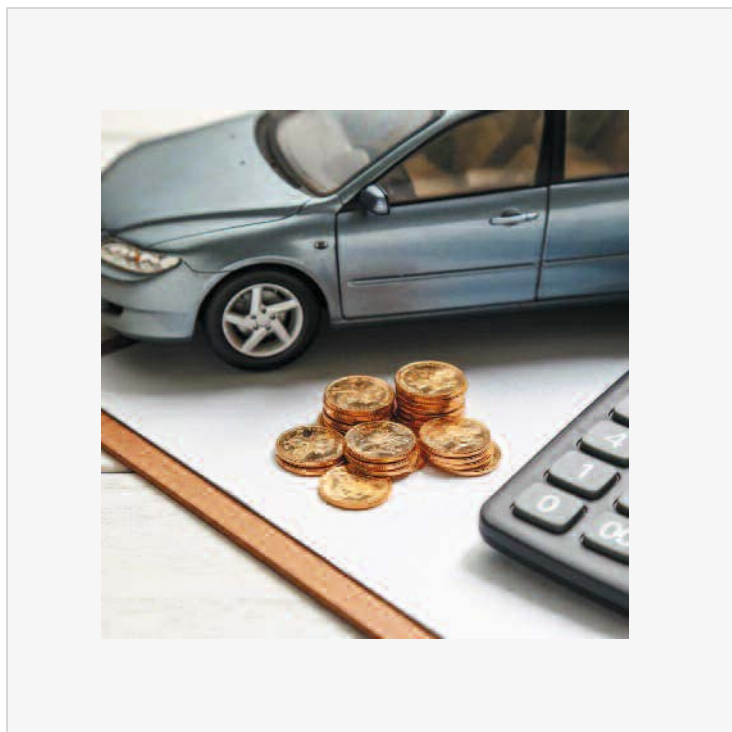


ANNUAL
REPORT
STAVEBNÁ
SPORITELŇA

2023

wustenrot

STAVEBNÉ SPORENIE | ÚVERY



CONTENTS

FOREWORD OF THE CHAIRMAN OF THE BOARD OF DIRECTORS	4
ABOUT US	6
REPORT OF THE BOARD OF DIRECTORS	9
REPORT OF THE SUPERVISORY BOARD	11
INDEPENDENT AUDITOR'S REPORT	14-19
FINANCIAL STATEMENTS	

FOREWORD OF THE CHAIRMAN OF THE BOARD OF DIRECTORS



Dear Shareholders, Business Partners, Clients, Fellow Workers, Dear Colleagues,

In 2023, inflation in Slovakia was well above the EU average and reached 5.9% at the year-end. To push down inflation below 2%, the central bank continued to raise interest rates, which affected the stagnating real estate market and led to lower demand for refinancing mortgage loans. The decrease in the loan portfolio of Wüstenrot stavebná sporiteľňa, a. s. (hereafter the “Bank” or “we”) slowed, but despite the social and economic situation, our economic result was slightly above expectations, mainly due to the good payment discipline of debtors.

Since 2021, the Bank has continuously performed activities aimed at discontinuing its business operations. Since adopting this decision, the Bank reduced its original portfolio by almost one half. Our existing clients have not been affected by the change in the Bank’s business strategy and continue to receive the service they are accustomed to.

We are ready to provide first-class services to our clients wishing to refinance their loans, and via Wüstenrot InHouse Broker give them access to a wider portfolio of financial services provided by established banks and other financial institutions in Slovakia.

In 2023, the situation on the Slovak financial market could not be deemed favourable, but the Wüstenrot Group confirmed its stable capital position and met its goals. In the following years, we will continue to work on our growth strategy, primarily in the insurance segment.

Although the refinancing of loans via Wüstenrot InHouse Broker is still complicated, we expect the first reduction in interest rates and a recovery of the real estate and mortgage market in 2024. More affordable mortgage loans should lead to a higher interest in Slovakia for financing housing, and the gradual stabilization of inflation should also improve the economic situation and raise interest in investing in the future. Therefore, we expect that Wüstenrot InHouse Broker sales revenues will begin to grow gradually.

In 2023, the Bank’s top management was strengthened by JUDr. Katarína Novotná, a new member of the Board of Directors, who will manage the Bank’s gradual transformation within the Slovak legislative environment, the goal of which is to simplify group regulation in the local and the EU context.

In 2023, the Wüstenrot Group celebrated the 30th anniversary of its business operations on the Slovak market. In 1993, Stavebná sporiteľňa VÚB-Wüstenrot, a.s. started its business in Slovakia by providing building society savings and loan products, to which life and non-life insurance products were later added. During its 30 years of existence, the Bank has built a strong client base, a stable market position, a good reputation, and extended its business by offering other financial services. A fair approach, reliability, expertise, and concern for clients in every situation are the main pillars representing the Group's values from the beginning of its operations up to now. Our business model has developed and progressed in line with market developments and changing client needs.

The success of our brand during our 30 years of operations on the Slovak market and the transformation of our business model would not have been possible without the effort and admirable work commitment of our employees. Some of them have been part of the Wüstenrot Group from the very beginning of its operations on the Slovak market. I would like to thank all our colleagues from the headquarters and the regions for their work. We are convinced that

we will succeed together in meeting the growth potential of the Wüstenrot Group and continue to be a reliable choice for clients.

March 2024



Ing. Marian Hrotka, PhD.
Chairman of the Board of Directors


ABOUT US

Company profile

Business name:	Wüstenrot stavebná sporiteľňa, a.s.
Registered office:	Digital Park I, Einsteinova 21, 851 01 Bratislava
Corporate ID (IČO):	31 351 026
Call centre:	0850 60 60 60
Website:	www.wuestenrot.sk
Email:	infosporitelna@wuestenrot.sk
Registered capital:	€16,597 thousand

Company's shareholders at 31 December 2023

Sole shareholder

	Bausparkasse Wüstenrot Aktiengesellschaft Alpenstraße 70, 5020 Salzburg, Austria	100 %
---	---	-------

Company bodies as at 31 December 2023

General Meeting	comprising the Company's sole shareholder Bausparkasse Wüstenrot Aktiengesellschaft	
Supervisory Board	Mag. Gregor HOFSTÄTTER-POBST Dr. Susanne RIESS-HAHN Mag. Christine SUMPER-BILLINGER Mag. Gerald HASLER Andreas SENJAK, MBA, CIA	Chairman Vice-chairman Member Member (up to 30 April 2023) Member (up to 20 October 2023)
Board of Directors	Ing. Marian HROTKA, PhD. Mag. Christian SOLLINGER, CIA JUDr. Katarína NOVOTNÁ Dr. Klaus WÖHRY	Chairman Member Member (since 1 October 2023) Member (until 30 September 2023)

Company history

Wüstenrot is a financial group originally established in Germany and Austria. It commenced operations as a building society in continental Europe in 1921. The group entered the Slovak market in 1993, when Stavebná sporiteľňa VÚB-Wüstenrot, a.s. with a specific banking license was established in accordance with the Slovak Building Saving Act (Act No. 310/1992 Coll. on Saving with a Building Society, as amended). In 2004, after changes to the shareholder structure, our company changed its business name to Wüstenrot stavebná sporiteľňa, a.s.

Company principles and values

Building long-term relationships	- with clients, business partners, employees and co-workers
Efficiency	- is part of everyday communication and management processes
Reliability	- we fulfil set obligations and agreements
Tradition	- we are part of the stable multinational Wüstenrot Group
Fair play	- we honor a fair approach and honesty
Innovative	- we improve products and processes in order to be unique
Respect	- we value the work and opinions of clients, business partners, employees and co-workers
Maximum responsibility	- full commitment is a prerequisite for the success of any activity
Commitment	- we actively work to achieve the set goals

Marketing activities

An increase in the inflation rate in Slovakia and the slowdown of the real estate market were also a challenge for marketing in 2023. The continuing objective of the communication campaign was to responsibly and openly inform clients affected by the reduction of the Bank's business operations about its strategy and the status of their products.

The Bank mainly used direct communication tools. In personalized letters, clients were informed about the status of their savings, increases to the base rate, options for using the state bonus to finance housing, options to make extraordinary payments on loan products, and alternatives to increase their savings or refinance loans via Wüstenrot InHouse Broker.

The Bank communicated the 30th anniversary of the business operations of the Wüstenrot Group in Slovakia to employees, the external public, and clients via its marketing activities. The Group entered the Slovak market in 1993, first via Stavebná sporiteľňa VÚB-Wüstenrot, a.s., a building society. The Bank mainly used PR tools for communication.

Clients and the public were also informed about the appointment of JUDr. Katarína Novotná as a new member of the Board of Directors and the reasons for this change, i.e. the Wüstenrot Group's direction on the Slovak market and the gradual discontinuation of the Bank's activities.

The Bank realizes the importance of environmental protection and sustainability. Therefore, it proceeded in line with its ESG strategy (environmental, social, and governance pillars) when meeting its environmental goals in 2023 and continued to digitise its processes related to client communication via the Wüstenrot portal. The Bank also motivated its employees to minimise and separate waste, thus contributing to emission reduction.

As part of activities supporting corporate social responsibility (CSR activities), the Bank sought to raise the public's awareness of the Slovak artistic community by exhibiting borrowed works of Slovak artists at its headquarters, thus also supporting them financially. The Bank also engaged its employees in CSR activities by organizing various collections (for seniors and refuge centres) and in subsequent collaboration with NPOs and civic associations.

Narrative report of the HR department

All Bank employees are considered equal and principles of equal treatment in employment relations in line with the Slovak Anti-Discrimination Act (Act No. 365/2004 Coll. on Equal Treatment in Certain Areas and Protection against Discrimination, and on Amendments to Certain Acts) are strictly applied.

Remuneration at the Bank follows the gender-neutral principle, which means that employees are remunerated for the same work or work of the same value irrespective of their sex.

