

These separate financial statements have been prepared on the basis that the Bank will be able to continue as a going concern for the foreseeable future.

The Bank is subject to regulatory restrictions on capital distributions stemming from the EU-wide capital requirements regulations applicable to all credit institutions based in the EU.

Balances in brackets represent negative amounts. Except as otherwise indicated, all amounts are stated in thousands of EUR ('EUR ths.'). The tables in this report may contain rounding differences.

b) Accounting and measurement methods

Foreign currency translation

The separate financial statements are presented in Euro, which is the functional currency of the bank. The functional currency is the currency of the primary business environment in which an entity operates.
For foreign currency translation, the reference rates of the European Central Bank are used.

i. Transactions and balances in foreign currency

Transactions in foreign currencies are initially recorded at the functional currency exchange rate effective as at the date of the transaction. Subsequently, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate as at the balance sheet date. All resulting exchange differences that arise are recognised in the statement of income under the line item 'Net trading result'. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions, i.e. they do not give rise to exchange differences. Non-monetary items that are measured at fair value (such as equity investments) in a foreign currency are translated using the exchange rates at the date when the fair value is measured, thus the exchange differences are part of the fair value gains or losses.

c) Accounting judgements, assumptions and estimates

The separate financial statements contain amounts that have been determined on the basis of judgements and by the use of estimates and assumptions. The estimates and assumptions used are based on historical experience and other factors, such as planning as well as expectations and forecasts of future events that are currently deemed to be reasonable. As a consequence of the uncertainty associated with these assumptions and estimates, actual results could in future periods lead to adjustments in the carrying amounts of the related assets or liabilities. The most significant uses of judgements, assumptions and estimates are described in the notes of the respective assets and liabilities and relate in particular to:

- SPPI assessment of financial instruments (Chapter Financial instruments – Material accounting policies)
- Business model assessment of financial instruments (Chapter Financial instruments – Material accounting policies)
- Impairment of financial instruments (Chapter Financial instruments – Material accounting policies, Note 25 Credit risk)
- Financial liabilities stemming from the TLTRO programme of the ECB (Chapter Financial instruments – Material accounting policies, Note 15 Financial liabilities at amortised cost)

Details about effects of these factors on the expected credit losses estimation are described in Note 25 Credit risk.

d) Application of amended and new IFRS/IAS

The accounting policies adopted are consistent with those used in the previous financial year except for standards and interpretations that became effective for financial years beginning after 1 January 2023. As regards new standards and interpretations and their amendments, only those that are relevant for the business of the Bank are listed below.

Effective standards and interpretations

The following amendments of standards have become mandatory for the financial year 2023 and have been endorsed by the EU:

- IFRS 17: Insurance contracts
- Amendments to IAS 1: Disclosure of Accounting Policies
- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12: International Tax Reform — Pillar Two Model Rules.

Application of the above-mentioned amendments in 2023 did not have a significant impact on the Bank's financial statements. However, Amendments to IAS 1 resulted to a significant reduction in the disclosures of the accounting policies with focus on material information.

Information related to the Pillar Two IAS 12 Amendment and special levy are disclosed in Note 11 Taxes on income.

Standards and interpretations not yet effective

The standards and amendments shown below were issued by the IASB but are not yet effective.

Following amendments to standards are already endorsed by the EU:

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback
- Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or non-current

Following amendments have not yet been endorsed by the EU until the date of approval of these financial statements:

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability. The amendments to IAS 21 were issued in August 2023 and become effective for annual periods beginning on or after 1 January 2025. The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback. The amendments to IFRS 16 were issued in September 2022 and become effective for annual periods beginning on or after 1 January 2024.

Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or non-current. The amendments to IAS 1 were originally issued in January 2020, subsequently amended in November 2022 and become ultimately effective for annual periods beginning on or after 1 January 2024.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements. The amendments to IAS 7 and IFRS 7 were issued in May 2023 and become effective for annual periods beginning on or after 1 January 2024.

Application of these amendments is not expected to have a significant impact on Bank's financial statements.

Performance / Return

1. Segment reporting

The segment reporting of the Bank is based on IFRS 8 Operating Segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal management reporting that is regularly reviewed by the chief operating decision maker to assess the performance of the segments and make decisions regarding the allocation of resources. Within the Bank the function of the chief operating decision maker is executed by the Board of Directors. In addition, the Bank's segment reporting follows the standards of the Erste Group issued for the purpose to unify presentation, measurement and steering of the Bank.

Business segments

The segment reporting comprises four business segments reflecting management structure of the Bank and its internal management reporting in 2023.

The Bank - business segments

Retail	Corporates	Asset Liability Management (ALM), Local Corporate Center (LCC) and Free Capital (FCAP)	Group Markets

The Bank applies account manager principle for the definition of segments / business lines. It means that each client has assigned one account manager from a particular segment / business line. Subsequently, profit or loss on business transactions with the client is allocated to that account manager.

Retail segment comprises the entire business activities with private individuals, free professionals and micros with turnover of less than EUR 300 thousand, which are in the responsibility of account managers in the Retail network. Retail products and services, including current accounts and savings, loans pledged by real estate, mortgage and consumer loans, credit cards, investment and cross selling products (e.g. insurance, asset management products and building society products) are offered via various distribution channels, such as branch network and digital banking. The Retail segment is divided into 8 regions and 178 branches (status as at 31 December 2023).

The Corporates segment comprises business done with corporate customers of different turnover size (small and medium-sized enterprises, micros with turnover of more than EUR 300 thousand and Large Corporate customers) as well as commercial real estate and public sector business.

Asset Liability Management (ALM), Local Corporate Center (LCC) segment and Free Capital (FCAP) Segment comprises on the one side the management of Bank's assets and liabilities in the light of uncertainty of cash flows, cost of funds and return on investments in order to determine the optimal trade-off between risk, return and liquidity. Furthermore, it comprises funding transactions, hedging activities, investments into securities other than held for trading purpose, management of own issues and FX positions. On the other side it also includes the local corporate center which comprises all non-core banking business activities such as non-profit servicing participations, intragroup eliminations within the respective partial group, dividends, refinancing costs of participations, all non-banking balance sheet positions (e.g. fixed assets) which cannot be allocated to other business segments. Apart from that the Local Corporate Center includes received dividends and reconciliations to the accounting result. The segment comprises also Free Capital which is defined as the difference of the total average IFRS equity and the average economical equity allocated to all operating segments.

Group Markets (GM) segment comprises trading and markets services, as well as business with financial institutions. This segment is divided into Treasury trading and market services (GMT) and Financial institutions (GMFI):

- Treasury trading and Market services (GMT) comprises all activities related to active risk taking and managing in regulatory trading books of the Bank, additional to that the execution of trades against the market using the trading books of the Bank for market making, short-term liquidity management and warehousing purposes. Specifically, revenues and fair value results not directly attributable to client transactions (which can be valid also for ALM deals) and generally risk premiums and execution fees are taken into account. It also includes 20% compensation fee from Retail for the treasury sales services.
- Financial institutions (GMFI) are companies that provide financial services for their clients or members and act as professional and active participant on financial markets for the purpose of proprietary trading or on behalf of their clients (banks, central banks, development banks, investment banks, investment funds, brokerages, insurance companies, pension funds, credit unions, building societies, asset management companies, government debt agencies, sovereign wealth funds, exchanges).

Measurement

The profit and loss statement of the segment report is based on the measures reported to the Bank's Board of Directors for the purpose of allocating resources to the segments and assessing their performance. Management reporting as well as the segment report of the Bank are based on IFRS. Accounting standards and methods as well as measurements used in segment reporting are the same as for the separate financial statements of accounting.

Interest revenues are not reported separately from interest expenses for each reportable segment. Those measures are reported on the net basis within the position 'Net interest income' as interest revenues and interest expenses are neither included into the measure of segment profit or loss reviewed by the chief operating decision maker nor otherwise regularly provided to the chief operating decision maker. Chief operating decision maker relies solely on net interest income to assess the performance of the segments and make decisions about resources to be allocated to the segments. Net fee and commission income and Other operating result are reported on a net basis according to the regular reporting to the chief operating decision maker.

Capital consumption per segment is regularly reviewed by the management of the Bank to assess the performance of the segments. The average allocated equity is determined by credit risk, market risk and operational risk. In line with the regular internal reporting prepared for the Board of Directors, total assets, total liabilities, as well as risk weighted assets and allocated equity are disclosed per segment. Total average allocated capital for the Bank equals average total equity of the Bank. For measuring and assessing the profitability of segments within the Bank, such key measures as return on allocated capital and cost/income ratio are used.

Return on allocated capital is defined as net result for the period before minorities in relation to the average allocated capital of the respective segment. Cost/income ratio is defined as operating expenses (general administrative expenses) in relation to operating income (total of net interest income, net fee and commission income, dividend income, net trading result, gains/(losses) from financial instruments measured at fair value through profit or loss, net result from equity method investments, rental income from investment properties and other operating lease).

Business Segments	Retail		Corporates		Group markets		Asset Liability Management, Local Corporate Center and Free Capital		Total	
EUR ths.	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**
Net interest income	276,697	429,131	100,817	144,103	5,648	9,560	60,399	(61,239)	443,561	521,555
Net fee and commission income	156,136	162,913	26,833	33,762	15,262	16,741	(6,015)	(5,912)	192,216	207,504
Dividend income	-	-	-	-	-	-	606	590	606	590
Net trading result	5,407	4,822	8,724	7,745	5,495	4,370	4,010	4,684	23,636	21,621
Gains/(losses) from financial instruments at FVPL	-	-	-	-	-	-	907	2,467	907	2,467
Rental income from investment properties & other operating leases	-	-	-	-	-	-	316	411	316	411
General administrative expenses	(260,926)	(270,120)	(41,497)	(57,305)	(5,118)	(5,241)	(2,248)	(1,094)	(309,789)	(333,760)
Gains/(losses) from derecognition of financial assets at AC	-	-	-	-	-	-	2	4	2	4
Other gains/(losses) from derecognition of financial instruments not at FVPL	-	-	-	-	-	-	(452)	(147)	(452)	(147)
Impairment result from financial instruments	(19,716)	(18,981)	(11,578)	3,427	17	(53)	(837)	413	(32,114)	(15,194)
Other operating result	(1,008)	(728)	(2,259)	123	(271)	(181)	(1,562)	(5,954)	(5,100)	(6,740)
Levies on banking activities	(1,008)	(728)	(1,087)	(684)	(272)	(180)	(3,527)	(2,855)	(5,894)	(4,447)
Pre-tax result from continuing operations	**156,590**	**307,037**	**81,040**	**131,855**	**21,033**	**25,196**	**55,126**	**(65,777)**	**313,789**	**398,311**
Taxes on income	(32,884)	(64,478)	(17,018)	(27,698)	(4,417)	(5,291)	(14,911)	7,732	(69,230)	(89,735)
Net result for the period	**123,706**	**242,559**	**64,022**	**104,157**	**16,616**	**19,905**	**40,215**	**(58,045)**	**244,559**	**308,576**
Net result attributable to owners of the parent	**123,706**	**242,559**	**64,022**	**104,157**	**16,616**	**19,905**	**40,215**	**(58,045)**	**244,559**	**308,576**
Operating income	438,239	596,866	136,374	185,610	26,405	30,671	60,224	(58,999)	661,242	754,148
Operating expenses	(260,926)	(270,120)	(41,497)	(57,305)	(5,118)	(5,241)	(2,248)	(1,094)	(309,789)	(333,760)
Operating result	**177,313**	**326,746**	**94,877**	**128,305**	**21,287**	**25,430**	**57,976**	**(60,093)**	**351,453**	**420,388**
Risk-weighted assets (credit risk, eop)*	3,926,089	3,594,858	4,620,677	6,031,262	2,553	1,955	313,821	363,624	8,863,140	9,991,699
Average allocated capital**	531,362	472,955	499,524	555,116	6,902	6,370	442,652	484,125	1,480,440	1,518,566
Cost/income ratio	59.54%	45.26%	30.43%	30.87%	19.38%	17.09%	3.73%	-1.85%	46.85%	44.26%
Return on allocated capital	23.28%	51.29%	12.82%	18.76%	240.75%	312.48%	9.09%	-11.99%	16.52%	20.32%
Total assets (eop)	12,570,896	12,371,908	5,456,918	6,597,102	82,591	69,555	5,679,180	7,462,692	23,789,585	26,501,257
Total liabilities excluding equity (eop)	13,729,221	13,357,446	2,302,624	3,488,324	718,039	825,563	4,882,521	6,388,480	21,632,405	24,059,813
Impairments	**(19,717)**	**(18,981)**	**(11,578)**	**3,427**	**17**	**(53)**	**(836)**	**413**	**(32,114)**	**(15,194)**
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	(19,577)	(20,038)	(15,432)	(4,555)	17	(43)	(837)	413	(35,829)	(24,223)
Net impairment loss on commitments and guarantees given	(140)	1,057	3,854	7,982	-	(10)	1	-	3,715	9,029

*Credit RWA (eop) after intercompany transactions according to Pillar 1, calculated by Erste Group for the purpose of segment report and management purposes (without subsidiaries Credit RWA).
**Average allocated capital is calculated based on Erste Group controlling methodology.

2. Net interest income

Net interest income is broken down into line items of interest income, other similar income, interest expenses and other similar expenses. The distinguishing factor is whether the EIR method is mandatorily applied for recognition of interest income or expense in accordance with IFRS 9.

'Interest income' relates to interest revenue from financial assets measured at amortised cost and at fair value through other comprehensive income. It is calculated using the EIR method as discussed in chapter 'Financial instruments – Material accounting policies'.

'Other similar income' captures interest-like sources of income resulting from non-derivative financial assets measured at fair value through profit or loss, held for trading derivatives, hedge accounting derivatives, finance lease receivables and negative interest on financial liabilities.

'Interest expenses' relate to interest expense from financial liabilities measured at amortised cost calculated using effective interest rate as discussed in chapter 'Financial instruments – Material accounting policies'.

'Other similar expenses' capture interest-like sources of expense resulting from non-derivative financial liabilities measured at fair value through profit or loss, held for trading derivatives, hedge accounting derivatives, negative interest on financial assets, lease liabilities, provisions recognised under IFRS 9 and IAS 37 (unwinding of the time value of the money effect due to passage of time) and net defined benefit plan liabilities (net interest cost on severance payments, pensions and jubilee obligations) under IAS 19.

Interest income also includes modification gains and losses recognised on financial assets in Stage 1. Further, the unamortised balance of the origination fees/transaction costs upon derecognition of assets in Stage 1 and 2 considered in the effective interest rate is presented as interest income at the derecognition date.

EUR ths.	2022	2023
Financial assets at AC	470,015	761,169
Demand deposits	7,539	66,865
Loans and advances	372,108	593,911
Debt securities	90,368	100,393
Interest income	**470,015**	**761,169**
Non-trading financial assets at FVPL	24	24
Financial assets HfT	14,582	35,053
Hedge accounting derivatives, interest rate risk	(5,982)	3,997
Other assets	5,254	8,546
Negative interest from financial liabilities	10,663	22
Other similar income	**24,541**	**47,642**
Interest and other similar income	**494,556**	**808,811**
Financial liabilities at AC	(40,311)	(218,058)
Deposits	(15,936)	(130,274)
Debt securities in issue	(24,375)	(87,784)
Interest expenses	**(40,311)**	**(218,058)**
Financial liabilities HfT	(12,634)	(33,180)
Hedge accounting derivatives, interest rate risk	7,505	(33,494)
Other liabilities	(952)	(2,524)
Negative Interest from financial assets	(4,603)	-
Other similar expenses	**(10,684)**	**(69,198)**
Interest and other similar expenses	**(50,995)**	**(287,256)**
Net interest income	**443,561**	**521,555**

An amount of EUR 8.7 million (2022: EUR 6.8 million) relating to impaired financial assets is included in interest income.

The amounts disclosed in the line items 'Negative interest from financial liabilities' and 'Negative interest from financial assets' relate to the interbank business, deposits and refinancing with central banks only.

Interest on derivatives relates to the hedged items presented in the line item 'Financial assets / liabilities at AC'.

In 2023 the interest expense on financial liabilities at AC from Targeted Long Term Refinancing Operation (TLTRO III) is in the amount of EUR 24.6 million (2022: EUR 6.6 million). For more details refer to Note 15 Financial liabilities at amortised costs.

3. Net fee and commission income

The Bank earns fee and commission income from a diverse range of services that it provides to its customers.

Fee and commission income is measured based on the consideration specified in the contract with a customer. The Bank recognises revenue when it transfers a promised service to a customer.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commitment fees, premiums received for financial guarantees and other fees from lending business, commission income from asset management, custody and other management and advisory fees. Services provided over a period of time also include certain payment services like periodic card fees.

Fee income earned from providing transaction services, such as arranging the acquisition and sale of shares or other securities on behalf of customers or foreign exchange transactions, as well as commission income earned from services such as the sale of collective investments and insurance products, are recognised upon completion of the underlying transaction. Transaction based services also include certain payment services like withdrawal fees.

A contract with a customer that results in the recognition of a financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. For example, loan servicing fees agreed in a loan contract that are not integral to the effective interest rate of a financial instrument are included in the net fee and commission income.

EUR ths.	2022		2023	
	Income	Expenses	Income	Expenses
Securities	6,597	(1,818)	4,602	(911)
Issues	88	-	619	-
Transfer orders	1,574	(1,636)	604	(870)
Other	4,935	(182)	3,379	(41)
Custody	3,968	(2,075)	4,457	(2,247)
Collective investment	82	-	-	-
Other	3,886	(2,075)	4,457	(2,247)
Payment services	114,973	(9,692)	117,627	(8,810)
Card business	54,500	(6,409)	55,209	(5,189)
Other	60,473	(3,283)	62,418	(3,621)
Customer resources distributed but not managed	64,490	(251)	71,907	(107)
Collective investment	21,798	-	23,691	-
Insurance products (as agent)	42,667	(251)	48,187	(107)
Other	25	-	29	-
Lending Business	23,280	(5,253)	23,928	(1,096)
Guarantees given, guarantees received	5,456	(10)	5,847	(9)
Loan commitments given, loan commitments received	3,747	-	3,871	-
Other lending business	14,077	(5,243)	14,210	(1,087)
Other	1,036	(3,039)	1,108	(2,954)
Total fee and commission income and expenses	**214,344**	**(22,128)**	**223,629**	**(16,125)**
Net fee and commission income	**192,216**		**207,504**	

Collective investment in the line ´Customer resources distributed but not managed´ and custody fees relate to fees earned by the Bank on trust and other investment activities in which the Bank holds or invests assets on behalf of its customers and amount to EUR 15,188.3 million (2022: EUR 13,179.7 million).

4. Dividend income

EUR ths.	2022	2023
Non-trading financial assets at fair value through profit or loss	588	571
Financial assets at amortised cost	18	19
Dividend income	**606**	**590**

5. Net trading result

Results arising from trading activities include all gains and losses from changes in the fair value (clean price) of financial assets and financial liabilities classified as held for trading, including all derivatives not designated as hedging instruments. Further, the net trading result includes any ineffective portions recorded in fair value hedge transactions. Also, foreign exchange gains and losses on all monetary assets and liabilities and from spot currency conversions are included here.
The accounting policy for recognition of foreign exchange gains and losses is described in the chapter Material accounting policies, Accounting and measurement methods, Foreign currency translations, i. Transactions and balances in foreign currency. Detailed information relating to hedge accounting can be found in Note 19 Hedge accounting.

The Bank has adopted a business model of centralised financial markets trading in cooperation with its parent company. Within this model Erste Group Bank AG conducts all trading operations on a central trading book in order to manage effectively market risks from the Bank trading activities (i.e. transactions with retail, corporate and other institutional clients), with the exception of equity risk trading and transactions for the Group's liquidity management purposes.
Trading gains from the market positions of Erste Group Bank AG are distributed according to the approved rules to local banks within the Group based on their financial results and are reported in the income statement line item 'Net trading result'. The basic principle underlying these rules is that Erste Group Bank AG absorbs potential losses in individual groups of assets in exchange for the risk premium derived from the VaR indicator. This business model of financial markets trading also includes reallocation of trading costs to the participating subsidiaries of Erste Group Bank AG based on their cost/income ratio.

EUR ths.	2022	2023
Securities trading	4,570	4,298
Derivatives trading	18,136	16,889
Result from hedge accounting	930	434
Net trading result	**23,636**	**21,621**

The line item 'Securities trading' includes net gains from the Erste Group Bank AG's market positions attributable to the Bank.

6. Gains/(losses) from financial instruments measured at fair value through profit or loss

Changes in fair value (clean price) of non-trading financial assets at fair value through profit or loss are presented under this line item. This concerns non-trading financial assets mandatorily measured at fair value through profit or loss.

EUR ths.	2022	2023
Result from measurement/sale of financial assets mandatorily at FVPL	907	2,467
Gains/(losses) from financial instruments measured at fair value through profit or loss	**907**	**2,467**

7. Rental income from investment properties & other operating leases

Rental income from investment properties and other operating leases is recognised on a straight-line basis over the lease term. Operating expenses for investment properties are reported in line item 'Other operating result'. For further details we refer to Note 10 Other operating result.

EUR ths.	2022	2023
Investment properties	316	411
Rental income from investment properties & other operating leases	**316**	**411**

8. General administrative expenses

Personnel expenses

Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes and levies. They also include service costs for severance payments, pension and jubilee obligations and remeasurements of jubilee obligations. Furthermore, restructuring provision expenses may be part of personnel expenses.

Information about remuneration of management including performance-linked remuneration can be found in Note 40 Related-party transactions and principal shareholders.

As at 31 December 2023 the Bank had 3,509 employees, thereof five members of the Board of Directors. As at 31 December 2022 the Bank had 3,573 employees, thereof five members of the Board of Directors.

WeShare program

The WeShare-Participation program and the WeShare-Investment Plus program are equity-settled share-based payment transactions. Both programs are offered to employees of the Bank.

Under the WeShare-Investment Plus program all employees, who had been employed by the Bank, from April 2023 until June 2023 could voluntarily invest in Erste Group shares and receive free shares depending on the amount of their personal investment. The WeShare-Investment Plus program was settled in June 2023. The number of free shares, which were granted under this program for the period, is 31,737. Personnel expenses in the amount of EUR 1.0 million were recorded.

Under the WeShare-Participation program all employees, who have been employed by the Bank for at least six months in year 2022 and have active employment status in June 2023 are entitled to receive shares in an equivalent amount of EUR 350. The expected number of free shares, which are granted under this program for the period, is

28,808 (2022: 43,465). Based on the number of entitled employees, personnel expenses in the amount of EUR 0.4 million (2022: EUR 0.5 million) were recorded and a corresponding reserve in retained earnings was created.

Other administrative expenses

Other administrative expenses include primarily information technology expenses, expenses for office space, office operating and administrative expenses, advertising and marketing, and expenditures for legal and other consultants. Furthermore, the line item contains deposit insurance contributions. Restructuring provision expenses may also be presented in other administrative expenses.

Expenses for leases complying with recognition exemptions for short-term leases (less than 12 months) and leases of low-value items under IFRS 16 are disclosed in the category 'Other administrative expenses' under the line item 'Expenses for office premises' in total amount of EUR 0.5 million (2022: EUR 0.7 million).

The Bank is legally obliged to make a contribution to the Deposit Protection Fund, which is accounted for in accordance with the IFRIC 21. The amount of this annual contribution is calculated based on the Bank's customer deposit liabilities. The contribution to the Deposit Protection Fund was paid in April 2023.

Depreciation and amortization

This line item comprises depreciation of property and equipment, depreciation of investment property and amortisation of intangible assets. In the line item 'Depreciation and amortisation', also the depreciation of right-of-use assets according to IFRS 16 is disclosed.

EUR ths.	2022	2023
Personnel expenses	**(161,121)**	**(175,842)**
Wages and salaries	(114,408)	(122,942)
Compulsory social security	(40,443)	(43,267)
Long-term employee provisions	518	(2,007)
Other personnel expenses	(6,788)	(7,626)
Other administrative expenses	**(111,113)**	**(121,496)**
Deposit insurance contribution	(9,856)	(2,394)
IT expenses	(50,410)	(55,685)
Expenses for office premises	(14,542)	(16,275)
Office operating and administrative expenses	(12,509)	(13,721)
Advertising/marketing	(14,719)	(15,517)
Legal and consulting costs	(4,803)	(5,263)
Sundry administrative expenses	(4,274)	(12,641)
Depreciation and amortisation	**(37,555)**	**(36,422)**
Software and other intangible assets	(7,697)	(6,432)
Owner occupied real estate	(20,672)	(20,296)
Investment properties	(214)	(224)
Office furniture and equipment and sundry property and equipment	(8,972)	(9,470)
General administrative expenses	**(309,789)**	**(333,760)**

9. Impairment result from financial instruments

Net impairment losses on financial instruments comprise impairment losses and reversals of impairment on all kinds of financial instruments, to which the IFRS 9 expected credit loss impairment model applies. The impairment result also includes recoveries on written-off financial assets. Modification gains and losses recognised on financial assets in Stage 2 and Stage 3 and POCI assets could be included in this line item. Moreover, gains/(losses) from derecognition of financial assets in Stage 3 and POCI assets are presented as part of the impairment result.

EUR ths.	2022	2023
Financial assets at AC	(36,849)	(23,202)
Net allocation to credit loss allowances	(35,544)	(21,445)
Direct write-offs	(1,809)	(1,990)
Recoveries recorded directly to the income statement	504	233
Finance lease receivables	1,020	(1,021)
Net allocation to credit loss allowances	971	(1,131)
Direct write-offs	(4)	-
Recoveries recorded directly to the income statement	53	110
Credit loss allowances for loan commitments and financial guarantees given	3,715	9,029
Impairment result from financial instruments	**(32,114)**	**(15,194)**

The following table reconciles the movements of credit risk allowances disclosed in notes 13, 14, 32 and 36 to Impairment result from financial instruments disclosed in Income statement. The reconciliation specifies items that represents movements in credit risk allowances that are not recognized through income statement.

EUR ths.	2022	2023
Net movements from notes 13, 14, 32 and 36	**(6,953)**	**(1,469)**
Financial assets at amortised cost	(12,521)	(9,828)
Finance lease receivables	1,695	(976)
Trade and other receivables	158	306
Commitments and financial guarantees given	3,715	9,029
Items not recognized through income statement - use	**33,871**	**22,600**
Financial assets at amortised cost	33,076	22,474
Finance lease receivables	795	126
Items recognized through income statement – net allocations and releases	**(40,824)**	**(24,069)**
Financial assets at amortised cost	(45,597)	(32,302)
Finance lease receivables	900	(1,102)
Trade and other receivables	158	306
Commitments and financial guarantees given	3,715	9,029
Impairment result from financial instruments	**(32,114)**	**(15,194)**
Items reconciled to movements in notes 13, 14, 32 and 36	**(40,824)**	**(24,069)**
Net allocation of loss allowances	(44,539)	(33,107)
Net allocation of loss allowances for commitments and guarantees given	3,715	9,029
Items not recognized as movement in notes 13, 14, 32 and 36	**8,710**	**8,875**
Unwinding correction	9,966	10,522
Direct write-offs	(1,813)	(1,990)
Recoveries recorded directly to the income statement	557	343

10. Other operating result

The other operating result reflects all other income and expenses not directly attributable to the Bank's ordinary activities.

It includes expenses for allocations to and income from release of provisions in scope of IAS 37. Further, impairment losses or any reversal of impairment losses as well as results on the sale of property and equipment, investment property and intangible assets are presented as other operating result. Any impairment losses on goodwill are also included in this line item.

In addition, the other operating result encompasses the following: resolution fund contributions, expenses for other taxes as well as selling gains and losses on equity investments accounted for using the equity method and gains or losses from derecognition of subsidiaries.

Furthermore, levies on banking activities are considered as part of the other operating result. The Bank recognises a liability or a provision for the levy when the activity that triggers payment, as identified by the relevant legislation, occurs.

EUR ths.	2022	2023
Other operating expenses	**(13,954)**	**(12,493)**
Net allocation to other provisions	(1,777)	(917)
Levies on banking activities	(5,894)	(4,447)
Recovery and resolution fund contributions	(5,894)	(4,447)
Other taxes	(146)	(148)
Other	(6,137)	(6,981)
Other operating income	**8,854**	**5,753**
Result from properties/movables/other intangible assets other than goodwill	3,205	1,814
Result from other operating expenses/income	5,649	3,939
Other operating result	**(5,100)**	**(6,740)**

Levies on banking activities

The contributions are based on the European Recovery and Resolution Directive, which, inter alia, establishes a financing mechanism for the resolution of credit institutions. As a consequence, banks are required to contribute annually to a resolution fund, which in a first step is installed on a national level. According to these regulations, until 31 December 2024 the available financial means of the resolution funds shall reach at least 1% of the amount of covered deposits of all the credit institutions authorized within the European Union. Therefore the resolution funds have to be built over a period of 10 years, during which the contributions shall be spread out as even as possible until the target level is reached.

11. Taxes on income

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period. However, they are recognised in other comprehensive income or directly in equity if they arise from a transaction or event which itself is recognised in OCI or equity.

Taxes on income are made up of current taxes on income calculated in each of the Bank based on the results reported for tax purposes, corrections to taxes on income for previous years and the change in deferred taxes.

EUR ths.	2022	2023
Current tax expense / income	(71,577)	(88,065)
current period	(71,577)	(88,065)
Deferred tax expense / income	2,347	(1,670)
current period	2,347	(1,670)
Total	**(69,230)**	**(89,735)**

The following table reconciles the income taxes reported in the income statement to the pre-tax result from continuing operations multiplied by the nominal Slovak tax rate.

EUR ths.	2022	2023
Pre-tax result from continuing operations	313,789	398,311
Statutory tax rate	21%	21%
Income tax expense for the financial year at the Slovak statutory tax rate (21%)	65,897	83,645
Impact of tax-exempt earnings of investments and other tax-exempt income	(774)	(945)
thereof - Permanently tax-exempt (income) from dividends	(114)	(115)
thereof - Permanently tax-exempt (income) from revaluation of asset	(636)	(609)
thereof - Other	(24)	(221)
Tax increases due to non-deductible expenses, additional business tax and similar elements	4,430	7,425
thereof - Permanently non-deductible expenses with fines, penalties, litigations and similar topics	6	317
thereof - Permanent differences coming from financial assets	1,773	3,850
thereof - Permanent differences coming from other asset	658	1,047
thereof - Other	1,993	2,211
Tax expenses / earnings not attributable to the reporting period	(322)	(390)
Total	**69,231**	**89,735**

The following table shows the income tax effects relating to each component of other comprehensive income:

	2022			2023		
EUR ths.	Pre-tax amount	Income tax	Net-of-tax amount	Pre-tax amount	Income tax	Net-of-tax amount
Remeasurement of defined benefit plans	1,005	(211)	794	(423)	89	(334)
Other comprehensive income	**1,005**	**(211)**	**794**	**(423)**	**89**	**(334)**

Taxes on income within other comprehensive income are influenced by the consideration of the result of recoverability assessments allocated against OCI-related deferred tax assets.

Major components of deferred tax assets and deferred tax liabilities and current tax position

	Tax assets		Tax liabilities		Through PL	Through OCI	Other	Total
EUR ths.	31.12.2022	31.12.2023	31.12.2022	31.12.2023	Net variance			
Temporary differences related to the following items:								
Assets								
Financial assets at fair value through profit or loss	88	88	-	-	-	-	-	**-**
Financial assets at AC	55,526	55,841	-	-	(315)	-	-	**(315)**
Property, equipment and investment properties	-	530	(220)	-	(749)	-	-	**(749)**
RoU Assets	99	336	-	-	(236)	-	-	**(236)**
Other assets	-	10	-	-	(10)	-	-	**(10)**
Liabilities								
Long-term employee provisions (tax valuation different)	1,175	1,282	-	-	(18)	(89)	-	**(107)**
Other provisions (tax valuation different)	5,045	2,188	-	-	2,857	-	-	**2,857**
Other liabilities	8,265	8,124	-	-	141	-	-	**141**
Total deferred tax before tax loss carried forward	**70,198**	**68,399**	**(220)**	**-**	**1,670**	**(89)**	**-**	**1,581**
Effect of netting according IAS 12.71	(220)	-	220	-	-	-	-	**-**
Total deferred taxes	**69,979**	**68,399**	**-**	**-**	**1,670**	**(89)**	**-**	**1,581**
Current taxes	**-**	**-**	**(7,374)**	**(19,746)**	**88,065**	**-**	**-**	**88,065**
Total taxes	**69,979**	**68,399**	**(7,374)**	**(19,746)**	**89,735**	**(89)**	**-**	**89,646**

	Tax assets		Tax liabilities		Through PL	Through OCI	Other	Total
EUR ths.	31.12.2021	31.12.2022	31.12.2021	31.12.2022	Net variance			
Temporary differences related to the following items:								
Assets								
Financial assets at fair value through profit or loss	88	88	-	-	-	-	-	**-**
Financial assets at AC	52,129	55,526	-	-	(3,397)	-	-	**(3,397)**
Property, equipment and investment properties	-	-	(576)	(220)	(356)	-	-	**(356)**
RoU Assets	17	99	-	-	(83)	-	-	**(83)**
Other assets	-	-	-	-	-	-	-	**-**
Liabilities								
Long-term employee provisions (tax valuation different)	1,591	1,175	-	-	205	211	-	**416**
Other provisions (tax valuation different)	5,560	5,045	-	-	515	-	-	**515**
Other liabilities	8,823	8,265	-	-	559	-	-	**559**
Total deferred tax before tax loss carried forward	**68,208**	**70,198**	**(576)**	**(220)**	**(2,557)**	**211**	**-**	**(2,346)**
Tax loss carried forward	210	-	-	-	210	-	-	**210**
Effect of netting according IAS 12.71	(576)	(220)	576	220	-	-	-	**-**
Total deferred taxes	**67,843**	**69,979**	**-**	**-**	**(2,347)**	**211**	**-**	**(2,136)**
Current taxes	**-**	**-**	**(2,193)**	**(7,374)**	**71,577**	**-**	**-**	**71,577**
Total taxes	**67,843**	**69,979**	**(2,193)**	**(7,374)**	**69,230**	**211**	**-**	**69,441**

The Bank's separate deferred tax asset position in amount of EUR 68.4 million as at 31 December 2023 (2022: EUR 70.0 million) is expected to be recoverable in the foreseeable future. These expectations result from year-end recoverability assessments undertaken by the Bank. Such assessments are comparing net temporary deductible differences and available fiscal losses at year-end - after offsetting with deferred tax liabilities at individual level or at relevant tax group level - with fiscal profit forecasts for a group-wide unified and unchanged time horizon of a maximum 5 years depending on the fiscal jurisdiction and applicable facts and circumstances. If the result of these assessments is negative, the deferred tax asset positions are correspondingly not recorded and the already existing deferred tax asset positions are correspondingly decreased.

OECD Pillar Two model rules

The bank is within the scope of the OECD Pillar Two models. Pillar Two legislation was enacted in Slovakia, the jurisdiction in which bank is incorporated. Since the Pillar Two legislation was not effective for the reporting period, the bank has no related current tax exposure. The bank applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023. The bank is in the process of assessing its exposure to the Pillar Two legislation for the future effected accounting periods. This assessment indicates that average effective tax rate based on accounting profits is 22,53% for the annual reporting period to 31 December 2023. Since the average effective tax rate is above 15% and as also expected average effective tax rates for following accounting periods meet the conditions for „Safe Harbour Rules on the basis of Country-by-country reporting rules„ application in Pillar Two legislation, the bank might not be exposed to paying Pillar Two income taxes in relation to Slovakia.

Special levy

On December,19 2023, The parliament of the Slovak republic approved the amendment to Act No. 235/2012 Coll. on a special levy on Business in Regulated Industries, effective from 31.12.2023. The amendment to the law extends the scope to persons authorized to perform activities based on a permission issued or granted by the National Bank of Slovakia, which also includes banks. The levy period is a calendar month, and the bank is obliged to pay the levy starting with January 2024. The special levy is calculated as the product of the levy rate and the levy base. The levy base is the pre-tax profit reported according to international accounting standards adjusted according to Section 17 subsection 1 letter c) Act no. 595/2003 Coll on income tax, multiplied by a coefficient, which is calculated as the share of revenues from activities in the area carried out on the basis of a permission issued or granted by the National Bank of Slovakia to total revenues. The monthly levy rate is 0.025 for accounting period 2024, 0.0208 for accounting period 2025, 0.0167 for accounting period 2026, 0.0125 for accounting period 2027 and for accounting period 2028 and others in the amount of 0.00363. The current reporting period is not affected by this levy.

Financial instruments – Material accounting policies

Accounting and measurement methods for financial instruments

Regular way (spot) purchases and sales of financial assets are recognised at the settlement date, which is the date that an asset is delivered.

Measurement of financial assets and financial liabilities is subject to two primary measurement methods: at amortised cost and fair value.

a) Amortised cost and effective interest rate

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. For financial assets the amount is adjusted for any loss allowance.

The effective interest rate ('EIR') is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset (i.e. its amortised cost before adjusting for any loss allowance) or to the amortized cost of the financial liability. The estimated cash flows consider all the contractual terms of the financial instrument but disregard the expected credit losses. The calculation includes transaction costs, origination fees that are an integral part of the EIR and all other premiums and discounts to the par amount.

b) Fair value

Details on valuation techniques applied for fair value measurement and on the fair value hierarchy are disclosed in Note 18 Fair value of financial instruments.

Classification and subsequent measurement of financial assets

In accordance with IFRS 9, the classification and subsequent measurement of financial assets depend on the following two criteria:

- The business model for managing the financial assets; and
- The cash flow characteristics of the financial assets.

For further details refer to part 'Material accounting judgements, assumptions and estimates' in this chapter.

Application of these criteria leads to classification of financial assets into three measurement categories described in the respective note:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income
- Financial assets at fair value through profit or loss

Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost unless they are measured at fair value through profit or loss. Interest expense is calculated by applying the EIR to the amortised cost of a financial liability. Further details on financial liabilities at amortised cost are in the respective Note 15 Financial liabilities at amortised costs.

Impairment of financial instruments

The Bank recognises loss allowances for impairment on its debt instrument financial assets, other than those measured at fair value through profit or loss, its lease receivables, and its off-balance credit risk exposures arising from financial guarantees and certain loan commitments.

The amount of the impairment loss is recognised as a loss allowance. For the purpose of the measurement of the amount of expected credit loss and recognition of interest income, the Bank distinguishes between three stages of impairment.

Stage 1 relates to financial instruments for which no significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Interest income is recognised by EIR applied to the gross carrying amount of the financial asset.

Financial instruments in Stage 2 are subject to significant increase in credit risk since their initial recognition (and the 'low credit risk exemption' does not apply). Stage 2 also includes trade receivables without significant financing component to which the 'simplified approach' is applied mandatorily based on IFRS 9 requirements. The impairment is measured in the amount of the lifetime expected credit loss. Interest income is recognised by EIR applied to the gross carrying amount of the financial asset (as for Stage 1). In the case of drawings by non-defaulted customers on previously committed credit lines, the whole exposure (on-balance and off-balance) is categorised as either Stage 1 or Stage 2, depending on the development of credit risk between the commitment date and the drawing date. Interest income is calculated by applying the EIR to the gross carrying amount of the financial asset.

Financial instruments in Stage 3 are credit-impaired. In respect of applying the 'credit-impaired' concept of IFRS 9, the Bank adopted the approach of aligning it with the regulatory concept of 'default' in accordance with guidelines of the European Banking Authority EBA/GL/2016/07 and Commission Delegated Regulation (EU) 2018/171. The Bank generally applies a customer view for the default definition, which leads to Stage 3 classification of all transactions with the customer even if the customer defaults only on one of several transactions ('pulling effect'). On the other hand, an upgrade to a non-defaulted rating grade implies that all the transactions with the custom-er cease to be impaired. The impairment of financial instruments in Stage 3 is measured in the amount of the lifetime expected credit loss. Interest income is calculated by EIR applied to the amortised cost (i.e. the net carrying amount) of the financial asset. From a balance sheet perspective, interest is accrued based on the financial assets' gross carrying amount. The difference between the interest accrued on the assets and the interest income recognised is reflected through the allowance account (without impacting the impairment loss).

For financial assets that are credit-impaired at initial recognition (purchased or originated credit-impaired financial assets 'POCI') lifetime expected credit losses are initially reflected in the credit-adjusted EIR. As a result, no loss allowance is recognised at inception. Subsequently, only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss allowance, whilst favourable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets. No impairment stages are distinguished for the POCI financial assets.

Measurement of expected credit losses includes cash flows expected from collateral and those financial guarantees held by Bank which are considered as integral to the contractual terms of financial assets whose risk is guaranteed. Bank considers as integral those guarantees which are entered into at or close to the inception of the guaranteed financial assets. If the Bank has in a loan contract an option to require provision of a guarantee, it is also considered as integral. Premiums paid for integral financial guarantees and other credit enhancements are considered in the EIR of the related financial assets.

Reimbursement assets from financial guarantees which are not considered integral are recognised under 'Other assets' in the statement of financial position. In the statement of income, they reduce the impairment loss incurred on guaranteed financial assets under 'Impairment result from financial instruments'. A precondition for this treatment is that it must be virtually certain that the guarantee would reimburse the Bank for the loss. Premiums paid for non-integral financial guarantees are presented in the statement of income under the line item 'Fee and commission expense' under 'Net fee and commission income'.

For financial assets measured at amortised cost, the net carrying amount of the financial asset presented on the statement of financial position is the difference between the gross carrying amount and the cumulative loss allowance. However, for financial assets measured at fair value through other comprehensive income, the loss allowance is recognised in the accumulated OCI, specifically under 'Fair value reserve' in the statement of changes in equity and under 'Retained earnings and other reserves' in the statement of financial position. Loss allowances for loan commitments and financial guarantees are presented under the statement of financial position line item 'Provisions'.

In the statement of income, impairment losses and their reversals (gains) on all kinds of financial instruments are presented in the line item 'Impairment result from financial instruments'.

Derecognition of financial instruments including treatment of contractual modifications

a) Derecognition of financial assets

The difference between the carrying amount of the derecognised asset and the consideration received is presented in the statement of income in the line 'Gains/(losses) from derecognition of financial assets measured at amortised cost' or, for financial assets at fair value through other comprehensive income, in the line 'Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss'. For financial assets measured at fair value through profit or loss the derecognition gains or losses are recognised together with the measurement result in the lines 'Net trading result' or 'Gains/(losses) from financial instruments measured at fair value through profit or loss'.

b) Derecognition criteria with respect to contractual modifications of financial assets

In the normal course of running its lending business and in agreement with the respective debtors, the Bank may renegotiate or otherwise modify some terms or conditions of the underlying contracts. This can involve either market-driven commercial renegotiations or contractual changes aimed at alleviating or preventing borrower's financial difficulty. For the purpose of capturing the economic substance and financial effect of such contractual modifications, the Bank has developed a set of criteria to assess whether or not the modified terms are substantially different from the original terms and thus the financial asset has to be derecognised.

Commercial interest rate adjustments fulfilling specific conditions do not trigger the modification significance assessment. Instead, they result in a recalculation of the EIR of related loans. Such interest rate adjustments relate to performing non-forborne financial assets for which a prepayment/early termination option and a sufficiently competitive refinancing market exist. Furthermore, the costs that the debtor would incur in case of prepayment/early termination would have to be assessed as low. Such conditions introduce an implicit floating rate element to the contract. This kind of interest rate adjustments rarely applies to loan assets in Stage 2.

Substantial modifications lead to derecognition of the original financial asset and initial recognition of the modified financial asset as a new financial instrument. They include following events:

- change of the contractual counterparty (unless this is a formal change such as changes in legal name);
- change in the currency of the contract (unless the change results from exercising an embedded option in the original contract with pre-agreed conditions of the change, or if the new currency is pegged to the original currency);
- introduction of a non-SPPI contractual feature (unless it is intended to improve recoveries from debtors by granting concessions supporting them to recover from financial difficulties); and
- removal of a non-SPPI contractual feature.

Some derecognition criteria distinguish whether contractual modifications are applied to debtors facing financial difficulties. Application of certain modifications to debtors in financial difficulties is not considered as substantial since they are aimed at improving the prospects of the bank to recover the claims by tailoring the repayment schedules to specific financial conditions of those debtors. On the other hand, such contractual modifications applied to performing debtors may be considered as substantial enough to warrant the derecognition, as further detailed below.
From this perspective, the following criteria lead to derecognition unless they are considered as forbearance measures or they are applied to customers in default or they trigger default (i.e. the derecognition occurs if the modification does not relate to financial difficulties):

- repayment schedule changed in a way that the weighted remaining maturity of the assets is modified by more than 100% and at least two years compared to the original asset; or

- change in timing/amount of contractual cash flows resulting in the present value of the modified cash flows (discounted at pre-modification effective interest rate) being different by more than 10% of the gross carrying amount of the asset immediately before the modification (cumulative assessment considering all modifications occurring over the last twelve months); or
- altering a floating interest rate into a fixed interest rate or vice versa for the entire remaining life of the financial asset.

If contractual modifications that qualify as forbearance measures or they are applied to customers in default or they trigger default (i.e. they relate to customers in financial difficulties) are so significant that they are qualitatively assessed as an extinguishment of original contractual rights, they result in derecognition. Examples of such modifications are:

- a new agreement with materially different terms signed up as part of distressed restructuring following a standstill agreement suspending the rights of the original assets;
- consolidation of multiple original loans into one with substantially different terms; or
- transformation of a revolving loan into non-revolving.

Contractual modifications leading to derecognition of the related original assets result in the initial recognition of new financial assets. If the debtor is in default or the significant modification leads to the default, then the new asset will be treated as POCI. The difference between the carrying amount of the derecognised asset and initial fair value of the new POCI asset is presented in the statement of income in the line 'Impairment result from financial instruments'.

If the debtor is not in default or the significant modification does not lead to default, the new asset recognised after derecognition of the original asset will be in Stage 1. For loans measured at amortised cost, the unamortised balance of the origination fees/transaction costs considered in the effective interest rate is presented in the line item 'Interest income' under 'Net interest income' at the derecognition date. The release of the credit loss allowance attached to the original asset at the date of that significant modification as well as the credit loss allowance recognised for the new asset are presented in the line 'Impairment result from financial instruments'. The remaining difference is presented in the line 'Gains/(losses) from derecognition of financial assets measured at amortised cost'.

For financial assets measured at fair value through profit or loss, irrespective of whether they are in default, the derecognition gains and losses are included in the same line items of the statement of income as their measurement result, i.e. in 'Gains/(losses) from financial instruments measured at fair value through profit or loss'.

For debt instrument assets not measured at fair value through profit or loss that are subject to contractual modifications that do not result in derecognition, the gross carrying amount of the asset is adjusted against recognising a modification gain or loss in profit or loss. The modification gain or loss equals the difference between the gross carrying amount before the modification and the present value of the cash flows based on the modified terms discounted with the original EIR. In the statement of income, the modification gain or loss is presented in the line 'Interest income' under 'Net interest income' if the modification relates to financial assets in Stage 1. For financial assets in Stage 2 and 3 and POCI financial assets, the modification gain or loss is presented in the line 'Impairment result from financial instruments'. However, to the extent that the contractual modification involves the bank giving up its rights of collecting cash flows in respect of an outstanding amount of the asset, such as waiving (part of) principal or accrued interest amount, it is treated as a write-off.

c) Write-offs

The Bank writes off a financial asset or a part of it when it has no reasonable expectations of recovering the respective cash flows. When performing the write-off, the gross carrying amount of the asset is reduced simultaneously with the related loss allowance balance.

The Bank has specified criteria for writing off the unrecoverable balances in its loan business. Write-off can result from forbearance measures whereby the bank contractually waives part of the existing balance in order to help the customers overcome financial difficulties and thus improve the prospects of recovering the remaining loan balance (normally this relates to going concern scenarios for corporate customers).

In gone concern scenarios with corporate customers, write-offs of the unrecoverable exposure parts are triggered by enforcement activities such as filing or termination of legal proceedings (bankruptcy, liquidation, court case). Other write-off triggers may result from decisions about no enforcement due to worthlessness of the claim/collateral or generally from assessment that the receivable is economically lost. For retail customers, the non-recoverability and the timing and amounts of write-off crystallise during the collection process when it becomes evident that the amount due cannot be collected, e.g. due to ongoing bankruptcy proceedings. Residual uncollectable balances are written off after the collection process.

d) Derecognition of financial liabilities

In the statement of income, the difference between the carrying amount of the derecognised financial liability and the consideration paid is presented in the line 'Other gains/(losses) from financial instruments not measured at fair value through profit or loss', 'Gains/(losses) from financial instruments measured at fair value through profit or loss' and 'Net trading result' depending on the measurement category of the derecognised financial liability.

Material accounting judgements, assumptions and estimates

a) SPPI assessment

The assessment of whether the contractual cash flows of financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) is subject to the application of significant judgements which rely on the guidance in IFRS 9. These judgements are crucial in the IFRS 9 classification and measurement process, as they determine whether the asset must be measured at FVPL or, depending on the business model assessment, at amortised cost or at FVOCI. When taking into consideration specific features of financial assets in the business of the Bank, significant areas of judgement are prepayment fees, project financing loans and interest rate adjustments based on the fulfilment of certain ESG-related targets.

The assessment whether the prepayment fees applied to loans can be considered as a reasonable compensation for early terminations or prepayments is based on comparing the level of the fees with the economic costs incurred by the bank upon the early termination. For these purposes, the Bank uses a quantitative test where the costs relate to the lost interest margin and the lost interest differential due to a potential decrease in the interest rates upon early termination or prepayment. The adequacy of the fees can also be defended on a qualitative basis, such as common market practice regarding the level of prepayment fees and their acceptance by authorities.

In the last years financial assets whose interest is adjusted based on meeting certain ESG-linked targets by the borrowers (e.g. meeting specified CO_2 emission targets) became part of the Bank's business. No specific guidance currently exists in IFRS 9 for assessing the SPPI compliance of such features. The Bank has concluded that ESG-related interest adjustments have a de minimis effect on the contractual cash flows of the existing loan portfolio. As a result, they do not affect the SPPI assessment.

For project financing loans the Bank assesses whether they represent basic loan agreements rather than investments in the financed projects. In this respect, credit rating, level of collateralisation, existing sponsor guarantees and the extent of equity funding of the financed projects are considered.

b) Business model assessment

For each SPPI-compliant financial asset at initial recognition, the Bank must assess whether it is part of a business model where the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets, or they are held in other business models. As a consequence, the critical aspect in distinguishing the business models is frequency and significance of sales of assets in the respective business model. Since asset allocation to business models is based on the initial assessment, it may happen that in subsequent periods cash flows are realized differently than originally expected, and a different measurement method may seem to be appropriate. In accordance with IFRS 9, such subsequent changes do not generally lead to reclassifications or prior period error corrections in respect of existing financial assets. The new information on how cash flows are realised may, however, indicate that the business model, and thus the measurement method changes for newly acquired or newly originated financial assets.

At the Bank, certain sales or other derecognition events are considered as not contradicting the held to collect contractual cash flows business model. Examples are sales due to increases in credit risk, sales close to financial assets' maturity, infrequent sales triggered by a non-recurring event (such as changes in regulatory or tax environment, major internal reorganisation or a business combination, severe liquidity crisis, etc.) or derecognitions resulting from replacements of bonds based on an issuer's offer. Other kinds of sales carried out in the 'held to collect' business model are assessed retrospectively, and if they exceed certain quantitative thresholds, or whenever it is considered necessary with regard to new expectations, the Bank performs a prospective test. If the outcome was that the carrying amount of assets expected to be sold over the expected life of the current business model portfolio, for reasons other than the cases above, exceeds 10% of the carrying amount of the portfolio, any new acquisitions or originations of assets would be classified in a different business model.

c) Impairment of financial instruments

The expected credit loss impairment model is inherently based on judgement since it requires assessment of significant increases in credit risk and measurement of expected credit losses without providing detailed guidance. In respect of significant increases in credit risk, bank has determined specific assessment rules consisting of qualitative information and quantitative thresholds. Another area of complexity relates to establishing groups of similar assets when credit risk deterioration has to be assessed on a collective basis before specific information is available at individual instrument level. Measurement of expected credit losses involves complex models relying on historical statistics of probabilities of default and loss rates in case of defaults, their extrapolations in case of insufficient observations, individual estimates of credit-adjusted cash flows and probabilities of various scenarios including forward-looking information. In addition, the life of the instruments has to be modelled in respect of behavioural life of revolving credit facilities.

Detailed disclosures about identification of significant increases in credit risk including collective assessment, estimation techniques used to measure 12-month and lifetime expected credit losses and definition of default is provided in Note 25 Credit risk. The development of loan loss provisions is described in Note 13 Financial assets at amortised cost, Note 14 Trade and other receivables, Note 32 The Group as a lessor, Note 25 Credit risk and Note 36 Contingent liabilities.

d) Financial liabilities stemming from the TLTRO programme of the ECB

For details related to assessments of whether the TLTRO III liabilities contain government grants, how the effective interest rate is determined and changes in estimated cash flows based on expected fulfilment of eligibility conditions see Note 15 Financial liabilities at amortised cost.

Financial instruments held at amortised cost

Financial assets are classified as measured at amortised cost if they are held in a business model whose objective is to collect contractual cash flows, and their contractual cash flows are SPPI.

In the statement of financial position, these assets are carried at amortised cost, i.e. the gross carrying amount net of the credit loss allowance. They are presented under the line 'Financial assets at amortised cost', 'Trade and other receivables' and 'Cash and cash equivalents'.

Interest income on these assets is calculated by effective interest method and is included under the line 'Interest income' under 'Net interest income' in the statement of income. Impairment gains or losses are included in the line 'Impairment result from financial instruments'. Gains and losses from derecognition (such as sales) of the assets are reported under the line item 'Gains/(losses) from derecognition of financial assets measured at amortised cost'.

At the Bank, financial assets at amortised cost constitute the largest measurement category, which includes loan business to customers, interbank lending business (including reverse repo transactions), deposits with central banks, investments in debt securities, amounts in the course of settlement, trade and other receivables and cash and cash equivalents.

For description of financial liabilities measured at amortised cost refer to Note 15.

12. Cash and cash equivalents

Cash equivalents include only claims (deposits) against central banks and credit institutions that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours.

A part of 'Cash balances at central banks' represents the mandatory minimum reserve requirement deposits which amounted to EUR 157.9 million (2022: EUR 179.5 million) at the reporting date. The mandatory minimum reserve requirement is calculated from defined statement of financial position items and has to be fulfilled in average through an extended period of time. Therefore, the mandatory minimum reserve requirement deposits are not subject to any restraints.

EUR ths.	31.12.2022	31.12.2023
Cash on hand	339,594	362,937
Cash balances at central banks	899,437	2,658,749
Other demand deposits at credit institutions	15,512	9,172
Cash and cash equivalents	**1,254,543**	**3,030,858**

13. Financial assets at amortised cost

Debt securities

Investments in debt securities measured at amortised cost may be acquired with different business objectives (such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield generating activities). Their common attribute is that significant or frequent sales of such securities are not expected. For a description of what sales are considered as compliant with the held to collect contractual cash flows business model, see paragraph 'Business model assessment' in chapter 'Financial instruments - Material accounting policies'.

Gross carrying amounts and credit loss allowances per impairment buckets

EUR ths.	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As at 31.12.2023											
General governments	3,638,012	-	-	-	3,638,012	(493)	-	-	-	(493)	3,637,519
Credit institutions	361,814	-	-	-	361,814	(295)	-	-	-	(295)	361,519
Other financial corporations	15,183	10,654	-	-	25,837	(12)	(368)	-	-	(380)	25,457
Non-financial corporations	78,722	18,428	-	-	97,150	(41)	(423)	-	-	(464)	96,686
Total	**4,093,731**	**29,082**	**-**	**-**	**4,122,813**	**(841)**	**(791)**	**-**	**-**	**(1,632)**	**4,121,181**

EUR ths.	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As at 31.12.2022											
General governments	3,734,543	-	-	-	3,734,543	(539)	-	-	-	(539)	3,734,004
Credit institutions	296,446	-	-	-	296,446	(247)	-	-	-	(247)	296,199
Other financial corporations	514	25,316	-	-	25,830	(2)	(581)	-	-	(583)	25,247
Non-financial corporations	76,544	23,439	-	-	99,984	(62)	(472)	-	-	(534)	99,449
Total	**4,108,047**	**48,755**	**-**	**-**	**4,156,802**	**(850)**	**(1,053)**	**-**	**-**	**(1,903)**	**4,154,899**

Movement in credit loss allowances

EUR ths.	01.01.2023	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2023
Stage 1	(850)	(83)	70	328	(306)	-	(841)
Stage 2	(1,054)	-	-	-	263	-	(791)
Stage 3	-	-	-	-	-	-	-
POCI	-	-	-	-	-	-	-
Total	**(1,904)**	**(83)**	**70**	**328**	**(43)**	**-**	**(1,632)**

EUR ths.	01.01.2022	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2022
Stage 1	(762)	(109)	10	-	11	-	(850)
Stage 2	(474)	-	-	(525)	(55)	-	(1,054)
Stage 3	-	-	-	-	-	-	-
POCI	-	-	-	-	-	-	-
Total	**(1,236)**	**(109)**	**10**	**(525)**	**(44)**	**-**	**(1,904)**

Movement table of credit loss allowances above represents changes in allowances disclosed based on the reason of the change and is prepared as at the end of the reporting period in comparison to the balance as at 1 January of the relevant reporting period. The table contains allocations, releases, reclassifications between stages as well as use of the credit loss allowances. Reconciliation of such movements to income statement line 'Impairment result from financial instruments' is disclosed in note 9.

The year-end total gross carrying amounts of amortised cost debt securities that were initially recognized (purchased) during the year 2023 and not fully derecognized by 31 December 2023 amounts to EUR 398.1 million (2022: EUR 377.5 million). The gross carrying amounts of amortised cost debt securities that were held at 1 January 2023 and derecognized during the year 2023 amounts to EUR 435.9 million (2022: EUR 76.1 million).

Loans and advances to banks

Gross carrying amounts and credit loss allowances per impairment buckets

EUR ths.	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As at 31.12.2023											
Credit institutions	10,058	2	-	-	10,060	(28)	-	-	-	(28)	10,032
Total	**10,058**	**2**	**-**	**-**	**10,060**	**(28)**	**-**	**-**	**-**	**(28)**	**10,032**

EUR ths.	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As at 31.12.2022											
Credit institutions	24	2	-	-	26	-	-	-	-	-	26
Total	**24**	**2**	**-**	**-**	**26**	**-**	**-**	**-**	**-**	**-**	**26**

Movement in credit loss allowances

EUR ths.	01.01.2023	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2023
Stage 1	-	(28)	-	-	-	-	(28)
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-
POCI	-	-	-	-	-	-	-
Total	**-**	**(28)**	**-**	**-**	**-**	**-**	**(28)**

EUR ths.	01.01.2022	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2022
Stage 1	(42)	-	-	-	42	-	-
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-
POCI	-	-	-	-	-	-	-
Total	**(42)**	**-**	**-**	**-**	**42**	**-**	**-**

Movement table of credit loss allowances above represents changes in allowances disclosed based on the reason of the change and is prepared as at the end of the reporting period in comparison to the balance as at 1 January of the relevant reporting period. The table contains allocations, releases, reclassifications between stages as well as use of the credit loss allowances. Reconciliation of such movements to income statement line 'Impairment result from financial instruments' is disclosed in note 9.

The year-end total gross carrying amounts of amortised cost loans and advances to banks that were initially recognized during the year 2023 and not fully de-recognized by 31 December 2023 amounts to EUR 10.0 million (2022: EUR 0.0 million). The gross carrying amounts of amortised cost loans and advances to banks that were held as at 1 January 2023 and fully de-recognized during the year 2023 amounts to EUR 0.0 million (2022: EUR 50.0 million).

Loans and advances to customers

Gross carrying amounts and credit loss allowances per impairment buckets

The following table represents gross carrying amounts and credit loss allowances per impairment buckets by sector of loans and advances to customers.

	Gross carrying amount					Credit loss allowances					Carrying amount
EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As at 31.12.2023											
General governments	427,959	661	3	-	428,623	(728)	(20)	-	-	(748)	427,875
Other financial corporations	297,414	5,064	84	18	302,580	(566)	(439)	(58)	(1)	(1,064)	301,516
Non-financial corporations	3,435,517	1,323,694	117,853	107,944	4,985,008	(13,648)	(65,517)	(56,781)	(22,175)	(158,121)	4,826,887
Households	12,344,572	480,689	218,179	6,290	13,049,730	(21,867)	(40,444)	(126,896)	(2,978)	(192,185)	12,857,545
Total	**16,505,462**	**1,810,108**	**336,119**	**114,252**	**18,765,941**	**(36,809)**	**(106,420)**	**(183,735)**	**(25,154)**	**(352,118)**	**18,413,823**

The amounts represent the maximum exposure to credit risk. As at 31 December 2023 the Bank had no reverse repo agreements.

As at 31 December 2023, 15 largest customers accounted for 5.2% of the gross loan portfolio amounting to EUR 960.7 million.

	Gross carrying amount					Credit loss allowances					Carrying amount
EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As at 31.12.2022											
General governments	336,663	601	-	-	337,264	(524)	(19)	-	-	(543)	336,721
Other financial corporations	135,211	86,621	127	21	221,980	(240)	(842)	(91)	(1)	(1,174)	220,806
Non-financial corporations	3,017,191	1,672,489	67,864	94,960	4,852,504	(14,110)	(71,822)	(42,428)	(29,358)	(157,718)	4,694,786
Households	11,762,304	470,091	202,752	4,428	12,439,575	(27,756)	(36,573)	(116,175)	(2,107)	(182,611)	12,256,964
Total	**15,251,369**	**2,229,802**	**270,743**	**99,409**	**17,851,323**	**(42,630)**	**(109,256)**	**(158,694)**	**(31,466)**	**(342,046)**	**17,509,277**

As at 31 December 2022, 15 largest customers accounted for 5.5% of the gross loan portfolio amounting to EUR 970.0 million.

The following table represents gross carrying amounts and credit loss allowances per impairment buckets by asset classes of loans and advances to customers.

	Gross carrying amount					Credit loss allowances					Carrying amount
EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As at 31.12.2023											
Lending for house purchase	10,377,588	256,714	144,136	4,590	10,783,028	(10,689)	(17,968)	(68,980)	(1,989)	(99,626)	10,683,402
Credit for consumption	1,366,414	169,450	65,535	192	1,601,591	(9,883)	(17,344)	(50,461)	(66)	(77,754)	1,523,837
Corporate loans and others	4,761,460	1,383,944	126,448	109,470	6,381,322	(16,237)	(71,108)	(64,294)	(23,099)	(174,738)	6,206,584
Total	**16,505,462**	**1,810,108**	**336,119**	**114,252**	**18,765,941**	**(36,809)**	**(106,420)**	**(183,735)**	**(25,154)**	**(352,118)**	**18,413,823**

EUR ths.	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As at 31.12.2022											
Lending for house purchase	9,917,059	284,914	137,315	2,815	10,342,103	(18,578)	(19,242)	(66,070)	(1,114)	(105,004)	10,237,099
Credit for consumption	1,259,115	151,630	57,039	219	1,468,003	(8,039)	(14,493)	(42,704)	(84)	(65,320)	1,402,683
Corporate loans and others	4,075,195	1,793,258	76,389	96,375	6,041,217	(16,013)	(75,521)	(49,920)	(30,268)	(171,722)	5,869,495
Total	**15,251,369**	**2,229,802**	**270,743**	**99,409**	**17,851,323**	**(42,630)**	**(109,256)**	**(158,694)**	**(31,466)**	**(342,046)**	**17,509,277**

Movement in credit loss allowances

The following table represents movement in credit loss allowances by sector of loans and advances to customers.

EUR ths.	01.01.2023	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2023
Stage 1	**(42,630)**	**(36,287)**	**769**	**15,092**	**26,230**	**17**	**(36,809)**
General governments	(524)	(49)	1	97	(253)	-	(728)
Other financial corporations	(240)	(222)	2	1,652	(1,758)	-	(566)
Non-financial corporations	(14,110)	(23,940)	184	4,029	20,187	2	(13,648)
Households	(27,756)	(12,076)	582	9,314	8,054	15	(21,867)
Stage 2	**(109,256)**	**(1,427)**	**458**	**(33,600)**	**37,159**	**246**	**(106,420)**
General governments	(19)	-	-	(18)	17	-	(20)
Other financial corporations	(842)	-	-	(67)	470	-	(439)
Non-financial corporations	(71,822)	(1,073)	88	(15,666)	22,929	27	(65,517)
Households	(36,573)	(354)	370	(17,849)	13,743	219	(40,444)
Stage 3	**(158,694)**	**(203)**	**12,090**	**(8,587)**	**(33,416)**	**5,075**	**(183,735)**
Other financial corporations	(91)	-	23	-	10	-	(58)
Non-financial corporations	(42,428)	(132)	1,419	(2,202)	(14,136)	698	(56,781)
Households	(116,175)	(71)	10,648	(6,385)	(19,290)	4,377	(126,896)
POCI	**(31,466)**	**-**	**358**	**-**	**5,714**	**240**	**(25,154)**
Other financial corporations	(1)	-	-	-	-	-	(1)
Non-financial corporations	(29,358)	-	172	-	6,991	20	(22,175)
Households	(2,107)	-	186	-	(1,277)	220	(2,978)
Total	**(342,046)**	**(37,917)**	**13,675**	**(27,095)**	**35,687**	**5,578**	**(352,118)**

EUR ths.	01.01.2022	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2022
Stage 1	**(39,859)**	**(37,325)**	**1,013**	**22,362**	**11,006**	**173**	**(42,630)**
General governments	(411)	(399)	-	41	245	-	(524)
Other financial corporations	(317)	(2,354)	-	851	1,580	-	(240)
Non-financial corporations	(13,821)	(25,550)	200	10,446	14,609	6	(14,110)
Households	(25,310)	(9,022)	813	11,024	(5,428)	167	(27,756)
Stage 2	**(110,714)**	**(1,473)**	**418**	**(42,066)**	**44,138**	**441**	**(109,256)**
General governments	(17)	-	-	(53)	51	-	(19)
Other financial corporations	(2,610)	-	-	(411)	2,179	-	(842)
Non-financial corporations	(70,896)	(1,132)	301	(27,161)	27,041	25	(71,822)
Households	(37,191)	(341)	117	(14,441)	14,867	416	(36,573)
Stage 3	**(157,658)**	**(608)**	**16,572**	**(6,018)**	**(21,483)**	**10,501**	**(158,694)**
Other financial corporations	(36)	-	8	(1)	(62)	-	(91)
Non-financial corporations	(36,292)	(566)	4,443	(980)	(10,033)	1,000	(42,428)
Households	(121,330)	(42)	12,121	(5,037)	(11,388)	9,501	(116,175)
POCI	**(21,919)**	**-**	**215**	**-**	**(10,336)**	**574**	**(31,466)**
Other financial corporations	(1)	-	-	-	-	-	(1)
Non-financial corporations	(20,168)	-	49	-	(9,314)	75	(29,358)
Households	(1,750)	-	166	-	(1,022)	499	(2,107)
Total	**(330,150)**	**(39,406)**	**18,218**	**(25,722)**	**23,325**	**11,689**	**(342,046)**

The following table represents movement in credit loss allowances by asset classes of loans and advances to customers.

EUR ths.	01.01.2023	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2023
Stage 1	**(42,630)**	**(36,287)**	**769**	**15,092**	**26,230**	**17**	**(36,809)**
Lending for house purchase	(18,578)	(207)	26	7,836	234	-	(10,689)
Credit for consumption	(8,039)	(13,666)	95	1,788	9,939	-	(9,883)
Corporate loans and others	(16,013)	(22,414)	648	5,468	16,057	17	(16,237)
Stage 2	**(109,256)**	**(1,427)**	**458**	**(33,600)**	**37,159**	**246**	**(106,420)**
Lending for house purchase	(19,242)	(51)	273	(6,917)	7,969	-	(17,968)
Credit for consumption	(14,493)	(3)	37	(8,178)	5,271	22	(17,344)
Corporate loans and others	(75,521)	(1,373)	148	(18,505)	23,919	224	(71,108)
Stage 3	**(158,694)**	**(203)**	**12,090**	**(8,587)**	**(33,416)**	**5,075**	**(183,735)**
Lending for house purchase	(66,070)	(354)	2,680	(3,465)	(2,431)	660	(68,980)
Credit for consumption	(42,702)	(116)	9,680	(2,892)	(17,728)	3,299	(50,461)
Corporate loans and others	(49,922)	267	(270)	(2,230)	(13,257)	1,116	(64,294)
POCI	**(31,466)**	**-**	**358**	**-**	**5,714**	**240**	**(25,154)**
Lending for house purchase	(1,114)	-	16	-	(891)	-	(1,989)
Credit for consumption	(84)	-	1	-	12	5	(66)
Corporate loans and others	(30,268)	-	341	-	6,593	235	(23,099)
Total	**(342,046)**	**(37,917)**	**13,675**	**(27,095)**	**35,687**	**5,578**	**(352,118)**

EUR ths.	01.01.2022	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2022
Stage 1	**(39,859)**	**(37,325)**	**1,013**	**22,362**	**11,006**	**173**	**(42,630)**
Lending for house purchase	(18,418)	(354)	472	8,661	(8,964)	25	(18,578)
Credit for consumption	(5,960)	(8,924)	154	1,764	4,804	123	(8,039)
Corporate loans and others	(15,481)	(28,047)	387	11,937	15,166	25	(16,013)
Stage 2	**(110,714)**	**(1,473)**	**418**	**(42,066)**	**44,138**	**441**	**(109,256)**
Lending for house purchase	(21,341)	(25)	53	(6,699)	8,769	1	(19,242)
Credit for consumption	(13,380)	(2)	48	(6,320)	4,945	216	(14,493)
Corporate loans and others	(75,993)	(1,446)	317	(29,047)	30,424	224	(75,521)
Stage 3	**(157,658)**	**(608)**	**16,572**	**(6,018)**	**(21,483)**	**10,501**	**(158,694)**
Lending for house purchase	(65,073)	-	3,426	(2,987)	(2,508)	1,072	(66,070)
Credit for consumption	(48,420)	(37)	10,463	(1,789)	(10,513)	7,592	(42,704)
Corporate loans and others	(44,165)	(571)	2,683	(1,242)	(8,462)	1,837	(49,920)
POCI	**(21,919)**	**-**	**215**	**-**	**(10,336)**	**574**	**(31,466)**
Lending for house purchase	(459)	-	12	-	(667)	-	(1,114)
Credit for consumption	(76)	-	-	-	(17)	9	(84)
Corporate loans and others	(21,384)	-	203	-	(9,652)	565	(30,268)
Total	**(330,150)**	**(39,406)**	**18,218**	**(25,722)**	**23,325**	**11,689**	**(342,046)**

In column 'Additions' increases of credit loss allowance due to the initial recognition of loans and advances to customers at amortised cost during the current reporting period are disclosed. Credit loss allowances recognized against drawings from non-revolving loan commitments are deemed as additions for the purpose of presenting current period's movement in credit loss allowance. Therefore, additions in Stages 2 and 3 reflect transfers from Stage 1 having occurred between commitment and drawing dates of related credit facilities. Releases of credit loss allowance following the derecognition of the related loans and advances to customers at amortised cost are reported in column 'Derecognitions'.

In column 'Transfers between stages' credit loss allowance net changes due to changes in credit risk that triggered re-assignments of the related loans and advances to customers at amortised cost from Stage 1 at 1 January 2023 (or initial recognition date, if later) to Stages 2 or 3 at 31 December 2023 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related credit loss allowances are adverse (incremental year-on-year allocations) and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related credit loss allowances are favourable (incremental year-on-year releases) and presented in line 'Stage 1'. The P&L-neutral effect from cross-stage transferring of the related credit loss allowance amounts recognized prior to stage re-assignments are presented above in column 'Other changes in credit risk (net)'.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Other changes in credit risk (net)'. This column also captures the passage-of-time adverse effect ('unwinding correction') over the lifetime expected cash shortfalls of loans and advances to customers that were assigned to Stage 3 for any period throughout the year, as well as of any POCI loans and advances to customers.

The use of credit loss allowance triggered by full or partial write-offs of amortised cost loans and advances to customers is reported in column 'Write-offs'.

One significant driver of the credit loss allowance movements for the year has been the transfer of the related instruments across different impairment stages. The year-end gross carrying amount of amortised cost loans and advances to customers that were assigned at 31 December 2023 to a different stage compared to 1 January 2023 (or to the initial recognition date, if originated during the year) are summarized below:

EUR ths.	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		POCI	
	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3	To Defaulted from Non-Defaulted	To Non-Defaulted from Defaulted
As at 31.12.2023								
General governments	661	817	-	-	-	-	-	-
Other financial corporations	4,593	39,917	2	-	-	-	-	-
Non-financial corporations	346,162	500,582	45,739	1,218	22,833	660	997	80,444
Households	251,321	139,824	42,595	13,329	39,654	9,334	1,719	203
Total	**602,737**	**681,140**	**88,336**	**14,547**	**62,487**	**9,994**	**2,716**	**80,647**
As at 31.12.2022								
General governments	421	278	-	-	-	-	-	-
Other financial corporations	103,020	6,580	94	-	2	-	-	-
Non-financial corporations	923,843	497,209	22,654	1,022	9,857	879	4,565	667
Households	207,288	127,987	44,721	10,672	27,860	11,628	989	326
Total	**1,234,572**	**632,054**	**67,469**	**11,694**	**37,719**	**12,507**	**5,554**	**993**

The year-end total gross carrying amount of the amortised cost loans and advances to customers that were initially recognized during the reporting period and not fully de-recognized by 31 December 2023 amounts to EUR 3,682.7 million (2022: EUR 6,279.1 million). The gross carrying amount of the amortised cost loans and advances to customers that were held at 1 January 2023 and fully de-recognized during the reporting period amounts to EUR 1,238.0 million (2022: EUR 2,544.6 million).

Mandate loans

During the year 2023 the Bank cooperated with 7 external companies (2022: 6 companies). Based on the mandate contracts the management and administration of certain non-performing receivables is outsourced to the external company temporary. In case of mandate loans, the Bank maintains risks and rewards associated with the underlying exposures. External service providers are rewarded by commission from the claimed amount of loans, which are subject to the mandate contracts.

As at 31 December 2023 the total amount of gross loans outsourced was EUR 79.7 million – lending for house purchase EUR 32.2 million, credit for consumption EUR 37.9 million, corporate loans and others EUR 9.6 million (2022: EUR 76.6 million - lending for house purchase EUR 37.1 million, credit for consumption EUR 32.0 million, corporate loans and others EUR 7.5 million). These loans were categorised in stage 3.

Write off and sale of receivables

During the year 2023 the Bank sold loan receivables in the amount of EUR 25.9 million (2022: EUR 41.3 million) for a consideration of EUR 7.7 million (2022: EUR 18.0 million) and used the corresponding allowances amounting EUR 16.5 million (2022: EUR 20.7 million). Once loan receivables are sold, the Bank transfers all risks and rewards attributable to them and does not have any continuing involvement in the loan receivables subsequent to their sale.

In the year 2023 the Bank has written off loans and finance lease receivables in the amount of EUR 6.5 million (2022: EUR 12.3 million) and used the respective allowances amounting EUR 4.9 million (2022: EUR 11.3 million).

14. Trade and other receivables

The trade and other receivables comprise receivables from factoring transactions and other trade receivables.

Gross carrying amounts and credit loss allowances per impairment buckets

	Gross carrying amount					Credit loss allowances					Carrying amount
EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As at 31.12.2023											
General governments	1,070	-	-	-	1,070	-	-	-	-	-	1,070
Credit institutions	4,359	-	-	-	4,359	-	-	-	-	-	4,359
Other financial corporations	2,620	-	-	-	2,620	(6)	-	-	-	(6)	2,614
Non-financial corporations	124,669	1,973	4,397	580	131,619	(893)	(726)	(4,054)	(444)	(6,117)	125,502
Households	33	-	-	-	33	(1)	-	-	-	(1)	32
Total	**132,751**	**1,973**	**4,397**	**580**	**139,701**	**(900)**	**(726)**	**(4,054)**	**(444)**	**(6,124)**	**133,577**

Gross carrying amount for trade and other receivables where simplified approach to ECL calculation is applied represents EUR 19.2 million and credit loss allowances EUR 0.7 million that is included in Stage 1 in the table above.

	Gross carrying amount					Credit loss allowances					Carrying amount
EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As at 31.12.2022											
General governments	1,823	-	-	-	1,823	-	-	-	-	-	1,823
Credit institutions	4,582	-	-	-	4,582	-	-	-	-	-	4,582
Other financial corporations	2,222	-	-	-	2,222	(23)	-	-	-	(23)	2,199
Non-financial corporations	143,710	3,858	4,938	752	153,258	(604)	(956)	(4,379)	(468)	(6,407)	146,851
Households	71	-	-	-	71	-	-	-	-	-	71
Total	**152,408**	**3,858**	**4,938**	**752**	**161,956**	**(627)**	**(956)**	**(4,379)**	**(468)**	**(6,430)**	**155,526**

Of which the gross carrying amount of EUR 17.2 million and credit loss allowances of EUR 0.6 million in Stage 1 represents other trade receivables as at 31 December 2022.

Movement in credit loss allowances

EUR ths.	01.01.2023	Additions	Other changes in credit risk (net)	Transfers between stages	31.12.2023
Stage 1	**(627)**	**(919)**	**646**	**-**	**(900)**
Other financial corporations	(23)	(6)	23	-	(6)
Non-financial corporations	(604)	(912)	623	-	(893)
Households	-	(1)	-	-	(1)
Stage 2	**(956)**	**-**	**230**	**-**	**(726)**
Non-financial corporations	(956)	-	230	-	(726)
Stage 3	**(4,379)**	**-**	**349**	**(24)**	**(4,054)**
Non-financial corporations	(4,379)	-	349	(24)	(4,054)
POCI	**(468)**	**-**	**24**	**-**	**(444)**
Non-financial corporations	(468)	-	24	-	(444)
Total	**(6,430)**	**(919)**	**1,249**	**(24)**	**(6,124)**

EUR ths.	01.01.2022	Additions	Derecognitions	Other changes in credit risk (net)	Transfers between stages	31.12.2022
Stage 1	**(1,838)**	**(686)**	**102**	**1,795**	**-**	**(627)**
General governments	(1)	-	-	1	-	-
Other financial corporations	(48)	(23)	-	48	-	(23)
Non-financial corporations	(1,789)	(663)	102	1,746	-	(604)
Stage 2	**(4)**	**-**	**-**	**(16)**	**(936)**	**(956)**
Non-financial corporations	(4)	-	-	(16)	(936)	(956)
Stage 3	**(4,747)**	**-**	**-**	**515**	**(147)**	**(4,379)**
Non-financial corporations	(4,747)	-	-	515	(147)	(4,379)
POCI	**-**	**-**	**-**	**(468)**	**-**	**(468)**
Non-financial corporations	-	-	-	(468)	-	(468)
Total	**(6,589)**	**(686)**	**102**	**1,826**	**(1,083)**	**(6,430)**

Movement table of credit loss allowances above represents changes in allowances disclosed based on the reason of the change and is prepared as at the end of the reporting period in comparison to the balance as at 1 January of the relevant reporting period. The table contains allocations, releases, reclassifications between stages as well as use of the credit loss allowances. Reconciliation of such movements to income statement line 'Impairment result from financial instruments' is disclosed in note 9.

Detail description of columns from the above table are disclosed in the note 13 Financial assets at amortised cost.

Transfers of gross carrying amount between impairment stages

EUR ths.	2022	2023
Transfers between Stage 1 and Stage 2	**3,141**	**723**
To Stage 2 from Stage 1	3,141	723
Transfers between Stage 2 and Stage 3	**220**	**-**
To Stage 3 from Stage 2	220	-
Transfers between Stage 1 and Stage 3	**623**	**377**
To Stage 3 from Stage 1	623	377

15. Financial liabilities at amortised costs

The line item 'Financial liabilities at amortised cost' is further broken down into 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

Interest expenses incurred are calculated using effective interest method are reported in the line item 'Interest expenses' under 'Net interest income' in the statement of income. Gains and losses from derecognition (mainly repurchase) are reported under the line item 'Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss'.