Gender-neutral remuneration principles applied at the Bank ensure that all remuneration aspects are gender-neutral, including conditions for awarding and paying bonuses.

Working conditions

At the end of 2022, the Bank relocated its headquarters to new offices in Digital Park in Bratislava. The modern premises provide full comfort for everyday analytical and creative work, socializing, development, and education.

In 2023, we organized a Halloween party and a Christmas party in our common relaxation zones as well as collective thematic breakfasts and staff meetings, lectures, tastings and previews of art exhibitions.

As an employer, the Bank takes measures to ensure a favourable work-life balance of its employees.

Flexible working hours and home office are already a permanent part of our working conditions. Almost all employees may work from home, as they have the necessary IT equipment and company mobile phones with data services, which are also available for private purposes. Our employees may work from home for 60% of their working hours.

Before leaving for, and after returning from, maternity or parental leave, employees may request to work part-time. In 2023, 5 employees (almost 8.3% of total headcount) on average worked part-time.

Employee care

To improve the health of our colleagues, we organised the Month of Health event in 2023 – a series of lectures, sporting events, exercises aimed at reducing the health risks of sedentary jobs, and presentations for making a healthy breakfast. The MultiSport company provided body composition measurements and consultations on healthier eating and regular physical activities. The lecture on psychosomatics and mental health in connection with work performance was most attended. For colleagues who work from home or in the Slovak regions, some activities were also streamlined online. In total, more than 150 colleagues took part in these events.

Employee engagement support

Corporate culture promotion and employee engagement support are also conducted via the reference Finding New Colleagues programme. Employees can recommend suitable candidates from outside of the Bank for vacant job positions in return for a financial bonus. The objective is to increase the success rate of filling vacancies as compared to standard forms of recruitment.

In 2023, 5 internal employees were promoted to managerial positions.

Near the year-end, we conducted an employee satisfaction and engagement survey. 167 colleagues (65% of total headcount) participated.

Diversity

At 31 December 2023, the Bank had 139 employees, of which 65.47% were women. Women occupied 48.48% of managerial positions.

REPORT OF THE BOARD OF DIRECTORS

Report on the Bank's business activities and assets

When looking at the GDP dynamics in 2023, the European economy stagnated. Excessive inflation led to further tightening of the monetary policy. The eurozone base rate was gradually raised to 4.5%. A slight decrease is expected in the second half of 2024.

Economic development will be particularly important for ensuring financial stability in the coming period. The labour market remains stable and this is crucial for the financial stability of households.

A significant increase in interest rates raised the cost of refinancing for banks. The banking sector has sufficient volumes of liquidity and sufficient capital at its disposal.

Report on the Bank's financial position

At the beginning of the second half of 2021, the Wüstenrot Group decided to change its strategy on the Slovak market and discontinue the provision of new building saving products and interim loans with the intention to gradually exit the building society concept. This decision resulted in the discontinuation of the conclusion of new contracts, which adversely affected the Bank's results and led to a decrease in market shares.

In line with the Bank's new strategy, a gradual withdrawal of deposits also continued in 2023. At 31 December 2023, liabilities to clients amounted to EUR 192 million (31 December 2022: EUR 227 million). As for deposits, there was also a gradual decrease in the loan portfolio in 2023. At 31 December 2023, receivables from clients amounted to EUR 210 million (31 December 2022: EUR 231 million).

The Bank prepared its separate financial statements for the year ended 31 December 2023 in accordance with International Financial Reporting Standards as adopted by the European Union. These financial statements are part of this Annual Report.

At 31 December 2023, the total amount of assets in the Bank's statement of financial position (balance sheet) was EUR 271.1 million (31 December 2022: EUR 292.6 million). On the assets side, there was a decrease in receivables from clients of about EUR 21 million. For other positions on the assets side, no significant change was observed. At 31 December 2023, cash and cash equivalents amounted to EUR 5.8 million (31 December 2022: EUR 6.4 million) and the balance of securities was EUR 54.2 million (31 December 2022: EUR 53.8 million). As stated above, the balance of loans and deposits declined in line with the strategy set for the Bank. As the balance of deposits dropped more significantly than the balance of loans, the need for refinancing was higher. Liabilities to banks increased to EUR 20 million (2022: EUR 10 million). Liabilities to other financial institutions were also higher, totalling EUR 20 million (2022: EUR 15 million). Due to the planned portfolio reduction, the Bank's net interest income of EUR 3.6 million dropped by about EUR 1 million compared to 2022. Net fee and commission income of EUR 0.8 million was also lower than in the previous year (2022: EUR 1 million). In 2023, the Bank set up valuation allowances for loans in the amount of EUR 0.5 million (net set-up), which was less than a year before (2022: EUR 1.4 million).

For 2023, the Bank posted a loss of EUR 1.0 million, mainly due to the planned decreases in portfolio balances and higher interest expense for refinancing.

Prospects for 2024

The strategic decision to stop offering new building saving products and interim loans and the withdrawal of deposits by clients seeking to refinance existing loans at other financial institutions will lead to a further decrease in the Bank's portfolio balance and in the total amount of balance sheet assets. In 2024, we expect a decrease in receivables from clients to EUR 179 million and a decrease in liabilities to clients to EUR 156 million. This development will result in lower interest and fee income. The Bank will also reduce its operating expenses. Given the planned portfolio values and the set strategy, we expect a loss in 2024. The Bank will seek to continue to meet all the regulatory limits. At the

end of the year, the indicator of total own funds expressed as a percentage of total risk-weighted assets is expected to be 31.3%. The Company does not plan to distribute dividends to shareholders in 2024.

Information on the risk management system

Information on risk management is included in Chapter 5, 'Financial and operational risk management', of the Notes to the financial statements.

As regards credit risk, the Bank maintains the ratio of non-performing loans at a stable level (2.74% at 31 December 2023 and 2.58% at 31 December 2022), which was also due to the sale of some non-performing loans in November 2023. The Bank has set up sufficient valuation allowances for loans.

The Bank purchased no securities in 2023. The security portfolio comprises mainly Slovak government bonds and the average rating of the security portfolio is at the A-level (as per Moody's).

Due to the reduction in the construction saving and loan balance, there was a significant decrease in interest rate risk in the banking book, which was low at 31 December 2023. At the balance sheet date, the ratio of loans to deposits was 115.46%. The Bank has taken steps to maintain the volume of deposits, so that this ratio does not increase significantly. The LCR and NSFR indicators are above the statutory limits (LCR: 400.5%, NSFR: 156.4%). Thus, the Bank is succeeding in maintaining a sound liquidity position.

Due to a decrease in the loan portfolio, there was an increase in the coverage of risks by the Bank's equity (31 December 2023: relative coverage at 398.21%).

In connection with the war in Ukraine, the Bank has no direct exposures to Russia, Ukraine or financial institutions and businesses in Ukraine or Russia. Given the strategy of withdrawing from the building society saving and loan market, the Bank is only affected by indirect impacts on the Slovak economy. However, the extent of the consequences of these events on the Bank cannot be precisely quantified at the moment. No significant direct impacts have been identified so far. The Bank does not expect any significant indirect impacts on its risk profile.

Events of particular importance that occurred after the end of the reporting period

Events of particular importance that occurred after the end of the reporting period are described in Section 6.31 of the Notes to the financial statements.

R&D expenses

The Bank did not incur any expenses on research and development in 2023.

Branches

The Bank has no branches in other countries.

Overview of bank and other loans received

The Bank reports bank loans of EUR 20 million and liabilities to other financial institutions of EUR 20 million.

Acquisition of treasury shares, temporary certificates, and similar ownership interests

In 2023, the Bank did not acquire in its portfolio any treasury shares, temporary certificates or similar ownership interests, or shares, temporary certificates or similar ownership interests of its parent company, and did not own any of the above at 31 December 2023. In 2023, the liquidation of Wüstenrot Servis, s.r.o. spoločnosť v likvidácii where the Bank was the sole shareholder was completed.

Other information

The Bank does not provide non-financial information under § 20 Sections 9 and 10 of the Slovak Accounting Act (Act No. 431/2002 Coll., as amended), as the average number of staff recalculated to FTE is less than the threshold value of 500.

The Bank did not receive any public subsidies.

REPORT OF THE SUPERVISORY BOARD

During three ordinary sessions, Supervisory Board members familiarised themselves with essential matters related to business policy and business development and discussed these issues with the Board of Directors. The Supervisory Board fulfilled its controlling duties and supervising obligations set by the law and the Articles of Association. The Board of Directors submitted all requested reports and materials to the Supervisory Board on time and reported in detail on all relevant business policy issues.

The financial statements for 2022 prepared in accordance with International Financial Reporting Standards as adopted by the European Union and audited by PricewaterhouseCoopers Slovensko, s.r.o., who were appointed as auditor by the Supervisory Board, were approved by the General Meeting and accepted by the Banking Supervisory Authority.

The Supervisory Board accepted the proposal for the 2022 profit distribution, agreed not to pay dividends to the shareholder, and recommended the General Meeting approve this proposal.

The Supervisory Board wishes to express its thanks to all its colleagues and members of the Board of Directors for productive co-operation in 2023.