Deposits from banks

EUR ths.	31.12.2022	31.12.2023
Overnight deposits	4 411	6 198
Term deposits	1 169 217	1 230 613
Repurchase agreements	-	10 352
Deposits from banks	**1 173 628**	**1 247 163**

Financial liabilities stemming from the TLTRO programme of the ECB are presented under 'Term deposits´. The Bank assessed an appropriate accounting treatment of the TLTRO. The conclusion was that such instruments do not qualify as below-market interest rate loans and therefore are not related to IAS 20 government grants accounting. The reason was that the TLTRO is considered as a separate market organised by the ECB as part of its monetary policy. As a result, the IFRS 9 amortised cost accounting treatment applies.

The Bank treats TLTRO as floating rate instruments in respect of changes in the ECB key rates which are the deposit facility rate (DFR) and the main refinancing operation rate. Whenever the ECB changes the key rates the effective interest rate of the TLTRO is recalculated assuming that the current ECB rate will apply until the end of the respective TLTRO tranche life. If the ECB brings any unconditional changes to the TLTRO interest rate other than changes in the key rates, they are treated as catch-up adjustments and presented in the 'Net interest income´. This also includes changes in the calculation of interest rates.

In October 2022 the ECB announced a change in the method for applying the key ECB rates for TLTRO III tranches. For the Bank this means that the current DFR applied from 23 November 2022 (instead of the average DFR calculated over the entire 3-year life of the TLTRO III tranches). This resulted in a recognition of a catch-up loss in the amount of EUR 6.6 million in 2022. Early redemptions of the tranches in November 2022 resulted in a positive catch up effect amounting to EUR 2.6 million. The carrying amount of the TLTRO III liabilities was EUR 1,024.3 million at the end of 2023 (2022: EUR 999.7 million). The main reason for the decrease in 2022 were early redemptions of TLTRO III tranches in the nominal amount of EUR 1,750 million. At 2023 year end Bank considered that additional early redemptions are not likely.

In 2023 the interest expense recognised for TLTRO III financial liabilities was EUR 24.6 million (2022: EUR 6.6 million).

Deposits from customers

EUR ths.	31.12.2022	31.12.2023
Overnight deposits	**15,163,986**	**14,386,588**
Savings deposits	3,954,608	3,856,388
Households	3,954,608	3,856,388
Non-savings deposits	11,209,378	10,530,200
General governments	161,181	200,923
Other financial corporations	298,745	250,798
Non-financial corporations	2,292,106	2,537,431
Households	8,457,346	7,541,048
Term deposits	**1,756,183**	**3,203,039**
Deposits with agreed maturity	1,756,183	3,203,039
Savings deposits	-	704,209
Households	-	704,209
Non-savings deposits	1,756,183	2,498,830
General governments	345,457	101,348
Other financial corporations	408,914	555,654
Non-financial corporations	459,027	791,499
Households	542,785	1,050,329
Deposits from customers	**16,920,169**	**17,589,627**
General governments	506,638	302,271
Other financial corporations	707,659	806,452
Non-financial corporations	2,751,133	3,328,930
Households	12,954,739	13,151,974

As at 31 December 2023, the Bank decided to modify the structure of deposits from customers. This change is in order to be consistent in presentation of deposits from customers with the parent company Erste Group Bank AG. As at 31 December 2022 Overnight - Savings deposits were reported as Deposits redeemable at notice.

Debt securities issued

EUR ths.	31.12.2022	31.12.2023
Subordinated debt securities issues	22,134	15,802
Senior non-preferred bonds	30,687	30,888
Other debt securities issued	2,935,613	4,610,354
Bonds	878,857	1,472,766
Mortgage covered bonds	2,056,756	3,137,588
Debt securities issued	**2,988,434**	**4,657,044**

Net debt reconciliation

The table below presents an analysis of debt of the Bank and the movements in the debt. The debt items are those that are reported under the financing activities in the statement of cash flows of the Bank.

EUR ths.	2022	2023
Debt securities issued		
Opening balance as at 1 January	1,945,861	2,988,434
Cash-flows reported within financing activities	1,163,344	1,575,593
Non-cash adjustments	(120,771)	93,017
Closing balance as at 31 December	2,988,434	4,657,044
Lease liability		
Opening balance as at 1 January	32,333	81,718
Cash-flows reported within financing activities	(14,446)	(15,485)
Non-cash adjustments	63,831	10,873
Closing balance as at 31 December	81,718	77,106

Non-cash adjustments represent effects of amortization and deferrals.

Subordinated debt securities issued

The subordinated debt securities issued listed in the following table do not include embedded derivatives, which should be separated and disclosed under the statement of financial position line item 'Financial liabilities held for trading'.

The interest rate shown below represents actual interest expense of the Bank.

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2022	2023
Subordinated Bonds	November 2011	November 2023	-	4,250	1,000	EUR	6,353	-
Subordinated Bonds	September 2018	September 2028	2.88%	33	100,000	EUR	3,326	3,326
Subordinated Bonds	September 2018	September 2028	6.07%	33	100,000	EUR	3,336	3,357
Subordinated Bonds	November 2018	November 2028	2.45%	91	100,000	EUR	9,119	9,119
Total							**22,134**	**15,802**

Subordinated Liabilities

Issued subordinated capital and supplementary capital are either reported in the item Financial liabilities at amortised costs or Financial liabilities at fair value through profit or loss. Securitized and non-securitized assets are subordinated if the claims can only be satisfied after the claims of other, non-subordinated creditors in the event of liquidation or bankruptcy. Supplementary capital is defined in accordance with Art. 63 of Regulation (EU) No 575/2013 (CRR). Corresponding instruments have an original maturity of at least five years, are of a subordinated nature and may not, among other things, contain any incentive for early repayment, grant the holder the right to accelerate repayment or include interest or dividend payments that are influenced in their amount by the creditworthiness of the issuer.

In the reporting period, expenses for subordinated liabilities amounted to EUR 0.7 million (2022: EUR 1.7 million).

Senior non-preferred bonds

In February 2020 the Bank issued senior non-preferred bonds in the number of 300 securities with the notional value of EUR 0.1 million, interest rate 4.99% and maturity date in February 2026 in the total amount of EUR 30.9 million as at 31 December 2023 (2022: EUR 30.7 million).

Other debt securities issued

All securities listed in the following table are issued in book-entry form as bearer or registered securities with annual or semi annual coupon payments. Their transferability is not limited. There are no pre-emptive rights, exchange rights or early redemption rights related to these securities. The bonds are traded on the Bratislava Stock Exchange.

The stated interest rate corresponds with the actual interest costs of the Bank.

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2022	2023
Senior Unsecured Bonds	June 2019	December 2025	0.60%	5,572	1,000	EUR	5,473	5,452
Covered Bonds	June 2019	June 2026	0.13%	5,000	100,000	EUR	472,138	483,091
Senior Unsecured Bonds	February 2020	February 2024	0.00%	170	100,000	EUR	17,000	17,000
Senior Unsecured Bonds	March 2020	March 2025	0.00%	53	2,000,000	CZK	4,282	4,227
Senior Unsecured Bonds	June 2020	June 2025	0.80%	4,930	1,000	EUR	4,788	4,788
Senior Unsecured Bonds	June 2020	June 2023	-	4,947	1,000	EUR	4,939	-
Senior Unsecured Bonds	June 2020	June 2025	0.63%	45	100,000	EUR	4,507	4,510
Senior Unsecured Bonds	August 2020	August 2023	-	4,907	1,000	EUR	4,875	-
Senior Unsecured Bonds	October 2020	October 2025	0.25%	1,000	100,000	EUR	99,708	99,834
Senior Unsecured Bonds	March 2021	March 2027	4.96%	1,000	100,000	EUR	102,513	103,045
Senior Unsecured Bonds	June 2021	June 2024	0.60%	1,299	1,000	USD	1,222	1,180
Senior Unsecured Bonds	June 2021	June 2028	0.38%	1,302	100,000	EUR	152,571	152,886
Covered Bonds	July 2007	July 2027	4.95%	250	66,388	EUR	18,144	18,290
Covered Bonds	January 2013	January 2025	3.10%	87	50,000	EUR	4,411	4,411
Covered Bonds	June 2013	June 2028	3.00%	132	50,000	EUR	6,615	6,614
Covered Bonds	February 2014	February 2029	2.80%	97	50,000	EUR	4,899	4,899
Covered Bonds	August 2015	August 2025	1.38%	100	100,000	EUR	10,035	10,043
Covered Bonds	March 2016	March 2026	1.00%	90	100,000	EUR	9,036	9,046
Covered Bonds	March 2017	March 2025	0.75%	1,000	100,000	EUR	100,521	100,564
Senior Unsecured Bonds	November 2017	November 2027	1.38%	44	100,000	EUR	4,404	4,405
Senior Unsecured Bonds	February 2018	February 2023	-	8,878	1,000	EUR	8,648	-
Senior Unsecured Bonds	February 2018	February 2023	-	3,583	1,000	USD	3,264	-
Senior Unsecured Bonds	March 2018	March 2023	-	9,309	1,000	EUR	9,120	-
Senior Unsecured Bonds	June 2018	June 2024	0.75%	4,608	1,000	EUR	4,446	4,416
Senior Unsecured Bonds	August 2018	August 2024	0.70%	4,621	1,000	EUR	4,494	4,494
Covered Bonds	August 2018	August 2025	0.63%	2,500	100,000	EUR	233,245	240,577
Senior Unsecured Bonds	September 2018	September 2024	0.70%	4,530	1,000	EUR	4,427	4,350
Senior Unsecured Bonds	November 2018	November 2024	0.75%	4,699	1,000	EUR	4,662	4,496
Senior Unsecured Bonds	December 2018	December 2024	0.75%	4,794	1,000	EUR	4,575	4,533
Covered Bonds	December 2018	December 2024	0.50%	2,500	100,000	EUR	235,947	242,756
Senior Unsecured Bonds	February 2019	February 2025	0.70%	9,490	1,000	EUR	9,172	9,071
Senior Unsecured Bonds	March 2019	March 2025	0.00%	100	50,000	EUR	4,925	4,959
Covered Bonds	April 2022	April 2027	1.13%	5,000	100,000	EUR	459,330	479,248
Senior Unsecured Bonds	May 2022	May 2026	2.00%	19,678	1,000	EUR	20,219	19,922
Senior Unsecured Bonds	June 2022	June 2025	2.70%	29,826	1,000	EUR	30,220	30,149
Senior Unsecured Bonds	July 2022	December 2029	5.00%	285	200,000	USD	50,145	49,118
Senior Unsecured Bonds	September 2022	September 2025	3.00%	61,991	1,000	EUR	40,263	61,798
Covered Bonds	October 2022	April 2028	3.50%	5,000	100,000	EUR	502,435	519,982

The table continues on the following page.

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2022	2023
Senior Unsecured Bonds	October 2022	April 2026	3.30%	49,753	1,000	EUR	50,276	50,857
Senior Unsecured Bonds	October 2022	October 2025	4.35%	4,995	1,000	USD	4,723	4,555
Senior Unsecured Bonds	October 2022	October 2034	4.88%	320	100,000	EUR	21,612	33,590
Senior Unsecured Bonds	October 2022	October 2025	4.63%	250	100,000	EUR	25,145	25,172
Senior Unsecured Bonds	October 2022	October 2025	3.90%	50	100,000	EUR	5,036	5,036
Senior Unsecured Bonds	November 2022	November 2025	4.50%	3,759	1,000	USD	3,540	3,417
Senior Unsecured Bonds	November 2022	November 2024	3.50%	49,752	1,000	EUR	50,142	49,905
Senior Unsecured Bonds	November 2022	May 2026	5.69%	1,340	100,000	EUR	113,522	134,988
Covered Bonds	January 2023	January 2026	3.25%	5,000	100,000	EUR	-	513,388
Senior Unsecured Bonds	February 2023	February 2026	3.75%	74,494	1,000	EUR	-	76,920
Senior Unsecured Bonds	February 2023	February 2025	4.45%	4,984	1,000	USD	-	4,678
Senior Unsecured Bonds	June 2023	June 2026	4.50%	1,823	50,000	EUR	-	92,547
Covered Bonds	August 2023	September 2027	3.88%	5,000	100,000	EUR	-	504,679
Senior Unsecured Bonds	July 2023	July 2029	4.85%	143	100,000	EUR	-	14,431
Senior Unsecured Bonds	September 2023	September 2033	5.41%	100	100,000	EUR	-	9,651
Senior Unsecured Bonds	September 2023	September 2027	4.75%	400	50,000	EUR	-	20,010
Senior Unsecured Bonds	October 2023	October 2028	5.38%	3,000	100,000	EUR	-	302,167
Senior Unsecured Bonds	November 2023	November 2027	4.75%	1,000	50,000	EUR	-	50,209
Total							**2,935,613**	**4,610,354**

In May 2020 the Bank issued retained covered bond in the value of 500 mil. EUR with interest rate 0.125% and maturity of 7.5 years, which was not placed in the market and according to IFRS is therefore not possible to recognize this bond in the statement of financial position. In June 2022 the Bank issued another retained covered bond in the value of 500 mil. EUR with an interest rate of 2.00% and maturity of 6 years, which was also not placed in the market and according to IFRS, it is therefore not possible to recognize this bond in the statement of financial position. Subsequently these covered bonds were used as collateral for obtaining term deposit from TLTRO III. See also Note 22 Financial assets pledged as collaterals.

Other financial liabilities

As at 31 December 2023 other financial liabilities in amount of EUR 183.3 million (2022: EUR 113.8 million) represent suspense accounts (payments with other banks).

Financial instruments at fair value through profit or loss

There are various reasons for assigning the fair value through profit or loss measurement category to debt instrument financial assets.

Fair value through profit or loss measurement relates to that are part of residual business models, i.e. they are neither held to collect contractual cash flows nor held to either collect contractual cash flows or sell the assets. These financial assets are generally expected to be sold before their maturity or they are managed and their performance is evaluated on a fair value basis. In the business of the Bank, such business models are typical of assets that are held for trading (i.e. financial assets held by the trading function of the bank), of assets whose value is expected to be primarily realised through sales. Another reason for the fair value through profit or loss measurement are financial assets whose contractual cash flows are not considered as SPPI.

On the statement of financial position, debt instrument financial assets measured at fair value through profit or loss are presented as 'Financial assets held for trading', sub-item 'Other financial assets held for trading' and 'Non-trading financial assets at fair value through profit or loss', sub-items 'Debt securities'. Non-trading financial assets at fair value through profit or loss are disclosed in Note 17 which is 'mandatorily at fair value through profit or loss'. Financial assets are mandatorily measured at fair value through profit or loss either because they are held as part of residual business models that are other than held for trading or their contractual cash flows are not SPPI.

Investments in equity instruments that are held for trading (i.e. financial assets held by the trading function of the bank) are measured at fair value through profit or loss. They are included in the statement of financial position under the line 'Financial assets held for trading', sub-item 'Other financial assets held for trading'. Investments in equity instruments that are not held for trading are also measured at fair value through profit or loss (unless they are designated at fair value through other comprehensive income). They are presented in the statement of financial position under 'Non-trading financial assets at fair value through profit or loss', sub-item 'Equity instruments', sub-category 'mandatorily at fair value through profit or loss' in Note 17.

From IFRS 9 perspective all derivatives which are not designated as hedging instruments are considered as held for trading. As a result, they are measured at fair value through profit or loss. They are described more detail in the Note 16 Derivative financial instruments.

In the statement of income, the profit or loss effects of non-derivative financial assets measured at fair value through profit or loss are split into interest income or dividend income and fair value gains and losses. The interest income on debt instruments is presented in the line 'Other similar income' under 'Net interest income' and is calculated by applying the EIR to the amortised cost component of the financial assets. The dividend income on equity instruments is presented in the line 'Dividend income'. The fair value gains or losses are calculated net of the interest or dividend income, and they also include transaction costs and origination fees. They are reported in the line 'Net trading result' for financial assets held for trading and in the line 'Gains/(losses) from financial instruments measured at fair value through profit or loss' in case of non-trading financial assets at fair value through profit or loss. For investments in funds, which are not consolidated by the Group, the interest or dividend component is not separated from the fair value gains or losses.

Financial liabilities at fair value through profit or loss consist of financial liabilities held for trading and financial liabilities designated at fair value through profit or loss. On the statement of financial position, financial liabilities at fair value through profit or loss are presented as 'Financial liabilities held for trading', sub-items 'Derivatives'. Accounting policy related to financial liabilities at fair value through profit or loss can be found in Note 16 Derivative financial instruments.

16. Derivative financial instruments

Derivative financial instruments are used by the Bank to manage exposures to interest rates, foreign currencies and other market price risks. Derivatives used by the Bank include mainly interest rate swaps, futures, forward rate agreements, interest rate options, currency swaps and currency options as well as credit default swaps.

Derivative financial instruments are carried at fair value (dirty price) on the statement of financial position. Derivatives are carried as assets if their fair value is positive and as liabilities if their fair value is negative.

Derivatives – held for trading are those that are not designated as hedging instruments for hedge accounting. They are presented in the statement of financial position in the line item 'Derivatives' under the heading 'Financial assets/Financial liabilities held for trading'. All kinds of non-hedging derivatives without regard to their internal classification, i.e. both derivatives held in the trading book and banking book, are presented in this line item.

Changes in the fair value (clean price) of derivatives are reported in the statement of income in the line item 'Net trading result'. Interest income/expense related to held for trading derivatives is presented in the statement of income in the line item 'Other similar income' or 'Other similar expenses' under 'Net interest income'. Interest income/expense recognition is based on EIR-like accruals in respect of the derivative notional amount and includes amortisation of the inception value of the derivative (e.g. upfront fees, if any).

The description of the treatment of derivatives – hedge accounting can be found in Note 19 Hedge accounting.

Derivatives held for trading

	31.12.2022			31.12.2023		
EUR ths.	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	**2,911,586**	**77,139**	**73,533**	**2,915,206**	**60,289**	**56,556**
Interest rate	2,434,047	50,717	48,613	2,472,100	29,351	27,095
Foreign exchange	477,539	26,422	24,920	443,106	30,938	29,461
Derivatives held in the banking book	**-**	**-**	**-**	**10,000**	**-**	**40**
Equity	-	-	-	10,000	-	40
Total gross amounts	**2,911,586**	**77,139**	**73,533**	**2,925,206**	**60,289**	**56,596**

The Bank disclosed derivative instruments in the banking book that are used for economical hedging of financial instruments on asset or liability side and are not designated as hedge accounting.

The Bank maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as a part of the overall lending limits vis-à-vis customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except for trading with clients, where the Bank in most cases requires margin deposits.

Embedded derivatives

As a part of ordinary business activity, the Bank issues complex debt instruments, which contain embedded derivatives.

Embedded derivatives that meet the prescribed criteria are separated are accounted for as stand-alone derivatives and presented on the statement of financial position under the line item 'Derivatives' in financial assets held for trading and financial liabilities held for trading. Derivatives that are not closely related and are separated relate to bonds and deposits.

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

	31.12.2022		31.12.2023	
EUR ths.	Designated at fair value	Mandatorily at fair value	Designated at fair value	Mandatorily at fair value
Equity instruments	-	9,694	-	11,511
Debt securities	-	12,149	-	12,527
Other financial corporations	-	7,512	-	7,516
Non-financial corporations	-	4,637	-	5,011
Non-trading financial assets at fair value through profit or loss		**21,843**		**24,038**

´Equity Instruments´ classified under category ´Mandatorily at fair value´ represents such equity Instruments that the Bank does not hold for strategic business decisions.

´Debt securities´ classified under category ´Mandatorily at fair value´ represents financial assets, which do not comply with the SPPI criteria under IFRS 9.

Financial instruments – other disclosure matters

18. Fair value of financial instruments

The measurement of fair value at the Bank is based primarily on external sources of data (stock market prices or broker quotes in highly liquid market segments). Financial instruments for which the fair value is determined on the basis of quoted market prices are mainly listed securities and derivatives as well as liquid OTC bonds.

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available judgement is required to establish fair values. Using of unobservable inputs is particularly relevant for models used for valuations of loans and unquoted equity investments. Disclosures on valuation models, the fair value hierarchy and fair values of financial instruments can be found subsequently.
For all financial instruments the fair value is measured and/or disclosed on a recurring basis.

Financial instruments carried at fair value

Description of valuation models and parameters

The Bank uses valuation models that have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently.

Debt securities.
For plain vanilla (fixed and floating rate) debt securities the fair value is calculated by discounting the future cash flows using a discounting curve depending on the interest rate for the respective issuance currency and a spread adjustment. The spread adjustment is usually derived from the credit spread curve of the issuer. If no issuer curve is available, the spread is derived from a proxy instrument and adjusted for differences in the risk profile of the instruments. If no close proxy is available, the spread adjustment is estimated using other information, including estimation of the credit spread based on internal ratings and PDs or management judgment. For more complex debt securities (e.g. including option-like features such as callable, cap/floor, index-linked) the fair value is determined using combinations of discounted cash flow models and more sophisticated modelling techniques including methods described for OTC-derivatives.

Equity instruments.
Non-trading equity instruments which have quoted market prices in an active market are valued by using the quoted market price. For other investments in non-trading equity instruments the fair value is determined by standard valuation models using also unobservable input parameters. These models include the adjusted net asset value method, the simplified income approach, the dividend discount model and the comparable company multiple methods.

The adjusted net asset method requires an investor to measure the fair value of the individual assets and liabilities recognized in an investee's statement of financial position as well as the fair value of any unrecognized assets and liabilities at the measurement date. The resulting fair values of the recognized and unrecognized assets and liabilities should therefore represent the fair value of the investee's equity.
The dividend discount model assumes that the price of equity instruments issued by an entity equals the present value of all its expected future dividends in perpetuity. Similar to the dividend discount model, the simplified income approach estimates the fair value based on the future income. However, it can be used also when only one year planned income is available. The simplified income approach and the dividend discount model discount future income and dividends using the cost of equity. The cost of equity is dependent on the risk-free rate, the market risk premium, the levered beta and the country risk premium.

In rare cases, techniques for non-trading equity instruments may also include the comparable company multiple methods. These are valuation technique that uses prices and other relevant information generated by market transactions involving comparable company peers of an investee to derive a valuation multiple from which the indicated fair value of the investee's equity or enterprise value can be inferred.
OTC - derivative financial instruments.
Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps and commodity swaps) are valued by using standard valuation models. These models include discounting cash flow models, option models of the Black-Scholes and Hull-White type models. Models are calibrated on quoted market data (including implied volatilities). Valuation models for more complex instruments also use Monte-Carlo simulation. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used.
For determining the fair value of derivatives, the OIS curves are applied for discounting.
The Bank values derivatives at mid-market levels. To reflect the potential bid-ask-spread of the relevant positions an adjustment based on market liquidity is performed. The adjustment parameters depend on product type, currency, maturity and notional size. Parameters are reviewed on a regular basis or in case of significant market moves. Netting is not applied when determining the bid-ask-spread adjustments.

Credit value adjustments (CVA) for counterparty risk and debit value adjustments (DVA) for own default credit risk are applied to OTC derivatives. For the CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and the Bank's credit quality. The Bank has implemented an approach, where the modelling of the expected exposure is based on option replication strategies. For products where an option replication is not feasible the exposure is computed with Monte-Carlo simulation techniques. One of the two modelling approaches is considered for the most relevant portfolios and products. The methodology for the remaining entities and products is determined by market value plus add-on considerations. The probability of default by counterparties that are not traded in an active market is determined from internal PDs mapped to a basket of liquid titles present in the central European market. Market based valuation concepts are incorporated for this. Counterparties with liquid bond or CDS markets are valued by the respective single-name market-based PD derived from the prices. The Bank's probability of default has been derived from the buy-back levels of the Bank's issuances. Netting has only been considered for a few counterparties where the impact was material. In these cases, netting has been applied for both CVA and DVA. For counterparties with CSA-agreements in place no CVA was taken into account for all cases with immaterial threshold amounts.

According to the described methodology the accumulated CVA-adjustments amounted to EUR 0.3 million at 31 December 2023 (2022: EUR 0.7 million) and the total DVA-adjustment amounted to EUR 0.2 million (2022: EUR 1.1 million).

Based on an analysis carried out by the Bank it was decided that for the valuation of OTC derivatives no Funding Value Adjustment (FVA) would be considered.

Validation and control

The responsibility for valuation of financial instruments measured at fair value is risk management unit which is independent of the trading units. The risk management unit is also responsible for appropriateness of input date and model calibration.

Fair value hierarchy

Financial assets and financial liabilities measured at fair value are categorized under the three levels of the IFRS fair value hierarchy.

Level 1 of the fair value hierarchy
The fair value of financial instruments assigned to Level 1 of the fair value hierarchy is determined based on quoted prices in active markets for identical financial assets and liabilities. The evaluated fair value can qualify as Level 1 if transactions occur with sufficient frequency, volume and pricing consistency on an ongoing basis.

Level 1 measurement include exchange traded derivatives (options), shares, government bonds as well as other bonds and funds, which are traded in highly liquid and active markets.

Level 2 of the fair value hierarchy
In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as Level 2. If no market prices are available, the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the instrument is classified as Level 2 of the fair value hierarchy. For Level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters.

Level 2 measurement include OTC derivatives, less liquid shares, bonds and funds as well as asset backed securities (ABS), collateralized debt obligations (CDO), own issues and deposits.

Level 3 of the fair value hierarchy
In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor on the basis of valuation models that rely entirely on observable market data. In these cases individual valuation parameters which are not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as Level 3 of the fair value hierarchy. Typically credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures are used as unobservable parameters. Furthermore, internally calculated cost of equity and adjustments made on the equity (in the adjusted net asset value method) are unobservable parameters for the valuation of non-trading equity instruments.

These include shares, participations and funds not quoted, illiquid bonds (including own issued bonds) as well as collateralized mortgage obligations (CMO) and loans.

The volume of Level 3 financial assets can be allocated to the following categories:

- Derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).
- Illiquid bonds, shares, participations and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.
- Loans which do not comply with the contractual cash flow criteria.
- Fund units issued by investment funds fully consolidated by the Group as well as own issues, if price updates are not provided on a regular basis

The allocation of the appropriate level of positions is determined at the end of the reporting period.
A reclassification from Level 1 into Level 2 or Level 3 as well as vice versa will be performed if the financial instrument does no longer meet the criteria described above for the respective level.

Classification of financial instruments carried at fair value by levels of the fair value hierarchy

	31.12.2022				31.12.2023			
EUR ths.	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Financial assets HfT	-	77,139	-	77,139	-	30,553	29,736	60,289
Derivatives	-	77,139	-	77,139	-	30,553	29,736	60,289
Non-trading financial assets at FVPL	960	4,637	16,246	21,843	-	5,011	19,026	24,037
Equity instruments	-	-	9,694	9,694	-	-	11,510	11,510
Debt securities	960	4,637	6,552	12,149	-	5,011	7,516	12,527
Hedge accounting derivatives	-	16,878	-	16,878	-	24,424	-	24,424
Total assets	**960**	**98,654**	**16,246**	**115,860**	**-**	**59,988**	**48,762**	**108,750**
Liabilities								
Financial liabilities HfT	-	73,533	-	73,533	-	48,732	7,864	56,596
Derivatives	-	73,533	-	73,533	-	48,732	7,864	56,596
Hedge accounting derivatives	-	103,266	-	103,266	-	64,227	-	64,227
Total liabilities	**-**	**176,799**	**-**	**176,799**	**-**	**112,959**	**7,864**	**120,823**

Derivatives transacted via Clearing Houses are presented after netting in compliance with their statement of financial position treatment. The netted derivatives are allocated to Level 2.

Valuation process for financial instruments categorized as Level 3
The valuation of financial instruments categorized as Level 3 involves one or more significant inputs that are not directly observable on the market. Additional price verification steps need to be done. These may include reviewing relevant historical data and benchmarking for similar transactions, among others. This involves estimation and expert judgment.

Further details regarding input parameters used and the results of the sensitivity analysis are disclosed in the sub-chapter Unobservable inputs and sensitivity analysis for Level 3 measurements below.

Reclassification between Level 1 and Level 2 based on balance sheet positions and instruments
Transfers into and out of Level 1 and Level 2 are mainly due to changes in the market activity and consequently in the observability of valuation parameters. Transfers in year 2023 were immaterial and in 2022 as well.

Movements in Level 3

Development of fair value of financial instruments in Level 3

EUR ths.	01.01.2023	Gain/(loss) in profit or loss	Purchases	Transfer into Level 3	31.12.2023
Assets					
Financial assets HfT	-	-	-	29,736	29,736
Derivatives	-	-	-	29,736	29,736
Non-trading financial assets at FVPL	16,246	2,203	577	-	19,026
Equity instruments	9,694	1,816	-	-	11,510
Debt securities	6,552	387	577	-	7,516
Total assets	**16,246**	**2,203**	**577**	**29,736**	**48,762**
Liabilities					
Financial liabilities HfT	-	-	-	7,864	7,864
Derivatives	-	-	-	7,864	7,864
Total liabilities	**-**	**-**	**-**	**7,864**	**7,864**

EUR ths.	01.01.2022	Gain/(loss) in profit or loss	Purchases	Sales	Settlements	Transfer out of Level 3	31.12.2022
Assets							
Non-trading financial assets at FVPL	21,064	(2,859)	4,147	(500)	(9)	(5,597)	16,246
Equity instruments	7,155	1,645	894	-	-	-	9,694
Debt securities	13,909	(4,504)	3,253	(500)	(9)	(5,597)	6,552
Total assets	**21,064**	**(2,859)**	**4,147**	**(500)**	**(9)**	**(5,597)**	**16,246**

Transfers into and out of Level 3 mainly result from changes in valuation models with observable or non-observable parameters.

Gains/(losses) in profit or loss on Level 3 instruments held at the end of the reporting period

EUR ths.	2022	2023
Assets		
Financial assets HfT	-	8,116
Derivatives	-	8,116
Non-trading financial assets at FVPL	3,102	2,203
Equity instruments	1,645	1,816
Debt securities	1,457	387
Total assets	**3,102**	**10,319**
Liabilities		
Financial liabilities HfT	-	6,487
Derivatives	-	6,487
Total liabilities	**-**	**6,487**

Unobservable inputs and sensitivity analysis for Level 3 measurements
In case the fair value measurement of a financial asset is retrieved from input parameters which are not observable in the market, those parameters can be retrieved from a range of alternative parameters. For the preparation of the statement of financial position the parameters were chosen to reflect the market situation at the reporting date.

Range of unobservable valuation parameters used in Level 3 measurements

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
31.12.2023					
Financial assets at FVPL	Non-trading equity instruments (participations)	11.51	Approved budgets	Risk spread used in discounting future cash flows	N/A
	Non-trading debt instrument	3.31	Fair value of the bank's share in the investment fund reduced by management fees (value calculated by the fund manager)	Valuation of investment in the fund at fair value	N/A
		4.21	Theoretical price derived from market prices of similar shares of the issuer	Adjustment by conversion factor	N/A
Financial assets and liabilities HfT	Derivatives	21.9	Credit risk parameters derived from similar counterparties in similar industries	Probability of default, Loss given default	1.5 – 4.0% 30 – 40%
31.12.2022					
Financial assets at FVPL	Non-trading equity instruments (participations)	9.69	Approved budgets	Risk spread used in discounting future cash flows	N/A
	Non-trading debt instrument	3.06	Published NAV adjusted by assessed impairment value	Repayment dates for the worst and for the current scenario, assumed (by very indicative market quotes) exit value	2023-2030
				Risk spread used in discounting future cash flows	50bp
		3.49	Theoretical price with some expert opinion (market unobservable) inputs	Risk spread used in discounting future cash flows	105bp

Sensitivity analysis using reasonably possible alternatives per product type

Sensitivity analysis for debt securities is immaterial. Sensitivity analysis is not calculated for equity instruments. In estimating these impacts, mainly changes in credit spreads (for bonds), PDs, LGDs (for CVA of derivatives). An increase (decrease) of spreads, PDs and LGDs result in a decrease (increase) of the corresponding fair values. Positive correlation effects between PDs and LGDs were not taken into account in the sensitivity analysis. For non-trading equity instruments increases (decreases) in any of the inputs used for the cost of equity calculation in isolation would result in a lower (higher) fair value.

The following ranges of reasonably possible alternatives of the unobservable inputs were considered in the sensitivity analysis table:

- for debt securities range of credit spreads between -50 basis points and 50 basis points
- for equity related instruments the risk spreads shift by plus and minus 50 basis points

Financial instruments not carried at fair value with fair value disclosed in the notes

EUR ths.	Carrying amount	Fair value	Level 1	Level 2	Level 3
31.12.2023					
Assets					
Cash and cash equivalents	3,030,858	3,030,858	362,937	2,667,921	-
Financial assets at AC	22,545,036	21,879,881	3,662,129	256,859	17,960,893
Loans and advances to banks	10,032	10,032	-	-	10,032
Loans and advances to customers	18,413,823	17,942,246	-	-	17,942,246
of which: Lending for house purchase	10,683,401	10,409,799	-	-	10,409,799
of which: Credit for consumption	1,523,839	1,484,814	-	-	1,484,814
of which: Corporate loans and others	6,206,583	6,047,633	-	-	6,047,633
Debt securities	4,121,181	3,927,603	3,662,129	256,859	8,615
Finance lease receivables	347,323	341,874	-	-	341,874
Trade and other receivables	133,577	132,060	-	-	132,060
Liabilities					
Financial liabilities at AC	23,677,088	23,673,115	2,346,354	1,922,924	19,403,837
Deposits from banks	1,247,163	1,247,163	-	-	1,247,163
Deposits from customers	17,589,627	17,590,067	-	-	17,590,067
Debt securities in issue	4,657,044	4,652,631	2,346,354	1,922,924	383,353
Other financial liabilities	183,254	183,254	-	-	183,254

31.12.2022					
Assets					
Cash and cash equivalents	1,254,543	1,254,543	339,594	914,949	-
Financial assets at AC	21,664,202	21,211,700	3,516,465	298,552	17,396,683
Loans and advances to banks	26	26	-	-	26
Loans and advances to customers	17,509,277	17,353,518	-	-	17,353,518
of which: Lending for house purchase	10,237,101	10,195,492	-	-	10,195,492
of which: Credit for consumption	1,402,684	1,391,450	-	-	1,391,450
of which: Corporate loans and others	5,869,492	5,766,576	-	-	5,766,576
Debt securities	4,154,899	3,858,156	3,516,465	298,552	43,139
Finance lease receivables	284,500	266,208	-	-	266,208
Trade and other receivables	155,526	153,924	-	-	153,924
Liabilities					
Financial liabilities at AC	21,196,021	20,853,505	502,219	1,895,563	18,455,723
Deposits from banks	1,173,628	1,170,748	-	-	1,170,748
Deposits from customers	16,920,169	16,662,708	-	-	16,662,708
Debt securities in issue	2,988,434	2,906,259	502,219	1,895,563	508,477
Other financial liabilities	113,790	113,790	-	-	113,790

As at 31 December 2023 fair value of financial guarantees given amounts EUR -0.4 million (2022: EUR -0.5 million) and fair value of irrevocable commitments given amounts EUR 34.1 million (2022: EUR 134.8 million). All these amounts are in level 3. Positive fair values of financial guarantees and commitments are shown with a positive sign whereas negative fair values are shown with a negative sign.

The fair value of loans and advances to customers and credit institutions, of finance lease receivables and of trade and other receivables has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PDs and LGDs used for internal risk calculations. For the calculation of fair value loans and advances were grouped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted. The fair values of debt securities at amortised cost are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

The fair value of deposits and other liabilities, measured at amortised cost, is estimated by taking into account the current interest rate environment, as well as the own credit spreads. These positions are assigned to the Level 3 category. For liabilities without contractual maturities (e.g. demand deposits), the carrying amount represents the minimum of their fair value.

The fair value of issued securities and subordinated liabilities measured at amortized cost is determined based on quoted prices in active markets, if available. For issued securities where the fair value cannot be retrieved from quoted market prices, the fair value is calculated by discounting the future cash flows. Significant input factors for the spread adjustment of the Bank's own credit risk for the respective seniority class are credit spreads derived from liquid benchmark bonds and additional indications from external investments banks, which are provided on a regular basis. The applied spreads are validated on a regular basis from an independent Risk Management unit. Moreover optionality is taken into account when calculating the fair value.

For off-balance sheet liabilities (i.e. financial guarantees and unused loan commitments) the following fair value approaches are applied:

the fair value of unused loan commitments is estimated using regulatory credit conversion factors. The resulting loan equivalents are treated like other on-balance sheet assets. The difference between the calculated total fair value and the notional amount of the hypothetical loan equivalents represents the fair value of the unused loan commitments. In case of the total fair value being higher than the notional amount of the hypothetical loan equivalents the unused loan commitments have a positive fair value. The fair value of financial guarantees is estimated in analogy to credit default swaps. The fair value of the guarantee is the sum of the present value of the protection leg and the present value of the premium leg. The value of the protection leg is estimated using the PDs and LGDs of the respective customers, whereas the value of the premium leg is estimated by the present value of the future fee payments to be received. If the protection leg is higher than the premium leg, financial guarantees have a negative fair value.

19. Hedge accounting

The Bank applies hedge accounting to hedge exposures to interest rate risk. As permitted by the transitional provisions of IFRS 9, the Bank has elected to continue to apply the hedge accounting requirements of IAS 39.

On the statement of financial position, derivatives designated as hedging instruments are carried at fair value (dirty price). They are presented in the line item 'Hedge accounting derivatives' on the asset or liability side depending on whether their fair value is positive or negative.

Fair value hedges

For qualifying and designated fair value hedges, the change in the fair value (clean price) of a hedging instrument is recognised in the statement of income under the line item 'Net trading result'. Interest income and expenses on hedging derivatives are reported in the line item 'Other similar income' or 'Other similar expenses' under 'Net interest income'. The change in the fair value of the hedged item attributable to the hedged risk is also recognised in the statement of income under the line item 'Net trading result' and adjusts the carrying amount of the hedged item.

For terminated hedges the fair value adjustment of the hedged item is amortised until maturity of the financial instrument. In the statement of income the amortisation is presented under 'Net interest income' in the line item 'Interest income' if the hedged item was a financial asset or in the line item 'Interest expenses' if the hedged item was a financial liability.

Notional amounts of hedged items

		Notional amount	
EUR ths.	**Type of hedged items**	**31.12.2022**	**31.12.2023**
Fair value hedges		**1,969,962**	**1,928,104**
Assets	Bonds at AC	331,224	291,223
Liabilities	Issued bonds	1,638,738	1,636,881

The volume of the hedging instrument which is designated for the hedge relation can never be greater than the volume of the hedged item. If the notional of a hedging derivative is greater than the notional of the hedged item the respective proportion of the derivative is designated as hedging instrument. Further, the tenor of the hedging instrument is never longer than the tenor of the hedged item.

The Bank is hedging the interest rate risk arising from bonds positions in investment portfolios (assets) and from own issued bonds (liabilities). Each fair value hedge is concluded to hedge only interest rate risk of a particular bond position or part of this bond position. The hedge instrument swaps the interest rate behaviour of the hedged item form fixed to floating interest rate or vice versa. The credit risk inherent in these positions is not subject of the hedging.

Sources of hedge ineffectiveness can result from:

- designation of hedging instruments and hedged items during their life rather than from their inception
- different discounting curves applied for hedged item and hedging instrument
- different interest tenors of hedging swaps and hedged variable rate items in cash flow hedges
- volatility of present value of floating leg of hedging swaps in fair value hedges
- different trade dates for the hedging instrument and the hedged item
- real prepayments of a loan portfolio deviating from expected prepayments
- credit risk adjustments (CVA, DVA) on the hedging derivatives

Quantitative disclosures

In the tables below, detailed information related to hedging instruments and hedged items in fair value as at 31 December 2023 are reported. The indicated values for fair value hedges include single hedges, which due to immateriality are not shown separately.

Hedging instruments

The hedging instruments are presented in the line 'Hedge accounting derivatives' in the statement of financial position.

EUR ths.	Carrying amount	Average fixed rate	Change in FV for the period used for calculating hedge ineffecti-veness	Notional	Timing of the nominal amounts of the instruments				
					≤3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 3 years	> 3 years and ≤ 5 years	> 5 years
31.12.2023									
Fair value hedges	**88,651**	**1.8%**	**46,711**	**1,928,104**	**-**	**340,000**	**598,923**	**816,597**	**172,584**
Interest rate risk assets	24,424	3.5%	(7,909)	291,223	-	90,000	101,223	-	100,000
Interest rate risk liabilities	64,227	1.4%	54,620	1,636,881	-	250,000	497,700	816,597	72,584
Total	**88,651**	**1.8%**	**46,711**	**1,928,104**	**-**	**340,000**	**598,923**	**816,597**	**172,584**
31.12.2022									
Fair value hedges	**120,145**	**1.8%**	**(73,419)**	**1,969,962**	**40,000**	**-**	**647,700**	**807,821**	**474,441**
Interest rate risk assets	16,879	3.4%	41,886	331,224	40,000	-	150,000	41,224	100,000
Interest rate risk liabilities	103,266	1.4%	(115,305)	1,638,738	-	-	497,700	766,597	374,441
Total	**120,145**	**1.8%**	**(73,419)**	**1,969,962**	**40,000**	**-**	**647,700**	**807,821**	**474,441**

Hedged items in fair value hedges

EUR ths.	Carrying amount	Hedge adjustments	
		included in the carrying amount	Thereof: for the period used for recognition of hedge ineffectiveness
31.12.2023			
Financial assets at AC	**293,804**	**(7,699)**	**8,146**
Interest rate risk	293,804	(7,699)	8,146
Financial liabilities at AC	**(1,610,044)**	**47,025**	**(54,423)**
Interest rate risk	(1,610,044)	47,025	(54,423)
31.12.2022			
Financial assets at AC	**328,278**	**(15,845)**	**(41,852)**
Interest rate risk	328,278	(15,845)	(41,852)
Financial liabilities at AC	**(1,540,228)**	**101,448**	**116,201**
Interest rate risk	(1,540,228)	101,448	116,201

The hedged items are disclosed in the following line items in the statement of financial position:

- Financial assets at amortised cost / debt securities
- Financial liabilities at amortised cost / debt securities issued

Ineffectiveness from fair value hedges is presented under 'Net trading result' in the statement of income.

Hedging Instrument to Hedged Item ratio (in EUR ths.)

31.12.2023

<table>
<tr><th>Nominal of hedge instrument</th><th>ISIN of hedged item</th><th>Nominal of hedge item</th><th>Ratio</th></tr>
<tr><td>16,597</td><td>SK4120005505</td><td>16,597</td><td>1.00</td></tr>
<tr><td>41,224</td><td>SK4120004987</td><td>648,873</td><td>0.06</td></tr>
<tr><td>50,000</td><td>SK4120009762</td><td>331,000</td><td>0.15</td></tr>
<tr><td>50,000</td><td rowspan="3">SK4120008871</td><td rowspan="3">265,000</td><td rowspan="3">0.34</td></tr>
<tr><td>15,000</td></tr>
<tr><td>25,000</td></tr>
<tr><td>60,000</td><td>SK4120007543</td><td>239,250</td><td>0.25</td></tr>
<tr><td>50,000</td><td>SK4120011420</td><td>192,000</td><td>0.26</td></tr>
<tr><td>131,400</td><td rowspan="2">SK4120014507</td><td rowspan="2">250,000</td><td rowspan="2">0.99</td></tr>
<tr><td>116,300</td></tr>
<tr><td>72,300</td><td rowspan="2">SK4120014812</td><td rowspan="2">250,000</td><td rowspan="2">1.00</td></tr>
<tr><td>177,700</td></tr>
<tr><td>250,000</td><td>SK4000015400</td><td>500,000</td><td>0.50</td></tr>
<tr><td>500,000</td><td>SK4000020673</td><td>500,000</td><td>1.00</td></tr>
<tr><td>51,584</td><td>SK4000021242</td><td>51,584</td><td>1.00</td></tr>
<tr><td>300,000</td><td>SK4000021820</td><td>500,000</td><td>0.60</td></tr>
<tr><td>21,000</td><td>SK4000021879</td><td>32,000</td><td>0.66</td></tr>
</table>

31.12.2022

Nominal hedge instrument	Hedged item	Nominal hedge item	Ratio
16,597	SK4120005505	16,597	1.00
41,224	SK4120004987	648,873	0.06
50,000	SK4120009762	331,000	0.15
40,000	SK4120009044	354,020	0.11
50,000	SK4120008871	245,000	0.37
15,000			
25,000			
60,000	SK4120007543	239,250	0.25
50,000	SK4120011420	192,000	0.26
131,400	SK4120014507	250,000	0.99
116,300			
72,300	SK4120014812	250,000	1.00
177,700			
250,000	SK4000015400	500,000	0.50
500,000	SK4000020673	500,000	1.00
53,441	SK4000021242	53,441	1.00
300,000	SK4000021820	500,000	0.60
21,000	SK4000021879	21,000	1.00

Fair value hedge of assets

As at 31 December 2023 the Bank held in portfolio of financial assets at amortised cost fixed rate bonds denominated in EUR with nominal value of EUR 291.2 million (2022: EUR 331.2 million). As the purchases of these bonds increased exposure to interest rate risk in the period from five to fifteen years, the Bank entered into interest rate swap deals in order to hedge the changes of fair value caused by changes of risk-free interest rates, paying fixed and receiving floating rates.

During the year 2023 the hedges were effective in hedging fair value exposure to interest rate movements. During the period the Bank recognised a net loss on the hedging instruments in the amount of EUR 7.9 million (2022: net gain EUR 41.9 million). On the other hand, a net gain on the hedged item attributable to the hedged risk amounted to EUR 8.1 million (2022: net loss EUR 41.9 million).

Fair value hedge of liabilities

The Bank uses hedging to secure its issued fixed rate covered bonds (former mortgage bonds). The list of bonds is disclosed in the note 15 Financial liabilities at amortised cost. As at 31 December 2023 the Bank holds covered bonds in total nominal value of EUR 1,636.9 million (2022: EUR 1,638.7 million).

During the year 2023 the hedges were effective in hedging fair value exposure to interest rate movements. During the period the Bank recognised a net gain on the hedging instruments in the amount of EUR 54.6 million (2022: net loss EUR 115.3 million). On the other hand, a net loss on the hedged item attributable to the hedged risk amounted to EUR 54.4 million (2022: net gain EUR 116.2 million).

20. Offsetting of financial instruments

The following table shows netting effects on the statement of financial position of the Bank as well as the impacts of offsetting financial instruments which are subject to offsetting agreements.

Financial assets subject to offsetting and potential offsetting agreements

EUR ths.	Financial assets (gross)	Amounts offset (gross)	Financial assets in statement of financial position (net)	Potential effects of netting agreements not qualifying for statement of financial position offsetting		Net amount after potential offsetting
				Financial instruments	Other financial collateral received	
31.12.2023						
Derivatives	60,289	-	60,289	26,165	-	34,124
Hedge accounting	24,424	-	24,424	19,090	-	5,334
Total	**84,713**	**-**	**84,713**	**45,255**	**-**	**39,458**
31.12.2022						
Derivatives	77,138	-	77,138	21,633	-	55,505
Hedge accounting	16,879	-	16,879	15,354	-	1,525
Total	**94,017**	**-**	**94,017**	**36,987**	**-**	**57,030**

Financial liabilities subject to offsetting and potential offsetting agreements

EUR ths.	Financial liabilities (gross)	Amounts offset (gross)	Financial liabilities in statement of financial position (net)	Potential effects of netting agreements not qualifying for statement of financial position offsetting		Net amount after potential offsetting
				Financial instruments	Other financial collateral pledged	
31.12.2023						
Derivatives	56,596	-	56,596	26,165	23,786	6,645
Hedge accounting	64,227	-	64,227	19,090	41,200	3,937
Repurchase agreements	10,352	-	10,352	-	10,352	-
Total	**131,175**	**-**	**131,175**	**45,255**	**75,338**	**10,582**
31.12.2022						
Derivatives	73,533	-	73,533	21,633	-	51,900
Hedge accounting	103,266	-	103,266	15,354	86,080	1,832
Total	**176,799**	**-**	**176,799**	**36,987**	**86,080**	**53,732**

The Bank employs master netting agreements as a means of reducing credit risk of derivative and financing transactions. They qualify as potential offsetting agreements. Master netting agreements are relevant for counterparties with multiple derivative contracts. They provide for the net settlement of all the contracts in the event of default of any counterparty. For derivatives transactions the values of assets and liabilities that would be set off as a result of master netting agreements are presented in the column 'Financial instruments'. If the net position is further secured by cash collateral or other financial collaterals the effects are disclosed in columns 'Cash collateral received / pledged' and 'Other financial collateral received / pledged' respectively.

21. Transfers of financial assets – repurchase transactions and securities lending

Repurchase and reverse repurchase agreements

Transactions involving sales of securities under an agreement to repurchase them at a specified future date are also known as 'repos' or 'sale and repurchase agreements'. Securities sold in such transactions are not derecognised from the balance sheet, as the Group retains substantially all risks and rewards of ownership, because the securities are repurchased at a fixed price when the transaction ends. Furthermore, the Group is the beneficiary of all coupons and other income payments received on the transferred assets over the period of the transactions. These payments are remitted to the Group or are reflected in the repurchase price.

The cash received upon sale of securities is recognised on the balance sheet with a corresponding obligation to return under the line item 'Financial liabilities at amortised cost', sub-items 'Deposits from banks' or 'Deposits from customers' reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense which is accrued over the life of the agreement and recorded in the statement of income in the line item 'Interest expenses' under 'Net interest income'.

Financial assets transferred out by the Group under repurchase agreements remain on the Group's balance sheet and are presented separately under the original balance sheet items in the 'pledged as collateral' lines. The measurement category of the transferred financial assets does not change.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised on the balance sheet. Such transactions are also known as 'reverse repos'. The consideration paid is recorded on the balance sheet under the line item 'Financial assets at amortised cost', sub-items 'Loans and advances to banks' and 'Loans and advances to customers' reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement and recorded in the statement of income in the line item 'Interest income' under 'Net interest income'.

Securities lending and borrowing

In securities lending transactions, the lender transfers ownership of securities to the borrower on the condition that the borrower will retransfer, at the end of the agreed loan term, ownership of instruments of the same type, quality and quantity and will pay a fee determined by the duration of the lending. The transfer of the securities to counterparties via securities lending does not result in derecognition. Substantially all the risks and rewards of ownership are retained by the Group as a lender because the securities are received at the end of the securities lending transaction. Furthermore, the Group is the beneficiary of all the coupons and other income payments received on the transferred assets over the period of the securities lending. Securities lent are presented separately under the original balance sheet items in the 'pledged as collateral' lines. Fee income from securities lending transactions is presented in the statement of income in the line 'Fee and commission income' under 'Net fee and commission income'. Fee expense incurred on securities borrowing transactions is presented in the statement of income in the line 'Fee and commission expenses' under 'Net fee and commission income'.

	31.12.2022		31.12.2023	
EUR ths.	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**
Repurchase agreements	**-**	**-**	**11,041**	**10,352**
Financial assets at AC	-	-	11,041	10,352
Total	**-**	**-**	**11,041**	**10,352**

The transferred financial instruments consist of bonds and other interest-bearing securities. The total amount of transferred financial assets represent the carrying amount of financial assets in the respective balance sheet positions for which the transferee has a right to sell or repledge. The associated liabilities from repo transaction, which are measured at amortised cost, represent an obligation to repay the borrowed funds.

The following table shows fair values of the transferred assets and associated liabilities for repo transactions with an existing recourse right only on the transferred assets:

	31.12.2022			31.12.2023		
EUR ths.	Fair value of transferred assets	Fair value of associated liabilities	Net position	Fair value of transferred assets	Fair value of associated liabilities	Net position
Financial assets at AC	-	-	-	10,373	10,352	21
Total	**-**	**-**	**-**	**10,373**	**10,352**	**21**

22. Financial assets pledged as collaterals

Carrying amount of financial assets pledged as collaterals

EUR ths.	31.12.2022	31.12.2023
Financial assets at AC	3,914,419	4,937,680
Total	**3,914,419**	**4,937,680**

	Carrying amount of transferred assets					Carrying amount of associated liabilities		
EUR ths.	Total	Repurchase agreements	Assets pledged for derivatives	Assets pledged for covered bonds	Other transferred assets	Total	Repurchase agreements	Other associated liabilities
As at 31.12.2023								
Financial assets at amortised cost								
Debt securities	**437,723**	11,041	64,986	50,150	311,546	**468,081**	10,352	457,729
Loans and advances to customers	**4,499,957**	-	-	3,412,377	1,087,580	**3,802,929**	-	3,802,929
Assets pledged as collateral	**4,937,680**	**11,041**	**64,986**	**3,462,527**	**1,399,126**	**4,271,010**	**10,352**	**4,260,658**

	Carrying amount of transferred assets					Carrying amount of associated liabilities		
EUR ths.	Total	Repurchase agreements	Assets pledged for derivatives	Assets pledged for covered bonds	Other transferred assets	Total	Repurchase agreements	Other associated liabilities
As at 31.12.2022								
Financial assets at amortised cost								
Debt securities	**520,107**	-	86,080	50,128	383,899	**470,127**	-	470,127
Loans and advances to customers	**3,394,312**	-	-	2,283,883	1,110,429	**2,711,750**	-	2,711,750
Assets pledged as collateral	**3,914,419**	**-**	**86,080**	**2,334,011**	**1,494,328**	**3,181,877**	**-**	**3,181,877**

The financial assets pledged as collateral consist of loans and advances to customers, bonds and other interest-bearing securities. Collaterals were pledged as a result of refinancing transactions with the respective National Bank, loans backing issued mortgage bonds and other collateral arrangements.

In March 2021, the Bank entered into TLTRO III with central bank in the amount of EUR 1,000 million which was shown within other associated liabilities. At 23 November 2022 the Bank partially repaid this tranche in amount of EUR 250 million. The Bank has pledged own retained covered bond (EUR 1.000 million) where mortgage loans are shown as encumbered assets (EUR 1,088 million) as collateral to TLTRO III. The collateral is shown within other transferred assets.

In June 2021, the Bank entered into TLTRO III with central bank in the amount of EUR 250 million which is shown within other associated liabilities. The Bank has pledged SK government bonds (EUR 301.9 million) as collateral to TLTRO III. The collateral is shown within other transferred assets.

Risk and capital management

23. Risk management

Risk policy and strategy

A core function of the Bank is taking risks in a conscious and selective manner and professionally steering those risks. Adequate risk policy and risk strategy is essential to the Bank's fundamental financial health and operational business success.

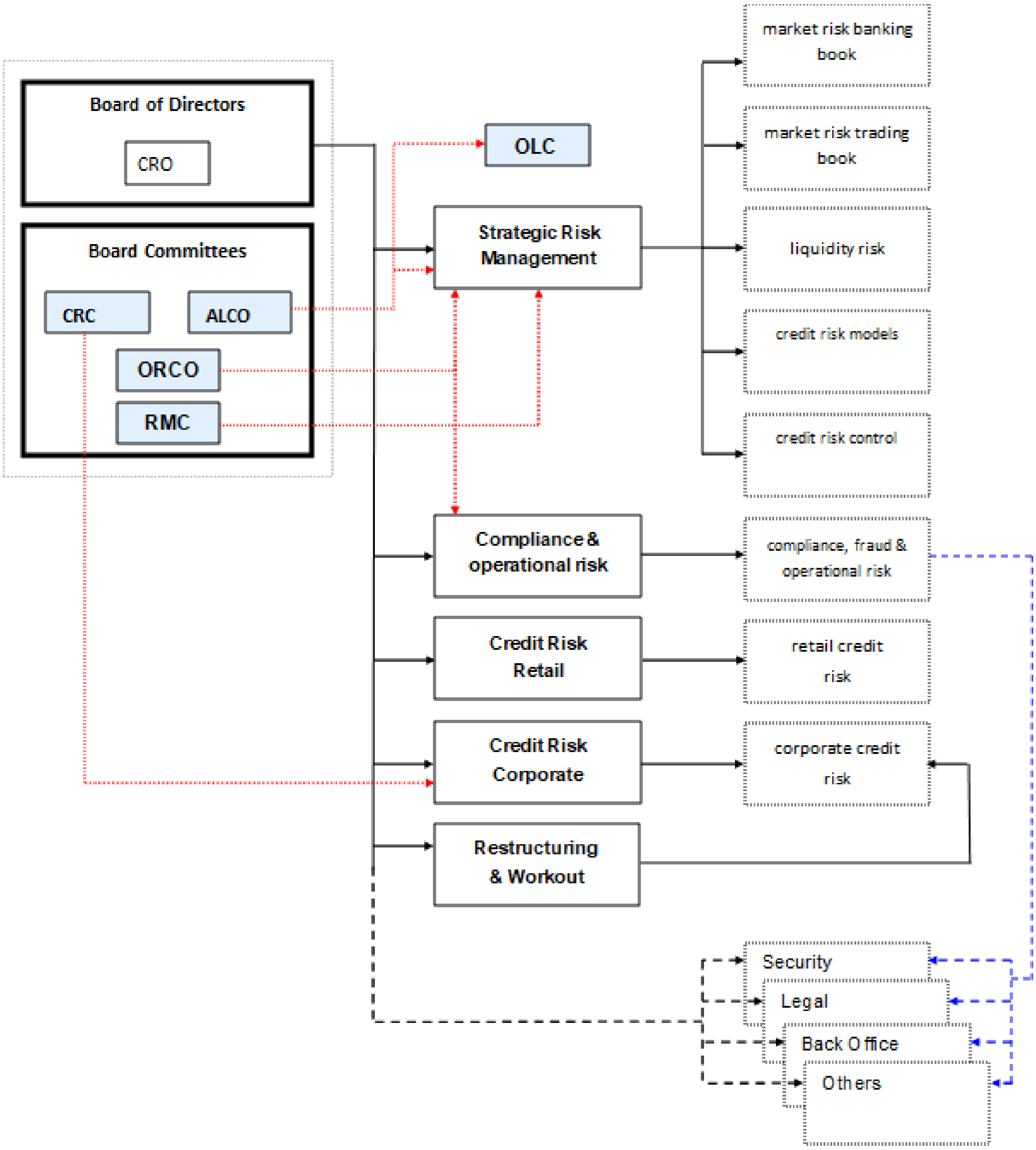
The Bank has developed a risk management framework that is forward-looking and tailored to its business and risk profile. This framework is based on a clear risk strategy that sets out general principles according to which risk taking must be performed. The risk strategy is consistent with the business strategy and incorporates the expected impact of external environment on the planned business and risk development.

The risk strategy describes the current risk profile, defines risk management principles, strategic goals and initiatives for the main risk types as well as sets strategic limits for the significant financial and non-financial risk types as defined in the Risk Materiality Assessment. The risk strategy is executed within a clearly defined governance structure. This structure also applies to monitoring of risk appetite, additional metrics, as well as to the escalation of limit breaches.

The Bank uses the Internet as the medium for publishing its disclosures under Article 434 of the Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation – CRR) and Regulation (EU) No. 876/2019 amending Regulation (EU) No. 575/2013. Details are available on the website of the Bank at https://www.slsp.sk/sk/informacie-o-banke/investori/financne-ukazovatele.

Risk management organisation

Risk monitoring and control is achieved through a clear organisational structure with defined roles and responsibilities, delegated authorities and risk limits. The following chart presents the organisational structure of risk in the Bank:



Risk management structure

The ultimate risk management body is the Board of Directors. However, it may delegate some of its authority for particular risk management areas to the respective committees. The Board of Directors also designates one of its members to serve as the Chief Risk Officer ('CRO').

Asset & Liability Committee ('ALCO') has the ultimate authority over market risk of both trading and banking books (including interest rate risk) and over liquidity risk.

Credit Risk Committee ('CRC') is the ultimate decision making body for corporate credit risk.

Operational Risk and Compliance Committee ('ORCO') is the authorized body to make decisions on operational risk strategies and procedures, risk appetite and tolerance levels, also decides on mitigation measures for operational risk, compliance, financial crime, security, and anti-money laundering issues.

ALCO, CRC and ORCO are composed of the members of the Board of Directors and senior managers. The Chief Risk Officer is a member of all three committees.

Operating Liquidity Committee ('OLC') governs the execution of liquidity management. OLC reports directly to ALCO. It analyses the liquidity situation of the Bank on a regular basis and proposes measures to be taken. OLC consists of members of Treasury, Balance Sheet Management (BSM) and Strategic Risk Management (SRM).

Risk Management Committee ('RMC') is a committee consisting of selected members of the Board of Directors and senior managers. It is responsible for the development and maintenance of effective system of risk management, approval and monitoring of risk management strategy and procedures, ICAAP and risk appetite, as well as for comprehensive stress testing.

The bottom (executive) level of the risk management organisation consists of five crucial units:

- Corporate Credit Risk Management Division carries out all activities concerning operative credit risk of corporate clients.
- Retail Credit Risk Management Division is responsible for management of credit risk for retail lending, specifically credit policy, organisation of lending process, early collection process, collateral management and portfolio management of the retail segment.
- Strategic Risk Management ('SRM') is responsible for integrated risk management ('ICAAP'), liquidity risk, market risk (overall, as well as particular trading and banking books), credit risk control, provisioning, credit risk statistical and rating models.
- Compliance & Security is responsible for compliance risk management (e.g. code of ethics, full compliance with legal requirements, anti-money laundering program, MiFID rules), for fraud risk management (prevention, detection, investigation, deterrence and recovery of financial fraud) and operational risk. Within operational risk, it coordinates activities of global scope of other relevant departments (blue / dashed lines in the chart).
- Restructuring & Work out is responsible for effective debt recovery and write-off management of corporate clients. It is also responsible for monitoring, restructuring of receivables over-due, specific provisions and collateral management.

In the chart above, black lines show the assignment of different risk types to the respective units. Solid black lines show the areas directly subordinated to the Chief Risk Officer. Strategic Risk Management and Corporate Credit Risk Management may also report directly to their respective committees as shown by red / dotted lines.

Risk management is not limited to risk management units only. Rather, all organisational units have to be risk-aware and should contribute to risk management.

All responsibilities regarding risk management are in detail described in the Bank's risk management strategy.

Corporate Credit Risk Management

Corporate Credit Risk Management Division formulates the credit policy and internal provisions on the credit approval process for corporate clients. It is responsible for risk analysis of counterparties and credit facilities (financial analysis, rating assignment, credit transaction assessment). Furthermore, it monitors the development of the credit portfolio of corporate clients. It regularly reviews assigned ratings and counterparty financial situation. It also designs, sets and monitors limits, maintains deal and limits documentation for corporate clients.

Retail Credit Risk Management

Retail Credit Risk Management Division formulates the credit policy and internal actions on the credit approval process for retail clients and designs and oversees processes in retail lending activity. It is responsible for risk assessment of counterparties and credit facilities (rating assignment, credit transaction assessment). Furthermore, it monitors the development of credit portfolio of retail clients. It also designs, sets and monitors limits, maintains deal and limits documentation, as well as performs early and late collection and retail collateral management.

Strategic Risk Management

Strategic Risk Management ('SRM') is responsible for integrated risk management ('ICAAP'), liquidity risk, market risk (overall, as well as particular trading and banking books), credit risk control, provisioning, credit risk statistical and rating models. SRM is not involved in the operative credit decision-making. However it is responsible for the design of rating systems, testing and monitoring of accuracy and selectivity of internal rating grades, production and analysis of summary reports from the Bank's rating systems. SRM is also responsible for the design and implementation of models for calculation of risk parameters (PD, LGD, CCF, etc.), standard risk costs and portfolio provisions. It is also responsible for the design and implementation of models for calculation of risk-weighted assets according to capital requirements regulation and directive and model for economic capital. In addition to this, SRM has two other specific roles:

- credit exposures to Groups, sovereigns and countries, which are governed centrally by Erste Holding (credit analysis, limit setting), are locally monitored by SRM;
- credit lines of Treasury clients (approved by Credit Risk Corporate or Credit Committee) are determined and monitored by SRM.

Compliance & Operational Risk Management

Compliance & Operational Risk Management is responsible for compliance risk management (e.g. code of ethics, full compliance with legal requirements, anti-money laundering program, MiFID rules), for fraud risk management (prevention, detection, investigation, deterrence and recovery of financial fraud) and operational risk. Within operational risk, it coordinates activities of global scope of other relevant departments (blue / dashed lines in the chart).

Restructuring & Work out

Restructuring & Work out is responsible for effective debt recovery and write-off management of corporate clients. It is also responsible for monitoring, restructuring of receivables over-due, specific provisions and collateral management.

Legal services

Legal services Division provides legal support and counsel for the management board, the business units and the central functions, and mitigate legal risk. It also attends to legal sourcing and to dispute resolution and litigation.

Comprehensive risk and capital management

Internal Capital Adequacy Assessment Process ('ICAAP') is a process in which all significant risks that the Bank faces must be covered by internal capital (i.e. coverage potential). This means that all material risks are determined, quantified, aggregated, and compared to the coverage potential. Limits and lower trigger levels are defined and regularly monitored, so that corrective actions may be taken, thus avoiding situations when risk exposures are not sufficiently covered by capital.

Objectives of ICAAP are to integrate risk management for different risk types into a single high-level process, which then enables to continuously monitor and adjust capital levels to changing risk profiles. It is a comprehensive process that within the Bank consists of the following steps:

- Risk appetite statement (RAS), limits and risk strategy
- Risk materiality assessment (RMA)
- Risk-bearing capacity calculation (RCC)
- Stress testing
- Capital allocation and performance management

In addition to the ICAAP's ultimate goal of assuring capital adequacy and sustainability at all times, the whole process serves to support the Bank's management in pursuing its strategy.

Risk appetite

The Bank defines the maximum level of risk it is willing to accept in order to meet its business objectives within the Bank's risk appetite (RAS). The RAS acts as a binding constraint to the Bank's business activities within its overall risk appetite via triggers and limits approved by the management board. It is integrated and embedded into Bank's structural processes; including business and risk strategy, budget process, capital and liquidity planning, recovery plan, stress testing and remuneration framework. The RAS consists of a set of core and supporting risk metrics providing quantitative direction for overall risk-return steering and qualitative statements in the form of key risk principles that are part of the guidelines for managing risks. The core risk metrics are set as ultimate boundaries for the Bank's risk-return target setting. They are also a key part of the annual strategic planning / budgeting process and give an overall picture of capital, liquidity and risk-return trade-offs. The key objective of the RAS is to:

- ensure that the Bank has sufficient resources to support its business at any given point in time and absorb stress events;
- set boundaries for the Bank's risk target setting;
- support the Bank's financial strength and the robustness of its systems and controls.

To foster risk-return steering and ensure proactive management of the risk profile, the Bank creates its RAS on a forward-looking basis. External constraints such as regulatory requirements create the floor and ceiling for the RAS and therefore the amount of risk the Bank is willing to accept. In order to ensure that the Bank remains within the targeted risk profile, a traffic light system was established and assigned to the core metrics. This approach allows a timely delivery of information to the respective governance and the implementation of effective remediation measures. The RAS traffic light system is defined as follows:

- RAS is green: The target risk profile is within the specified boundaries.
- RAS is amber: The undershooting or overshooting of a pre-defined threshold leads to an escalation to the designated governance and the discussion of potential remediation actions.
- RAS is red: The undershooting or overshooting of a pre-defined limit initiates an immediate escalation to the designated governance and a prompt implementation of remediation actions.

Moreover, stress indicators are defined for selected core metrics and integrated into the assessment of the stress test results. They are reported as early warning signals to the management board to support proactive management of the risk and capital profile.
In addition, supporting metrics and principles are defined by material risk type in the Bank Risk Strategy based on RAS. These support implementation of the mid- to long-term strategy. Risk management governance ensures full oversight of risk decisions and sound execution of the Bank risk strategy. Mitigating actions are undertaken as part of the regular risk management process to ensure that the Bank remains within its RAS.

Risk materiality assessment

The risk materiality assessment serves the purpose of identification of the most important risk types which are to be the major focus and which will be included in the economic capital calculation. It is an annual process based on both, quantitative and qualitative factors, which is conducted for each identified risk type the Bank faces.

The output of the risk materiality assessment is the set of material risks, which have to be quantified and covered by capital. It also includes other risk management practices to control and mitigate the identified risks (material or non-material).

Stress testing

Risk exposure calculation models carry inherent statistical error since they must work at extreme confidence interval and time horizon. 99.9% confidence on one-year horizon means an extreme loss that occurs once in thousand years. At this level the model is impossible to back test, therefore it must be stress tested.

Stress testing is also used to analyse risks which are not covered by capital as well as to identify potential vulnerabilities of covered risks which may not be properly covered by the calculation model used. Further, stress testing should also provide management with steering impulses and should yield to corrective actions, if deemed necessary.

Stress testing focuses on impact of severe, yet plausible scenarios on the Bank's positions, thus providing further assurance of internal capital adequacy. Should stress testing results show potentially higher losses than calculated risk exposures, the ICAAP profile has to be adjusted either via add-ons to risk exposures or via capital cushion.

Risk-bearing capacity calculation

The risk-bearing capacity calculation ('RCC') is ultimately the tool to define capital adequacy required by the ICAAP. Within the RCC, risk exposure for each particular material risk is quantified. The figures are aggregated into a capital requirement and compared to the coverage potential and the Bank´s own funds. The integral forecast, risk appetite limit, as well as a traffic light system support management in its discussions and decision processes.

The Board of Directors, Risk management committees and Supervisory board is briefed regularly, at least on a quarterly basis, in relation to the results of the capital adequacy calculation. The report includes movements in risks and available capital and coverage potential, the degree of risk limits' utilization, potential losses in stress scenarios and the overall status of capital adequacy. It also contains a comprehensive forecast of risk-weighted assets and capital adequacy.

Besides the Pillar 1 risk types (credit, market in trading book, FX in banking book and operational risks) and in the context of Pillar 2, interest rate risks in the banking book, business risk, liquidity risk, residual credit risk and credit risk for sovereign counterparties are explicitly considered within the required economic capital via internal models. The economic capital requirement for unexpected losses is computed on a one-year time horizon with a 99.92 % confidence level. During the year 2023 the utilization of the economic capital was in the range 52 - 56%.

Other risks, namely credit concentration risk and macroeconomic risks in particular are managed by means of a proactive management framework that includes forward-looking scenarios, stress testing, trigger levels and / or are covered by capital buffer. The capital buffer is proposed by Strategic risk management typically during the risk materiality assessment process and is approved by the Board of Directors.

The coverage potential required to cover risks and unexpected losses is based on regulatory own funds combined with profit of the current year, considering subordinated liabilities and regulatory deductibles, as well. The coverage potential must be sufficient to absorb unexpected losses resulting from the Bank's operations.

Capital management

Within capital management, the volume of internal capital (coverage potential) is compared against the calculated risk exposures and should any discrepancies arise, measures must be taken in order to correct the situation. This is carried out quarterly, but the frequency may be increased should the situation require so and is also forward-looking in that it considers forecasted figures.

Capital management is also part of the Bank's business strategy (worked out through budget) which determines risk appetite and capital coverage levels. Comprehensive limit framework is established for each major risk type in order to ensure day-to-day adherence to the approved risk profile and capital levels.

Risk planning and forecasting

The responsibility for risk management includes ensuring sound risk planning and forecasting processes. The forecasts determined by risk management are the result of close co-operation with all stakeholders in the overall planning process. The risk planning and forecasting process includes both, forward- and backward-looking component, focusing on portfolio and economic environment changes.

Capital allocation

An important task integral to the risk planning process is the allocation of capital to business lines. Each particular risk (Pillar I and Pillar II) is allocated to business lines based on their risk consumption. The process is done with close cooperation between Strategic Risk Management and Accounting and Controlling.

24. Own funds and capital requirements

Regulatory requirements

Since 1 January 2014 the Bank has been calculating the regulatory own funds and the regulatory capital requirements according to the Capital Requirements Regulation (CRR, Regulation (EU) No. 575/2013) and the Capital Requirement Directive (CRD IV, Directive (EU) 2013/36/EU)[1]. Both the CRD IV and CRD V[2] were transposed into national law in the Act on Banks 483/2001.

All requirements as defined in the CRR and technical standards issued by the European Banking Authority (EBA) are fully applied by the Bank for regulatory purposes and for the disclosure of regulatory information.

According to information provided internally to key management, the Bank fulfilled all regulatory capital requirements during the year 2023 and throughout the year 2022 consisting of Pillar 1 requirement, Pillar 2 requirement and combined buffer requirement.

Accounting principles

The financial and regulatory figures published by the Bank are based on IFRS. Eligible capital components are derived from the statement of financial position and income statement which were prepared in accordance with IFRS. Adjustments to the accounting figures are considered due to the different definitions in the scopes of consolidation.

The unified reporting date of the individual financial statements and individual regulatory figures of the Bank is 31 December of each respective year.

Own funds

Own funds according to CRR consist of CET1, additional tier 1 (AT1) and tier 2 (T2). In order to determine the capital ratios, each respective capital component – after application of all regulatory deductions and filters – is considered in relation to the total risk amount.

Capital buffer requirements are set out in Act on Banks 483/2001

- capital conservation buffer Article 33b
- Global Systemic Important Institution (G-SII) Article 33a and Article 33d(5)
- Other Systemic Important Institution (O-SII) buffer Article 33a and Article 33d(6)
- systemic risk buffer Article 33a, Article 33e
- countercyclical buffer Article 33a, Article 33c

In addition to minimum capital ratios and capital buffer requirements, institutions also have to fulfil capital requirements determined in the Supervisory Review and Evaluation Process (SREP).

As a result of the 2021 SREP process performed by the European Central Bank (ECB) the Bank applies a Pillar 2 requirement (P2R) of 1.5% as at 31 December 2023. The minimum CET1 ratio of 5.34% encompasses the Pillar 1 minimum requirement of 4.5% and the Pillar 2 requirement of 0.84% (56.25% of 1.5%) as at 31 December 2023.

According to SREP, the Bank is expected to meet a Pillar 2 Guidance (P2G) of 1.0%. The Pillar 2 Guidance is not MDA (maximum distributable amount) relevant.

[1] Both CRD IV and CRR have been amended since the entry into force in 2014 inter alia with directive (EU) 2019/878 (CRD V) as well as regulations (EU) 2019/876 (CRR 2) and (EU) 2020/873 (CRR Quick Fix).
[2] CRDV has been transposed by an amendment of the ABA (BGBl I 2021/98; BWG-Novelle) which entered into force on 31 May 2021.

	31.12.2022	31.12.2023
Pillar 1		
Minimum CET1 requirement	4.50%	4.50%
Minimum Tier 1 requirement	6.00%	6.00%
Minimum Own Funds requirements	8.00%	8.00%
Combined buffer requirement (CBR)	**5.49%**	**5.99%**
Capital conservation buffer	2.50%	2.50%
Institution-specific countercyclical capital buffer	0.99%	1.49%
Systemic risk buffer (SRB)	0.00%	0.00%
O-SII capital buffer	2.00%	2.00%
Minimum CET 1 requirement (incl. CBR)	9.99%	10.49%
Minimum Tier 1 requirement (incl. CBR)	11.49%	11.99%
Minimum Own Funds requirement (incl. CBR)	13.49%	13.99%
Pillar2		
Minimum CET1 requirement	0.84%	0.84%
Minimum T1 requirement	1.13%	1.13%
Minimum Own Funds requirement	1.50%	1.50%
Total CET1 requirement for Pillar 1 and Pillar 2	**10.83%**	**11.33%**
Total Tier 1 requirement for Pillar 1 and Pillar 2	**12.62%**	**13.12%**
Total Own Funds requirement for Pillar 1 and Pillar 2	**14.99%**	**15.49%**

The following table shows the structure of own funds according to implementing technical standards EBA with regard to disclosure of own funds requirements for institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (the positions not relevant for the Bank were excluded):

in EUR ths.	**31.12.2022**	**31.12.2023**
Common equity tier 1 capital (CET1)		
Capital instruments eligible as CET1	212,000	212,000
Retained earnings	1,318,464	1,439,046
Accumulated other comprehensive income	(956)	(1,290)
Common equity tier 1 capital (CET1) before regulatory adjustments	**1,529,508**	**1,649,756**
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	(1,116)	(194)
Value adjustments due to the requirements for prudent valuation	(2,811)	(1,193)
Securitisation positions which can alternatively be subject to a 1.250% risk weight	(13,333)	(13,026)
Other intangible assets	(11,294)	(12,783)
Insufficient coverage for non-performing exposures	(35)	(435)
Additional deductions of CET1 Capital due to Article 3 CRR	(349)	-
Development of unaudited risk provisions during the year (EU No 183/2014)	(32,114)	(15,194)
Common equity tier 1 capital (CET1)	**1,468,456**	**1,606,931**
Additional tier 1 capital (AT1)		
Capital instruments eligible as AT1	380,000	480,000
Additional tier 1 capital (AT1)	**380,000**	**480,000**
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)	**1,848,456**	**2,086,931**
Tier 2 capital (T2)		
Capital instruments and subordinated loans eligible as T2	16,412	15,177
IRB excess of provisions over expected losses eligible	50,900	54,949
T2 instruments of financial sector entities where the institution has a significant investment	(5,247)	(5,251)
Tier 2 capital (T2)	**62,065**	**64,875**
Total own funds	**1,910,521**	**2,151,806**
Capital requirement	**803,742**	**866,989**
CET1 capital ratio	**14.62%**	**14.83%**
Tier 1 capital ratio	**18.40%**	**19.26%**
Total capital ratio	**19.02%**	**19.86%**

The Following table shows risk exposure amounts reflecting the structure according to Regulation (EU) No 575/2013:

	31.12.2022		31.12.2023	
EUR ths.	Total risk	Capital requirement	Total risk	Capital requirement
Total Risk Exposure Amount	**10,046,772**	**803,742**	**10,837,360**	**866,989**
Risk weighted assets (credit risk)	9,249,831	739,986	10,082,385	806,591
Standardised approach	662,965	53,036	846,853	67,748
IRB approach	8,483,331	678,667	9,158,219	732,658
Securitisation positions	103,535	8,283	77,313	6,185
Trading book, foreign FX risk and commodity risk	1,612	129	11,110	889
Operational Risk	788,357	63,069	737,766	59,021
Exposure for CVA	6,972	558	6,099	488

The Bank uses AMA model for calculation of RWA and capital requirements arising from operational risk. The calculation is performed on ERSTE Group level.

25. Credit risk

In 2023, management attention was dedicated to the evolving Russia-Ukraine conflict, which poses serious threats to the European but also global economy. The Bank is not directly impacted, as it has no operating presence in geopolitical region of Russia or Ukraine and also direct exposure to these two markets is immaterial. Still, a number of ad-hoc risk management activities were undertaken in order to evaluate, actively steer and mitigate indirect impact on the capital position and risk profile. All stress scenarios, including 'no gas from Russia', would have manageable impact on the Bank risk profile, keeping all capital ratios above the limits.

Environmental, Social and Governance (ESG) risks remained one of the top priorities also in 2023. Focus in risk was on advancements in implementation of initiatives to achieve compliance with regulatory requirements and expectations such as performance of the ECB Climate Stress Test, improvements in the Carbon Footprint Calculation, development of methodologies for setting decarbonization targets for priority sectors, enhancement of Risk Materiality Assessment and reporting system, and incorporation of climate-related and environmental risks in credit risk processes.

Credit risk arises in the Bank's traditional lending and investment businesses. It involves both credit losses incurred as a result of borrowers' default (Stage 3) and credit losses expected if default occurs either within 1 year (Stage 1) or at any time until maturity (Stage 2).
Stage 1 credit losses apply to non-defaulted credit risk exposures without significant increase in credit risk (SICR) since inception, whilst Stage 2 credit losses apply to non-defaulted credit risk exposures for which SICR is observed at the reporting date. It also involves credit losses due to counterparty risk from trading in instruments and derivatives bearing market risk. Country risk and related macro-economic forward-looking information is also considered in the calculation of credit risk.
Operative credit decisions are made by the credit risk management units.

In contrast to large corporates, banks and governments managing credit risk in retail and SME involves dealing with a large number of relatively small exposures extended to private individuals, free professionals, entrepreneurs, or micro and small companies. Credit risk related to retail and SME loan portfolios is managed at bank and group level with a common interest in order to ensure regulatory compliant risk management practices and to provide customers with manageable loan facilities that are within their financial capacities and supported by underlying profitability.