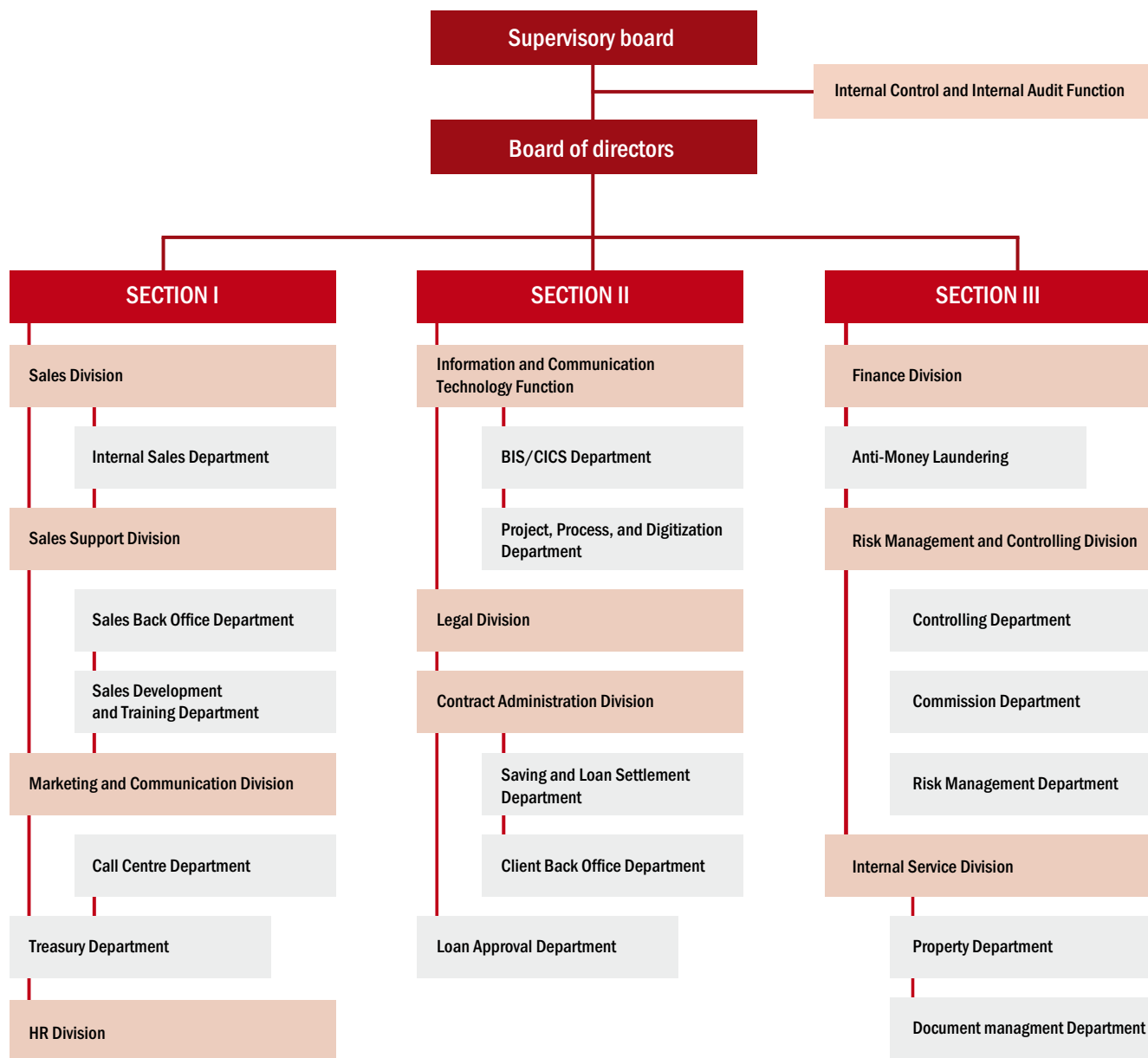
Bratislava, March 2024

On behalf of the Supervisory Board



Mag. Gregor Hofstätter-Pobst
Chairman

Organisation chart Wüstenrot stavebná sporiteľňa as at 31 December 2023



Financial statements

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

and Independent Auditor's Report



Independent Auditor's Report

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Wüstenrot stavebná sporiteľňa, a.s. (the "Bank") as at 31 December 2023 and the Bank's financial performance and 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 Supervisory Board performing the role of the Audit Committee dated 20 March 2024.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; 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 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 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 and to its parent 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 6.19 General operating expenses to the financial statements.

Our audit approach

Overview

Materiality	Overall materiality: EUR 1,000 thousand, which represents 0,5% of loan portfolio of receivables from clients.
Key audit matters	Expected credit losses allowance estimate

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the 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 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 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the 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 financial statements as a whole.

Overall materiality	EUR 1,000 thousand
How we determined it	Overall materiality represents approximately 0,5% of loan portfolio of receivables from clients.
Rationale for the materiality benchmark applied	Loan portfolio of receivables from clients of the Bank is the primary focus of the Bank's management, which is responsible for management of the loan portfolio and its reduction.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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
<p>Expected credit losses allowance estimate</p> <p>As explained in Notes 4.1 and 5.1 to the financial statements, management estimated the expected credit losses to loans to customers totalling EUR 3,513 thousand.</p> <p>The carrying value of loans to customers at amortised cost may be misstated if individual or collective expected credit losses are not appropriately identified and estimated. The calculation of expected credit losses represents a significant estimate, as explained in more detail in Note 4.1.</p> <p>The identification of a significant increase in credit risk and default, the incorporation of forward-looking macroeconomic information about future events, the estimation of impairment, including estimates of future cash flows and the valuation of received collateral, as well as the credit application require judgment.</p> <p>The estimation of risk parameters for the determination of collective expected credit losses in stage 3 represents a significant management judgement.</p> <p>We consider this estimate as a key audit matter due to the significance of the expected credit loss allowances and related credit losses for the year.</p>	<p>We assessed and tested design and operating effectiveness of manual and automated controls related to the timely identification of defaulted loans to customers.</p> <p>We tested design and operating effectiveness of general IT controls, including access to programs and data, program changes and computer operations related to quantification of expected credit losses.</p> <p>We verified that the models used for quantification of expected credit losses are in line with the requirements of IFRS 9.</p> <p>We tested and evaluated consistent application of the models during the year, reasonableness of assumptions, and completeness and accuracy of the underlying data, which were used by the Bank to estimate expected credit losses to loans to customers that share similar credit risk characteristics.</p> <p>The underlying models and expert judgement applied by the Bank were assessed by our specialists for financial risk management and modelling.</p> <p>Our specialists assessed the reasonableness of the risk parameters applied in the calculation of collective expected credit losses in stage 3 as well as the appropriateness of the relevant disclosures. We have assessed correctness of the classification of loans to customers to stages and recalculated the expected credit losses for the respective stages as well as its presentation in the financial statements.</p> <p>On the sample basis, we assessed appropriateness of assumptions, completeness and accuracy of the underlying data that the Bank used to calculate expected credit losses.</p>



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 financial statements and our auditor's report thereon).

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

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

With respect to the Annual Report, we considered whether it includes the disclosures required by the Act on Accounting No. 431/2002, as amended (hereafter the "Accounting Act").

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Annual Report has been prepared in accordance with the Accounting Act.

In addition, in light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Annual Report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 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 21 June 2021. Our appointment has been renewed annually by the shareholder's resolution representing a total period of uninterrupted engagement appointment of 3 years. Our appointment for the year ended 31 December 2023 was approved by the shareholder's resolution on 23 June 2023.

The engagement partner on the audit resulting in this independent auditor's report is Rastislav Petruška.

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

Mgr. Rastislav Petruška, FCCA
UDVA licence No. 1108



27 March 2024
Bratislava, Slovak Republic

TABLE OF CONTENTS

STATEMENT OF FINANCIAL POSITION	22
STATEMENT OF PROFIT OR LOSS	23
STATEMENT OF COMPREHENSIVE INCOME	24
STATEMENT OF CHANGES IN EQUITY	25
STATEMENT OF CASH FLOWS	26
1 GENERAL INFORMATION	27
1.1 Business name and registered office	27
1.2 Core business activities	27
1.3 Structure of the Bank's shareholders	28
1.4 The Bank's bodies	28
1.5 Number of employees	29
1.6 Strategic direction	29
2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS	30
2.1 Statement of compliance	30
2.2 Basis of preparation of the financial statements	30
2.3 Going concern	30
2.4 Functional and presentation currency	30
2.5 Use of estimates and judgements	30
3 SIGNIFICANT INFORMATION ABOUT ACCOUNTING POLICIES AND ACCOUNTING METHODS	33
3.1 Transaction date	32
3.2 Cash and cash equivalents	32
3.3 Foreign currency translation	32
3.4 Cash on hand, accounts with the NBS, and receivables from banks	32
3.5 Financial assets and financial liabilities	33
3.6 Financial guarantee contracts and loan commitments	36
3.7 Fair value measurement	36
3.8 Offsetting financial assets and financial liabilities	37
3.9 Property, plant and equipment	37
3.10 Intangible assets	38
3.11 Held-for-sale assets	39
3.12 IFRS 16, Leases	39
3.13 Liabilities to clients	40
3.14 Provisions	40
3.15 Related parties	40
3.16 Employee benefits	41
3.17 Equity	41
3.18 Accounting policies for interest income and interest expense, methods of reporting income from impaired assets, including interest	42
3.19 Accounting for fees and commissions	42
3.20 Corporate income tax	43
3.21 Embedded derivatives	43
3.22 Issued standards, interpretations, and amendments to standards which the Bank applied for the first time in 2023	43

3.23 Issued standards, interpretations, and amendments to existing standards that are effective after 1 January 2024 and which the Company has not applied early	45
4 USE OF ESTIMATES AND JUDGEMENTS	47
4.1 Measurement of credit loss allowance for loans due to expected credit losses	47
4.2 Interest bonus	49
4.3 Measurement of financial instruments	50
4.4 Deferred tax asset	52
5 FINANCIAL AND OPERATIONAL RISK MANAGEMENT	53
5.1 Credit risk	53
5.2 Liquidity risk	76
5.3 Market risk	79
5.4 Operational risk	81
6 ADDITIONAL INFORMATION ON THE STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AND THE STATEMENT OF PROFIT OR LOSS (INCOME STATEMENT)	83
6.1 Cash and cash equivalents	83
6.2 Investments in debt securities	83
6.3 Receivables from clients	84
6.4 Property, plant and equipment	84
6.5 Investment property	86
6.6 Assets held for sale	87
6.7 Intangible assets	87
6.8 Other assets	88
6.9 Liabilities to clients	89
6.10 Liabilities to banks	91
6.11 Short-term provisions, deferred income and accrued expenses	92
6.12 Long-term provisions	92
6.13 Tax liabilities / assets – current income tax	93
6.14 Deferred tax asset/liability	93
6.15 Other liabilities	94
6.16 Equity	95
6.17 Net interest income	96
6.18 Net fee and commission income	97
6.19 General operating expenses	97
6.20 Personnel costs	98
6.21 Depreciation of PPE and investment property and amortization of intangible assets	98
6.22 Other operating income	98
6.23 Other operating expenses	98
6.24 Creation and release of credit loss allowance for loans and write-off of receivables	98
6.25 Creation and release of impairment allowance for other assets and derecognition (write-off) of other assets	99
6.26 Income tax	99
6.27 Operating lease	100
6.28 Related party transactions	100
6.29 Contingent liabilities and loan commitments	102
6.30 Fair value of financial instruments	102
6.31 Significant events after the reporting date	106

STATEMENT OF FINANCIAL POSITION

in thousands of EUR	Note	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents	6.1	5 824	6 389
Investments in debt securities	6.2	54 165	53 799
Receivables from clients	6.3	210 231	231 103
Tax receivable - tax due	6.13	64	0
Other assets	6.8	233	407
Intangible assets	6.7	623	910
TOTAL ASSETS		271 140	292 608
LIABILITIES			
Liabilities to clients	6.9	192 224	227 479
Liabilities to banks	6.10	20 143	10 014
Liabilities to other financial institutions	6.10	20 264	15 009
Short-term provisions, deferred income, and accrued expenses	6.11	823	1 142
Long-term provisions	6.12	50	310
Tax liabilities – tax due	6.13	0	148
Withholding tax	6.15	367	420
Other liabilities	6.15	485	627
Deferred tax liability	6.14	181	112
TOTAL LIABILITIES		234 537	255 261
EQUITY			
Share capital	6.16	16 597	16 597
Legal reserve fund	6.16	3 319	3 319
Remeasurement of financial assets at FVOCI		683	423
Retained earnings and loss carried forward		16 004	17 008
TOTAL EQUITY		36 603	37 347
TOTAL LIABILITIES AND EQUITY		271 140	292 608

The Notes on pages 1 to 61 are an integral part of these financial statements

STATEMENT OF PROFIT OR LOSS

in thousands of EUR	Note	1.1.2023- 31.12.2023	1.1.2022- 31.12.2022
Interest income calculated using the effective interest method		7 964	8 249
Interest expense		- 4 352	- 3 822
Net interest income	6.17	3 612	4 427
Fee and commission income		1 242	1 583
Cost of fees and commissions		-492	-563
Net fee and commission income	6.18	750	1 020
General operating expenses	6.19	-1 807	-2 325
Personnel costs	6.20	-2 384	-2 750
Depreciation of PPE and investment property	6.21	-63	-101
Amortization of intangible assets	6.21	-296	-495
Other operating income	6.22	115	2 151
Other operating expenses	6.23	-406	-748
Valuation allowances for credit transactions	6.24	-521	-1 404
Valuation allowances for debt securities		1	2
Valuation allowances for other assets	6.25	3	-51
Operating profit/(loss)		-996	-274
Profit/(loss) before taxes		-996	-274
Corporate income tax	6.26	-8	-1 883
Profit/(loss) after taxes		-1 004	-2 157

STATEMENT OF COMPREHENSIVE INCOME

in thousands of EUR	Note	1.1.2023- 31.12.2023	1.1.2022- 31.12.2022
Profit/(loss) after taxes		- 1 004	- 2 157
Other components of comprehensive income			
Items that may be reclassified to the statement profit or loss in the future:			
Change in the fair value of FVOCI debt securities		329	- 5 749
Deferred tax posted to equity accounts	6.14	-69	1 207
Other components of comprehensive income		260	- 4 542
Total comprehensive income for the period		-744	-6 699

STATEMENT OF CHANGES IN EQUITY

31.12.2023 in thousands of EUR	Share capital	Legal reserve fund	Remeasurement of financial assets FVOCI	Retained earnings	Total
Balance sheet at 1.1.2023	16 597	3 319	423	17 008	37 347
Loss for 2023	0	0	0	- 1 004	- 1 004
Other components of comprehensive income					
Net change in the fair value of securities reported through aggregate profit, after taxes	0	0	260	0	260
Total comprehensive income for the period	0	0	260	- 1 004	- 744
31.12.2023	16 597	3 319	683	16 004	36 603

31.12.2022 in thousands of EUR	Share capital	Legal reserve fund	Remeasurement of financial assets FVOCI	Retained earnings	Total
Balance sheet as at 1.1.2022	16 597	3 319	4 965	19 165	44 046
Profit for the year 2022	0	0	0	- 2 157	- 2 157
Other components of comprehensive income					
Net change in the fair value of securities reported through aggregate profit, after taxes	0	0	- 4 542	0	- 4 542
Total comprehensive income for the period	0	0	- 4 542	- 2 157	- 6 699
31.12.2022	16 597	3 319	423	17 008	37 347

STATEMENT OF CASH FLOWS

in thousands of EUR	Note	31 December 2023	31 December 2022	
Operating activities				
Profit/(loss) before taxes		-996	-274	
Interest income	6.17	-7 964	-8 249	
Interest expense	6.17	4 352	3 822	
Amortization of intangible assets	6.21	296	495	
Depreciation of PPE and investment property	6.21	63	101	
Set-up of valuation allowances for loans and securities	6.24	126	1 404	
Set-up/release of valuation allowances for other assets	6.25	0	51	
Other non-monetary items		0	-147	
Profit from the sale of investment property and non-current assets		0	-1 830	
Cash flows from operating activities before changes in operating assets and liabilities		-4 123	5 007	
Interest received		8 484	8 334	
Interest paid		-3 932	-3 822	
Cash inflow from the sale of receivables		395	4 576	
Corporate income tax paid		-219	546	
Decrease/(increase) in receivables from clients	5.1	19 795	99 817	
Decrease/(increase) in other assets	6.8	121	199	
Increase/(decrease) in liabilities to clients	6.9	-35 268	-85 495	
Increase/(decrease) in liabilities to banks	6.10	9 986	-36 976	
Increase/(decrease) in liabilities to other financial institutions	6.10	4 991	15 009	
Increase/(decrease) in other liabilities	6.11, 6.12, 6.15	-765	37	
Net cash from operating activities		-534	-2 402	
Investing activities				
Cash inflow from repayment of investments in debt securities	6.2	0	-34	
Cash inflow from sale of investments in debt securities	6.2	0	0	
Cash inflow from the sale of PPE	6.4, 6.6	0	7 278	
Additions to intangible assets	6.7	-21	-14	
Additions to other assets		-10	0	
Net cash used in investing activities		-31	7 230	
Change in cash and cash equivalents		-565	4 828	
Cash and cash equivalents at the beginning of the accounting period	6.1	6 389	1 561	
Change in cash and cash equivalents consists of changes in the following items:				
Ready money		-1	1	
Current accounts with other banks		-69	-72	
Mandatory minimum reserves		120	-1 117	
Term deposits		-615	6 016	
Other receivables from banks		0	0	
Cash and cash equivalents at the end of the accounting period		6.1	5 824	6 389
Change in cash and cash equivalents		-565	4 828	

1 GENERAL INFORMATION

1.1 Business name and registered office

Wüstenrot stavebná sporiteľňa, a.s. (hereafter the “Bank”) was established on 24 March 1993 and incorporated in the Commercial Register on 26 May 1993 (Commercial Register of the District Court Bratislava I, Section Sa, Insert No.: 529/B). The Bank operates under a specific banking license issued by the National Bank of Slovakia (hereafter “NBS”) according to the Slovak Building Society Saving Act (Act No. 310/1992 Coll. on Saving with a Building Society, as amended). The Bank relocated its headquarters in December 2022.

Registered office: Wüstenrot stavebná sporiteľňa, a.s.
Digital Park I, Einsteinova 21
851 01 Bratislava – mestská časť Petržalk

Corporate ID (IČO): 31 351 026
Tax ID (DIČ): 2020806304

1.2 Core business activities

The Bank’s core business activities as per an extract from the Commercial Register:

- accepting deposits from building society savers or for the benefit of building society savers;
- providing loans to building society savers from the home purchase savings fund for construction purposes set out in § 11 Section 1 of the Building Society Saving Act;
- providing guarantees to other banks for building society loans, mortgage loans, or municipal loans;
- accepting deposits from banks;
- providing payment services;
- providing advisory services within the scope of the business of a building society;
- providing financial intermediation in line with the Slovak Financial Consultancy Act (Act No. 186/2009 Coll. on Financial Consultancy and on Amendments to Certain Acts, as amended) as a contractual financial agent in the insurance and reinsurance sector;
- investing on one’s own account and trading on own account in money market financial instruments in euros and in capital market financial instruments in euros; and
- accepting deposits from foreign banks, branches of foreign banks, and financial institutions.

The Bank provides its services via a network of Wüstenrot agencies and a network of Wüstenrot centres. At 31 December 2023, the network of Wüstenrot agencies included 0 agency directors, 6 business group managers and 38 building savings advisors. Wüstenrot centres were created by the transformation of the Bank’s Service Centres and the Customer Centres of Wüstenrot poisťovňa, a.s. At 31 December 2023, this network comprised 18 Wüstenrot centres across Slovakia, with 0 directors, 0 deputy directors, and 17 building savings advisors in total. 52 partners participated in the mediation of building savings contracts.

1.3 Structure of the Bank's shareholders

The structure of the Bank's shareholders at 31 December 2023 and 31 December 2022:

SHAREHOLDER	Registered office	Share in %	
		2023	2022
Bausparkasse Wüstenrot AG	Alpenstr. 70, 5020 Salzburg, Austria	100	100
Total		100	100

The amount of voting rights of the Bank's shareholders corresponds to the number of their shares, which is derived from the amount of their ownership interest in the Bank's share capital (Bausparkasse Wüstenrot AG: 1,000 votes). The Bank's sole shareholder holds 1,000 shares. The nominal value of one share is 16,597.00 (31 December 2022: EUR 16,597.00).