The Bank also considers ESG factors in its risk management and industry strategy framework (e.g. ESG Factor Heatmap as an input in respective industry strategies). The Bank has established an ESG risk framework and toolkit for assessment of material ESG factors, related risks and appropriateness of the mitigating strategies in the credit and rating processes.

ESG risk management

Environmental, Social and Governance (ESG) risks remained one of the top priorities also in 2023.

ESG Factor Heatmap is used as a screening instrument to identify certain segments (out of the existing segmentation) that may be exposed to ESG risk factors and determine those industries which are more vulnerable to ESG risks. Bank establishes industry strategies and lending standards to support the steering of the portfolio under considerations of ESG risks; both are the basis for decisions, which determine which clients and transactions fit into the Bank's portfolio.

For large corporate, commercial real estate and commercial residential real estate transactions, the Bank conducts a systemic ESG analysis via an internal digital ESG Assessment questionnaire. The questionnaire is a mandatory prerequisite in the loan origination and monitoring process. Through this assessment, the Bank is able to determine to which extent a client's ESG strategy is aligned with bank's respective industry strategies. By providing a comprehensive ESG risk assessment, the Bank is able to determine how certain ESG factors may have a positive or negative impact on the financial performance of clients.

Questions cover various dimensions, such as current and targeted greenhouse gas emissions, impact of carbon prices on profitability, transition related CAPEX, EU Taxonomy aligned and eligible financial data, waste, water consumption, biodiversity, physical risk impact, workers and human rights, governance topics, and compliance with minimum safeguards, to name a few.
Particular questions in the questionnaire may also require an in-depth assessment in order to understand the nature and severity of the ESG risks to which the client is exposed. The questionnaire forms an integral part of the credit application and is updated at least annually, allowing the Bank to understand the client's business model in the context of carbon transition.

Furthermore, ESG relevant data is collected for certain types of collateral for real estate collateral valuations, documentation and reporting purposes. Environmental aspects which affect the value of the collateral have to be included in the real estate valuations, which can lead to a higher or lower valuation result. Moreover, any risks arising from social (e.g., location and transportation, mass urbanisation – being indicators for easy accessibility for people) and governance factors (such as bribery or legal proceedings) have to be considered as well. For commercial real estate assets, the questionnaire additionally includes an assessment of the building's environmental footprint, providing an internal Technical Object Rating, as well as an assessment of the location sustainability based on ESG relevant criteria. Over the last year, we have conducted a physical risks materiality assessment in order to identify key hazards relevant for our collateral portfolio; the results of the assessment will be integrated in our collateral management.

With regards to internal models a respective project to define and collect relevant climate risk drivers for all rating systems has started in 2022 to ensure the explicit consideration of climate risks in future model development initiatives. For the LGD models, climate risk is indirectly reflected via the collateral value. In 2023, ESG factors are considered in the corporate rating landscape by either using an ESG override and/or having a rating impact through a soft fact assessment relevant to a company's negative impact on the environment.

Internal rating system

The Bank has business and risk strategies in place that govern policies for lending and credit approval processes. These policies are reviewed and adjusted regularly, at a minimum on an annual basis. They cover the entire lending business, taking into account the nature, scope and risk level of the transactions and the counterparties involved. Credit approval considers individual information on the creditworthiness of the customer, the type of credit, collateral, covenant package and other risk mitigation factors involved.

The assessment of counterparty default risk is based on the customer's probability of default (PD). For each credit exposure and lending decision, the Bank assigns an internal rating, which is a unique measure of the counterparty default risk. The internal rating of each customer is updated event-specific, however, at least once a year (annual rating review).

The main purpose of the internal ratings is to support the decision-making for lending and for the terms of credit facilities. Internal ratings also determine the level of credit approval authority and the monitoring procedures for existing exposures. At a quantitative level, internal ratings influence the level of required risk pricing, loss allowances and risk-weighted assets under Pillar 1 and 2.

The Bank uses the internal ratings-based (IRB) approach, internal ratings are key input for the risk-weighted assets calculation. They are also used in the assessment of the economic capital requirements according to Pillar 2. For these purposes, a distinct PD value is assigned to each rating grade for its IRB portfolios within a calibration process that is performed individually for each rating method. PD values reflect a 12-month probability of default based on long-term average default rates per rating grade.

Internal ratings take into account all available significant information for the assessment of counterparty default risk. For non-retail borrowers, internal ratings take into account the financial strength of the counterparty, the possibility of external support, flexibility in corporate financing, general company information and external credit history information, where available. For retail clients, internal ratings are based mainly on payment behaviour and, where applicable, credit bureau information, supplemented with information provided by the respective client and general demographic information. Rating ceiling rules on credit quality are applied based on membership in a group of economically related entities and the country of main economic activity (applicable to cross-border financing facilities).

Internal specialist teams develop and improve internal rating models and risk parameters in cooperation with risk managers. Model development follows a group-wide methodological standard and utilises relevant data covering local market. In this way, the Bank ensures the availability of rating models with the best possible prediction and discriminatory ability across its core regions.
All credit risk rating models are validated on the ongoing basis. Model Validation employs qualitative as well as quantitative validation methods to challenge conceptual soundness, performance and model use aspects. The validation outcomes are approved by the respective model committees and shared with the regulatory bodies. In addition to the validation process, the Bank applies a regular monitoring process on the performance of rating tools, reflecting developments in new defaults and early delinquencies.

Credit risk classification

For the disclosure of asset quality (e.g. in this document and to the regulatory bodies) the Bank assigns each customer to one of the following four risk categories:

Low risk
Typically regional customers with well-established and rather long-standing relationships with SLSP or large internationally recognised customers. Very good to satisfactory financial position and low likelihood of financial difficulties relative to the respective market in which the customers operate. Retail clients having long relationships with the bank, or clients with a wide product pool use. No relevant late payments currently or in the most recent 12 months. New business is generally with clients in this risk category.

Management attention
Vulnerable non-retail clients, which may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term to the Bank. Retail clients with possible payment problems in the past triggering early collection reminders from the Bank´s side. These clients typically have a good recent payment history.

Substandard
The borrower is vulnerable to short term negative financial and economic developments and shows an elevated probability of failure. In some cases, restructuring measures are possible or already in place. As a rule, such loans are managed in specialised risk management departments.

Non-performing
There are exposure meeting criteria according to default definition set out above. The Bank applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well. Furthermore, non-performing exposures also comprise non-performing forborne transactions even in cases where the client has not defaulted.
Based on the calibration of internal PDs (probabilities of default) for regulatory purposes to the default rates published by rating agencies, the equivalent external customer rating was used for the assignment to risk categories. For the agency ratings, average one-year default rates resulting from long-term time series were applied.

Credit risk review and monitoring

Retail Credit Risk Management as well as Credit Risk Control in cooperation with Corporate Risk Management conduct periodical reviews of the loan portfolio to ensure an adequate portfolio quality.

All credit limits and the transactions booked within the limits are reviewed at least once a year. Counterparty credit risk limits are monitored daily in an internal limit management system with remedial actions taken in case limits are exceeded.
A group-wide standardised early warning monitoring process is implemented to proactively identify negative developments. The early warning monitoring process for corporate clients is managed by Corporate and Retail Credit Risk Management for respective segments. When early warning signals are identified and validated, the overall client exposure and creditworthiness is reviewed and adequate risk mitigating actions are taken if deemed necessary. Watch list review meetings are held on a regular basis to monitor customers with a poor credit standing and to discuss pre-emptive measures. For smaller enterprises (micro) and retail customers, the monitoring and credit review are based on an automated early warning system. In retail risk management, the early warning signals for adverse portfolio developments include, for instance, quality deterioration in new business or a decreasing collections effectiveness and require appropriate countermeasures. Additionally, the monitoring is performed for clients where early warning signals have been identified, even if they are still fulfilling their contractual repayment obligations.
Adverse portfolio developments regarding the non-performing and substandard loans portfolio of the Bank are monitored, discussed and reported. In case of further negative developments clients are handled in specialized workout units aiming to minimize potential losses.

Credit risk exposure

Credit risk exposure relates to the sum of the following statement of financial position items:

- Cash and cash equivalents – other demand deposits to credit institutions;
- financial assets held for trading – derivatives, debt securities (without equity instruments);
- non-trading financial assets at fair value through profit or loss (FVTPL) (without equity instruments);
- financial assets at fair value through other comprehensive income (FVTOCI) (without equity instruments);
- financial assets at amortised cost (AC);
- finance lease receivables;
- positive fair value of hedge accounting derivatives;
- trade and other receivables;
- off-balance sheet positions (financial guarantees, irrevocable and revocable loan and other commitments given).

The credit risk exposure equates the gross carrying amount (or nominal value in the case of off-balance sheet positions) excluding:

- credit loss allowances for financial assets;
- credit loss allowances for loan commitments and financial guarantees;
- provisions for other commitments;
- any collateral held (including risk transfer to guarantors);
- netting effects;
- other credit enhancements;
- credit risk mitigating transactions.

Between the 31 December 2022 and 31 December 2023, credit risk exposure increased from EUR 27,026 million to EUR 28,222 million. This is an increase of 4.43% or EUR 1,196 million of which EUR 0,917 million increase was in on-balance and EUR 0,279 million in off-balance (of which Revocable part of off-balance was EUR 0,337 million, without impact on ECL). Revocable part of off-balance sheet represents EUR 2,276 million and irrevocable EUR 2,449 million. In 2022 revocable part of off-balance sheet represented EUR 1,938 million and irrevocable EUR 2,508 million.

Reconciliation between the gross carrying amount and the carrying amount of the separate components of the credit risk exposure

31.12.2023 EUR ths.	Gross carrying amount	Credit loss allowances					Net carrying amount
		Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	
Cash and cash equivalents - other demand deposits	9,172	-	-	-	-	-	9,172
Financial assets at amortised cost	22,898,815	37,679	107,211	183,735	25,154	-	22,545,036
Loans and advances to banks	10,060	28	-	-	-	-	10,032
Loans and advances to customers	18,765,942	36,810	106,420	183,735	25,154	-	18,413,823
of which: Lending for house purchase	10,783,029	10,691	17,968	68,980	1,989	-	10,683,401
of which: Credit for consumption	1,601,592	9,882	17,344	50,461	66	-	1,523,839
of which: Corporate loans and others	6,381,321	16,237	71,108	64,294	23,099	-	6,206,583
Debt securities	4,122,813	841	791	-	-	-	4,121,181
Finance lease receivables	351,940	590	1,473	2,514	40	-	347,323
Trade and other receivables	139,701	900	726	4,054	444	-	133,577
Non-trading financial assets at fair value through profit or loss - Debt securities	12,527	-	-	-	-	-	12,527
Financial assets - held for trading	60,289	-	-	-	-	-	60,289
Positive fair value of derivatives - hedge accounting	24,424	-	-	-	-	-	24,424
Total credit risk exposure on-balance	**23,496,868**	**39,169**	**109,410**	**190,303**	**25,638**	**-**	**23,132,348**
Off-balance	4,724,673	3,274	5,313	2,259	1,015	1,499	4,711,313
Total credit risk exposure	**28,221,541**	**42,443**	**114,723**	**192,562**	**26,653**	**1,499**	**27,843,661**

Allocation of credit loss allowances is affected by the war in Ukraine. The Bank allocated credit loss allowances for the customers with higher risk profile based on their ratings and in case of corporates, the industry was also used. More detailed information about changes in collective assessment of credit loss allowances is provided in section Collective assessment.

31.12.2022 EUR ths.	Gross carrying amount	Credit loss allowances					Net carrying amount
		Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	
Cash and cash equivalents - other demand deposits	15,512	-	-	-	-	-	15,512
Financial assets at amortised cost	22,008,151	43,479	110,310	158,695	31,465	-	21,664,202
Loans and advances to banks	26	-	-	-	-	-	26
Loans and advances to customers	17,851,323	42,629	109,257	158,695	31,465	-	17,509,277
of which: Lending for house purchase	10,342,105	18,578	19,242	66,070	1,114	-	10,237,101
of which: Credit for consumption	1,468,003	8,038	14,493	42,704	84	-	1,402,684
of which: Corporate loans and others	6,041,215	16,013	75,522	49,921	30,267	-	5,869,492
Debt securities	4,156,802	850	1,053	-	-	-	4,154,899
Finance lease receivables	288,141	394	509	2,727	11	-	284,500
Trade and other receivables	161,956	627	956	4,379	468	-	155,526
Non-trading financial assets at fair value through profit or loss - 'Debt securities	12,149	-	-	-	-	-	12,149
Financial assets - held for trading	77,139	-	-	-	-	-	77,139
Positive fair value of derivatives - hedge accounting	16,879	-	-	-	-	-	16,879
Total credit risk exposure on-balance	**22,579,927**	**44,500**	**111,775**	**165,801**	**31,944**	**-**	**22,225,907**
Off-balance	4,446,011	4,097	10,437	1,946	4,556	2,304	4,422,671
Total credit risk exposure	**27,025,938**	**48,597**	**122,212**	**167,747**	**36,500**	**2,304**	**26,648,578**

The non-defaulted part of POCI amounted to EUR 107.68 million (2022: EUR 114.99 million), the defaulted part to EUR 13.00 million (2022: EUR 11.16 million).

On the next pages the credit risk exposure is presented according to the following criteria:

- counterparty FINREP sector and financial instrument;
- financial instrument and risk category;
- financial instrument and IFRS 9 stage;
- industry and financial instrument;
- industry and risk category;
- industry and IFRS 9 stage;
- region and financial instrument;
- region and risk category;
- region and IFRS 9 stage;
- impairment view;
- neither past due, not impaired;
- Basel 3 exposure class and financial instrument.

Credit risk exposure by counterparty finrep sector and financial instrument

EUR ths.	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
31.12.2023							
Cash and cash equivalents - other demand deposits	-	-	9,172	-	-	-	9,172
Financial assets at amortised cost	-	4,066,635	371,874	328,417	5,082,158	13,049,731	22,898,815
Loans and advances to banks	-	-	10,060	-	-	-	10,060
Loans and advances to customers	-	428,623	-	302,580	4,985,008	13,049,731	18,765,942
of which: Lending for house purchase	-	-	-	-	-	10,783,029	10,783,029
of which: Credit for consumption	-	-	-	-	-	1,601,592	1,601,592
of which: Corporate loans and others	-	428,623	-	302,580	4,985,008	665,110	6,381,321
Debt securities	-	3,638,012	361,814	25,837	97,150	-	4,122,813
Finance lease receivables	-	1,300	-	74,023	275,146	1,471	351,940
Trade and other receivables	-	1,070	4,359	2,620	131,619	33	139,701
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	7,516	5,011	-	12,527
Derivatives - held for trading	-	-	26,173	-	34,115	1	60,289
Positive fair value of derivatives - hedge accounting	-	-	24,424	-	-	-	24,424
Total credit risk exposure on-balance	**-**	**4,069,005**	**436,002**	**412,576**	**5,528,049**	**13,051,236**	**23,496,868**
Off-balance	-	122,717	47,091	374,405	3,800,658	379,802	4,724,673
Total credit risk exposure	**-**	**4,191,722**	**483,093**	**786,981**	**9,328,707**	**13,431,038**	**28,221,541**

EUR ths.	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
31.12.2022							
Cash and cash equivalents - other demand deposits	-	-	15,512	-	-	-	15,512
Financial assets at amortised cost	-	4,071,806	296,472	247,810	4,952,487	12,439,576	22,008,151
Loans and advances to banks	-	-	26	-	-	-	26
Loans and advances to customers	-	337,264	-	221,980	4,852,503	12,439,576	17,851,323
of which: Lending for house purchase	-	-	-	-	-	10,342,105	10,342,105
of which: Credit for consumption	-	-	-	-	-	1,468,003	1,468,003
of which: Corporate loans and others	-	337,264	-	221,980	4,852,503	629,468	6,041,215
Debt securities	-	3,734,542	296,446	25,830	99,984	-	4,156,802
Finance lease receivables	-	1,063	-	39	284,878	2,161	288,141
Trade and other receivables	-	1,822	4,582	2,222	153,259	71	161,956
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	7,512	4,637	-	12,149
Derivatives - held for trading	-	-	55,079	-	22,055	5	77,139
Positive fair value of derivatives - hedge accounting	-	-	16,879	-	-	-	16,879
Total credit risk exposure on-balance	**-**	**4,074,691**	**388,524**	**257,583**	**5,417,316**	**12,441,813**	**22,579,927**
Off-balance	-	154,096	34,223	236,387	3,474,900	546,405	4,446,011
Total credit risk exposure	**-**	**4,228,787**	**422,747**	**493,970**	**8,892,216**	**12,988,218**	**27,025,938**

Credit risk exposure by financial instrument and risk category

EUR ths.	Credit risk exposure				Gross carrying amount
	Low Risk	Management attention	Substandard	Non-performing	
31.12.2023					
Cash and cash equivalents - other demand deposits	9,172	-	-	-	9,172
Financial assets at amortised cost	18,244,500	3,134,765	1,171,447	348,103	22,898,815
Loans and advances to banks	10,058	-	2	-	10,060
Loans and advances to customers	14,122,284	3,124,634	1,170,921	348,103	18,765,942
of which: Lending for house purchase	8,723,594	1,425,686	486,350	147,399	10,783,029
of which: Credit for consumption	817,557	495,483	222,930	65,622	1,601,592
of which: Corporate loans and others	4,581,133	1,203,465	461,641	135,082	6,381,321
Debt securities	4,112,158	10,131	524	-	4,122,813
Finance lease receivables	254,621	83,679	9,741	3,899	351,940
Trade and other receivables	66,798	48,838	19,088	4,977	139,701
Non-trading financial assets at fair value through profit or loss - 'Debt securities	7,516	5,011	-	-	12,527
Derivatives - held for trading	59,895	326	68	-	60,289
Positive fair value of derivatives - hedge accounting	24,424	-	-	-	24,424
Total credit risk exposure on-balance	**18,666,926**	**3,272,619**	**1,200,344**	**356,979**	**23,496,868**
Off-balance	3,864,107	646,253	195,840	18,473	4,724,673
Total credit risk exposure	**22,531,033**	**3,918,872**	**1,396,184**	**375,452**	**28,221,541**

EUR ths.	Credit risk exposure				Gross carrying amount
	Low Risk	Management attention	Substandard	Non-performing	
31.12.2022					
Cash and cash equivalents - other demand deposits	15,512	-	-	-	15,512
Financial assets at amortised cost	17,162,082	3,339,413	1,226,265	280,391	22,008,151
Loans and advances to banks	24	2	-	-	26
Loans and advances to customers	13,005,780	3,338,897	1,226,255	280,391	17,851,323
of which: Lending for house purchase	8,229,618	1,436,628	536,690	139,169	10,342,105
of which: Credit for consumption	767,029	452,945	190,861	57,168	1,468,003
of which: Corporate loans and others	4,009,133	1,449,324	498,704	84,054	6,041,215
Debt securities	4,156,278	514	10	-	4,156,802
Finance lease receivables	124,696	144,577	14,620	4,248	288,141
Trade and other receivables	72,907	42,905	40,454	5,690	161,956
Non-trading financial assets at fair value through profit or loss - 'Debt securities	11,189	960	-	-	12,149
Derivatives - held for trading	55,431	21,694	13	1	77,139
Positive fair value of derivatives - hedge accounting	16,879	-	-	-	16,879
Total credit risk exposure on-balance	**17,458,696**	**3,549,549**	**1,281,352**	**290,330**	**22,579,927**
Off-balance	3,069,998	1,072,460	294,955	8,598	4,446,011
Total credit risk exposure	**20,528,694**	**4,622,009**	**1,576,307**	**298,928**	**27,025,938**

Credit risk exposure by financial instrument and IFRS 9 stage

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2023						
Cash and cash equivalents - other demand deposits	9,172	-	-	-	-	9,172
Financial assets at amortised cost	20,609,252	1,839,192	336,119	114,252	-	22,898,815
Loans and advances to banks	10,058	2	-	-	-	10,060
Loans and advances to customers	16,505,463	1,810,108	336,119	114,252	-	18,765,942
of which: Lending for house purchase	10,377,589	256,714	144,136	4,590	-	10,783,029
of which: Credit for consumption	1,366,415	169,450	65,535	192	-	1,601,592
of which: Corporate loans and others	4,761,459	1,383,944	126,448	109,470	-	6,381,321
Debt securities	4,093,731	29,082	-	-	-	4,122,813
Finance lease receivables	313,025	35,016	3,738	161	-	351,940
Trade and other receivables	132,751	1,973	4,397	580	-	139,701
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	-	12,527	12,527
Derivatives - held for trading	-	-	-	-	60,289	60,289
Positive fair value of derivatives - hedge accounting	-	-	-	-	24,424	24,424
Total credit risk exposure on-balance	**21,064,200**	**1,876,181**	**344,254**	**114,993**	**97,240**	**23,496,868**
Off-balance	1,518,759	117,279	5,905	5,686	3,077,044	4,724,673
Total credit risk exposure	**22,582,959**	**1,993,460**	**350,159**	**120,679**	**3,174,284**	**28,221,541**

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2022						
Cash and cash equivalents - other demand deposits	15,512	-	-	-	-	15,512
Financial assets at amortised cost	19,359,442	2,278,559	270,743	99,407	-	22,008,151
Loans and advances to banks	24	2	-	-	-	26
Loans and advances to customers	15,251,371	2,229,802	270,743	99,407	-	17,851,323
of which: Lending for house purchase	9,917,061	284,914	137,315	2,815	-	10,342,105
of which: Credit for consumption	1,259,115	151,630	57,039	219	-	1,468,003
of which: Corporate loans and others	4,075,195	1,793,258	76,389	96,373	-	6,041,215
Debt securities	4,108,047	48,755	-	-	-	4,156,802
Finance lease receivables	250,629	33,045	4,220	247	-	288,141
Trade and other receivables	152,408	3,858	4,938	752	-	161,956
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	-	12,149	12,149
Derivatives - held for trading	-	-	-	-	77,139	77,139
Positive fair value of derivatives - hedge accounting	-	-	-	-	16,879	16,879
Total credit risk exposure on-balance	**19,777,991**	**2,315,462**	**279,901**	**100,406**	**106,167**	**22,579,927**
Off-balance	2,975,192	746,605	5,775	25,736	692,703	4,446,011
Total credit risk exposure	**22,753,183**	**3,062,067**	**285,676**	**126,142**	**798,870**	**27,025,938**

'Not subject to IFRS 9 impairment' means that those statement of financial position items are out of IFRS9 rules. In 2023 uncommitted credit lines were shifted from being IFRS 9 relevant to being Not subject to IFRS 9 impairment, causing decrease of exposure in IFRS 9 stages and moving to Not subject to IFRS 9 impairment. For comparison, if we would apply same treatment as of December 2022, the Off-balance exposure Not subject to IFRS 9 impairment would be EUR 2,631 million.

Credit risk exposure by industry and financial instrument

31.12.2023 EUR ths.	Cash and cash equivalents - other demand deposits	Financial assets at amortised cost						Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
		Loans and advances to banks	Loans and advances to customers			Debt securities							
			of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others								
I. Natural Resources & Commodities	-	-	-	-	624,485	-	30,453	37,281	-	57	469,591	1,161,867
II. Energy	-	-	-	-	617,595	29,269	9,837	2,946	-	29,742	711,765	1,401,154
III. Construction and building materials	-	-	-	-	419,270	-	21,836	11,958	-	-	1,059,357	1,512,421
IV. Automotive	-	-	-	-	232,647	-	4,129	11,719	-	-	323,539	572,034
V. Cyclical Consumer Products	-	-	-	-	323,290	-	12,290	9,757	5,011	66	160,615	511,029
VI. Non-Cyclical Consumer Products	-	-	-	-	409,325	9,355	10,038	17,015	-	96	206,711	652,540
VII. Machinery	-	-	-	-	213,077	-	10,799	20,578	-	-	256,244	500,698
VIII. Transportation	-	-	-	-	526,672	73,709	230,469	7,598	-	753	366,365	1,205,566
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	-	-	-	-	121,955	-	2,183	3,435	-	-	89,483	217,056
X. Healthcare & Services	-	-	-	-	239,572	-	13,905	9,452	-	-	101,485	364,414
XI. Hotels, Gaming & Leisure Industry	-	-	-	-	184,550	-	1,756	328	-	254	34,315	221,203
XII. Real Estate	-	-	-	-	1,360,038	10,131	3,168	351	-	2,874	264,454	1,641,016
XIII. Public Sector	-	-	-	-	405,825	3,638,012	815	303	-	-	60,577	4,105,532
XIV. Financial Institutions	9,172	10,060	-	-	145,942	362,337	122	6,980	7,516	50,870	275,251	868,250
XV. Private Households	-	-	10,783,029	1,601,592	557,011	-	140	-	-	1	344,898	13,286,671
XVI. Other	-	-	-	-	67	-	-	-	-	-	23	90
Total	**9,172**	**10,060**	**10,783,029**	**1,601,592**	**6,381,321**	**4,122,813**	**351,940**	**139,701**	**12,527**	**84,713**	**4,724,673**	**28,221,541**

31.12.2022		Financial assets at amortised cost										
			Loans and advances to customers									
EUR ths.	Cash and cash equivalents - other demand deposits	Loans and advances to banks	of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others	Debt securities	Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
I. Natural Resources & Commodities	-	-	-	-	578,917	-	32,594	46,607	-	69	429,643	1,087,830
II. Energy	-	-	-	-	693,161	29,259	9,402	3,020	-	21,648	590,723	1,347,213
III. Construction and building materials	-	-	-	-	343,639	-	18,196	21,549	-	2	931,671	1,315,057
IV. Automotive	-	-	-	-	221,806	-	9,381	9,356	-	-	324,168	564,711
V. Cyclical Consumer Products	-	-	-	-	294,709	-	6,440	12,166	4,637	29	174,231	492,212
VI. Non-Cyclical Consumer Products	-	-	-	-	395,629	9,356	9,627	16,979	-	7	157,615	589,213
VII. Machinery	-	-	-	-	218,261	-	11,175	21,346	-	11	220,389	471,182
VIII. Transportation	-	-	-	-	469,700	76,544	175,660	9,770	-	-	280,590	1,012,264
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	-	-	-	-	162,561	-	2,768	2,780	-	-	80,151	248,260
X. Healthcare & Services	-	-	-	-	263,295	-	9,256	10,892	-	12	113,800	397,255
XI. Hotels, Gaming & Leisure Industry	-	-	-	-	187,991	-	1,242	209	-	1	28,614	218,057
XII. Real Estate	-	-	-	-	1,210,743	10,131	1,248	478	-	276	248,880	1,471,756
XIII. Public Sector	-	-	-	-	329,844	3,734,543	990	-	-	-	101,766	4,167,143
XIV. Financial Institutions	15,512	26	-	-	136,114	296,969	39	6,804	7,512	71,958	259,375	794,309
XV. Private Households	-	-	10,342,105	1,468,003	534,814	-	123	-	-	5	504,380	12,849,430
XVI. Other	-	-	-	-	31	-	-	-	-	-	14	45
Total	**15,512**	**26**	**10,342,105**	**1,468,003**	**6,041,215**	**4,156,802**	**288,141**	**161,956**	**12,149**	**94,018**	**4,446,010**	**27,025,937**

Credit risk exposure by industry and risk category

EUR ths.	Low Risk	Management attention	Substandard	Non-performing loans	Total
31.12.2023					
I. Natural Resources & Commodities	773,005	275,542	94,812	18,508	1,161,867
II. Energy	1,260,523	118,602	17,828	4,201	1,401,154
III. Construction and building materials	1,049,020	288,231	143,513	31,657	1,512,421
IV. Automotive	448,896	89,667	15,712	17,759	572,034
V. Cyclical Consumer Products	237,432	137,697	101,248	34,652	511,029
VI. Non-Cyclical Consumer Products	444,017	141,711	58,434	8,378	652,540
VII. Machinery	298,417	146,167	45,919	10,195	500,698
VIII. Transportation	1,012,099	164,486	20,307	8,674	1,205,566
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	124,938	76,406	13,488	2,224	217,056
X. Healthcare & Services	229,882	91,740	40,098	2,694	364,414
XI. Hotels, Gaming & Leisure Industry	118,413	65,013	35,633	2,144	221,203
XII. Real Estate	1,355,598	235,693	37,428	12,297	1,641,016
XIII. Public Sector	3,989,164	93,801	22,564	3	4,105,532
XIV. Financial Institutions	855,277	2,019	7,760	3,194	868,250
XV. Private Households	10,334,312	1,992,047	741,440	218,872	13,286,671
XVI. Other	40	50	-	-	90
Total	**22,531,033**	**3,918,872**	**1,396,184**	**375,452**	**28,221,541**

EUR ths.	Low Risk	Management attention	Substandard	Non-performing loans	Total
31.12.2022					
I. Natural Resources & Commodities	588,966	330,250	150,225	18,390	1,087,831
II. Energy	1,077,535	239,978	23,358	6,342	1,347,213
III. Construction and building materials	551,152	616,996	127,998	18,911	1,315,057
IV. Automotive	420,482	130,563	12,198	1,468	564,711
V. Cyclical Consumer Products	251,840	171,331	59,457	9,584	492,212
VI. Non-Cyclical Consumer Products	372,216	147,726	62,047	7,224	589,213
VII. Machinery	275,471	85,007	100,989	9,715	471,182
VIII. Transportation	646,413	314,886	47,400	3,565	1,012,264
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	127,316	92,978	25,625	2,341	248,260
X. Healthcare & Services	195,976	127,166	70,271	3,842	397,255
XI. Hotels, Gaming & Leisure Industry	107,012	69,543	30,459	11,043	218,057
XII. Real Estate	1,175,199	215,305	77,074	4,178	1,471,756
XIII. Public Sector	4,093,542	64,638	8,963	-	4,167,143
XIV. Financial Institutions	769,265	21,606	3,281	157	794,309
XV. Private Households	9,876,285	1,994,024	776,954	202,167	12,849,430
XVI. Other	24	12	8	1	45
Total	**20,528,694**	**4,622,009**	**1,576,307**	**298,928**	**27,025,938**

Credit risk exposure by industry and IFRS9 stage

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2023						
I. Natural Resources & Commodities	723,798	116,594	17,035	1,609	302,831	1,161,867
II. Energy	637,057	189,312	4,201	-	570,584	1,401,154
III. Construction and building materials	432,902	141,910	25,339	1,660	910,610	1,512,421
IV. Automotive	256,118	11,542	15,099	85	289,190	572,034
V. Cyclical Consumer Products	272,033	115,706	30,739	3,695	88,856	511,029
VI. Non-Cyclical Consumer Products	446,823	66,003	8,098	355	131,261	652,540
VII. Machinery	261,797	41,497	5,622	7,622	184,160	500,698
VIII. Transportation	919,202	52,481	8,258	401	225,224	1,205,566
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	128,771	24,838	2,076	65	61,306	217,056
X. Healthcare & Services	263,021	44,186	2,535	441	54,231	364,414
XI. Hotels, Gaming & Leisure Industry	89,065	96,825	2,096	11,236	21,981	221,203
XII. Real Estate	814,899	637,954	11,140	87,401	89,622	1,641,016
XIII. Public Sector	4,082,662	1,051	3	-	21,816	4,105,532
XIV. Financial Institutions	637,646	4,775	3,193	25	222,611	868,250
XV. Private Households	12,617,075	448,786	214,725	6,084	1	13,286,671
XVI. Other	90	-	-	-	-	90
Total	**22,582,959**	**1,993,460**	**350,159**	**120,679**	**3,174,284**	**28,221,541**

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2022						
I. Natural Resources & Commodities	473,256	552,907	16,647	2,378	42,643	1,087,831
II. Energy	210,531	936,170	6,342	-	194,170	1,347,213
III. Construction and building materials	952,664	128,460	17,398	8,512	208,023	1,315,057
IV. Automotive	461,632	50,532	1,421	59	51,067	564,711
V. Cyclical Consumer Products	385,605	80,865	6,659	3,627	15,456	492,212
VI. Non-Cyclical Consumer Products	502,882	55,948	6,710	817	22,856	589,213
VII. Machinery	370,941	41,556	7,792	6,503	44,390	471,182
VIII. Transportation	880,594	51,449	3,468	99	76,654	1,012,264
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	185,516	52,397	1,858	48	8,441	248,260
X. Healthcare & Services	278,818	110,361	3,311	593	4,172	397,255
XI. Hotels, Gaming & Leisure Industry	96,205	97,844	10,087	12,645	1,276	218,057
XII. Real Estate	927,901	451,715	4,162	86,902	1,076	1,471,756
XIII. Public Sector	4,161,152	600	-	-	5,391	4,167,143
XIV. Financial Institutions	670,652	224	157	26	123,250	794,309
XV. Private Households	12,194,797	451,031	199,664	3,933	5	12,849,430
XVI. Other	37	8	-	-	-	45
Total	**22,753,183**	**3,062,067**	**285,676**	**126,142**	**798,870**	**27,025,938**

In 2023 uncommitted credit lines were shifted from being IFRS 9 relevant to being Not subject to IFRS 9 impairment, causing decrease of exposure in IFRS 9 stages and moving to Not subject to IFRS 9 impairment. For comparison, if we would apply same treatment as of December 2022, the Off-balance exposure Not subject to IFRS 9 impairment would be EUR 2,631 million.

Credit risk exposure by region and financial instrument

31.12.2023 EUR ths.	Cash and cash equivalents - other demand deposits	Financial assets at amortised cost						Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
		Loans and advances to banks	Loans and advances to customers				Debt securities						
				of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others							
Slovakia	-	10,033	10,709,377	1,580,197	6,204,182		3,657,868	351,940	85,410	5,011	33,799	4,337,104	26,974,921
Central and Eastern Europe	8,438	27	21,482	11,546	134,253		78,088	-	22,560	-	49,518	285,046	610,958
Austria	7,709	14	3,656	619	19		-	-	6,164	-	49,196	25,791	93,168
Czech Republic	578	10	5,783	595	133,982		78,088	-	10,806	-	316	230,440	460,598
Hungary	147	3	68	211	29		-	-	4,080	-	6	26,276	30,820
Croatia	-	-	-	42	2		-	-	66	-	-	784	894
Romania	4	-	678	321	21		-	-	1,048	-	-	1,303	3,375
Serbia	-	-	11,297	9,758	200		-	-	396	-	-	452	22,103
Other EU	623	-	2,285	300	42,704		381,778	-	28,346	3,306	1,396	77,912	538,650
Other industrialised countries	111	-	3,007	274	5		5,079	-	1,749	4,210	-	22,084	36,519
Emerging markets	-	-	46,878	9,275	177		-	-	1,636	-	-	2,527	60,493
Total	**9,172**	**10,060**	**10,783,029**	**1,601,592**	**6,381,321**		**4,122,813**	**351,940**	**139,701**	**12,527**	**84,713**	**4,724,673**	**28,221,541**

31.12.2022 EUR ths.	Cash and cash equivalents - other demand deposits	Financial assets at amortised cost						Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
		Loans and advances to banks	Loans and advances to customers				Debt securities						
				of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others							
Slovakia	-	1	10,286,770	1,458,034	5,955,732		3,769,971	288,141	103,591	5,597	21,996	4,122,439	26,012,272
Central and Eastern Europe	14,754	22	20,488	5,732	55,027		59,239	-	25,682	-	70,430	252,097	503,471
Austria	14,302	13	3,006	350	17		-	-	5,429	-	70,366	23,673	117,156
Czech Republic	445	9	5,425	359	54,852		59,239	-	15,914	-	64	214,428	350,735
Hungary	6	-	62	134	24		-	-	3,189	-	-	11,703	15,118
Croatia	-	-	-	63	1		-	-	426	-	-	1,031	1,521
Romania	1	-	708	215	16		-	-	694	-	-	1,026	2,660
Serbia	-	-	11,287	4,611	117		-	-	30	-	-	236	16,281
Other EU	549	1	1,970	227	26,211		322,513	-	26,557	3,058	1,592	61,924	444,602
Other industrialised countries	209	-	2,541	140	4,127		5,079	-	4,258	3,494	-	5,717	25,565
Emerging markets	-	2	30,336	3,870	118		-	-	1,868	-	-	3,834	40,028
Total	**15,512**	**26**	**10,342,105**	**1,468,003**	**6,041,215**		**4,156,802**	**288,141**	**161,956**	**12,149**	**94,018**	**4,446,011**	**27,025,938**

Credit risk exposure by region and risk category

EUR ths.	Credit risk exposure				Gross carrying amount
	Low Risk	Management attention	Substandard	Non-performing	
31.12.2023					
Slovakia	21,512,216	3,796,098	1,296,770	369,837	26,974,921
Central and Eastern Europe	509,546	60,652	36,318	4,442	610,958
Austria	89,171	1,634	2,362	1	93,168
Czech Republic	393,077	44,799	18,948	3,774	460,598
Hungary	15,748	5,710	9,311	51	30,820
Croatia	9	290	594	1	894
Romania	2,024	1,267	17	67	3,375
Serbia	9,517	6,952	5,086	548	22,103
Other EU	451,494	42,942	43,484	730	538,650
Other industrialised countries	27,152	3,647	5,600	120	36,519
Emerging markets	30,625	15,533	14,012	323	60,493
Total	**22,531,033**	**3,918,872**	**1,396,184**	**375,452**	**28,221,541**

EUR ths.	Credit risk exposure				Gross carrying amount
	Low Risk	Management attention	Substandard	Non-performing	
31.12.2022					
Slovakia	19,759,394	4,462,001	1,498,449	292,428	26,012,272
Central and Eastern Europe	372,212	97,072	28,417	5,770	503,471
Austria	113,532	1,799	1,824	1	117,156
Czech Republic	243,924	82,289	19,065	5,457	350,735
Hungary	5,580	5,392	4,100	46	15,118
Croatia	21	901	577	22	1,521
Romania	1,386	1,190	33	51	2,660
Serbia	7,769	5,501	2,818	193	16,281
Other EU	358,343	50,632	35,279	348	444,602
Other industrialised countries	15,997	2,710	6,700	158	25,565
Emerging markets	22,748	9,594	7,462	224	40,028
Total	**20,528,694**	**4,622,009**	**1,576,307**	**298,928**	**27,025,938**

Credit risk exposure by region and IFRS 9 stage

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2023						
Slovakia	21,734,437	1,987,231	345,171	120,518	2,787,564	26,974,921
Central and Eastern Europe	326,320	3,245	3,941	159	277,293	610,958
Austria	17,916	330	1	1	74,920	93,168
Czech Republic	281,489	953	3,286	145	174,725	460,598
Hungary	5,297	96	46	5	25,376	30,820
Croatia	86	30	1	-	777	894
Romania	2,031	12	65	2	1,265	3,375
Serbia	19,501	1,824	542	6	230	22,103
Other EU	455,148	484	605	-	82,413	538,650
Other industrialised countries	10,596	101	120	-	25,702	36,519
Emerging markets	56,458	2,399	322	2	1,312	60,493
Total	**22,582,959**	**1,993,460**	**350,159**	**120,679**	**3,174,284**	**28,221,541**

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2022						
Slovakia	21,959,734	2,992,038	279,993	125,242	655,265	26,012,272
Central and Eastern Europe	329,853	40,521	4,955	819	127,323	503,471
Austria	27,713	140	1	2	89,300	117,156
Czech Republic	268,212	39,289	4,650	807	37,777	350,735
Hungary	14,791	35	42	4	246	15,118
Croatia	1,499	-	22	-	-	1,521
Romania	2,594	14	50	2	-	2,660
Serbia	15,044	1,043	190	4	-	16,281
Other EU	409,883	22,023	347	80	12,269	444,602
Other industrialised countries	16,814	5,080	158	-	3,513	25,565
Emerging markets	36,899	2,405	223	1	500	40,028
Total	**22,753,183**	**3,062,067**	**285,676**	**126,142**	**798,870**	**27,025,938**

In 2023 uncommitted credit lines were shifted from being IFRS 9 relevant to being Not subject to IFRS 9 impairment, causing decrease of exposure in IFRS 9 stages and moving to Not subject to IFRS 9 impairment. For comparison, if we would apply same treatment as of December 2022, the Off-balance exposure Not subject to IFRS 9 impairment would be EUR 2,631 million.

Credit risk exposure according to impairment view

31.12.2023	Non-impaired loans								
EUR ths.	Total past due non impaired	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due	Neither past due nor Impaired	Impaired loans[3]	Total Credit risk exposure
Cash and cash equivalents - other demand deposits	-	-	-	-	-	-	9,172	-	9,172
Financial assets at amortised cost	410,724	378,523	18,531	8,244	3,932	1,494	22,139,988	348,103	22,898,815
Loans and advances to banks	29	29	-	-	-	-	10,031	-	10,060
Loans and advances to customers	410,695	378,494	18,531	8,244	3,932	1,494	18,007,144	348,103	18,765,942
of which: Lending for house purchase	136,312	118,008	9,877	4,252	3,022	1,153	10,499,318	147,399	10,783,029
of which: Credit for consumption	63,204	54,434	4,931	2,893	745	201	1,472,766	65,622	1,601,592
of which: Corporate loans and others	211,179	206,052	3,723	1,099	165	140	6,035,060	135,082	6,381,321
Debt securities	-	-	-	-	-	-	4,122,813	-	4,122,813
Finance lease receivables	5,797	5,530	192	75	-	-	342,244	3,899	351,940
Trade and other receivables	14,378	12,536	575	276	258	733	120,346	4,977	139,701
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	-	-	-	12,527	-	12,527
Financial assets - held for trading	-	-	-	-	-	-	60,289	-	60,289
Positive fair value of derivatives	-	-	-	-	-	-	24,424	-	24,424
Total credit risk exposure on-balance	**430,899**	**396,589**	**19,298**	**8,595**	**4,190**	**2,227**	**22,708,990**	**356,979**	**23,496,868**
Off-balance	-	-	-	-	-	-	4,718,496	6,177	4,724,673
Total credit risk exposure	**430,899**	**396,589**	**19,298**	**8,595**	**4,190**	**2,227**	**27,427,486**	**363,156**	**28,221,541**

[3] Impaired loans are defined according to default definition – see section "Restructuring, renegotiation and forbearance"

31.12.2022	Non-impaired loans								
EUR ths.	Total past due non Impaired	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due	Neither past due nor Impaired	Impaired loans	Total Credit risk exposure
Cash and cash equivalents - other demand deposits	-	-	-	-	-	-	15,512	-	15,512
Financial assets at amortised cost	341,895	317,202	13,312	7,195	2,543	1,642	21,385,865	280,391	22,008,151
Loans and advances to banks	25	25	-	-	-	-	1	-	26
Loans and advances to customers	341,870	317,177	13,312	7,195	2,543	1,642	17,229,062	280,391	17,851,323
of which: Lending for house purchase	109,910	93,774	8,648	4,274	1,933	1,280	10,093,026	139,169	10,342,105
of which: Credit for consumption	48,517	43,075	3,011	1,746	479	206	1,362,318	57,168	1,468,003
of which: Corporate loans and others	183,443	180,328	1,653	1,175	131	156	5,773,718	84,054	6,041,215
Debt securities	-	-	-	-	-	-	4,156,802	-	4,156,802
Finance lease receivables	4,432	3,605	594	228	5	-	279,461	4,248	288,141
Trade and other receivables	14,108	13,405	598	105	-	-	142,157	5,690	161,956
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	-	-	-	12,149	-	12,149
Financial assets - held for trading	-	-	-	-	-	-	77,139	-	77,139
Positive fair value of derivatives	-	-	-	-	-	-	16,879	-	16,879
Total credit risk exposure on-balance	**360,435**	**334,212**	**14,504**	**7,528**	**2,548**	**1,642**	**21,929,162**	**290,329**	**22,579,927**
Off-balance	-	-	-	-	-	-	4,439,510	6,501	4,446,011
Total credit risk exposure	**360,435**	**334,212**	**14,504**	**7,528**	**2,548**	**1,642**	**26,368,672**	**296,830**	**27,025,938**

Credit quality for exposures, which are neither past due non impaired

EUR ths.	Low Risk	Management attention	Substandard	Non-performing	Total
31.12.2023					
Cash and cash equivalents - other demand deposits	9,172	-	-	-	9,172
Financial assets at amortised cost	18,180,814	3,027,975	931,199	-	22,139,988
Loans and advances to banks	10,031	-	-	-	10,031
Loans and advances to customers	14,058,625	3,017,844	930,675	-	18,007,144
of which: Lending for house purchase	8,717,020	1,408,311	373,987	-	10,499,318
of which: Credit for consumption	816,818	488,252	167,696	-	1,472,766
of which: Corporate loans and others	4,524,787	1,121,281	388,992	-	6,035,060
Debt securities	4,112,158	10,131	524	-	4,122,813
Finance lease receivables	253,740	80,734	7,770	-	342,244
Trade and other receivables	62,225	41,864	16,257	-	120,346
Non-trading financial assets at fair value through profit or loss - 'Debt securities	7,516	5,011	-	-	12,527
Derivatives - held for trading	59,895	326	68	-	60,289
Positive fair value of derivatives - hedge accounting	24,424	-	-	-	24,424
Total credit risk exposure on-balance	**18,597,786**	**3,155,910**	**955,294**	**-**	**22,708,990**
Off-balance	3,864,107	646,253	195,840	12,296	4,718,496
Total credit risk exposure	**22,461,893**	**3,802,163**	**1,151,134**	**12,296**	**27,427,486**

EUR ths.	Low Risk	Management attention	Substandard	Non-performing	Total
31.12.2022					
Cash and cash equivalents - other demand deposits	15,512	-	-	-	15,512
Financial assets at amortised cost	17,102,348	3,282,978	1,000,539	-	21,385,865
Loans and advances to banks	1	-	-	-	1
Loans and advances to customers	12,946,069	3,282,464	1,000,529	-	17,229,062
of which: Lending for house purchase	8,226,385	1,422,905	443,736	-	10,093,026
of which: Credit for consumption	766,496	447,843	147,979	-	1,362,318
of which: Corporate loans and others	3,953,188	1,411,716	408,814	-	5,773,718
Debt securities	4,156,278	514	10	-	4,156,802
Finance lease receivables	124,017	141,976	13,468	-	279,461
Trade and other receivables	67,256	38,044	36,857	-	142,157
Non-trading financial assets at fair value through profit or loss - 'Debt securities	11,189	960	-	-	12,149
Derivatives - held for trading	55,431	21,694	13	1	77,139
Positive fair value of derivatives - hedge accounting	16,879	-	-	-	16,879
Total credit risk exposure on-balance	**17,392,632**	**3,485,652**	**1,050,877**	**1**	**21,929,162**
Off-balance	3,069,998	1,072,460	294,955	2,097	4,439,510
Total credit risk exposure	**20,462,630**	**4,558,112**	**1,345,832**	**2,098**	**26,368,672**

Credit risk exposure by Basel 3 exposure class and financial instrument

EUR ths.	Sovereigns	Institutions	Corporates	Retail	Total
31.12.2023					
Cash and cash equivalents - other demand deposits	-	9,172	-	-	9,172
Financial assets at amortised cost	3,675,442	763,066	5,090,312	13,369,995	22,898,815
Loans and advances to banks	-	10,060	-	-	10,060
Loans and advances to customers	37,431	391,192	4,967,324	13,369,995	18,765,942
of which: Lending for house purchase	-	-	-	10,783,029	10,783,029
of which: Credit for consumption	-	-	-	1,601,592	1,601,592
of which: Corporate loans and others	37,431	391,192	4,967,324	985,374	6,381,321
Debt securities	3,638,011	361,814	122,988	-	4,122,813
Finance lease receivables	-	1,300	338,851	11,789	351,940
Trade and other receivables	460	4,969	133,904	368	139,701
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	12,527	-	12,527
Derivatives - held for trading	-	26,173	34,115	1	60,289
Positive fair value of derivatives - hedge accounting	-	24,424	-	-	24,424
Total credit risk exposure on-balance	**3,675,902**	**829,104**	**5,609,709**	**13,382,153**	**23,496,868**
Off-balance	61,823	107,985	4,080,281	474,584	4,724,673
Total credit risk exposure	**3,737,725**	**937,089**	**9,689,990**	**13,856,737**	**28,221,541**

EUR ths.	Sovereigns	Institutions	Corporates	Retail	Total
31.12.2022					
Cash and cash equivalents - other demand deposits	-	15,512	-	-	15,512
Financial assets at amortised cost	4,071,807	296,472	4,893,907	12,745,965	22,008,151
Loans and advances to banks	-	26	-	-	26
Loans and advances to customers	337,264	-	4,768,094	12,745,965	17,851,323
of which: Lending for house purchase	-	-	-	10,342,105	10,342,105
of which: Credit for consumption	-	-	-	1,468,003	1,468,003
of which: Corporate loans and others	337,264	-	4,768,094	935,857	6,041,215
Debt securities	3,734,543	296,446	125,813	-	4,156,802
Finance lease receivables	1,062	-	275,972	11,107	288,141
Trade and other receivables	1,822	-	159,883	251	161,956
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	12,149	-	12,149
Derivatives - held for trading	-	55,079	22,055	5	77,139
Positive fair value of derivatives - hedge accounting	-	16,879	-	-	16,879
Total credit risk exposure on-balance	**4,074,691**	**383,942**	**5,363,966**	**12,757,328**	**22,579,927**
Off-balance	154,095	34,228	3,632,606	625,082	4,446,011
Total credit risk exposure	**4,228,786**	**418,170**	**8,996,572**	**13,382,410**	**27,025,938**

Expected credit loss measurement

The general principles and standards for credit loss allowances are governed by internal policies in the Bank. According to IFRS 9, credit loss allowances are calculated for all components of credit risk exposures which are measured at amortised cost (AC) or at fair value through other comprehensive income. They include debt securities, loans and advances, demand deposits on nostro accounts with commercial banks as well as finance lease and trade receivables. In addition, credit loss allowances are calculated for loan commitments and financial guarantees if they meet the applicable IFRS 9 definitions.

Classification into stages and definition of credit-impaired financial instruments

There are three main stages outlined for expected credit loss (ECL) determination. The stages approach applies to financial instruments within the scope of the impairment requirements of IFRS 9 and those that are not categorised as purchased or originated credit impaired financial assets (POCI), which form a category of their own. Depending on the impairment status and the assessment of the development of credit risk, these financial instruments are assigned to one of the three stages. For details related to stages of impaired financial instruments, please see Chapter Financial instruments – Material accounting policies, subchapter Impairment of financial instruments.

Significant increase in credit risk determination

Assessment of significant increase in credit risk (SICR) of financial instruments as at the reporting date since initial recognition is one of the key drivers affecting the amount of the ECL recognised based on IFRS 9 requirements. In this respect, across portfolios and product types, quantitative and qualitative indicators are defined for assessing SICR, including the indicator of 30 days-past-due (DPD).

Quantitative criteria
Quantitative SICR indicators include adverse changes in annualised lifetime probability of default and in lifetime probability of default with significance being assessed by reference to a comparison of the current probability of failure and mix of relative and absolute change thresholds. The Bank has established thresholds for significant increases in credit risk based on both a percentage (relative) and absolute change in PD compared to initial recognition. In order for the SICR to occur for a particular financial instrument, both the relative and absolute thresholds need to be breached.

The relative measure is calculated as a ratio between current annualised PD and annualised PD value on initial recognition. The breach means that such ratio has reached or is higher than the established threshold. These relative thresholds for SICR assessment are established at PD segment level or client rating level as necessary, and are subject to initial and on-going validation.

Relative thresholds for SICR assessment

	Threshold interval (x times)	
	Min	Max
31.12.2023	1.13	4.08
31.12.2022	1.13	4.08

There are certain portfolios where SICR quantitative criteria are assessed based on the ratings rather than PDs. The main rule in those cases is that downgrading of the ratings beyond certain threshold would lead to SICR. Hence initial rating plays important role in SICR assessment here. For initial ratings closer to the threshold, it is easier to breach it and therefore qualify as SICR. These rules are applied primarily to leasing and factoring business receivables.

The absolute threshold refers to difference of LT PD on initial recognition and current LT PD. It is set to a maximum of 50 bps and serves as a back-stop for migrations between the best ratings (LT PDs considered for remaining maturity). In such cases, relative thresholds may be breached, however overall LT PD is very low, and therefore SICR is not positively concluded.

Qualitative criteria
Qualitative SICR indicators include forbearance-type flags (identification of regulatory forbearance), work-out transfer flags (when the account starts being monitored by the work-out department), information from the early-warning system (if it is not sufficiently considered in the rating) and fraud indicators. The assignment of some of the qualitative indicators inherently relies on experienced credit risk judgment being exercised adequately and in a timely manner. The related bank and entity-level credit risk controlling policies and procedures (adapted as necessary in the light of transition to IFRS 9) ensure the necessary governance framework. These indicators are used internally for identification of insolvency or increased probability that a borrower will enter bankruptcy and there is increased risk of default in the foreseeable future.

Besides the qualitative indicators defined on a client level, the assessment of a significant increase in credit risk is performed on a portfolio level if the increase in credit risk on individual instruments or at a client level is available only with a certain time lag or is observable exclusively on a portfolio level.

Bank has introduced additional portfolio level SICR assessment criteria due to the war in Ukraine (implemented in 2022) and related economic impacts. Similarly, from 2020 till Q3-2022 portfolio assessment due to the Covid-19 pandemic was established. For more details refer to "Collective assessment" in the next chapter.

Considering the war in Ukraine, Bank started with a portfolio screening to identify customers affected by the secondary effects of the geopolitical risk. The Bank has only very limited exposure towards the affected region with only several clients with exposure.

Backstop

A backstop is applied and the financial instruments are considered to have experienced a SICR if the borrower is more than 30 days past due on contractual payments. As observed during validation, this does not represent a major trigger for Stage 2 classification.

Measuring ECL – explanation of inputs and measurement

Credit loss allowances are calculated individually or collectively.

The individual calculation approach is applied in case of exposures to significant defaulted customers in Stage 3 or POCI. It consists in the individual assessment of the difference between the gross carrying amount and the present value of the expected cash flows, which are estimated by workout or risk managers. The discounting of the cash flows is based on the effective interest rate (POCI: credit-adjusted effective interest rate). However, the discount

rate for financial guarantees shall reflect the current market assessment of the time value of money and the risks that are specific to the cash flows which in Bank's implementation means using a risk free rate as a proxy.
A defaulted customer is classified as individually significant if the total on- and off-balance exposure exceeds a predefined materiality limit. Otherwise, the customer is considered insignificant and a rule-based (collective) approach is used for the calculation of the related credit loss allowance as the product of gross carrying amount and LGD, where the LGD depends on characteristics such as time in default or the stage of the workout process.

For exposures to non-defaulted customers (i.e. in Stage 1 and Stage 2), collective allowances are calculated according to a rule-based approach irrespective of the significance of the customer. The calculation of collective allowances requires grouping the related exposures into homogenous clusters on the basis of shared risk characteristics. The Banking criteria may differ based on the customer segment (retail, corporate) and include product type, collateral type, repayment type, loan to value band, and credit rating band. The bank is using rating method and product information to segment customers and assets into homogenous clusters to calculate collective credit loss allowances.

The calculation of credit loss allowances is done on a daily basis on a single exposure level and in the contractual currency of the exposure. To compute the collective credit loss allowance, the Bank applies an expected credit loss (ECL) model based on a three-stage approach that leads to either a 12-month ECL or to a lifetime ECL. ECL is the discounted product of exposure at default (EAD) that also includes a credit conversion factor in the case of off-balance sheet exposures, probability of default (PD) and loss given default (LGD), defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation (per definition of default below), either over next 12 months (1Y PD) for Stage 1 exposures or over the remaining lifetime (LT PD) for Stage 2 and 3 and POCI exposures.
- EAD is based on the amounts Bank expects to be owed at the time of default, over next 12 months (1Y EAD) for Stage 1 exposures, or over the remaining lifetime (LT EAD) for Stage 2 and 3 and POCI exposures. The estimation includes current balance, expected repayments and expected drawings up to the current contractual limit by the time of default.
- LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit exposure at the time of default (EAD).

Life-time parameters
The LT PD is developed through observation of historical defaults from initial recognition through the life-time of the loans. It is assumed to be the same across all assets in the same portfolio and rating band.

The 1Y and LT EADs are determined based on the expected payment profiles, which vary by product type. The LT EAD calculation utilises repayment schedule or repayment type (annuity, linear, bullet). In the case of undrawn commitments, credit conversion factor is estimated for reflecting the expected credit exposure in the EAD.

The LGD is estimated as a lifetime curve for any point in time, based on historical loss observations.
The risk parameters used in the ECL calculation take into account available information at the reporting date about past events, current conditions and forecasts on future economic trends. Generally, the risk parameters applied in the calculation of collective allowances differ from the risk parameters compliant with capital requirement regulations, calculated on a through-the-cycle basis, if the characteristics of the respective portfolio in combination with IFRS standards necessitate this.

Incorporation of forward-looking information

Parameters are determined to reflect the risk as a 'point-in-time' measure and with consideration of forward-looking information (FLI). This results in using a baseline forecast and a number of alternative scenarios for selected macroeconomic variables. The alternative scenarios are derived, together with their probabilities of occurrence, as a deviation from baseline forecasts, where the baseline forecasts are, with a few exceptions, internally determined by Bank's research department. Given multiple scenarios, the 'neutral' PDs (and, with a few exceptions, also LGDs) are adjusted using macro models that link relevant macroeconomic variables with risk drivers. The same macro-shift models as for external and internal stress test are used. Forward-looking information is incorporated for first three years of ECL measurement. Measurement of the parameters for the remaining lifetime returns back to through-the-cycle observations immediately in year four.

Thus, the unbiased probability-weighted ECL considering FLI is derived using the weights representing the probability of occurrence of each macroeconomic scenario. Typical macroeconomic variables may include real gross domestic product, unemployment rate, inflation rate, production index as well as market interest rates. The selection of variables also depends on the availability of reliable forecasts for the given local market. The main indicator of the estimated economic development is the GDP. In addition, economic effects of the war in Ukraine led to increases of the inflation and/or the interest rates. Erste Group adjusted macro-shift models to reflect expected effects of those into credit risk parameters. In the table below we are disclosing expected development of inflation or interest rates in our region. Disclosures are based on the relevancy in the macro-shift model.

Bank reviewed the FLI in the fourth quarter of 2023 according to the disclosed forecasts for baseline, downside and upside scenarios. The overall macroeconomic situation slightly improved, therefore Erste Group decided to reconsider weights of scenarios. Current {Up: 1% - same as 2022, Base: 50% - increase from 40% in 2022, Down: 49% - decrease from 59% in 2022} weights still reflect some adverse economic uncertainties due to war Russia/Ukraine, still high inflation and interest rates and prices of utilities.
Below we are publishing scenarios used for ECL calculation and as well latest available GDP growth forecasts.

Baseline, upside and downside scenarios of GDP growth

31.12.2023

Parameter	Scenario	Weight	2023	2024	2025	2026
GDP - real growth (in %)	Macro down	49%	1.5	-2.5	-1.3	-0.3
	Macro base	50%	1.5	2.3	2.7	2.4
	Macro up	1%	1.5	4.7	5.1	4.8
GDP - Nominal growth (in %)	Macro down	49%	8.0	4.9	2.6	1.4
	Macro base	50%	8.0	8.8	6.5	5.3
	Macro up	1%	8.0	12.3	10.0	8.8
Unemployment rate (in %)	Macro down	49%	6.1	7.3	8.2	7.8
	Macro base	50%	6.1	6.0	5.7	5.4
	Macro up	1%	6.1	4.4	4.2	3.9
Inflation - CPI (in %)	Macro down	49%	7.7	8.8	6.8	5.3
	Macro base	50%	7.7	5.0	3.5	2.5
	Macro up	1%	7.7	3.2	1.7	0.7
Unemployment rate - shift 12 months (in %)	Macro down	49%	6.1	6.1	7.3	8.2
	Macro base	50%	6.1	6.1	6.0	5.7
	Macro up	1%	6.1	6.1	4.4	4.2
Real Wage growth (in %)	Macro down	49%	-1.5	0.3	0.8	0.8
	Macro base	50%	-1.5	1.9	2.4	2.4
	Macro up	1%	-1.5	3.6	4.1	4.1

31.12.2022

Parameter	Scenario	Weight	2022	2023	2024	2025
GDP - real growth (in %)	Macro down	59%	1.8	-4.6	-2.2	1.1
	Macro base	40%	1.8	1.5	2.6	2.0
	Macro up	1%	1.8	3.6	4.7	4.1
GDP - Nominal growth (in %)	Macro down	59%	7.0	5.1	4.4	3.9
	Macro base	40%	10.0	8.0	7.3	6.8
	Macro up	1%	12.9	11.0	10.3	9.8
Unemployment rate (in %)	Macro down	59%	6.3	8.4	8.8	8.5
	Macro base	40%	6.3	6.5	6.5	6.3
	Macro up	1%	6.3	5.1	5.1	4.9
Inflation - CPI (in %)	Macro down	59%	12.7	11.4	6.8	4.8
	Macro base	40%	12.7	9.3	4.5	3.5
	Macro up	1%	12.7	8.0	3.2	2.2
Unemployment rate - shift 12 months (in %)	Macro down	59%	7.0	6.3	8.4	8.8
	Macro base	40%	7.0	6.3	6.5	6.5
	Macro up	1%	7.0	6.3	5.1	5.1
Real Wage growth (in %)	Macro down	59%	-3.7	-3.6	0.6	-0.3
	Macro base	40%	-3.7	-2.3	1.9	1.0
	Macro up	1%	-3.7	-0.9	3.3	2.4

Bank recognizes additional challenges caused by the ESG (environmental, social and governance) risks. We are in the process of analyses how to incorporate these risks into ECL measurement.

In the Risk Materiality Assessment, climate and environment-related risks are overall assessed as medium and therefore classified as material, but they are expected to generate more impact on credit risk in the medium to long run. Therefore, in the short-term Bank did not include additional overlays for ESG risks into ECL calculation for year 2023.

Collective assessment

In 2022 we saw overall stabilization of the Covid-19 situation and its effects and therefore the Bank decided to release Covid-19 overlays that were previously implemented as a reaction to Covid-19 pandemic. This caused a release of ECL in amount of EUR 4.9 million in 2022. In year 2023 there were no further effects on ECL due to Covid-19.
As at December 2023, in addition to standard SICR assessment, Bank applied stage overlays rules, i.e. transfer into Stage 2 based on pre-defined portfolio characteristics, due to the uncertainty caused by the war in Ukraine and the energy crisis.

War in Ukraine

The Ukraine-Russia war, intensified challenges for both risk and business divisions: a rally in energy prices on the one hand and disruptions in supply chains on the other hand. The first ones had implications on various industries, mainly those with energy intensive production processes, but also impacting segments with high fuel cost shares. Issues with supply chains are managed by affected clients with diverse measures aiming to safeguard the business activity and liquidity (amongst others: active working capital management, targeted stocking-up, output adaptation, renegotiations with off takers etc.), in some cases also by ensuring backup/liquidity financing. Developments as mentioned above are reflected in the regular updates of the industry strategies.

In June 2022, the Bank implemented rules for stage overlays due to the war in Ukraine (UA war overlays) as a combination of industries with correlation to economic downturn (cyclical industries) and one-year IFRS PD. These rules were defined on top of existing criteria mentioned in the section 'Significant increase in credit risk determination – Qualitative criteria' (Stage 2 identification based on the early warning signal and negative information about geopolitical risk in March 2022). The table below shows volumes for the cyclical industry overlay.

In addition to cyclical industries, from September 2022 Group has introduced additional Energy stage overlay due to the current distortions in the energy market with implications on gas/energy availability and price. Two-folds effects were identified. Effects of gas rationing/shortage on clients either due to energy intensive production processes or relying on gas as a primary input in their business processes. Vulnerability is driven by gas dependency, (limited) substitution possibilities and implications of a substitution on financials, hedging and price mechanisms. Within the industry Natural Resources and Commodities, Metals and Chemical subindustries were identified as being most affected. All companies belonging to the Energy sector as the whole industry can potentially be affected by the massive shortages and distortions in the current energy market: price volatility, margin calls, price caps, adverse weather environment for hydro power, fixed off-take contracts (putting off-takers at risk when stopped and / or limiting producers of renewable energy profiting from the higher prices), exceptional taxes, etc. All customers belonging to these industries / sub-industries were migrated to Stage 2.

As at December 2022, exposure belonging to the Energy overlays was EUR 1.437 billion with allocated CLA of EUR 24.9 million. In 2023 the Energy overlay was reviewed, and we kept in Stage 2 only those clients that previously were part of this overlay and where we would see financial impact of energy prices on client's profitability. This revision caused majority of clients to be released from the overlay. With this change the Bank released approximately EUR 10 million of provisions and exposure in Energy overlays decreased to EUR 0.14 million.

The Bank is currently applying two sets of overlays mentioned above:

1. Cyclical overlays
   Clients having Cyclical industry and one-year IFRS PD > 250bps are part of the Cyclical overlay and are migrated to Stage 2
2. Energy overlays
   Clients having Energy industry (II. Energy industry + sub-industries Chemicals and Metals from I. Natural resources & commodities industry) and there is visible financial impact of energy prices on clients' profitability.

The overlays are exclusive meaning only one of them can be applied at the time and the priority is cyclical overlays are evaluated first and energy overlays second.

The table below shows volumes for the cyclical industries category and energy dependent (sub)industries:

Credit risk exposure and credit loss allowances by industry and IFRS9 treatment – cyclical industries

31.12.2023 EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total	Credit loss allowances
I. Natural Resources & Commodities	723,798	116,594	17,035	1,609	859,036	302,831	1,161,867	21,632
of which cyclical overlays	-	8,537	-	-	8,537	28	8,565	582
II. Public utility services and renewable energy sources	637,057	189,312	4,201	-	830,570	570,584	1,401,154	7,732
of which cyclical overlays	-	-	-	-	-	-	-	-
III. Construction and building materials	432,902	141,910	25,339	1,660	601,811	910,610	1,512,421	25,891
of which cyclical overlays	-	87,698	-	-	87,698	41,745	129,443	6,129
IV. Automotive	256,118	11,542	15,099	85	282,844	289,190	572,034	4,607
of which cyclical overlays	-	7,780	-	-	7,780	5	7,785	638
V. Cyclical Consumer Products	272,033	115,706	30,739	3,695	422,173	88,856	511,029	22,352
of which cyclical overlays	-	80,989	-	-	80,989	4,431	85,420	5,726
VI. Non-Cyclical Consumer Products	446,823	66,003	8,098	355	521,279	131,261	652,540	9,858
of which cyclical overlays	-	52	-	-	52	-	52	1
VII. Machinery	261,797	41,497	5,622	7,622	316,538	184,160	500,698	10,841
of which cyclical overlays	-	25,166	-	-	25,166	14,496	39,662	2,235
VIII. Transportation	919,202	52,481	8,258	401	980,342	225,224	1,205,566	8,166
of which cyclical overlays	-	432	-	-	432	-	432	34
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	128,771	24,838	2,076	65	155,750	61,306	217,056	2,955
of which cyclical overlays	-	4,414	-	-	4,414	-	4,414	309
X. Healthcare & Services	263,021	44,186	2,535	441	310,183	54,231	364,414	5,448
of which cyclical overlays	-	18,497	-	-	18,497	239	18,736	1,396
XI. Hotels, Gaming & Leisure Industry	89,065	96,825	2,096	11,236	199,222	21,981	221,203	9,625
of which cyclical overlays	-	76,644	-	-	76,644	5,254	81,898	7,202
XII. Real Estate activities	814,899	637,954	11,140	87,401	1,551,394	89,622	1,641,016	55,962
of which cyclical overlays	-	425,250	-	-	425,250	26,296	451,546	22,354
XIII. Public Sector	4,082,662	1,051	3	-	4,083,716	21,816	4,105,532	1,360
of which cyclical overlays	-	-	-	-	-	-	-	-
XIV. Financial Institutions	637,646	4,775	3,193	25	645,639	222,611	868,250	4,274
of which cyclical overlays	-	5	-	-	5	-	5	-
XV. Private Households	12,617,075	448,786	214,725	6,084	13,286,670	1	13,286,671	187,177
of which cyclical overlays	-	-	-	-	-	-	-	-
XVI. Other	90	-	-	-	90	-	90	1
of which cyclical overlays	-	-	-	-	-	-	-	-
Total	**22,582,959**	**1,993,460**	**350,159**	**120,679**	**25,047,257**	**3,174,284**	**28,221,541**	**377,881**
of which cyclical overlays	**-**	**735,464**	**-**	**-**	**735,464**	**92,494**	**827,958**	**46,606**

31.12.2022 EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total	Credit loss allowances
I. Natural Resources & Commodities	473,256	552,908	16,648	2,378	1,045,190	42,643	1,087,833	20,654
of which cyclical overlays	-	21,678	-	-	21,678	298	21,976	1,217
II. Energy	210,531	936,170	6,342	-	1,153,043	194,170	1,347,213	23,048
of which cyclical overlays	-	-	-	-	-	-	-	-
III. Construction and building materials	952,664	128,460	17,398	8,513	1,107,035	208,024	1,315,059	20,690
of which cyclical overlays	-	72,414	-	-	72,414	53,259	125,673	4,941
IV. Automotive	461,632	50,532	1,421	59	513,644	51,068	564,712	3,147
of which cyclical overlays	-	6,719	-	-	6,719	70	6,789	504
V. Cyclical Consumer Products	385,604	80,865	6,659	3,627	476,755	15,456	492,211	12,918
of which cyclical overlays	-	44,712	-	-	44,712	40	44,752	3,261
VI. Non-Cyclical Consumer Products	502,882	55,948	6,710	817	566,357	22,856	589,213	8,056
of which cyclical overlays	-	4	-	-	4	-	4	-
VII. Machinery	370,941	41,556	7,792	6,503	426,792	44,389	471,181	10,887
of which cyclical overlays	-	32,384	-	-	32,384	6,210	38,594	2,570
VIII. Transportation	880,594	51,449	3,468	99	935,610	76,655	1,012,265	6,117
of which cyclical overlays	-	238	-	-	238	-	238	26
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	185,516	52,397	1,858	48	239,819	8,441	248,260	5,724
of which cyclical overlays	-	823	-	-	823	-	823	78
X. Healthcare & Services	278,818	110,361	3,311	593	393,083	4,172	397,255	11,089
of which cyclical overlays	-	93,869	-	-	93,869	33	93,902	7,162
XI. Hotels, Gaming & Leisure Industry	96,205	97,844	10,087	12,645	216,781	1,275	218,056	15,484
of which cyclical overlays	-	72,198	-	-	72,198	368	72,566	7,063
XII. Real Estate	927,901	451,715	4,162	86,902	1,470,680	1,074	1,471,754	58,362
of which cyclical overlays	-	236,099	-	-	236,099	-	236,099	15,794
XIII. Public Sector	4,161,152	600	-	-	4,161,752	5,391	4,167,143	1,159
of which cyclical overlays	-	-	-	-	-	-	-	-
XIV. Financial Institutions	670,653	224	157	26	671,060	123,250	794,310	725
of which cyclical overlays	-	-	-	-	-	-	-	-
XV. Private Households	12,194,797	451,031	199,664	3,934	12,849,426	5	12,849,431	179,299
of which cyclical overlays	-	-	-	-	-	-	-	-
XVI. Other	36	8	-	-	44	-	44	2
of which cyclical overlays	-	-	-	-	-	-	-	-
Total	**22,753,182**	**3,062,068**	**285,677**	**126,144**	**26,227,071**	**798,869**	**27,025,940**	**377,361**
of which cyclical overlays	**-**	**581,138**	**-**	**-**	**581,138**	**60,278**	**641,416**	**42,616**

In 2023 uncommitted credit lines were shifted from being IFRS 9 relevant to being Not subject to IFRS 9 impairment, causing decrease of exposure in IFRS 9 stages and moving to Not subject to IFRS 9 impairment. For comparison, if we would apply same treatment as of December 2022, the Off-balance exposure Not subject to IFRS 9 impairment would be EUR 2,631 million.

Total sum of exposure in Stage 2 of exposures categorized in cyclical overlays as at December 2023 is EUR 735.46 million (581.14 million as at December 2022) with allocated credit loss allowances of EUR 46.6 million (42.61 million as at December 2022).

Sensitivity of ECL overlays

The Bank has calculated potential effects of various scenarios on ECL. We focused on change in PD parameter in both cyclical overlays and change in PD threshold for cyclical overlays. The results are presented in the following table.

Sensitivity of ECL overlays

31.12.2023	Scenario PD + 20%				Scenario PD threshold 0bps			
EUR ths.	Credit risk exposure	CLA	CLA stress	Δ(CLA - CLA stress)	Credit risk exposure	CLA	CLA stress	Δ(CLA - CLA stress)
I. Natural Resources & Commodities	357,511	1,508	1,866	358	357,511	1,508	4,317	2,809
of which cyclical overlays	21,847	661	849	188	357,511	1,508	4,317	2,809
II. Public utility services and renewable energy sources	-	-	-	-	-	-	-	-
of which cyclical overlays	-	-	-	-	-	-	-	-
III. Construction and building materials	669,722	8,021	10,265	2,244	669,722	8,021	11,215	3,194
of which cyclical overlays	179,008	6,899	8,918	2,019	669,722	8,021	11,215	3,194
IV. Automotive	271,030	1,081	1,984	903	271,030	1,081	2,736	1,655
of which cyclical overlays	24,545	745	1,581	836	271,030	1,081	2,736	1,655
V. Cyclical Consumer Products	395,465	7,706	9,942	2,236	395,465	7,706	10,701	2,995
of which cyclical overlays	139,690	6,644	8,668	2,024	395,465	7,706	10,701	2,995
VII. Machinery	274,463	3,296	4,301	1,005	274,463	3,296	4,963	1,667
of which cyclical overlays	74,785	2,800	3,705	905	274,463	3,296	4,963	1,667
VIII. Transportation	133,740	1,241	1,489	248	133,740	1,241	1,853	612
of which cyclical overlays	23,434	429	515	86	133,740	1,241	1,853	612
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	32,326	584	719	135	32,326	584	751	167
of which cyclical overlays	14,606	335	420	85	32,326	584	751	167
X. Healthcare & Services	105,754	1,736	2,293	557	105,754	1,736	2,934	1,198
of which cyclical overlays	28,541	1,478	1,984	506	105,754	1,736	2,934	1,198
XI. Hotels, Gaming & Leisure Industry	188,017	8,005	9,978	1,973	188,017	8,005	9,203	1,198
of which cyclical overlays	111,253	7,445	9,305	1,860	188,017	8,005	9,203	1,198
XII. Real Estate activities	1,376,496	31,448	38,396	6,948	1,376,496	31,448	39,682	8,234
of which cyclical overlays	629,361	22,804	28,024	5,220	1,376,496	31,448	39,682	8,234
Total	**3,804,524**	**64,626**	**81,233**	**16,607**	**3,804,524**	**64,626**	**88,355**	**23,729**
of which cyclical overlays	**1,247,070**	**50,240**	**63,969**	**13,729**	**3,804,524**	**64,626**	**88,355**	**23,729**

The Bank performed sensitivity analysis of CLA with two scenarios. In first scenario (Scenario PD +20%) we modified IFRS9 PD's such that the PD values are 20% higher, which resulted in difference in CLA of EUR 13.7 million. In second scenario we changed the threshold value for cyclical overlays from 250bps to 0bps, meaning that every exposure segmented as cyclical will be part of cyclical overlays regardless of IFRS9 PD. In this case the difference in CLA resulted in EUR 23.7 million.

Restructuring, renegotiation and forbearance

Restructuring means contractual modification of any of the customer's loan repayment conditions including tenor, interest rate, fees, principal amount due or a combination thereof. Restructuring can be business restructuring (in the retail segment), commercial renegotiation (in the corporate segment), or forbearance (e.g. concession due to financial difficulties) in line with EBA requirements in both segments.

Restructuring and renegotiation

Restructuring as business restructuring in the retail segment or as commercial renegotiation in the corporate segment is a potential and effective customer retention tool involving re-pricing or the offering of an additional loan or both in order to maintain the Bank's valuable, good clientele.

Forbearance
The definition of 'forbearance' is included in Regulation (EU) 2015/227. A restructuring is considered 'forbearance' if it entails a concession towards a customer facing or about to face financial difficulties in meeting their contractual financial commitments. A borrower is in financial difficulties if any of the following conditions are met:
- the customer is more than 30 days past due on any account in the past 3 months;
- the customer would be more than 30 days past due on any account without receiving forbearance;
- the customer is in default;
- the customer would default without receiving forbearance.

Additional criteria for non-retail segment:
- specific early warning signals for this customer were identified in the last 3 months;
- customer has deteriorated financial figures, which led to decline of the rating grade;
- customer has increased probability of default.

Forborne exposure is assessed at account level and means only the exposure to which forbearance measures have been extended and excludes any other exposure the customer may have, as long as no forbearance was extended to these.

Contractual modification means that any of the following conditions are met:
- modification/refinancing of the contract would not have been granted, had the customer not been in financial difficulty;
- there is a difference in favour of the customer between the modified/refinanced terms of the contract and the previous terms of the contract;
- the modified/refinanced contract includes more favourable terms than other customers with a similar risk profile would have obtained from the same institution;
- the contract modification involves total or partial cancellation of the debt by (partial) write-off;
- activation of embedded forbearance clause of the contract;
- waiver of a material breach of a financial covenant.

Forbearance can be initiated by the Bank or by the customer (on account of loss of employment, illness etc.). Components of forbearance can be instalment reduction, tenor extension, interest reduction or forgiveness, principal reduction or forgiveness, revolving exposure change to instalment and/or others.
Forbearance statuses are divided and reported as:
- performing forbearance (incl. performing forbearance under probation that was upgraded from non-performing forbearance);
- non-performing forbearance (incl. defaulted forbearance; since 10/2019 the definition of non-performing status is aligned with default).

Forbearance measures are defined as qualitative trigger events in the SICR concept according to the internal regulations of the Bank.

Default definition
The Bank applies the definition of default on client level. If a client defaults on any of its credit risk exposure then the client rating must be set to "R" and all on- and off balance exposure including equity products is considered as defaulted.

Default is recognized when one or both of the following incidents occur:

- the obligor is past due 90 consecutive days with any material credit obligation to the Bank, the parent undertaking or any of its subsidiaries in full; or
- the obligor is considered unlikely to pay (UTP) its credit obligation to the Bank, the parent undertaking or any of its subsidiaries in full without realisation of the collateral.

In the Bank the default status triggers the credit-impairment and the Stage 3 classification under IFRS9. In addition the Bank considers all non-performing exposures as defaulted.

Client is classified as defaulted due following 5 reasons, which are linked either to unlikely to pay (UTP) or days past due:

- E1 – unlikely to pay
- E2 – 90 days overdue
- E3 –forbearance
- E4 – Credit loss
- E5 – bankruptcy

Credit Risk Model department participates on the definition of default with Late Collection and Corporate Workout departments. The definition of default fulfils EBA criteria and influences estimation of LLP, SRC, etc.

Credit risk exposure, forbearance exposure and credit loss allowances

EUR ths.	Loans and advances	Debt securities	Other positions	Off-balance	Total credit risk exposure
31.12.2023					
Gross exposure	19,267,643	4,135,340	93,885	4,724,673	28,221,541
thereof gross forborne exposure	366,008	-	-	7,006	373,014
Performing exposure	18,910,664	4,135,340	93,885	4,706,200	27,846,089
thereof performing forborne exposure	242,280	-	-	6,993	249,273
Credit loss allowances for performing exposure	164,735	1,632	-	10,178	176,545
thereof credit loss allowances for performing forborne exposure	13,340	-	-	143	13,483
Non-performing exposure	356,979	-	-	18,473	375,452
thereof non-performing forborne exposure	123,728	-	-	14	123,742
Credit loss allowances for non-performing exposure	198,152	-	-	3,181	201,333
thereof credit loss allowances for non-performing forborne exposure	60,295	-	-	5	60,300

EUR ths.	Loans and advances	Debt securities	Other positions	Off-balance	Total credit risk exposure
31.12.2022					
Gross exposure	18,301,446	4,168,951	109,530	4,446,011	27,025,938
thereof gross forborne exposure	388,082	-	-	6,814	394,896
Performing exposure	18,011,117	4,168,951	109,529	4,437,413	26,727,010
thereof performing forborne exposure	283,280	-	-	6,459	289,739
Credit loss allowances for performing exposure	179,353	1,903	-	20,177	201,433
thereof credit loss allowances for performing forborne exposure	13,037	-	-	80	13,117
Non-performing exposure	290,329	-	1	8,598	298,928
thereof non-performing forborne exposure	104,801	-	-	355	105,156
Credit loss allowances for non-performing exposure	172,765	-	-	3,162	175,927
thereof credit loss allowances for non-performing forborne exposure	53,315	-	-	3	53,318

Loans and advances also include lease, trade and other receivables.