The Bank is included in the consolidated financial statements of its immediate parent company, Bausparkasse Wüstenrot AG, seated at Alpenstr. 70, 5020 Salzburg, Austria. The consolidated financial statements are available at the parent company's registered office.

Bausparkasse Wüstenrot AG is included in the consolidated financial statements of Wüstenrot Wohnungswirtschaft reg. Gen. m.b.H., seated at Alpenstr. 70, Salzburg, Austria, which is the Bank's ultimate parent company with final decision-making and control rights.

1.4 The Bank's bodies

The Bank's statutory and supervisory bodies in 2023:

Board of Directors

Chairman: Ing. Marian Hrotka, PhD.

Members: Mag. Christian Sollinger, CIAA
JUDr. Katarína Novotná (since 1 October 2023)
Dr. Klaus Wöhry (up to 30 September 2023)

Supervisory board

Chairman: Mag. Gregor Hofstätter-Pobst

Vice-chairman: Dr. Susanne Riess-Hahn

Members: Mag. Christine Sumper-Billinger
Andreas Senjak, MBA, CIAA
(up to 20 October 2023)
Mag. Gerald Hasler
(up to 30 April 2023)

The Bank's statutory and supervisory bodies in 2022:

Board of Directors

Chairman: Ing. Marian Hrotka, PhD.
 Members: Dr. Klaus Wöhry
 Mag. Christian Sollinger, CIAA

Supervisory board

Chairman: Mag. Gregor Hofstätter-Pobst
 since 22 September 2022)
 Mag. Gerald Hasler
 (up to 21 September 2022)

Vice-chairman: Dr. Susanne Riess-Hahn

Members Mag. Christine Sumper-Billinger
 Andreas Senjak, MBA, CIAA
 (since 25 January 2022)
 Mag. Gerald Hasler
 (since 22 September 2022)
 Mag. Gregor Hofstätter-Pobst
 (since 20 September 2022)

Two members of the Board of Directors or one member of the Board of Directors together with a proxy act jointly on behalf of the Bank.

1.5 Number of staff

	31 December 2023	31 December 2022
Total number of employees, of which:	139	193
- Management	4	4
	2023	2022
Average number of employees per year*	57	76

* The average number of staff has been calculated on the FTE (full-time equivalent) basis. The remaining working hours represent work for Wüstenrot poisťovňa, a.s.

1.6 Strategic direction

In 2021, the Bank announced its intention to leave the market and stopped selling new building savings contracts and providing new interim loans.

In 2021, the Bank announced its intention to leave the market and stopped selling new building savings contracts and providing new interim loans. As a result of the implementation of this strategy, the volume of receivables from, and payables to, clients decreased in 2022 and 2023. The gradual reduction in the client portfolio will continue to result in a decrease in interest and fee income in the future years and a decrease in the Bank's total assets. On the other hand, the decline in the volume of assets (especially the loan portfolio) will result in a reduction in the capital requirement. In the future, in addition to current costs, there will be costs associated with adjustments to accounting policies (depreciation periods, adjustments to expected credit loss (hereafter "ECL") and effective interest rate (hereafter "EIR") calculations, provisioning, etc.).

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter “IFRS”) as adopted by the European Union (hereafter “EU”).

The Bank keeps its accounting books in accordance with the Accounting Act in accordance with IFRS as adopted by the EU. According to § 17a Section 1 of the Accounting Act, the Bank prepares its financial statements in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, as amended.

The General Meeting approved the Bank’s separate financial statements for 2022 on 23 June 2023.

2.2 Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention, except for financial assets and liabilities initially stated at fair value and FVOCI debt instruments subsequently measured at fair value.

2.3 Going concern

The financial statements have been prepared on the accrual basis, according to which transactions and other events are accounted for when incurred and in the financial statements are recognized in the period to which they relate, provided that the Bank is a going concern. The Bank’s new strategic direction described in Note 1.6 did not have a significant impact on the Bank’s assumption to continue its operations for the foreseeable future.

In 2023, Russia invaded Ukraine. This war caused uncertainty as regards gas and oil supplies to Europe and this uncertainty further increased during the heating season. The situation brought significant volatility to financial markets and sharp rises in interest rates, which affected the market value of the Bank’s assets and liabilities. It is assumed that negative volatilities in the market should gradually weaken if the war comes to an end, or becomes much less intensive, which should have a positive impact on the Bank.

The world economy during 2023 faced high inflation, which negatively impacted global economic growth. Central banks worldwide (including the European central bank “ECB”) responded to rising inflation by rapidly increasing interest rates. During 2023 interest rates increase by a margin of 2%, which had significant impact on cost of financing of banks..

2.4 Functional and presentation currency

The financial statements are presented in euros, which is the Bank’s functional currency. Financial information is expressed in thousands and is mathematically rounded, except when stated otherwise.

2.5 Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are evaluated on an ongoing basis. Adjustments to accounting estimates are recognized in the period in which the estimate is revised and in all other periods affected.

Information about significant areas of uncertainty in estimates and about significant judgements in the accounting policies and methods applied with the most significant effect on the amounts shown in the financial statements is described in Notes 3 and 4.

The accounting policies and methods set out below have been applied consistently to all periods presented in these financial statements.

3 SIGNIFICANT INFORMATION ABOUT ACCOUNTING POLICIES AND ACCOUNTING METHODS

3.1 Transaction date

The day of an accounting event is the date on which the transaction is carried out - in particular, the day on which: ready money is paid or received, funds in foreign currency are purchased or sold, a payment from the client's account is made, a payment is credited to the client's account, a receivable or liability arises, changes or ceases to exist.

Trades in securities or futures and forwards on the money market are transferred from the off-balance sheet to the balance sheet on the day when settled.

3.2 Cash and cash equivalents

For the purposes of preparing the statement of cash flows, cash and cash equivalents include:

- cash on hand in euros and foreign currencies;
- a surplus on the NBS mandatory minimum reserve account;
- loans provided to the NBS in repurchase transactions with a contractual maturity of up to 3 months;
- current account balances at other banks; and
- term deposits with other banks with a maturity of up to 3 months.

3.3 Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into euros at the exchange rate specified in the ECB's exchange rate ruling at the date of the accounting event. At the balance sheet date, they are measured at the exchange rate effective at that date. Gains and losses arising from the revaluation to euro are accounted for as foreign exchange gains or losses to the credit or debit side of profit/(loss).

3.4 Cash on hand, accounts with the NBS, and receivables from banks

Cash on hand is stated at amortized cost. Mandatory minimum reserves with the NBS are stated at amortized cost, including interest income achieved. Futures and forwards are initially stated at fair value, which includes transaction costs directly attributable to the transaction. Subsequently, these items are measured at amortized cost. Accrued interest is also part of their valuation. Mandatory minimum reserves are required deposits with a limited drawdown.

3.5 Financial assets and financial liabilities

Measurement methods

Amortized cost and effective interest rate

Amortized cost is the amount at which a financial asset or financial liability is measured on initial recognition, less principal payments and increased or decreased by cumulative amortization of any difference between the initial value and maturity using the effective interest method, in the event of a financial asset adjusted for a possible impairment loss. The effective interest rate is the rate that discounts estimated future cash payments or receipts during the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset (i.e. its amortized cost before any impairment loss) or the amortized cost of the financial liability. The calculation does not take into account expected credit losses and includes transaction costs, premiums or discounts, fees, and points paid or received that are an integral part of the effective interest rate, such as fees incurred when a financial asset arises.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- (a) purchased or originated credit-impaired financial assets (POCIs) for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset;
- (b) financial assets that are not POCIs but have subsequently become impaired (or grade 3), for which interest income is calculated by applying the effective interest rate to their amortized cost (i.e. less a credit loss allowance due to ECL).

Initial recognition and measurement

An entity only recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. Current purchase or sale of financial assets is shown in the off-balance sheet on the trade date, i.e. on the day the Bank undertakes to buy or sell an asset.

Upon initial recognition, the Bank measures a financial asset or financial liability at its fair value, increased or decreased (if the financial asset or financial liability is not measured at fair value through profit or loss) at transaction costs that are incremental and directly attributable to the acquisition or issuance of a financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are recognized in profit or loss immediately after initial recognition. A credit loss allowance set up due to ECL is recognized for financial assets stated at amortized cost, and investments in debt instruments are measured at FVOCI, as described in Section 4.1 of the Notes.

If the fair value of financial assets and financial liabilities at initial recognition differs from the transaction price, the entity recognizes the difference as follows:

- (a) when fair value is demonstrated at a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or is the result of a valuation technique that only uses observable market data, the Bank recognizes the difference as a gain or loss;
- (b) in all other cases, the difference is accrued and the timing of the recognition of accrued profit or loss on day 1 is determined individually. The difference is either amortized over the life of the financial instrument, accrued until the fair value of the instrument can be determined using observable market inputs, or realized through settlement.

(i) Classification and subsequent measurement

The Bank applies IFRS 9 and classifies its financial assets in the following measurement categories:

- assets measured at fair value through other comprehensive income (FVOCI), or
- assets measured at amortized cost.

The classification requirements for debt and equity instruments are described below.

Debt instruments

Debt instruments are instruments such as loans, government or corporate bonds. The classification and subsequent valuation of debt instruments depends on:

- (i) the Bank 's business model for managing the asset, and
- (ii) cash flow characteristics of the asset (SPPI test).