Collateral

Recognition of credit collateral

Collateral Management is integrated in Underwriting Processes department of Credit Risk divisions. The Bank's Collateral Management Policy defines, among other things, uniform valuation standards for credit collateral. It ensures that the credit risk decision processes are standardised with respect to accepted collateral values.
All collateral types acceptable within the Bank are contained in the Collateral Catalogue. Permitted collateral is defined in accordance with applicable national legal provisions. The valuation and revaluation of collateral is done according to the principles defined in the Bank's Collateral Catalogue broken down by collateral type and based on

the internal work instructions in accordance with the individual supervisory requirements. Whether a type of collateral or a specific collateral asset is accepted for credit risk mitigation is decided by Corporate Credit Risk Management after determining if the applicable regulatory requirements are met. Credit underwriting monitors adherence to the standard work processes stipulated for assigning the acceptable collateral assets to the categories available.

Main types of credit collateral

The following types of credit collateral are accepted:

- real estate: residential and commercial real estate;
- financial collateral: securities, cash deposits and life insurance policies;
- guarantees: given by sovereigns, public sector entities, financial institutes, companies and private individuals. All guarantors must have a minimum credit rating, which is reviewed annually;
- movables: equipment, investment goods, machinery and motor vehicles;
- claims and rights: trade account receivables, leasehold rights and shares in a company's capital.

Collateral valuation and management

Collateral valuation is based on current market prices while taking into account an amount that can be recovered within a reasonable period. The valuation processes are defined and their IT-supported technical application is performed by Collateral Management and by authorised staff in each country with the assistance of software applications. The allocated collateral values are capped by the amount of the secured transaction. Therefore, imputed excess collateral values are not possible. Only independent appraisers not involved in the lending decision process are permitted to conduct real estate valuations, and the valuation methods to be applied are defined by the Bank. For quality assurance purposes, the real estate evaluation mechanism and real estate valuations are validated on an ongoing basis.

The methods and discounts used for valuations are based on empirical data representing past experience of the workout departments and on the collected data on recoveries from realising collateral. The valuation discounts are adjusted regularly – at least once a year – to reflect current recoveries.

The revaluation of collateral is done periodically and is automated as far as possible. In the case of external data sources, the appropriate interfaces are used. The maximum periods for the revaluation of individual collateral assets are predefined and compliance is monitored by risk management using software applications. Apart from periodic revaluations, collateral is assessed when information becomes available that indicates a decrease in the value of the collateral for exceptional reasons.

Concentration risks resulting from credit risk mitigation techniques may affect a single customer, but also a portfolio defined by region, industry, or type of collateral. All guarantee liabilities and loans of a corporate guarantee provider are taken into consideration in the credit application process in order to prevent possible concentrations. Guarantees provided by sovereigns, a public sector entity or financial institutions have to lie within the approved limit of the guarantor. Concerning other areas of a potentially detrimental correlation of risks, the collateral portfolios are analysed using statistical evaluations for, among other things, regional or industry-specific concentrations within the scope of portfolio monitoring. The response to those risks identified includes, above all, the adjustment of volume targets, setting of corresponding limits and modification of the staff's discretionary limits for lending.

Collateral obtained in foreclosure proceedings is made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding claim.

Credit risk exposure by financial instrument and collaterals

31.12.2023			Collateralised by					IFRS 9 impairment relevant		
EUR ths.	Credit risk exposure	Collateral: thereof attributable to credit impaired exposure	Guarantees	Real estate	Other	Collateral total	Credit risk exposure net of collateral	Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired
Cash and cash equivalents - other demand deposits	9,172	-	-	-	-	-	9,172	9,172	-	-
Financial assets at amortised cost	22,898,815	181,191	295,954	11,709,487	398,140	12,403,581	10,495,234	22,139,988	410,724	348,103
Loans and advances to banks	10,060	-	13	-	-	13	10,047	10,031	29	-
Loans and advances to customers	18,765,942	181,191	285,844	11,709,487	398,140	12,393,471	6,372,471	18,007,144	410,695	348,103
of which: Lending for house purchase	10,783,029	138,483	-	10,205,645	23	10,205,668	577,361	10,499,318	136,312	147,399
of which: Credit for consumption	1,601,592	273	-	303	-	303	1,601,289	1,472,766	63,204	65,622
of which: Corporate loans and others	6,381,321	42,435	285,844	1,503,539	398,117	2,187,500	4,193,821	6,035,060	211,179	135,082
Debt securities	4,122,813	-	10,097	-	-	10,097	4,112,716	4,122,813	-	-
Finance lease receivables	351,940	1,552	-	-	237,996	237,996	113,944	342,244	5,797	3,899
Trade and other receivables	139,701	-	-	-	-	-	139,701	120,346	14,378	4,977
Non-trading financial assets at fair value through profit or loss - 'Debt securities	12,527	-	-	-	-	-	12,527	-	-	-
Financial assets - held for trading	60,289	-	-	-	-	-	60,289	-	-	-
Positive fair value of derivatives	24,424	-	-	-	-	-	24,424	-	-	-
Total credit risk exposure on-balance	**23,496,868**	**182,743**	**295,954**	**11,709,487**	**636,136**	**12,641,577**	**10,855,291**	**22,611,750**	**430,899**	**356,979**
Off-balance	4,724,673	961	-	130,498	112,953	243,451	4,481,222	1,641,453	-	6,177
Total credit risk exposure	**28,221,541**	**183,704**	**295,954**	**11,839,985**	**749,089**	**12,885,028**	**15,336,513**	**24,253,203**	**430,899**	**363,156**

31.12.2022			Collateralised by					IFRS 9 impairment relevant		
EUR ths.	Credit risk exposure	Collateral: thereof attributable to credit impaired exposure	Guarantees	Real estate	Other	Collateral total	Credit risk exposure net of collateral	Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired
Cash and cash equivalents - other demand deposits	15,512	-	-	-	-	-	15,512	15,512	-	-
Financial assets at amortised cost	22,008,151	144,735	236,430	10,901,046	370,547	11,508,022	10,500,129	21,385,865	341,895	280,391
Loans and advances to banks	26	-	12	-	-	12	14	1	25	-
Loans and advances to customers	17,851,323	144,735	226,365	10,901,046	370,547	11,497,957	6,353,366	17,229,062	341,870	280,391
of which: Lending for house purchase	10,342,105	128,134	-	9,533,711	25	9,533,736	808,369	10,093,026	109,910	139,169
'of which: Credit for consumption	1,468,003	280	-	291	-	291	1,467,712	1,362,318	48,517	57,168
'of which: Corporate loans and others	6,041,215	16,321	226,365	1,367,044	370,522	1,963,930	4,077,285	5,773,718	183,443	84,054
Debt securities	4,156,802	-	10,053	-	-	10,053	4,146,749	4,156,802	-	-
Finance lease receivables	288,141	1,781	-	-	195,354	195,354	92,787	279,461	4,432	4,248
Trade and other receivables	161,956	-	-	-	-	-	161,956	142,157	14,108	5,690
Non-trading financial assets at fair value through profit or loss - 'Debt securities	12,149	-	-	-	-	-	12,149	-	-	-
Financial assets - held for trading	77,139	-	-	-	-	-	77,139	-	-	-
Positive fair value of derivatives	16,879	-	-	-	-	-	16,879	-	-	-
Total credit risk exposure on-balance	**22,579,927**	**146,516**	**236,430**	**10,901,046**	**565,901**	**11,703,376**	**10,876,551**	**21,822,995**	**360,435**	**290,329**
Off-balance	4,446,011	408	-	115,757	112,269	228,026	4,217,985	3,746,807	-	6,501
Total credit risk exposure	**27,025,938**	**146,924**	**236,430**	**11,016,803**	**678,170**	**11,931,402**	**15,094,536**	**25,569,802**	**360,435**	**296,830**

The collateral attributable to exposures that are credit-impaired at 31 December 2023 amounts to EUR 182.7 million (2022: EUR 146.5 million).

Concentration

The following table presents a summary of the Banks's credit risk to the Slovak Republic, companies controlled by the Slovak government, self-governing regions, guarantees issued by the Slovak government and similar exposures:

EUR ths.	Amount		Portion of total assets %	
	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Cash and cash equivalents	899,436	2,658,749	3.78%	10.03%
Loans and receivables to customers	552,140	538,417	2.32%	2.03%
Securities portfolio	3,377,414	3,222,237	14.20%	12.16%
Total	**4,828,990**	**6,419,403**	**20.30%**	**24.22%**

The following table presents a breakdown of state debt securities held by the Bank per portfolio and type of security:

EUR ths.	31.12.2022	31.12.2023
Financial assets at amortised cost	3,377,414	3,222,237
State bonds denominated in EUR	3,377,414	3,222,237
Total	**3,377,414**	**3,222,237**

The sovereign issuer rating of the Slovak Republic according to the international rating agency Moody's is A2 with negative outlook (since 05 August 2022).

26. Market risk

Market risk is the risk of loss that may arise due to adverse changes in market prices and to the parameters derived from them. These market value changes might appear in the profit and loss account, in the statement of comprehensive income or in hidden reserves. The entire market risk management is independent from the business lines and is carried out by Strategic Risk Management (SRM). Trading and investment operations are subject to strict rules defined by SRM and approved by ALCO committee.

Methods and instruments employed

All positions of the bank, both in banking and trading books, that are subject to market risk are re-valued daily (including positions held-to-maturity), either to market or to model prices, and respective profit or loss is calculated. The main tools to measure market risk exposure are sensitivity analysis and value-at-risk (VAR) which is complemented by back testing and stress testing programme.
Sensitivity and VAR are applied to Trading Book positions as well as to Investment portfolios of the Banking Book. The overall interest rate risk of the bank (IRRBB) is quantified by Economic Value of Equity (change value of on- and off-balance sheet positions due to shift in the yield curves) and ICAAP IRRBB capital charge (one year VAR at 99.92% confidence level based on historical observed shifts in yield curves). The limits are imposed to both of the measures.

The VaR describes what level of losses may be expected as a maximum at a defined probability – the confidence level – within a certain holding period of the positions under historically observed market conditions. The calculation is done according to the method of historic simulation with a one-sided confidence level of 99%, a holding period of one day and a simulation period of two years. Back-testing is used to constantly monitor the validity of the statistical methods. This process is conducted with a one-day delay to monitor if the model projections regarding losses have actually materialised. At a confidence level of 99%, the actual loss on a single day should exceed the VAR statistically only two to three times a year (1% of around 250 workdays).
This shows one of the limits of the VaR approach: on the one hand, the confidence level is limited to 99%, and on the other hand, the model takes into account only those market scenarios observed in each case within the simulation period of two years and calculates the VAR for the current position of the Bank on this basis. In order to investigate any extreme market situations beyond this, stress tests are conducted at the Bank. These events include mainly market movements of low probability.

In addition to standard day-to-day risk measurement and monitoring, comprehensive stress testing procedures are established. Neither traditional risk measurement using sensitivity indicators, nor value-at-risk model is capable of capturing extreme events that occur in the market from time to time. Since the value-at-risk model only estimates the potential maximum loss with 99% probability, potential stressful events that possess less than 1% probability will not be embraced in the value-at-risk figure.
In stress testing, scenarios of potential extreme behaviour of the most significant market variables are developed. These are then applied to the current market values and potential profit or loss is calculated for current positions.
These analyses are made available to the management board within the scope of the regular market risk reporting.

Methods and instruments of risk mitigation

In order to manage the maximum risk exposure, a comprehensive system of limits is established, including VAR, sensitivity, and stop-loss limits. Limits are structured according to individual portfolios (separate limits are defined for derivative trades). Limits are reviewed and proposed usually at year-end by SRM in cooperation with Treasury and BSM for the upcoming business year. Reallocations are also possible during the current year. The new limits proposal or change in approved limits is subject to approval by ALCO committee. Monitoring is performed daily by SRM. Each limit violation must be reported and explained with ALCO being the supreme decision maker on further action.
Risk reporting is done daily for relevant management and monthly for ALCO.

Sensitivity, VAR and stop-loss limits are applied to Trading Book positions as well as to Investment portfolios of the Banking Book. The overall interest rate risk of the bank (entire statement of financial position) is quantified by Economic Value of Equity (change in statement of financial position value due to shift in the yield curves) and ICAAP IRRBB capital charge (one year VAR at 99.92% confidence level based on historical observed shifts in yield curves). The limits are imposed to both of the measures.

Analysis of market risk

The following tables summarize the risk measures – Value at Risk of banking book and trading book:

Value at Risk of banking book and trading book

EUR ths.	31.12.2022	31.12.2023
Banking book - ALM portfolio	14,993	13,958
Banking book - Corporate portfolio	1,062	1,090
Banking book - ALCO portfolio	325	294
Trading book	22	44

VAR figure is almost fully driven by interest rate risk, whilst foreign exchange and other risks are negligible. The main goal of Trading Book activity is to manage operational liquidity and minimal required reserves. Thus, its market risk is rather low as this business strategy is aimed on short term money market trading.

Interest rate risk in the banking book (IRRBB)

Interest rate risk is the risk of an adverse change in the value of interest rate sensitive on- and off-balance sheet positions caused by a movement in market interest rates. This type of risk arises when mismatches exist between assets, liabilities and off-balance items, including derivatives, in respect of their maturities, interest rate behaviour or of the timing of interest rate adjustments.
Limits and thresholds are implemented for both aspects of the IRRBB, the change in economic value (EVE) as well as the change in earnings. Positions without contractually defined maturity or repricing structures, such as demand deposits or overdrafts are modelled accordingly. For positions where the customer has the right to prepay his debt prepayment models are applied.

Economic value of equity (EVE)

EUR ths.	31.12.2022	31.12.2023
SLSP		
parallel down scenario	9,357	(199 236)
parallel up scenario	(106,611)	40 298
flattener scenario	(126,449)	(124 081)
steepener scenario	51,012	63 241
short down scenario	73,087	36 359
short up scenario	(140,115)	(81 068)

The positive numbers mean an increase in economic value due to the shift in yield curves, i.e. profit, the negative numbers vice versa. The biggest risk for the bank arises from non-parallel shift in the yield curves – the flattener scenario, under which the short end of the yield curves goes up while the long end declines. The Bank quantify, monitor and manage the IRRBB in compliance with valid regulations.

Exchange rate risk

Risk from open foreign exchange positions is the risk related to exchange rates that derives from the mismatch between assets and liabilities, or from currency-related financial derivatives. These risks might originate from customer-related operations or proprietary trading and are monitored and managed on a daily basis.
Basis principle behind managing FX risk is to transfer positions stemming from banking book activities to Erste Holding. However, in reasonable cases, banking book is permitted to hold strategic FX positions. This would typically be opened in order to hedge existing FX positions that are not explicitly seen on the statement of financial position.

Strategic positions are subject to ALCO approval and shall be managed on a daily basis by Balance Sheet Management. They are covered by sufficient limit structure and reporting on VAR, stop-loss limit and are disclosed as the gain or loss (responsibility of Strategic Risk Management).

Credit spread risk

Credit spread risk is the risk of an adverse movement in the fair value of financial instruments caused by a change in the creditworthiness of an issuer perceived by the market. The Bank is exposed to credit spread risk with respect to its bond portfolio accounted at fair value. There is no bonds position in the trading book. The bonds position in fair value portfolio in the banking book is small (EUR 4.6 million). Quantifying the credit spread risk of the securities in the banking book is based on a historical simulation. The maximum (hypothetical) drawdown that can be attributed to credit related risk factors over one-year horizon is calculated. It is based on credit spread sensitivities (CR01) and the risk factors used are mainly asset swap spreads for sovereigns and iTRAXX CDS indices for financials and corporates. The resulting amount is used as part of the ICAAP IRRBB - calculations to determine the capital consumption of the banking book portfolio.

Hedging

Banking book market risk management consists of optimising the Bank's risk position by finding the proper trade-off between the economic value of the statement of financial position and forecasted earnings. Decisions are based on statement of financial position development, economic environment, competitive landscape, fair value of risk, effect on net interest income and appropriate liquidity position. In order to achieve the goals of risk management, hedging activities focus on the two main control variables: net interest income and market value of equity risk. In a broader sense, hedging refers to an economic activity that mitigates risk but does not necessarily qualify for hedge accounting under IFRS rules. IFRS hedge accounting is applied, if possible, to avoid accounting mismatches due to hedging activity. Within the scope of IFRS-compliant hedge accounting, fair value hedges are used. In addition, the fair value option is used for hedging the market risk from the economic perspective. The hedging within the Bank concerns hedging of interest rate risk.

27. Liquidity risk

Liquidity strategy

In 2023, customer deposits remained the primary source of funding for the bank. The growth in loan volume surpassed inflows of customer deposits. The gap was offset by issuance of own bonds. The liquidity surplus was placed mainly in ECB and short-term money market loans.

The goal of the Bank's Funding Strategy is to cover the gap coming from the core business and also Minimum Requirement for Own Funds and Eligible Liabilities (MREL) efficiently, i.e. reaching an optimal liquidity status and MREL compliance in terms of structure and costs versus risk tolerance.

With regards its own issuance, the Bank issued EUR 1,565 million in bonds in 2023 (2022: EUR 1,944 million) out of which 1 000 million as covered bond and EUR 565 million as senior bonds.

The Bank's total TLTRO participation at the end of 2023 was EUR 1 billion (2022: EUR 1 billion), out of which EUR 750 million matures in March 2024 and EUR 250 million in June 2024.

Liquidity Metrics and Reports

The liquidity risk is defined in the Bank as the inability to meet the Bank's cash obligations as they come due because of an inability to liquidate assets or obtain adequate funding. Accordingly, a distinction is made between market liquidity risk, which is the risk that the Bank cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the Banks will not be able to meet efficiently both expected and unexpected current and future cash flows and collateral needs without affecting either daily operations or the financial condition of Bank. Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full and on time in an economically justified manner, while structural liquidity risk is the long-term risk of losses due to a change in the Bank's own refinancing cost or spread.

Liquidity risk is within the authority of ALCO. The Local Operating Liquidity Committee (L-OLC) is responsible for operational managing and analysing of the liquidity situation of the Bank.

Actual management of liquidity risk is done by Strategic Risk Management. Structural liquidity management is performed by Balance Sheet Management and daily liquidity managing and the fulfilment of minimum required reserves is performed by the Treasury department.

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period (SPA) on weekly basis. This analysis determines the maximum period during which the Bank can survive a set of defined scenarios, including a severe combined market and idiosyncratic crisis while relying on its counterbalancing capacity consist mainly of pool of liquid assets. The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflows.

Liquidity ratios defined by the regulator (LCR – Liquidity Coverage Ratio, NSFR – Net Stable Funding Ration and local LCR) are periodically monitored and are all at very satisfactory levels. All limits defined by the regulator are observed with large buffer.

Additionally, the static liquidity gap is monitored regularly on weekly basis and reported monthly to ALCO. Funding concentration risk is continuously analysed in respect to counterparties and is also reported to ALCO monthly.

Strategic Risk Management provides the reverse stress testing of liquidity where several assumptions (withdrawal, rollover, reserve haircuts) are modelled in order for the Bank to survive exactly one month. This is done on a monthly basis and is reported to ALCO.

Methods and instruments of risk mitigation

General standards of liquidity risk controlling and management (standards, limits and analysis) have been defined within the Bank and are continuously reviewed and improved by L-OLC and ALCO.

The short-term liquidity risk is managed by limits resulting from the survival period analysis where horizon limits are defined for each scenario as follows:

- ordinary course of business – over 3 months
- name crisis – over 1 months
- market crisis – over 6 months
- combined name and market crisis – over 3 months

For each scenario also the limit for liquidity surplus over given horizon limit is applied. The limit is set at EUR 0 million with warning level in range between EUR 0 and EUR 220 million in 2023 (at EUR 250 million in 2024).

The minimum amount of highly liquid assets (cash and average balance in central bank less minimum reserve requirement) must be over EUR 0.75 billion.

The Bank daily monitors its counter-balancing capacity, which consists of cash, excess minimum reserve at the central banks, as well as unencumbered central bank eligible assets and amount of retained covered bonds which could be pledged in central bank. These assets can be mobilized in the short term to offset potential cash outflows in a crisis situation.
Further, short-term risk is managed by regulatory and internal (more severe) limits on LCR and NFSR.

Funding Concentrations management – sum of top 10 biggest clients of each monitored group of wholesale funding providers (public, financial, credit institutions and corporates) may not account for more than EUR 770 million in 2023 (EUR 890 million in 2024).

Based on analysis and measurement, and based on liquidity strategy, medium and long-term (structural) management of liquidity is carried out by BSM while major decisions have to be approved by ALCO. Strategic Risk Management must ensure that the execution is in line with the approved Liquidity Strategy and that the approved limits are being followed. ALCO must be informed on the status of structural liquidity within the regular ALCO liquidity reports.

The Contingency Plan ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis.

Analysis of liquidity risk

In the Bank, the liquidity risk is analysed by the following methods.

Liquidity coverage ratio

The Bank uses the regulatory liquidity coverage ratio for internal monitoring and steering of the liquidity position as well. In order to keep the LCR above both limits, the regulatory limit and the internal limit, the Bank closely monitors its short-term liquidity inflows and outflows as well as its available counterbalancing capacity.

The following table shows the LCR as at 31 December 2022 and 31 December 2023:

EUR ths.	31.12.2022	31.12.2023
Liquidity buffer	4,322,139	6,222,713
Net liquidity outflow	2,672,881	3,239,431
Liquidity coverage ratio	161.70%	192.09%

Counterbalancing capacity

The Bank regularly monitors its counterbalancing capacity, which consists of cash, excess minimum reserves at the central banks as well as unencumbered central bank eligible assets, amount of retained covered bonds which could be pledged in ECB and other liquid securities, including impacts from repos, reverse repos and securities lending transactions. These assets can be mobilised in the short term to offset potential cash outflows in a crisis situation.

Term structure of counterbalancing capacity

EUR mil.	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
31.12.2023					
Cash, excess reserve	2,849	-	-	-	-
Liquid assets	3,387	10	9	15	224
Other central bank eligible assets	-	1,039	2	3	5
Thereof retained covered bonds	-	940	-	-	-
Thereof credit claims	-	99	2	3	5
Counterbalancing capacity	**6,236**	**1,049**	**11**	**18**	**229**

EUR mil.	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
31.12.2022					
Cash, excess reserve	1,056	-	-	-	-
Liquid assets	3,288	-	(361)	(10)	(60)
Other central bank eligible assets	-	1,553	(3)	(3)	(5)
Thereof retained covered bonds	-	1,428	-	-	-
Thereof credit claims	-	125	(3)	(3)	(5)
Counterbalancing capacity	**4,344**	**1,553**	**(364)**	**(13)**	**(65)**

The figures above show the total amount of potential liquidity available for the Bank in a going concern situation, taking into account the applicable central bank haircuts. In a crisis situation, adverse market movements can decrease this amount. Negative figures are maturing positions of the counterbalancing capacity. Positive figures after one week are positions not immediately available as counterbalancing capacity.

Financial liabilities

Maturities of contractual undiscounted cash flows from financial liabilities were as follows:

EUR ths.	31.12.2023	Contractual cash flows	< 1 month	1-12 months	1-5 years	> 5 years
Non-derivative liabilities	**23,493,834**	**23,805,033**	**16,098,090**	**2,695,467**	**4,804,251**	**207,225**
Deposits by banks	1,247,163	1,249,850	26,772	1,050,117	102,545	70,416
Customer deposits	17,589,627	17,600,052	16,056,151	1,266,127	277,774	-
Debt securities in issue	4,641,242	4,938,682	15,167	379,120	4,407,586	136,809
Subordinated liabilities	15,802	16,449	-	103	16,346	-
Derivative liabilities	**120,823**	**66,447**	**353**	**30,543**	**35,362**	**189**
Derivatives liabilities with gross Cash Flow (net)	**56,596**	**32,862**	**353**	**4,484**	**27,872**	**153**
Outflows	-	220,337	80,893	69,117	69,542	785
Inflows	-	(187,475)	(80,540)	(64,633)	(41,670)	(632)
Hedge accounting derivatives with gross Cash Flow (net)	**64,227**	**33,585**	**-**	**26,059**	**7,490**	**36**
Outflows	-	81,197	-	39,224	39,358	2,615
Inflows	-	(47,612)	-	(13,165)	(31,868)	(2,579)
Contingent liabilities	**2,448,908**	**2,448,908**	**2,448,908**	**-**	**-**	**-**
Financial guarantees	14,528	14,528	14,528	-	-	-
Commitments	2,434,380	2,434,380	2,434,380	-	-	-
Other financial liabilities	183,254	183,254	183,254	-	-	-
Lease liabilities	77,106	77,106	1,818	10,414	33,455	31,419
Total	**26,323,925**	**26,580,748**	**18,732,423**	**2,736,424**	**4,873,068**	**238,833**

EUR ths.	31.12.2022	Contractual cash flows	< 1 month	1-12 months	1-5 years	> 5 years
Non-derivative liabilities	**21,082,230**	**21,290,266**	**15,637,900**	**1,383,527**	**3,404,396**	**864,443**
Deposits by banks	1,173,628	1,226,304	38,783	24,188	1,132,491	30,842
Customer deposits	16,920,169	16,922,106	15,599,056	1,307,255	15,795	-
Debt securities in issue	2,935,613	3,086,267	61	45,401	2,224,676	816,129
Subordinated liabilities	52,820	55,589	-	6,683	31,434	17,472
Derivative liabilities	**176,799**	**50,271**	**774**	**18,726**	**30,752**	**19**
Derivatives liabilities with gross Cash Flow (net)	**73,533**	**25,252**	**774**	**7,050**	**17,518**	**(90)**
Outflows	-	258,360	106,241	83,529	67,795	795
Inflows	-	(233,108)	(105,467)	(76,479)	(50,277)	(885)
Hedge accounting derivatives with gross Cash Flow (net)	**103,266**	**25,019**	**-**	**11,676**	**13,234**	**109**
Outflows	-	86,396	-	25,059	55,884	5,453
Inflows	-	(61,377)	-	(13,383)	(42,650)	(5,344)
Contingent liabilities	**2,507,524**	**2,507,524**	**2,507,524**	**-**	**-**	**-**
Financial guarantees	15,070	15,070	15,070	-	-	-
Commitments	2,492,454	2,492,454	2,492,454	-	-	-
Other financial liabilities	113,790	113,790	113,790	-	-	-
Lease liabilities	81,718	81,718	1,658	9,922	34,058	36,080
Total	**23,962,061**	**24,043,569**	**18,261,646**	**1,412,175**	**3,469,206**	**900,542**

As at year-end 2023, the currency composition of the non-derivative liabilities consisted mainly by EUR (approximately 99%).

Financial assets

Maturities of contractual undiscounted cash flows from financial assets were as follows:

EUR ths.	31.12.2023	Contractual cash flows	< 1 month	1-12 months	1-5 years	> 5 years	Undefined
Non-derivative assets	**26,139,460**	**26,139,460**	**3,230,328**	**3,051,162**	**7,334,692**	**12,204,970**	**318,308**
Cash and cash equivalents	3,030,858	3,030,858	3,030,858	-	-	-	-
Financial assets at amortised cost	22,545,036	22,545,036	193,826	2,991,587	7,161,473	12,097,827	100,323
Loans and advances to banks	10,032	10,032	10,032	-	-	-	-
Loans and advances to customers	18,413,823	18,413,823	115,658	2,653,251	5,451,399	10,093,192	100,323
Debt securities	4,121,181	4,121,181	68,136	338,336	1,710,074	2,004,635	-
Finance lease receivables	347,323	347,323	5,644	59,571	173,219	102,136	6,753
Trade and other receivables	133,577	133,577	-	-	-	-	133,577
Non-trading financial assets at fair value through profit or loss	24,038	24,038	-	4	-	5,007	19,027
Investments in subsidiaries, associates and joint ventures	58,628	58,628	-	-	-	-	58,628
Derivative assets	**84,713**	**49,228**	**(3,147)**	**14,160**	**39,011**	**(796)**	**-**
Derivative assets with gross Cash Flow (net)	**60,289**	**37,607**	**966**	**6,763**	**29,764**	**114**	**-**
Outflows	-	(286,227)	(178,242)	(66,313)	(41,058)	(614)	-
Inflows	-	323,834	179,208	73,076	70,822	728	-
Hedge accounting derivatives with gross Cash Flow (net)	**24,424**	**11,621**	**(4,113)**	**7,397**	**9,247**	**(910)**	**-**
Outflows	-	(87,365)	(6,594)	(15,004)	(55,281)	(10,486)	-
Inflows	-	98,986	2,481	22,401	64,528	9,576	-
Total	**26,224,173**	**26,188,688**	**3,227,181**	**3,065,322**	**7,373,703**	**12,204,174**	**318,308**

EUR ths.	31.12.2022	Contractual cash flows	< 1 month	1-12 months	1-5 years	> 5 years	Undefined
Non-derivative assets	**23,419,273**	**23,419,273**	**1,433,618**	**3,053,384**	**7,335,447**	**11,351,194**	**245,630**
Cash and cash equivalents	1,254,543	1,254,543	1,254,543	-	-	-	-
Financial assets at amortised cost	21,664,202	21,664,202	174,057	3,000,800	7,186,348	11,277,628	25,369
Loans and advances to banks	26	26	26	-	-	-	-
Loans and advances to customers	17,509,277	17,509,277	156,711	2,532,509	5,368,725	9,425,963	25,369
Debt securities	4,154,899	4,154,899	17,320	468,291	1,817,623	1,851,665	-
Finance lease receivables	284,500	284,500	5,018	52,580	149,099	68,933	8,870
Trade and other receivables	155,526	155,526	-	-	-	-	155,526
Non-trading financial assets at fair value through profit or loss	21,843	21,843	-	4	-	4,633	17,206
Investments in subsidiaries, associates and joint ventures	38,659	38,659	-	-	-	-	38,659
Derivative assets	**94,018**	**40,273**	**(2,353)**	**11,346**	**26,321**	**4,959**	**-**
Derivative assets with gross Cash Flow (net)	**77,139**	**32,096**	**952**	**9,773**	**21,327**	**44**	**-**
Outflows	-	(270,897)	(140,940)	(76,001)	(51,796)	(2,160)	-
Inflows	-	302,993	141,892	85,774	73,123	2,204	-
Hedge accounting derivatives with gross Cash Flow (net)	**16,879**	**8,177**	**(3,305)**	**1,573**	**4,994**	**4,915**	**-**
Outflows	-	(104,788)	(4,021)	(13,891)	(67,437)	(19,439)	-
Inflows	-	112,965	716	15,464	72,431	24,354	-
Total	**23,513,291**	**23,459,546**	**1,431,265**	**3,064,730**	**7,361,768**	**11,356,153**	**245,630**

As at year-end 2023, the currency composition of the non-derivative assets consisted mainly by EUR (approximately 99%).

28. Operational risk

In line with Article 4 Section 52 of regulation (EU) 575/2013 (CRR), the Bank defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risks. Both quantitative and qualitative methods are used to identify operational risks. Consistent with international practice, the responsibility for managing operational risk rests with the line management.

Methods and instruments employed

The quantitative measurement methods are based on internal loss experience data, which are collected across the Bank using a standard methodology and entered into a central data pool. Additionally, in order to be able to model losses that have not occurred in the past but are nonetheless possible, scenarios and external data are also used. The Bank sources external data from a leading non-profit risk-loss data consortium.

The Bank calculates capital requirements for operational risk based on the Advanced Measurement Approach (AMA) that is subject to regulatory approval. AMA is a sophisticated approach for measuring operational risk. Pursuant to AMA, the required capital is calculated using an internal VaR model, taking into account internal data, external data, scenario analysis, business environment and internal risk control factors. Additionally, the Bank received the approval to use insurance contracts for mitigation within the AMA pursuant to Article 323 CRR.

Methods and instruments of risk mitigation

In addition to quantitative methods, qualitative methods are also used to determine operational risk, such as risk and control assessments through expert panels. Additional methods include setting of key risk indicators and risk assessments in connection with product approvals, outsourcing assessments and operational risk decisions. The results of these assessments and processes are reported to line management along with mitigation measures and thus help to reduce operational risks. In order to ensure early detection of changes in the risk profile that may lead to losses, the Bank monitors a number of key risk indicators such as system availability, staff turnover, and customer complaints.

The Bank uses a group-wide insurance program that has reduced the cost of meeting the Bank's traditional property insurance needs. Freed-up resources made it possible to buy additional insurance for previously uninsured bank-

specific risks. This program uses a captive reinsurance entity as a vehicle to share losses within the Bank and access the external market.
The quantitative and qualitative methods used, together with the insurance strategy and the modelling approaches described above, form the operational risk framework of the Bank. Information on operational risk is periodically communicated to the management board via various reports, including the quarterly top management reports, which describe the recent loss history, loss development, qualitative information from risk assessments and key risk indicators as well as the operational VaR for the Bank.

Main objectives of effective system of operational risk management are:

- set up a bank-wide framework for operational risk management and to translate this framework into specific policies, procedures or processes that can be implemented and verified within different business units
- properly identify major drivers of operational risk
- develop model for quantification of risk exposure profile and for calculation of both economic and regulatory capital
- prevent or minimize losses due to operational risk by adaptation of suitable processes, preventive measures or by selecting suitable insurance
- implement and update of insurance program
- define outsourcing and internal control system principles
- prepare ORCO meetings
- continuously improve the operational risk management process (described in subsequent chapters on risk identification, measurement and management)
- provide quality reporting and documentation.

Non-current assets and other investments

29. Property, equipment, investment properties and right of use assets

Property and equipment

Depreciation of property and equipment is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Depreciation is recognised in the statement of income in the line item 'Depreciation and amortisation' and impairment in the line item 'Other operating result'.

Type of property and equipment	Useful lives in years
Buildings	30 years
Right-of-use assets - buildings	15 - 30 years
Office equipment / other fixed assets	4 - 6 years
Passenger cars	4 years
IT assets (hardware)	4 – 5 years
Fixture and fittings	6 - 12 years

Land is not depreciated.

Any impairment losses including their reversals and gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are recognised in the statement of income under the line item 'Other operating result'.

Investment properties

Investment property is presented on the statement of financial position in the line item 'Investment properties'.

Rental income is recognised in the statement of income in the line item 'Rental income from investment properties and other operating leases'. Depreciation is presented in the statement of income in the line item 'Depreciation and amortisation' using the straight-line method over an estimated useful life. The useful lives of investment properties are in the range of 15-30 years. Any impairment losses, as well as their reversals, are recognised under the line item 'Other operating result'.

Impairment

The bank assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. Testing for impairment is done at individual asset level if the asset generates cash inflows that are largely independent of those from other assets. The typical case is investment property. Otherwise, the impairment test is carried out at the level of the cash-generating unit (CGU) to which the asset belongs.

Acquisition and production costs

Own property, equipment, investment properties and right of use assets

EUR ths.	Land and buildings	Office equipment / other fixed assets	IT assets (hardware)	Right-of-use assets - Land and buildings	Property and equipment total	Investment properties
Balance as at 1 January 2022	**147,154**	**46,546**	**58,954**	**64,163**	**316,817**	**6,165**
Additions	6,515	3,520	7,792	62,987	80,814	-
Disposals	(8,615)	(4,640)	(10,309)	(1,886)	(25,450)	(126)
Reclassification	(705)	-	-	-	(705)	705
Balance as at 31 December 2022	**144,349**	**45,426**	**56,437**	**125,264**	**371,476**	**6,744**
Additions	5,414	4,559	8,857	8,280	27,111	-
Disposals	(11,073)	(6,655)	(8,210)	(384)	(26,322)	(105)
Reclassification	280	-	-	-	280	(280)
Balance as at 31 December 2023	**138,971**	**43,330**	**57,084**	**133,161**	**372,545**	**6,359**

Accumulated depreciation

Own property, equipment, investment properties and right of use assets

EUR ths.	Land and buildings	Office and plant equipment/other fixed assets	IT assets (hardware)	Right-of-use assets - Land and buildings	Property and equipment total	Investment properties
Balance as at 1 January 2022	**(93,111)**	**(38,623)**	**(42,202)**	**(31,910)**	**(205,846)**	**(4,647)**
Amortisation and depreciation	(6,676)	(2,622)	(6,350)	(13,996)	(29,644)	(213)
Disposals	6,599	4,302	10,305	1,886	23,092	81
Disposal of subsidiaries	623	-	-	-	623	-
Impairment	(204)	-	-	-	(204)	(3)
Reversal of impairment	2,401	-	-	-	2,401	14
Reclassification	521	-	-	-	521	(521)
Balance as at 31 December 2022	**(89,847)**	**(36,943)**	**(38,247)**	**(44,020)**	**(209,057)**	**(5,289)**
Amortisation and depreciation	(6,278)	(2,566)	(6,904)	(14,018)	(29,766)	(224)
Disposals	8,267	6,492	8,200	384	23,343	56
Impairment	(632)	-	-	-	(632)	-
Reversal of impairment	2,575	-	-	-	2,575	60
Reclassification	(211)	-	-	-	(211)	211
Balance as at 31 December 2023	**(86,126)**	**(33,017)**	**(36,951)**	**(57,655)**	**(213,749)**	**(5,186)**

Carrying amounts

Own property, equipment, investment properties and right of use assets

EUR ths.	Land and buildings (used by the Group)	Office equipment / other fixed assets	IT assets (hardware)	Right-of-use assets - Land and buildings	Property and equipment total	Investment properties
Balance as at 31 December 2022	**54,502**	**8,483**	**18,190**	**81,244**	**162,419**	**1,455**
Balance as at 31 December 2023	**52,845**	**10,313**	**20,133**	**75,506**	**158,797**	**1,173**

As at 31 December 2023, land and buildings were impaired in the cumulative amount of EUR 5.8 million (2022: EUR 7.7 million).

Cost of property and equipment, which are fully depreciated but still used by the Bank as at 31 December 2023 amounted EUR 57.7 million (2022: EUR 65.4 million) and includes various types of tangible fixed assets.

As at 31 December 2023 the Bank owned property and equipment not yet put in use in the amount of EUR 7.2 million (2022: EUR 4.7 million).

Tangible assets are insured for standard risks, such as theft, robbery, vandalism, natural disasters etc.

30. Intangible assets

The Bank's intangible assets include computer software and other intangible assets.

Intangible assets with finite lives are amortised over their useful economic lives using the straight-line method. The amortisation expense is recognised in the statement of income under the line item 'Depreciation and amortisation'.

Type of property and equipment	Useful lives in years
Computer software	4 - 8 years
Core banking system and related applications	8 years

Acquisition and production costs

EUR ths.	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as at 1 January 2022	**288,710**	**2,661**	**2,723**	**294,094**
Additions	6,618	-	-	6,618
Balance as at 31 December 2022	**295,328**	**2,661**	**2,723**	**300,712**
Additions	7,152	-	-	7,152
Disposals	(17,275)	(1)	-	(17,276)
Balance as at 31 December 2023	**285,205**	**2,660**	**2,723**	**290,588**

Accumulated depreciation

EUR ths.	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as at 1 January 2022	**(269,797)**	**(2,660)**	**(2,687)**	**(275,144)**
Amortisation and depreciation	(7,677)	-	(23)	(7,700)
Balance as at 31 December 2022	**(277,474)**	**(2,660)**	**(2,710)**	**(282,844)**
Amortisation and depreciation	(6,425)	-	(7)	(6,432)
Disposals	17,275	-	1	17,276
Balance as at 31 December 2023	**(266,624)**	**(2,660)**	**(2,716)**	**(272,000)**

Carrying amounts

EUR ths.	Software acquired	Others (licenses, patents, etc.)	Total
Balance as at 31 December 2022	**17,854**	**14**	**17,868**
Balance as at 31 December 2023	**18,581**	**7**	**18,588**

Cost of intangible assets, which are fully depreciated but still used by the Bank as at 31 December 2023 amounted EUR 259.3 million (2022: EUR 261.6 million).

As at 31 December 2023 the Bank owned intangible assets not yet put in use in the amount of EUR 5.1 million (2022: EUR 3.1 million).

During the year 2023 the Bank put in use upgrade of the core banking system, which amounted EUR 4.4 million (2022: EUR 6.5 million).

Intangible assets are insured for standard risks, such as theft, robbery, vandalism, natural disasters etc.