Based on these factors, the Bank classifies its debt instruments into one of the following 3 measurement categories:

- **Amortized cost:** Assets that are held for the purpose of collecting contractual cash flows and these cash flows only represent principal and interest payments (SPPI), and that are not intended to be measured at fair value through profit or loss (FVTPL), are stated at amortized cost. The carrying amount of these assets is adjusted by any valuation allowance for expected credit losses, recognized and measured as described in Section 4.1 of the Notes. Interest income from these financial assets is included in line 'Interest income calculated using the effective interest rate' of the income statement, as described in Section 6.18 of the Notes.
- **Fair value through other comprehensive income (FVOCI):** Financial assets held for the purpose of collecting contractual cash flows with the possibility of their eventual sale for profit or settlement of capital requirements or liquidity ('Hold and sell' business model), where the cash flows from these assets only represent principal and interest payments (SPPI) and which are not intended for measurement at FVPL, are stated at fair value through other comprehensive income. Movements in the carrying amount are recognized in other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument, which are recognized in profit or loss. When a financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in line 'Net gain on the sale of securities'. Interest income from these financial assets is included in 'Interest income' using the effective interest method.
- **Fair value through profit or loss (FVTPL):** Assets that do not meet the criteria for measurement at amortized cost or FVOCI are stated at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and that is not part of a hedging relationship is recognized in profit or loss and presented in the income statement under 'Net trading income' in the period when originated, unless it arises from debt instruments that have not been designated at fair value or are not held for trading. In these cases, they are presented separately under 'Net return on investment'. Interest income on these financial assets is included in 'Other interest income'.
- **Business model:** The business model reflects how the Bank manages assets to generate cash flows, i.e. whether the Bank's objective is only to collect contractual cash flows from these assets or whether it also intends to collect cash flows from their sale. If neither of these applies (e.g. when financial assets are held for trading purposes), the financial assets are classified as part of 'another' business model and measured at FVTPL. Factors that the Bank takes into account in determining the business model for its assets include past experience of how cash flows from such assets have been collected, how the performance of the asset is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated. For example, the Bank's business model for mortgage loans is to hold them with the intention of collecting contractual cash flows. Another example is the portfolio of liquid assets that the Bank holds as part of liquidity management and generally classifies it within the business model 'hold with the intention of collecting contractual cash flows and cash flows from potential sales'. Securities held for trading are held primarily for the purpose of selling them in the short term or are part of a portfolio of financial instruments that are jointly managed and for which there is evidence of a recent real short-term profitability scheme. These securities are included in a 'different' business model and are measured at FVTPL.
- **SPPI:** The Bank assesses whether the cash flows from financial instruments only represent principal and interest payments (SPPI test). In making this assessment, the Bank considers whether the contractual cash flows are in accordance with the underlying agreement, i.e. whether the interest only includes remuneration for the time value of money, credit risk, other underlying lending risks and a profit margin that is consistent with the underlying agree-

ment. When contractual terms introduce exposure or risk that does not comply with the underlying agreement, the related financial asset is classified and measured at FVTPL.

- Financial assets with embedded derivatives are considered as a whole when determining whether their cash flows only represent payments of principal and interest.
- The Bank reclassifies debt investments when and only when its business model for managing these assets changes. Reclassification takes place from the beginning of the first accounting period after the change. Such changes are expected to be infrequent and have not occurred during the current accounting period.

(ii) Impairment

On the basis of forecasts, the Bank assesses ECL associated with its debt instruments measured at amortized cost and at FVOCI and the risks arising from loan commitments. The Bank recognizes a credit loss allowance for such losses at each balance sheet date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount, which is determined by evaluating the full range of possible outcomes;
- the time value of money; and
- adequate and verifiable information about past events, current conditions, and forecasts of future economic conditions that is available at the reporting date without incurring disproportionate costs or effort to obtain them.

For further details on how valuation allowances for expected credit losses are determined, see Section 4.1 of the Notes.

(iii) Loan modification

Exceptionally, the Bank renegotiates or otherwise modifies contractual cash flows from the loans it has provided to its clients. When this happens, it assesses whether or not the new conditions differ significantly from the original ones. When doing this, the Bank takes into account, inter alia, the following factors:

- if the borrower has financial difficulties, whether the modification significantly reduces the contractual cash flows to amounts that the borrower is likely to be able to pay;
- whether the duration of the loan has been significantly extended if the borrower is not in financial difficulties;
- if the new terms are significantly different, the Bank derecognizes the original financial asset and recognizes the 'new' asset at fair value and calculates a new effective interest rate for it. The renegotiation date is subsequently considered to be the date of initial recognition for the purpose of calculating the provision and to determine whether there has been a significant increase in credit risk. The Bank does not record any such loans due to the procedures applied when approving and recovering loans.
- If the new terms do not differ materially from the old ones, renegotiation or modification of the loan terms will not result in derecognition. The Bank recalculates the gross carrying amount based on the revised cash flows from the financial asset and recognizes a gain or loss on the modification in profit or loss. The new gross carrying amount is calculated by discounting the modified cash flows at the original effective interest rate (or the credit-adjusted effective interest rate for purchased or incurred credit-impaired financial assets).
- Modified loans are monitored in the Bank's systems. The effects of modifications to financial assets on the calculation of expected credit losses are described in Section 5.1. of the Notes.

(iv) Derecognition (termination of recognition) other than by modification

- A financial asset or part thereof is only derecognized when the contractual rights to receive cash flows from it have expired or have been transferred and the Bank has either (i) transferred substantially all the risks and rewards of ownership of the financial asset; or (ii) will not transfer or retain them, or retain control over these financial assets.
- The Bank enters into transactions in which it retains contractual rights to receive cash flows from financial assets, but assumes a contractual obligation to pay these cash flows to other entities and transfers substantially all risks and rewards. These transactions are accounted for as 'pass-through' transfers that result in derecognition if the Bank:
 - (i) is not required to make payments until it has collected equivalent amounts from the financial assets;
 - (iii) must not sell or pledge the financial asset; and
 - (iii) is not required to pass on the funds it collects from the financial assets to final beneficiaries without significant delay.
- Collaterals (shares and bonds) issued by the Bank under standard repurchase agreements and transactions involving lending and borrowing of securities are not derecognized, as the Bank retains substantially all rights and rewards based on a predetermined redemption price and thus the derecognition criteria are not met. This also applies to certain hedging transactions in which the Bank retains a subordinated residual interest.

3.6 Financial guarantee contracts and loan commitments

Loan commitments provided by the Bank are measured at the amount of compensation in the event of a loss (calculated as set out in Section 5.1.1 of the Notes). The Bank did not make any promises to provide loans at an interest rate below the market value, or with the possibility of settling the net difference, or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, loss compensation is recognized as a provision. However, for contracts that include both a loan component and an undrawn commitment component where the Bank is unable to distinguish expected credit losses from the undrawn component from losses attributable to the loan component, the expected credit losses from the undrawn component are reported together with compensation due to credit loss. If the combined credit losses exceed the gross carrying amount of the loan, they are recognized as a provision.

3.7 Fair value measurement

IFRS 13, Fair Value Measurement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market or, in the absence of a principal market, in the most advantageous market for the asset or liability that the Bank is able to access at the measurement date. The fair value of the liability reflects the risk of default.

Determining the fair value of securities:

The fair value of a security for which there is an active market and whose market value can be reliably estimated is determined as the price at which the security was last traded on a regulated market on the day of its valuation. If this price cannot be determined, the price at which the relevant security was last traded before the day of its valuation is used, if this price is not older than 30 days. If the market price of the security is older than 30 days, the fair value is determined using valuation models, the yield curve of Slovak government securities with similar characteristics published in the Bloomberg application the day after the end of the month before the start of trading, or discounted cash flows.

Valuation techniques

The objective of using valuation techniques is to estimate, under current market conditions, the price of an asset or liability between market participants at the valuation date.

The Bank uses a market approach to the valuation of securities and receivables from banks. The Bank uses the cash flow discounting method when measuring receivables from, and payables to, clients.

Fair value hierarchy

To increase the consistency and comparability of fair value measurements and the related disclosures, IFRS 13 introduces a fair value hierarchy that categorizes the inputs of the valuation techniques used for fair value measurement to three levels. The values of financial instruments measured at fair value according to specified levels are set out in Sections 4.3 and 6.30 of the Notes.

This hierarchy has the following three levels:

- Level 1: measurement at quoted (unadjusted) prices determined in active markets for identical assets or liabilities that the Bank is able to access at the measurement date;
- Level 2: measurement using a model whose significant input parameters are directly ascertainable from the financial markets, or valuation at a price quoted in a market that is not active;
- Level 3: valuation using a model which has some significant input parameters not directly observable in financial markets, subjective input parameters.

3.8 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset, and their net amount is recognized in the statement of financial position when there is a legally enforceable right to set off the reported amounts and there is an intention to settle transactions based on their net difference or to realize the assets at the same time as the liability is settled.

3.9 Property, plant and equipment

Items of property, plant and equipment are stated at cost, and the amount of their wear and tear is expressed indirectly via accumulated depreciation. The cost includes the acquisition price and the related acquisition costs, such as transportation costs, postage, customs duty, commissions, interest on an investment loan, posted from the beginning of the acquisition until the day on which the respective asset is put into use.

Subsequent costs are either included in the asset's carrying amount or recognized as a separate asset when it is probable that future economic benefits associated with the asset will flow to the Bank and the cost can be reliably measured. Repair and maintenance costs are expensed to the income statement when incurred.

Items of property, plant and equipment are depreciated on a monthly basis, starting with the month in which the asset was made available for use in accordance with the approved depreciation plan. Each item is depreciated on a straight-line basis using the time depreciation method. The monthly depreciation charge is determined as the ratio of the depreciable amount and the asset's estimated useful life. The depreciable amount is the cost less the amount at which an asset could be disposed of at present. The sales value takes into account the cost to sell the asset.

The depreciation plan, from which book depreciation rates are derived, is determined on the basis of the estimated economic useful life of the asset as follows:

Type of asset	Depreciation period (years)
Buildings, structures, minor constructions	40
Machinery and equipment	4, 6
Hardware	4
Office equipment	6, 12
Furniture	6
Means of transport	5

The Bank regularly reassesses estimated useful lives and depreciation methods at the end of each accounting period.