31. Other assets

EUR ths.	31.12.2022	31.12.2023
Client settlement	10,742	6,317
Personnel balances	715	2,050
State budget, social and health insurance, taxes	906	11,771
Sundry assets	12,211	9,989
Thereof: deferred cost	11,165	9,338
Other assets	**24,574**	**30,127**

These items represent balances like:

Item Client settlement represents mainly suspense accounts or money in transit accounts that are not allocated to respective client account due to missing information or due to essence of the transaction. The main part of this items belongs to interbank clearing or open settlement with securities transactions.

Sundry assets represent other items that do not fall into the above-mentioned categories mainly deferred costs and suspense accounts.

Fiduciary assets

The Bank provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Bank.

Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

32. The Bank as a lessor

On the side of the lessor, a distinction is made between finance leases and operating leases. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. In the case of a finance lease, the Bank reports a receivable from the lessee under the line item 'Finance lease receivables'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the statement of income in the line item 'Other similar income' under 'Net interest income'.

Finance leases

The Bank leases both movable property and real estate to other parties under finance lease arrangements. For finance lease receivables included in this item, the reconciliation of the gross investment in leases to the present value of the minimum lease payments is as follows:

EUR ths.	31.12.2022	31.12.2023
Outstanding lease payments	312,042	393,382
Gross investment	**312,042**	**393,382**
Unrealised financial income	(23,900)	(41,442)
Net investment	**288,142**	**351,940**
Present value of outstanding lease payments	**288,142**	**351,940**

Maturity analysis by residual maturities

EUR ths.	31.12.2022		31.12.2023	
	Gross investment	Present value of outstanding lease payments	Gross investment	Present value of outstanding lease payments
< 1 year	64,289	58,512	76,258	66,526
1-2 years	54,139	49,523	68,155	60,219
2-3 years	47,771	44,158	55,804	49,519
3-4 years	35,269	32,549	43,432	38,491
4-5 years	25,917	23,796	28,849	24,999
> 5 years	84,657	79,603	120,884	112,186
Total	**312,042**	**288,141**	**393,382**	**351,940**

During 2023, the Bank recognised interest income on finance lease receivables in the amount of EUR 8.5 million (2022: EUR 5.3 million). Gains/(losses) from derecognition of finance lease receivables are recognized in line item 'Other gains/(losses) from derecognition of financial instruments not measured at fair value through profit or loss'.

Finance lease receivables

Gross carrying amounts and credit loss allowances per impairment buckets

EUR ths.	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As at 31.12.2023											
General governments	1,300	-	-	-	1,300	(3)	-	-	-	(3)	1,297
Other financial corporations	74,023	-	-	-	74,023	(83)	-	-	-	(83)	73,940
Non-financial corporations	236,529	34,979	3,477	161	275,146	(502)	(1,473)	(2,376)	(40)	(4,391)	270,755
Households	1,173	37	261	-	1,471	(2)	-	(138)	-	(140)	1,331
Total	**313,025**	**35,016**	**3,738**	**161**	**351,940**	**(590)**	**(1,473)**	**(2,514)**	**(40)**	**(4,617)**	**347,323**

EUR ths.	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As at 31.12.2022											
General governments	993	70	-	-	1,063	(1)	-	-	-	(1)	1,062
Other financial corporations	39	-	-	-	39	-	-	-	-	-	39
Non-financial corporations	248,072	32,608	3,951	247	284,878	(389)	(502)	(2,597)	(11)	(3,499)	281,379
Households	1,526	367	268	-	2,161	(3)	(7)	(131)	-	(141)	2,020
Total	**250,630**	**33,045**	**4,219**	**247**	**288,141**	**(393)**	**(509)**	**(2,728)**	**(11)**	**(3,641)**	**284,500**

Movement in credit loss allowances

EUR ths.	01.01.2023	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2023
Stage 1	(393)	(161)	16	129	(181)	-	(590)
Stage 2	(509)	-	3	(1,176)	209	-	(1,473)
Stage 3	(2,728)	-	302	(112)	(131)	155	(2,514)
POCI	(11)	-	-	-	(29)	-	(40)
Total	**(3,641)**	**(161)**	**321**	**(1,159)**	**(132)**	**155**	**(4,617)**

EUR ths.	01.01.2022	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	31.12.2022
Stage 1	(1,244)	(134)	3	142	840	-	(393)
Stage 2	(506)	-	3	(204)	198	-	(509)
Stage 3	(3,586)	-	692	(86)	(350)	602	(2,728)
POCI	-	-	73	-	(84)	-	(11)
Total	**(5,336)**	**(134)**	**771**	**(148)**	**604**	**602**	**(3,641)**

Movement table of credit loss allowances above represents changes in allowances disclosed based on the reason of the change and is prepared as at the end of the reporting period in comparison to the balance as at 1 January of the relevant reporting period. The table contains allocations, releases, reclassifications between stages as well as use of the credit loss allowances. Reconciliation of such movements to income statement line 'Impairment result from financial instruments' is disclosed in note 9.

One significant driver of the credit loss allowance movements for the year has been the transfer of the related instruments across impairment stages. The year-end GCA of finance lease receivables that were assigned at 31 December 2023 to a different stage compared to 1 January 2023 (or to the initial recognition date, if originated during the year) are summarized below:

Transfers between stages

EUR ths.	2022	2023
Transfers between Stage 1 and Stage 2	**31,653**	**49,223**
To Stage 2 from Stage 1	24,944	31,863
To Stage 1 from Stage 2	6,709	17,360
Transfers between Stage 2 and Stage 3	**393**	**432**
To Stage 3 from Stage 2	110	432
To Stage 2 from Stage 3	283	-
Transfers between Stage 1 and Stage 3	**1,199**	**302**
To Stage 3 from Stage 1	1,170	302
To Stage 1 from Stage 3	29	-

The year-end total gross carrying amount of the finance lease receivables that were initially recognized during the reporting period and not fully de-recognized by 31 December 2023 amounts to EUR 164.5 million (2022: EUR 109.3 million). The gross carrying amounts of the finance lease receivables that were held at 1 January 2023 and fully de-recognized during the year 2023 amounts to EUR 59.2 million (2022: EUR 2.6 million).

33. Leases where the Bank is a lessee

Under IFRS 16, the Bank as a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The right-of-use asset is depreciated to the earlier of the end of its useful life or the end of the lease term. The Bank uses the straight-line method of depreciation. The right-of-use assets are presented on the statement of financial position as part of 'Property and equipment, right-of-use assets'.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments also include the exercise price under a purchase option and lease payments in an optional renewal period are considered if the Bank is reasonably certain to exercise the options. Extension and termination options are included in a number of real estate leases across the Bank. The use of extension and termination options gives the Bank added flexibility in case more suitable premises in terms of costs and/or location are identified or in case it is considered favourable to remain in a location beyond the original lease term.

When determining the present value of the lease payment the Bank typically uses the incremental borrowing rate as the discount rate. For movables it consists of Euribor as a base rate, adjusted by a surcharge based on the entity's rating, the amount of funds borrowed, the term of the lease and the collateral provided. The determination of the incremental borrowing rate for property leases is based on two components, the market rate and the single property rate. The market rate considers the lease term, creditworthiness and the base rate Euribor and is derived from existing bank data. The single property rate represents a surcharge to the market rate based on the quality of the single property. In the statement of financial position, the lease liabilities are presented in the line item 'Lease liabilities'.

The Bank primarily rents real estate such as buildings and land for headquarters, branches and parking lots. For details related to right of use assets capitalized in statement of financial position arising from leases where the Bank is lessee, please see Note 29 Property, equipment, investment properties and right of use assets.

Total cash outflow for leases in 2023 was EUR 16.0 million (2022: EUR 15.2 million).

Accruals, provisions, contingent liabilities and legal proceedings

34. Other liabilities

EUR ths.	31.12.2022	31.12.2023
Client settlement	26,869	33,518
Trade payables	59,396	45,907
Personnel balances and social fund	37,744	37,874
State budget, social and health insurance, taxes	5,299	14,882
Sundry liabilities	2,213	468
Other liabilities	**131,521**	**132,649**

Item Client settlement represents mainly suspense accounts or money in transit accounts that are not allocated to respective client account due to missing information or due to essence of the transaction.

Item Trade payables represents liabilities to suppliers, including accruals and the main part belongs to unbilled deliveries, that are completed but unbilled as end of month.

Item Personnel balances and social fund mainly represents provisions for personnel costs, wage liabilities to employees and social fund contribution.

Item State budget, social and health insurance, taxes consist mainly of withholding tax and VAT tax payables that will be settled with state budget within next month.

Social fund liability, which is included in the line item 'Other liabilities', developed as follows:

EUR ths.	2022	2023
As at 1 January	**3,907**	**6,950**
Additions	5,795	3,330
Withdrawals	(2,753)	(2,833)
As at 31 December	**6,949**	**7,447**

35. Provisions

Provisions are liabilities with uncertain timing or amount. The statement of financial position line item 'Provisions' includes:

- provisions for defined employee benefit plans recognised based on requirements of IAS 19 Employee benefits
- provisions for expected credit losses from loan commitments and financial guarantees recognised based on requirements of IFRS 9; and
- remaining classes of provisions recognised in accordance with IAS 37 Provisions, contingent liabilities and contingent assets such as provisions or litigation, restructuring, commitments and guarantees not in scope of IFRS 9.

Recognition of provisions requires judgement with respect to whether the Bank has a present obligation as a result of a past event and whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Furthermore, estimates are necessary with respect to the amount and timing of future cash flows when determining the amount of provisions. Further details on provisions for off-balance credit risk exposures in Note 25 Credit risk. Legal proceedings that do not meet the criteria for recognition of provisions are described in Note 36 Contingent liabilities.

Following classes of provision can be distinguished in the business of the Bank:

EUR ths.	31.12.2022	31.12.2023
Defined employee benefit plans	5,596	7,691
Pending legal issues	9,857	11,351
Loan commitments and financial guarantees given in scope of IFRS 9	21,037	11,860
Commitments and guarantees given out of scope of IFRS 9	2,303	1,499
Other provisions	179	-
Restructuring	179	-
Provisions	**38,972**	**32,401**

Defined employee benefit plans

Defined employee benefit plans operated by the Bank are for severance and jubilee benefits.

All employees that are employed are entitled to receive a severance payment if their employment is terminated by the employer or if they retire after defined employment period. The amount to be paid depends on the number of years of service and the employee's salary at termination of the employment.

Jubilee provisions are special one-off payments stipulated in the collective agreement which are dependent on remuneration and duration of service. Eligibility is conditioned on a certain minimum duration of the employment.

Obligations ensuing from defined employee benefit plans are determined using the projected unit credit method. The calculation involves actuarial assumptions which are further discussed below.

The liability recognised under a defined benefit plan represents the present value of the defined benefit obligation.

Remeasurements consist of actuarial gains and losses on the defined benefit obligations. Remeasurements of severance defined benefit plans are recognised as accumulated OCI in equity specifically under 'Remeasurement of defined benefit pension liabilities' in the statement of changes in equity. The change for the period is reported as OCI in the statement of comprehensive income in the line 'Remeasurement of defined benefit plans'. Remeasurements of jubilee defined benefit plans are recognised in the statement of income under the line item 'Personnel expenses'.

Long-term employee provisions

The Bank has a defined employee benefit program under which all employees are entitled to a lump-sum payment upon working anniversaries or retirement. The number of employees under this program is disclosed in the note 8 General administrative expenses.

The amounts relating to long-term employee provisions recognised on the statement of financial position, in the income statement and in the statement of other comprehensive income were as follows:

EUR ths.	Long-term employee provision	Severance payments	Working anniversaries provision	Total
Present value of long-term employee benefit obligations – 01.01.2022	**4,495**	**-**	**3,082**	**7,577**
Service cost	188	-	166	354
Interest cost	8	-	5	13
Payments	(191)	-	(278)	(469)
Actuarial (gains)/losses recognised in OCI	**(1,006)**	**-**	**(873)**	**(1,879)**
Experience adjustments	(1,006)	-	(873)	(1,879)
As at 31.12.2022	**3,494**	**-**	**2,102**	**5,596**
As at 01.01.2023	**3,494**	**-**	**2,102**	**5,596**
Service cost	231	1,588	184	2,003
Interest cost	60	-	36	96
Payments	(341)	-	(269)	(610)
Actuarial (gains)/losses recognised in OCI	**423**	**-**	**183**	**606**
Experience adjustments	423	-	183	606
As at 31.12.2023	**3,867**	**1,588**	**2,236**	**7,691**

Actuarial assumptions

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about interest rates, future pension increases, future salary increases and mortality rates.

The actuarial calculation of long-term employee provision used the following assumptions:

Long-term employee provision	2022	2023
Annual discount rate	1.72%	2.18%
Annual rate of salary increase in future	0.00%	0.00%
Annual employee turnover	6,61% - 24,81%	5,69% - 13,16%
Retirement age	64 years	64 years

The actuarial calculation of working anniversaries provision used the following assumptions:

Working anniversary provision	2022	2023
Annual discount rate	1.72%	2.18%
Annual rate of salary increase in future	0.00%	0.00%
Annual employee turnover	6,61% - 24,81%	5,69% - 13,16%
Retirement age	64 years	64 years

In the calculation of long-term employee provisions official mortality tables published by the Statistical Office were used.

Sensitivity to key assumption

The following table presents a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the statement of financial position. The analysis is based on relative change in employee turnover by 10%.

EUR ths.	31.12.2022	31.12.2023
Change in the annual employee turnover +10%	3,276	3,621
Change in the annual employee turnover -10%	3,734	4,085

Financial guarantees

In the ordinary course of business, the Bank provides financial guarantees, consisting of various types of letters of credit and guarantees.

The Bank as a guarantor recognises financial guarantees as soon as it becomes a contracting party. Financial guarantees are initially measured at fair value. Generally, the initial measurement is the premium received for a guarantee. This amount is subsequently amortised to fee income. If no premium is received at contract inception (i.e. the initial transaction price is zero), this is the price that would be paid to transfer the liability in an orderly transaction between market participants. As a result, the fair value of such a financial guarantee and thus the initial measurement is nil. Subsequent to initial recognition, provisions are recognised based on the expected credit loss impairment model if the amount is higher than the unamortised balance of the initial premium. They are presented on the statement of financial position under the line ‘Provisions’. The premium received is recognised in the statement of income under the line item ‘Fee and commission income’ under ‘Net fee and commission income’ on a straight-line basis over the life of the guarantee.

If the Bank is a guarantee holder, the treatment depends on whether the financial guarantee is considered as integral to the contractual terms of financial assets whose risk is guaranteed. The Bank considers as integral those guarantees which are entered into at or close to the inception of the guaranteed financial assets. If the bank has in a loan contract an option to require provision of a guarantee, it is also considered as integral.

Integral financial guarantees are included in the estimates of expected credit losses from the related financial assets. Premiums paid for integral financial guarantees and other credit enhancements are considered in the EIR of the related financial assets.

Financial guarantees which are not considered integral are recognised as reimbursement assets under 'Other assets' in the statement of financial position. In the statement of income, they reduce the impairment loss incurred on guaranteed financial assets under 'Impairment result from financial instruments'. A precondition for this treatment is that it must be virtually certain that the guarantee would reimburse the bank for the loss. Premiums paid for non-integral financial guarantees are presented in the statement of income under the line item 'Fee and commission expense' under 'Net fee and commission income'.

Provision for commitments and financial guarantees given

Provisions for commitments and financial guarantees were created to cover losses expected in unused loan commitments, guarantees and letters of credits. The amount of these provisions is estimated with respect to credit risk relating to affected items, as well as time value of money (i.e. current market interest rates used for discounting).

The following table presents movements in the provision for commitments and financial guarantees:

EUR ths.	01.01.2023	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between stages	31.12.2023
Stage 1	4,097	47,172	(13,419)	(31,810)	(2,766)	3,274
Stage 2	10,438	-	(6,276)	(4,656)	5,807	5,313
Stage 3	1,946	-	(2,135)	2,202	246	2,259
POCI	4,556	-	(1,522)	(2,020)	-	1,014
Total	**21,037**	**47,172**	**(23,352)**	**(36,284)**	**3,287**	**11,860**

Of which provisions for financial guarantees represent the amount of EUR 0.5 million as at 31. December 2023.

EUR ths.	01.01.2022	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between stages	31.12.2022
Stage 1	5,356	45,229	(23,783)	(22,637)	(68)	4,097
Stage 2	7,445	-	(10,715)	(754)	14,462	10,438
Stage 3	572	-	(628)	1,424	578	1,946
POCI	11,278	-	(1,039)	(5,683)	-	4,556
Total	**24,651**	**45,229**	**(36,165)**	**(27,650)**	**14,972**	**21,037**

Of which provisions for financial guarantees represent the amount of EUR 0.9 million as at 31 December 2022.

Movement table of credit loss allowances above represents changes in allowances disclosed based on the reason of the change and is prepared as at the end of the reporting period in comparison to the balance as at 1 January of the relevant reporting period. The table contains allocations, releases of the credit loss allowances and reclassifications between stages. Reconciliation of such movements to income statement line 'Impairment result from financial instruments' is disclosed in note 9 Impairment result from financial instruments.

In column 'Increases due to origination and acquisition' increases of credit risk allowances due to the initial recognition of commitments and guarantees given during the current reporting period are disclosed. Releases of credit risk allowances following the derecognition of the related commitments and guarantees given are reported in column 'Decreases due to derecognition'.

Provisions for pending legal issues and other provisions

Expenses or income related to these provisions are reported in the statement of income under the line item 'Other operating result'.

Provisions for legal issues relate to legal cases where the Bank is sued and which arose from normal banking activities. During the reporting period the Bank does not participate in any new passive legal cases.

The item 'Other provisions´ includes provision on contribution to Resolution fund and provision on contribution to Deposit protection fund during the year. When the actual amount of contributions is announced, the payment is accounted for as utilisation of particular provision. Both contributions for the year 2023 were paid in full amount, therefore the Bank does not disclose these items as other provisions.

The following table presents development of legal issues as well as other provisions:

EUR ths.	01.01.2023	Additions	Use	Release	31.12.2023
Pending legal issues	9,857	1,708	(214)	-	11,351
Commitments and guarantees given out of scope of IFRS9	2,303	-	-	(804)	1,499
Other provisions	179	6,841	(6,841)	(179)	-
Restructuring provision	179	-	-	(179)	-
Other	-	6,841	(6,841)	-	-
Total	**12,339**	**8,549**	**(7,055)**	**(983)**	**12,850**

EUR ths.	01.01.2022	Additions	Use	Release	31.12.2022
Pending legal issues	9,602	636	(324)	(57)	9,857
Commitments and guarantees given out of scope of IFRS9	1,134	1,169	-	-	2,303
Other provisions	250	16,205	(15,822)	(454)	179
Restructuring provision	250	-	(71)	-	179
Other	-	16,205	(15,751)	(454)	-
Total	**10,986**	**18,010**	**(16,146)**	**(511)**	**12,339**

The movement of other provisions related to the provisions for Deposit protection fund and Resolution fund accounted for in accordance with IFRIC 21.

36. Contingent liabilities

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do involve credit risk and are therefore part of the overall risk of the Bank (see Note 25 Credit risk).

Legal proceedings

The Bank is involved in legal disputes, most of which have arisen in the course of ordinary banking business. These proceedings are not expected to have a significant negative impact on the financial position or profitability of the Bank.

Capital instruments, equity and reserves

37. Total equity

in EUR ths.	31.12.2022	31.12.2023
Subscribed capital	212,000	212,000
Legal reserve fund	79,795	79,795
Other funds	39,104	39,104
Retained earnings	1,447,237	1,631,835
Additional equity instruments	380,000	480,000
Other components of equity	(956)	(1,290)
Owners of the parent	**2,157,180**	**2,441,444**
Total	**2,157,180**	**2,441,444**

As at 31 December 2023, subscribed capital (also known as registered capital) consists of 212,000 (2022: 212,000) voting shares (ordinary shares). Nominal value of share is EUR 1,000.00. Subscribed capital was fully paid. Retained earnings and other reserves represent accumulated net profit brought forward, as well as income and expenses recognised in other comprehensive income.

Additional equity instruments

Name	ISIN	Nominal value	Currency	Issue date	Initial fixed rate	Reset rate after the first call date	Coupon payments	First and subsequent calls dates
EUR 100,000,000 Undated Fixed to Fixed AT1 Notes	AT0000A35Y77	100,000,000	EUR	27.6.2023	9,43% p.a.	M/S + 618 bps	Annually	27.6.2028 and each Distribution Payment Date following the First Reset Date
EUR 80,000,000 Undated Fixed to Fixed Resettable Additional Tier 1 Notes	AT0000A2UFJ4	80,000,000	EUR	30.11.2021	4,49% p.a.	M/S + 457 bps	Semi-annually	30.11.2026 and each Distribution Payment Date following the First Reset Date
SLSP AT1 PNC5 IC 2020 II	SK4000018172	150,000,000	EUR	23.11.2020	4,82% p.a.	M/S + 527 bps	Semi-annually	23.11.2025 and each Distribution Payment Date following the First Reset Date
SLSP AT1 PNC5 IC 2020	SK4000016788	150,000,000	EUR	27.2.2020	4,15% p.a.	M/S + 449 bps	Semi-annually	27.2.2025 and each Distribution Payment Date after 27.2.2025 falling one year after the previous Call Redemption Date

Distributions on own equity instruments

Distributions on own equity instruments are recognised when their payment is confirmed. For dividends on common shares as well as for coupons on Additional Tier 1 instruments the decision is taken by the Annual General Meeting.

The following table presents distribution of individual profits of the Bank for the years 2022 (approved) and 2023 (proposed):

Profit distribution (in EUR ths.)	31.12.2022	31.12.2023
Profit for the year	244,559	308,576
Coupon payment for Investment certificate SLSP AT1 SK4000016788	6,225	6,225
Coupon payment for Investment certificate SLSP AT1 SK4000018172	7,230	7,230
Coupon payment for Investment certificate SLSP AT1 AT0000A2UFJ4	3,592	3,592
Coupon payment for Investment certificate SLSP AT1 AT0000A35Y77	-	9,430
Dividends paid to shareholder from profit for the year	106,931	218,062
Transfer to retained earnings	120,582	64,036
Number of shares with nominal value of EUR 1 000 (in pcs.)	212,000	212,000
Dividend per share (in EUR)	**504**	**1,029**

Dividends for the year 2022 were paid in March 2023 in amount of EUR 107 million following the resolution of General Assembly of the Bank dated 29 March 2023.

As at 27 February 2023 was paid coupon payment from investment certificate SLSP AT1 PNC5 IC 2020 in amount of EUR 3.1 million.

On 23 May 2023, a coupon was paid from the investment certificate SLSP AT1 PNC5 IC 2020 II in the value of EUR 3.6 million and then on 30 May 2023, a coupon from the investment certificate EUR 80,000,000 Undated Fixed to Fixed Resettable Additional Tier 1 Notes was paid in the amount of EUR 1.8 million.

During the June 2023 the Bank has issued an investment certificate EUR 100,000,000 Undated Fixed to Fixed AT1 Notes in the amount of EUR 100 million that is classified as equity instrument according to the standard IAS 32. This certificate is a perpetual instrument with the agreed interest rate of 9.43 % p.a. paid annually.

On 28 August 2023 was paid the coupon payment from investment certificate SLSP AT1 PNC5 IC 2020 in amount of EUR 3.1 million.

On 23 November 2023 was paid from coupon payment from investment certificate SLSP AT1 PNC5 IC 2020 II in amount of EUR 3.6 million and then on 25 November 2023, a coupon from investment certificate EUR 80,000,000 Undated Fixed to Fixed Resettable Additional Tier 1 Notes was paid in the amount of EUR 1.8 million.

Legal reserve fund

According to Commercial Code all companies are required to create a legal reserve fund to cover adverse financial conditions in the future. The Bank is obliged to contribute to the fund the amount, which is not less than 10% of its annual net profit until the cumulative amount of annual contributions reaches 20% of its share capital. As at 31 December 2023 Legal reserve fund amounted to EUR 79.8 million (2022: EUR 79.8 million) and in both years exceeded the required 20% of the share capital. Legal reserve fund is not available for distribution to the shareholder.

Other funds

Other funds include only Statutory fund created from distributable profits to strengthen the Bank's capital base. This fund is not available for distribution to the shareholder. Once the Bank's share capital or legal reserve fund is increased, Statutory fund may be terminated and transferred back to the distributable profits with the approval of the Supervisory Board and of the General Assembly. As at 31 December 2023 Statutory fund amounted EUR 39.1 million (2022: EUR 39.1 million).

Fair value reserve

Fair value reserve represents the unrealised revaluation of financial assets measured at fair value through other comprehensive income. This reserve is not available for distribution to the shareholder.

Remeasurements of defined benefit pension liabilities

This equity component reflects the results of actuarial calculations related to the pension provision. As at 31 December 2023 the remeasurement of the pension provision amounted EUR 1.3 million (2022: EUR 1.0 million), net of deferred tax.

Investments in subsidiaries, associates and joint ventures

38. Subsidiaries

The following table presents overview of the carrying amounts of investments in subsidiaries:

EUR ths.	Cost		Impairment		Net book value	
	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Subsidiaries						
Procurement Services SK, s.r.o.	3	3	-	-	3	3
SLSP Social Finance, s.r.o.	3,050	21,052	-	-	3,050	21,052
LANED a.s.	25,807	25,807	-	-	25,807	25,807
SLSP Seed Starter, s.r.o.	500	1,697	-	-	500	1,697
Total	**29,360**	**48,559**	**-**	**-**	**29,360**	**48,559**

Investments in subsidiaries of Slovenská sporiteľňa, a.s.

EUR ths.	Procurement Services SK, s.r.o.		SLSP Social Finance, s.r.o.		LANED a.s.		SLSP Seed Starter, s.r.o.	
	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Place of business	Tomášikova 48, 832 75 Bratislava, Slovakia		Tomášikova 48, 832 01 Bratislava, Slovakia		Tomášikova 48, 832 71 Bratislava, Slovakia		Tomášikova 48, 831 04 Bratislava, Slovakia	
Main business activity	Procurement		Advisory services		Real estate company		Advisory services	
Ownership held	51.00%		60.40%		100.00%		100.00%	
Voting rights held	51.00%		60.40%		100.00%		100.00%	
IFRS Classification	Subsidiary		Subsidiary		Subsidiary		Subsidiary	
Reporting currency	EURO		EURO		EURO		EURO	
Dividend income received	19	19	-	-	-	-	-	-
Investee's key financial information for the reporting year								
Cash and cash equivalents	224	179	227	189	6,556	8,577	411	506
Other current assets	34	26	-	-	13	14	-	372
Non-current assets	50	31	11,730	29,393	46,872	44,559	-	416
Current liabilities	-	-	7,029	7,047	20,082	18,263	-	-
Non-current liabilities	246	175	10	12	171	300	1	1
Operating result	(941)	(135)	(59)	(13)	2,410	(36)	(90)	(303)
Post-tax result from continuing operations	37	(135)	(59)	(13)	1,765	(36)	(90)	(311)
Total comprehensive income	37	(135)	(59)	(13)	1,765	(36)	(90)	(311)
Depreciation and amortization	-	-	-	-	(3,695)	-	-	-
Interest income	-	-	-	10	-	-	-	15
Interest expense	-	-	(28)	-	(425)	-	-	-
Tax expense/income	(11)	-	-	-	(469)	-	-	-

Changes in subsidiaries during the year 2023

During the year 2023 the Bank invested in the subsidiary SLSP Seed Starter, s.r.o. to increase capital funds in the amount of EUR 1.2 million.

In December 2023 the Bank invested contribution to capital funds in the amount of EUR 18.0 million in the subsidiary SLSP Social Finance, s.r.o.

39. Investments in associates and joint ventures

The Bank has significant influence in the associates and joint ventures described in the table below. In these separate financial statements the investments in associates and joint ventures are recognized at cost, less any impairment losses.

The following table presents overview of the carrying amounts of investments in associates:

EUR ths.	Cost		Impairment		Net book value	
	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Associates						
Prvá stavebná sporiteľňa, a.s.	1,093	1,093	-	-	1,093	1,093
Slovak Banking Credit Bureau, s.r.o.	3	3	-	-	3	3
Holding Card Service s.r.o.	7,046	7,049	-	-	7,046	7,049
Total	**8,142**	**8,145**	**-**	**-**	**8,142**	**8,145**

The following table presents overview of the carrying amounts of investments in joint ventures:

EUR ths.	Cost		Impairment		Net book value	
	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Joint ventures						
Monilogi s.r.o.	1,157	1,924	-	-	1,157	1,924
Total	**1,157**	**1,924**	**-**	**-**	**1,157**	**1,924**

Investments in associates and joint ventures of Slovenská sporiteľňa, a.s.

	Monilogi s.r.o.*		Prvá stavebná sporiteľňa, a.s. ("PSS")**		Slovak Banking Credit Bureau, s.r.o.**		Holding Card Service s.r.o.		Dostupný Domov j.s.a. (associate of SLSP Social Finance, s.r.o.)		Dostupný Nájom j.s.a. (associate of SLSP Social Finance, s.r.o.)	
EUR ths.	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**
Place of business	Mlynské nivy 1 821 09 Bratislava, Slovakia		Bajkalská 30 829 48 Bratislava, Slovakia		Mlynské nivy 14 821 09 Bratislava, Slovakia		Olbrachtova 1929/62 140 00 Praha 4, Czech republic		Farská 48 949 01 Nitra, Slovakia		Farská 48 949 01 Nitra, Slovakia	
Main business activity	Cash handling		Banking		Retail credit register		Equity release company		Rental of real estate and related services		Rental of real estate and related services	
Ownership held	26.00%		9.98%		33.33%		21.78%		49.88%		-	49.88%
Voting rights held	26.00%		35.00%		33.33%		21.78%		49.88%		-	49.88%
IFRS Classification	Joint venture		Associate		Associate		Associate		Associate		-	Associate
Reporting currency	EURO		EURO		EURO		EURO		EURO		-	EURO
Investee's key financial information for the reporting year												
Cash and cash equivalents	N/A	977	427	13,237	268	287	3	20	1,554	1,499	-	60,045
Other current assets	N/A	1,727	188,902	194,406	28	1,114	-	-	92	854	-	10
Non-current assets	N/A	1,637	2,765,628	2,917,774	-	-	44,914	43,809	22,067	35,408	-	-
Current liabilities	N/A	1,831	2,370,310	2,496,726	24	1,105	-	-	1,039	16,482	-	-
Non-current liabilities	N/A	17	292,058	316,843	-	1	-	-	15	5	-	-
Operating result	N/A	(1,980)	34,092	30,348	(96)	(115)	(2)	(3)	(531)	(1,484)	-	51
Post-tax result from continuing operations	N/A	(2,486)	8,274	20,798	38	33	(2)	(3)	(449)	(1,385)	-	51
Total comprehensive income	N/A	(2,486)	8,274	20,651	38	33	(2)	(3)	(449)	(1,385)	-	51
Depreciation and amortization	N/A	(324)	(5,698)	(6,414)	-	-	-	-	(208)	(568)	-	-
Interest income	N/A	-	79,593	96,537	-	-	-	-	-	-	-	51
Interest expense	N/A	(1)	(22,051)	(34,191)	(2)	(2)	-	-	-	(314)	-	-
Tax expense/income	N/A	-	(4,968)	(4,476)	-	-	-	-	-	-	-	-

*Results of the joint venture Monilogi, s.r.o. for the year end of previous period were not known as at the date of processing the financial statements of last year. Results for the year ended 31.12.2023 disclosed in the table are unaudited data for 11 months.
**In the table are disclosed unaudited data for 12 months.

Changes in associates and joint ventures during the year 2023

During the year 2023 the Bank made a cash deposit in the joint venture Monilogi, s.r.o., in a form of contribution to capital funds, amounting to EUR 0.8 million, without effect on its voting or other rights and control.

In December 2023 an associate, Dostupný Nájom j.s.a. was established by the Bank´s subsidiary SLSP Social Finance, s. r. o. which has an ownership interest in the associate 49,88 % share of the company's share capital. Dostupný Nájom j.s.a. is consolidated at equity by the Bank´s subsidiary SLSP Social Finance, s. r. o.

Other disclosure matters

40. Related-party transactions and principal shareholders

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is controlled by the only shareholder Erste Group Bank AG, which directly owns 100% share on the voting rights of the Bank. Further related parties include subsidiaries, which are under control of the Bank, associates and joint ventures over which the Bank has significant influence. Moreover, other members of the Erste Group are also related parties of the Bank.

Transactions with related parties occur in the normal course of business and primarily include loans and deposits. These transactions are performed at arm's length, i.e. the terms and conditions applied respect market conditions.

Balances exposures with related parties

	Erste Group Bank AG		Companies of Erste Group		Subsidiaries		Associates and joint ventures	
EUR ths.	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**
Assets								
Cash and cash equivalents	14,302	7,709	452	730	-	-	-	-
Derivatives	55,012	26,167	-	6	-	-	-	-
Derivatives – Hedge accounting	15,354	23,027	-	-	-	-	-	-
Securities	-	-	-	-	4,637	5,011	5,262	5,265
Loans and advances to banks	4,595	4,330	1	46	-	-	-	10,030
Loans and advances to customers	-	-	1,589	3,327	20,082	18,266	-	-
Property and equipment, right-of-use	-	-	-	-	60,563	55,912	-	-
Other assets	1	35	-	-	-	-	-	-
Total	**89,264**	**61,268**	**2,042**	**4,109**	**85,282**	**79,189**	**5,262**	**15,295**
Liabilities								
Derivatives held for trading	21,633	32,586	18	-	-	-	-	-
Deposits from banks	85	10,567	753	3,423	-	-	108	113
Deposits from customers	-	-	4,050	7,305	7,414	9,450	-	-
Debt securities issued	431,579	506,803	2,833	2,899	-	-	-	-
Derivatives – hedge accounting	103,266	64,227	-	-	-	-	-	-
Lease liabilities	-	-	-	-	60,521	56,950	-	-
Other liabilities	153	307	1,540	2,340	-	18	-	-
Total	**556,716**	**614,490**	**9,194**	**15,967**	**67,935**	**66,418**	**108**	**113**

Expenses/Income generated by transactions with related parties

	Erste Group Bank AG		Companies of Erste Group		Subsidiaries		Associates and joint ventures	
EUR ths.	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**
Interest income	(3,296)	25,263	47	30	519	970	213	871
Interest expense	2,748	(40,326)	(124)	(107)	(838)	(2,442)	(2)	(1)
Dividend income	-	-	-	-	19	19	-	-
Net fee and commisssion income	174	130	16,705	18,215	-	1	3	-
Net trading result	28,675	5,630	(94)	(1,846)	-	-	-	-
Gains/(losses) from financial instruments measured at fair value through profit or loss	-	-	-	-	(1,360)	185	-	-
General administrative expenses	(3,231)	(3,976)	(19,614)	(22,771)	(1,073)	(1,085)	(8)	-
Depreciation and amortisation	-	-	-	-	(6,565)	(5,796)	-	-
Other operating result	48	331	605	636	46	268	296	-
Total	**25,118**	**(12,948)**	**(2,475)**	**(5,843)**	**(9,252)**	**(7,880)**	**502**	**870**

Transactions with related parties are done at arm’s length.

The amounts with Erste Group Bank AG reported in the line items ’Interest income’ and ‘Net trading result’ represent results from derivative instruments used to close positions with the clients.

All issued investment certificates disclosed as AT1 instruments in equity at 31 December 2023 were purchased by Erste Group Bank AG (see note 37).

The Bank received guarantees from its parent company Erste Group Bank AG covering clients’ exposures in the amount of EUR 2.2 million as at the reporting date (2022: EUR 2.2 million).

The Bank received guarantees from its sister company Česká spořitelna, a.s. covering clients’ exposures in the amount of EUR 0.2 million as at the reporting date (2022: EUR 0.2 million).

During the March 2023 the Bank redeemed the whole share in real estate fund Sporo realitny fond SPF of Erste Asset Management GmbH, pobočka Slovenská republika (2022: EUR 1.0 million).

As at 31 December 2023 and in 2022, the Bank did not receive any dividends from its associates.

Remuneration of management and supervisory board members

The remuneration of the Board of Directors members and the Supervisory Board members paid during the year 2023 in form of short-term employee benefits amounted to EUR 3.7 million (2022: EUR 3.3 million). The remuneration policy of the Board of Directors members is in compliance with CRD directive as adopted in the national legislation.

41. Audit fees and tax consultancy fees

The following table contains fees charged by the auditors of the Bank for the financial years 2023 and 2022; the auditors being PricewaterhouseCoopers Slovensko, s.r.o.

EUR ths.	**2022**	**2023**
Audit of statutory financial statements	(691)	(698)
Other assurance services	(28)	(157)
Other non-audit services	(3)	(30)
Total	**(722)**	**(855)**

Other assurance services in the amount of EUR 157 thousand (2022: EUR 28 thousand) related to a review of the special-purpose standard reporting forms; report ISAE 3402 prepared in accordance with International Standard on Assurance Engagements; SRB AUP, review of the report for the resolution authority. Other non-audit services in the amount of EUR 30 thousand (2022: EUR 3 thousand) related to agreed-upon procedures on the Bank's compliance with the covenants of the loan agreement between the Bank and the European Bank for Reconstruction and Development; cyber security review based on the Cyber Security Act no. 69/2018.

42. Analysis of remaining maturities

Expected remaining maturities of assets and liabilities

EUR ths.	< 1 year	> 1 year	< 1 year	> 1 year
	31.12.2022		31.12.2023	
Assets				
Cash and cash equivalents	1,254,543	-	3,030,858	-
Financial assets HfT	6,183	70,956	3,379	56,910
Derivatives	6,183	70,956	3,379	56,910
Non-trading financial assets at FVPL	-	21,843	19,027	5,011
Equity instruments	-	9,694	11,511	-
Debt securities	-	12,149	7,516	5,011
Financial assets at AC	2,903,240	18,760,963	2,946,773	19,598,263
Debt securities	434,854	3,720,046	351,457	3,769,724
Loans and advances to banks	26	-	10,032	-
Loans and advances to customers	2,468,360	15,040,917	2,585,284	15,828,539
Finance lease receivables	54,871	229,629	61,909	285,414
Hedge accounting derivatives	-	16,879	1,819	22,605
Property and equipment, right-of-use assets	-	162,420	-	158,797
Investment properties	-	1,453	-	1,173
Intangible assets	-	17,868	-	18,588
Investments in associates	-	38,659	-	58,628
Deferred tax assets	-	69,979	-	68,399
Trade and other receivables	155,526	-	133,577	-
Other assets	24,574	-	30,127	-
Total assets	**4,398,937**	**19,390,649**	**6,227,469**	**20,273,788**

EUR ths.	< 1 year	> 1 year	< 1 year	> 1 year
	31.12.2022		31.12.2023	
Liabilities				
Financial liabilities HfT	5,669	67,864	2,633	53,964
Derivatives	5,669	67,864	2,633	53,964
Financial liabilities at AC	17,118,172	4,077,849	18,908,489	4,768,600
Deposits from banks	62,736	1,110,892	1,076,316	170,847
Deposits from customers	16,904,447	15,722	17,315,791	273,836
Debt securities in issued	37,199	2,951,235	333,128	4,323,917
Other financial liabilities	113,790	-	183,254	-
Lease liabilities	11,580	70,138	12,232	64,873
Hedge accounting derivatives	684	102,582	7,569	56,659
Provisions	23,519	15,453	14,947	17,454
Current tax liabilities	7,374	-	19,746	-
Other Liabilities	131,521	-	132,646	-
Total liabilities	**17,298,519**	**4,333,886**	**19,098,262**	**4,961,550**

43. Events after the balance sheet date

There are no significant events after the balance sheet date that require disclosure or adjustment to these separate financial statements.

STATEMENT OF MEMBERS OF THE MANAGEMENT BOARD

We confirm that to the best of our knowledge the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank as required by the applicable accounting standards and that the Bank management report gives a true and fair view of the development and performance of the business and the position of the Bank, together with a description of the principal risks and uncertainties to which the Bank is exposed.

Ing. Peter Krutil

Chairman of the Board of Directors
and Chief Executive Officer

Ing. Pavel Cetkovský

Member of the Board of Directors
and Deputy of Chief Executive Officer

Bratislava, 20 February 2024