In the event of circumstances indicating a decrease in an asset's carrying amount, the Bank estimates its recoverable amount. If the carrying amount of an asset exceeds its estimated recoverable amount, this is considered to be temporary impairment, which is adjusted by creation of a credit loss allowance that lowers the asset's carrying amount to its recoverable amount. The realizable value is the higher of fair value less costs to sell and value in use.

3.10 Intangible assets

Intangible assets are stated at cost, while the amount of their wear and tear is expressed indirectly via accumulated amortization. The cost includes the acquisition price and the related acquisition costs, such as transportation costs, postage, customs duty, commissions, interest on an investment loan, posted from the beginning of the acquisition until the day on which the respective asset is put into use.

Subsequent costs are either included in the asset's carrying amount or recognized as a separate asset when it is probable that future economic benefits associated with the asset will flow to the Bank and the cost can be reliably measured. Repair and maintenance costs are expensed to the income statement when incurred.

Intangible assets are amortized on a monthly basis, starting in the month in which the asset was made available for use in accordance with the approved amortization plan. Each asset is amortized on a straight-line basis using the time depreciation method, with a monthly depreciation charge determined as the ratio of the depreciable amount and the asset's estimated useful life. The depreciable amount is the cost less the amount at which an asset could be disposed of at present. The sales value takes into account the cost to sell the asset.

The amortization plan, from which the book amortization rates are derived, is determined on the basis of the estimated economic useful life of the asset as follows:

Type of asset	Amortization period (years)
Software	4, 10

The Bank regularly reassesses estimated useful lives and amortization methods at the end of each accounting period.

In the event of circumstances indicating a decrease in an asset's carrying amount, the Bank estimates its recoverable amount. If the carrying amount of an asset exceeds its estimated recoverable amount, this is considered to be temporary impairment, which is adjusted by setting up a valuation allowance that lowers the asset's carrying amount to its recoverable amount. The realizable value is the higher of fair value less costs to sell and value in use.

3.11 Held-for-sale assets

In 2023, all real estate classified and recognized as held-for-sale assets was sold. Profit from the sale of this property is shown in line 10, Other operating income, in the income statement. If the value of a non-current asset (or all assets and liabilities in the disposal group) was expected to be realized primarily through its sale and not through its use, this asset or disposal group was classified as held for sale. This condition was only considered to be met when the sale was highly probable, and the asset was available for immediate sale in its current state. The Company is required to have sought to realize a sale that should be expected to meet the criteria for recognizing the completed sale within one year of the date of such classification.

Immediately before the asset was classified as held for sale, it (and all assets and liabilities in the disposal group) was remeasured in accordance with applicable International Financial Reporting Standards as adopted by the EU. Subsequently, on initial recognition of assets held for sale, the asset held for sale and the disposal group were stated at the lower of carrying amount and fair value less costs to sell.

Any impairment losses on a disposal group classified as held for sale were initially allocated to goodwill and then pro rata to other assets and liabilities, other than inventories, financial assets, deferred tax asset, and investment property, which continued to be stated in accordance with the Company's accounting policies.

Impairment losses on assets initially classified as held for sale were recognized in profit or loss even if a revaluation reserve had been created. The same applied to gains and losses on subsequent measurement. Reported gains may not exceed cumulative impairment losses.

Property, plant, and equipment and intangible assets classified as held for sale are not depreciated/amortized.

3.12 IFRS 16, Leases

The Bank is a lessor

Lease liability. At the commencement date, the Bank as a lessee measured the lease liability (except for short-term leases and leases of low-value assets) at the present value of lease payments that were not paid at that date. Lease payments are discounted using the risk-free interest rate (EURO SWAP). After the commencement date, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount, decreasing it to reflect the lease payments made. In the event of lease modifications, the lease liability must be remeasured.

The lease term is the non-cancellable period for which a lease has been concluded. Periods in which a lease can be extended are only included in the lease term if it is reasonably certain that the lease will be extended or will not be terminated early. Interest expense on lease payments is posted to income statements on a straight-line basis over the entire lease term.

Right-of-use assets. The Bank initially measures right-of-use assets at cost which includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Bank in 2023 due to relocation to new premises.

Right-of-use assets are subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability due to reassessment or modification of the lease.

Right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of a given right-of-use asset or the end of the lease term.

Most active contracts in which the Bank acts as a lessee fall under the IFRS 16 exception for lessees, which relates to leases with a lease term of up to 12 months. The Bank does not consider the impact of other active contracts that do not fall under this exception to be significant.

Operating lease rents are recognized as an expense on a straight-line basis over the lease term and are recognized in the income statement under 'General operating expenses'.

3.13 Liabilities to clients

Liabilities to clients are initially stated at fair value less transaction costs that are directly attributable to the acquisition of a financial liability (commission for concluding a contract).

These liabilities are subsequently measured at amortized cost using the effective interest method. In addition to transaction costs, the accrual during the savings period also includes a fee for concluding a building savings contract.

3.14 Provisions

Provisions are liabilities of uncertain timing or amount and are measured at the present value of expected expenditures. All risks and uncertainties which necessarily result from many related events and circumstances are taken into account when estimating a provision.

A provision must be created if the following criteria are met:

- an entity has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

3.15 Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (hereafter the "reporting entity").

A person or a close member of such a person is related to a reporting entity if that person:

- has control or joint control of the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to a reporting entity if any of the following conditions apply:

- the entity and the reporting entity are members of the same group (i.e. all parent companies, subsidiaries, and fellow subsidiaries are related to each other);
- an entity is an associate or joint venture of another entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- both entities are joint ventures of the same third party;
- an entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- an entity has a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

- the entity is controlled or jointly controlled by a person identified in a).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Close members of the family of a person are family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- such a person's children, spouse or domestic partner;
- children of such a person's spouse or domestic partner; and
- dependants of such a person, or such a person's spouse or domestic partner.

Key management personnel are persons with authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including directors (whether executive or otherwise) of such an entity.

When considering each possible related party relationship, the Bank considers the substance of the relationship and not merely the legal form.

In the ordinary course of business, the Bank enters into a number of transactions with related parties (Section 6.28 of the Notes).

3.16 Employee benefits

Short-term employee benefits

Short-term liabilities to employees that arise with a temporal and substantive connection with the performance of the Bank's staff are reported under the income statement item 'Personnel cost'. Short-term payables to employees include wages and salaries, holiday pay, etc.

Post-employment benefits

The Bank categorizes employee benefits associated with employee retirement benefits as defined contribution plans.

For defined contribution plans, the Company pays fixed contributions to an independent entity, which are posted to the income statement under the item 'Personnel cost'. This is compulsory social insurance paid by the Company to the Social Insurance Agency or a private fund on the basis of the relevant legal regulations. The Company has no legal or other (constructive) obligation to pay additional contributions if the relevant funds do not have sufficient assets to pay benefits to all employees for their time in the current and prior periods.

Health and social insurance costs are posted to the period in which the related wages and salaries are accounted for.

3.17 Equity

Dividends are recognized as a decrease in equity when approved by the General Meeting. Dividends approved by the General Meeting after the reporting date are disclosed in the Notes to the financial statements.

The Bank has set up a legal reserve fund from net profit up to 20% of the share capital. The Bank may only use this reserve fund to cover losses. A mandatory appropriation to the legal reserve fund is not necessary, as the fund reached its maximum statutory limit in 2015.

3.18 Accounting policies for interest income and interest expense, methods of reporting income from impaired assets, including interest

The Bank accounts for interest income and interest expense related to assets and liabilities together with these assets and liabilities.

Interest income from loans is calculated using the interest rate at which future cash flows were discounted for the purpose of determining the amount of the credit loss allowance.

The Bank accounts for interest income from, and interest expense of, financial assets measured at amortized cost and FVOCI using the effective interest method. The discount, i.e. the gradually achieved difference between the lower acquisition cost and the higher nominal value of the bond, and the gradually achieved interest on the coupon and the premium, i.e. the gradually achieved difference between the higher acquisition cost and the lower nominal value of the bond, are accounted for as interest income/expense. During the period in which government bonds are held, the Bank accounts for interest income from the coupon in the gross amount.

The Bank accounts for interest income from NBS treasury bills calculated using the effective interest method.

The fee for concluding a contract and commissions paid or received for acts related to the acquisition or origination of a financial asset or liability are part of the effective interest rate of the financial instrument.

3.19 Accounting for fees and commissions

Loan processing fees received and loan intermediation commissions paid to sales representatives are included both in the valuation of loans and the calculation of the effective interest rate (Section 3.19 of the Notes) and are shown under Receivables from clients.

Received fees for concluding a building savings contract and the related commissions paid to sales representatives are included both in the valuation of client deposits and the calculation of the effective interest rate and are shown under Liabilities to clients.

All other fees related to building savings contracts, building society loans, and interim loans (e.g. fee for increasing the target amount of savings) represent revenue at the time of providing the service and are not included in the valuation of building society saving, specifically the valuation of the building society loan and the interim loan.

Revenue reported in accordance with IFRS 15 (line 'Net interest income' in the income statement):

Revenues related to transactions (account cancellation, early repayment, etc.) are recognized at the transaction date. Revenues from account-related services and service fees (account administration fee, bank account statement fee, etc.) are recognized during the period in which services are provided.

Nature and timing of the settlement of standard liabilities, including important payment terms:

Fees for services related to transactions on client accounts are charged to the client on the transaction date. Account administration fees and service fees are deducted from client accounts every month. The Bank reviews the amount of fees once a year.

3.20 Corporate income tax

Current and deferred income tax assets / liabilities are shown separately from other assets and liabilities.

The corporate tax stated in the statement of profit or loss for the reporting period includes tax payable for the accounting period and deferred tax. The tax base for the current tax is calculated from the IFRS profit/(loss) for the current period by adding items that increase, and deducting items that decrease, the profit / (loss).

Deferred taxes (deferred tax asset and deferred tax liability) relate to temporary differences between the carrying amounts of assets and liabilities presented in the statement of financial position and their tax base. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax is calculated using the tax rate that is expected to be effective at the day on which the tax asset will be realized or the tax liability settled and has been enacted or substantively enacted by the balance sheet date.

3.21 Embedded derivatives

Interest bonus (Section 6.9 of the Notes) and early termination fees have the characteristics of an embedded derivative, but the economic characteristics and risks of embedded derivatives are closely related to the economic characteristics and risks of the underlying financial instrument. Therefore, embedded derivatives are not accounted for separately from the underlying financial instrument.

3.22 Issued standards, interpretations, and amendments to standards which the Bank applied for the first time in 2023

IFRS 17, Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately..

The Bank considers this standard and amendment to be irrelevant for its business activities.

Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognised in the comparative period (to which IFRS 9 will not apply) and other financial

assets (to which IFRS 9 will apply). The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. The transition option would be available, on an instrument-by-instrument basis; allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying IFRS 9.

The Bank considers this standard and amendment to be irrelevant for its business activities.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Based on the Bank's assessment, these amendments did not result in significant changes to the financial statements at 31 December 2023.

Definition of Accounting Estimates – Amendments to IAS 8 (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

Based on the Bank's assessment, these amendments did not result in significant changes to the financial statements at 31 December 2023.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognized. The amendments clarify that the exemption does not apply and that entities are required to recognize deferred tax on such transactions. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Bank considers these amendments to be irrelevant for its business activities.

These clarifying amendments have not had a significant impact on the accounting principles related to deferred tax applied up to now.

Amendments to IAS 12, Income Taxes: International Tax Reform – Pillar Two Model Rules (issued on 23 May 2023). In May 2023, the IASB issued narrow-scope amendments to IAS 12, Income Taxes. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the OECD as a result of international tax reform. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. In accordance with the IASB effective date, companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023.

The Bank considers these amendments to be irrelevant for the financial statements at 31 December 2023.

3.23 Issued standards, interpretations, and amendments to existing standards that are effective after 1 January 2024 and which the Company has not applied early


Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

The Bank considers these amendments to be irrelevant for its business activities.

Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (original amendments issued on 23 January 2020, with subsequent amendments issued on 15 July 2020 and 31 October 2022; finally effective for annual periods beginning on or after 1 January 2024). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least 12 months. The guidance no longer requires such a right to be unconditional. The amendments from October 2023 stipulate that the terms of the loan agreement that must be met after the end of the accounting period do not affect the classification of a debt as short-term or long-term at the end of the reporting period. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities as current or non-current at the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a Company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

These clarifying amendments have not had a significant impact on the accounting principles related to the classification of liabilities applied.

Amendments to IAS 7 Statement of Cash Flows, and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023 the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about an entity's supplier finance arrangements (SFAs). These amendments require the disclosures of an entity's supplier finance arrangements to enable the users of financial statements to assess the effects of such arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The additional disclosure requirements are intended to enhance the transparency of supplier finance arrangements. The amendments do



not affect recognition or measurement principles, and only impact disclosure requirements. The new disclosure requirements will be effective for annual reporting periods beginning on or after 1 January 2024.

The Bank considers these amendments to be irrelevant for its business activities.

Lack of Exchangeability – Amendments to IAS 21 (issued on 15 August 2023). In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. The amendments to IAS 21 do not provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity may determine the spot exchange rate at the measurement date. When applying the new requirements, it is not permitted to restate comparative information. It is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or to the reserve for cumulative translation differences.

The Bank considers these amendments to be irrelevant for its business activities.

4 USE OF ESTIMATES AND JUDGEMENTS

4.1 Measurement of credit loss allowance for loans due to expected credit losses

ECL valuation. ECL calculation and valuation requires the application of significant judgement and the use of methodologies, models, and variables. Details of the ECL valuation methodology used by the Bank are described in Note 5. The following components of ECL calculation have a significant impact on the amount of the credit loss allowance for expected credit losses ('ECL'): definition of default, SICR, PD, EAD, LGD (for definitions of these acronyms, see Section 5.1.1 of the Notes), macro-models, and the analysis of scenarios for impaired loans. The Bank regularly reviews and validates the models and model inputs to reduce any differences between estimates of expected credit losses and current credit loss experience. The main source of uncertainty for the models is expected economic development, which the Bank seeks to model in its scenarios. For more information about sources of uncertainty, see Note 5.

Forward-looking information on expected future development incorporated into ECL models is described in Section 5.1.2 of the Notes. The Bank has defined three scenarios in accordance with the predictions of the NBS, the Slovak Ministry of Finance from September 2023 and the internally defined adverse scenario:

	Unemployment rate (change)	GDP growth	Probability
Expected scenario	- 0,30%	2,60%	40%
Favourable scenario	- 0,60%	2,70%	20%
Adverse scenario	3,50%	-6,40%	40%

In connection with the war in Ukraine, the Bank has no direct exposures to Russia, Ukraine, or financial institutions and businesses in Ukraine and Russia. Given its strategy of exiting the building society saving and loan market, the Bank is only affected by indirect impacts on the Slovak economy, the extent of which is very limited for the Bank.

A 5% and 10% increase in the current credit loss experience compared to the ECL estimates calculated at 31 December 2023 would lead to an increase in loss allowances as follows:

in thousands of EUR	Increase in ECL
5% increase in LGD	166
5% increase in PD	46
Total increase in ECL if LGD and PD were changed by 5%	214

in thousands of EUR	Increase in ECL
10% increase in LGD	331
10% increase in PD	92
Total increase in ECL if LGD and PD were changed by 10%	432

A 5% and 10% increase in the current credit loss experience compared to the ECL estimates calculated at 31 December 2022 would lead to an increase in loss allowances as follows:

in thousands of EUR	Increase in ECL
5% increase in LGD	161
5% increase in PD	55
Total increase in ECL if LGD and PD were changed by 5%	219

in thousands of EUR	Increase in ECL
10% increase in LGD	319
10% increase in PD	110
Total increase in ECL if LGD and PD were changed by 10%	440

SICR (Significant Increase in Credit Risk). To determine whether there has been a significant increase in credit risk, the Bank compares default risk (inability to repay debt over the expected life of a financial instrument) at the balance sheet date with default risk at the date of initial recognition. IFRS 9 requires an assessment of the relative increases in credit risk, rather than identifying the specific stage of credit risk at the reporting date. In making this assessment, the Bank takes into account a range of indicators, including behavioural indicators based on historical information and reasonable and verifiable forward-looking information that can be obtained without undue expense or effort. The most important judgements include the identification of credit risk growth indicators before default and incorporation of appropriate forward-looking information into the assessment, either at the individual instrument level or at the portfolio level. The Bank's definition of SICR is stated in Note 5. When determining the appropriate valuation category for debt financial instruments, the Bank applies two assessments: the assessment of the business model for managing financial assets and implementation of the SPPI test based on the characteristics of contractual cash flows at initial recognition.

Determination of the business model:

The business model is assessed at a certain level of aggregation and the Bank used its judgement to determine the level at which the business model condition is applied.

When assessing sales transactions, the Bank takes into account their frequency, timing and value in prior periods, the reasons for the sales, and expectations regarding future sales activities. Sales transactions aimed at minimizing potential losses due to increased credit risk are considered consistent with the 'hold to collect' (**HtC**) business model. Other pre-maturity sales that do not relate to credit risk management activities may also be considered consistent with this business model, provided they do not occur frequently and are of insignificant value, individually or in total. The Bank assesses the significance of sales transactions by comparing the value of realized sales with the value of the portfolio falling within the assessment of the business model during the average life of the given portfolio. The sale of financial assets that are only expected to be sold in the event of a stress scenario or in response to an isolated event over which the Bank has no control, which is non-recurring, and which the Bank could not anticipate is considered marginal and does not affect the main purpose of the business model – the classification of the relevant financial assets.

In the event of a 'hold to collect and sell' (**HtCS**) business model, the sale of financial assets is an integral part of achieving the business model objective which is, for example, managing liquidity needs, achieving a specific interest income, or reconciling the duration of financial assets with the duration of the liabilities financed by such assets.

The assessment of the SPPI criterion made in the initial recognition of financial assets requires the use of significant estimates in quantitative testing and requires considerable judgement in deciding when to apply a quantitative test, which scenarios are possible and should be considered, and in interpreting the results of quantitative testing (i.e. determining what is a significant difference in cash flows). These are the most important contractual features that are the subject of a qualitative or quantitative assessment of the SPPI criteria:

- i) **Modified time value of money:** In some cases, the component related to the time value of money may be modified so that it does not only provide remuneration for the passage of time, e.g. when a contractual interest rate is renewed regularly, but the frequency of such a renewal does not correspond to the interest rate tenor. When assessing financial assets with a modified time value of money, the Bank compares the undiscounted contractual cash flows arising from the assessed asset with the cash flows from the "reference" financial instrument (cash flows that would have been generated if the time value of money had not been modified). The effect of the modified time value of money is taken into account in each reporting period and cumulatively over the total life of the

financial instrument. When performing a benchmark test, the Bank considers all scenarios that could reasonably arise. If the cash flows from the two financial instruments differ significantly, the SPPI test has not been passed.

- ii) Terms and conditions that change the timing or amount of contractual cash flows: For such financial assets, the Bank compares the contractual cash flows that may arise before and after the change to assess whether both sets of cash flows meet the SPPI criterion. If the cash flows before and after the change differ significantly, the financial asset does not meet the SPPI criterion. In some cases, a qualitative assessment may be sufficient.

Examples of conditions that would pass the SPPI test:

- (a) If the terms of the contract include the possibility of early repayment, the SPPI criterion is met when the amount repaid early essentially represents the contractual nominal value and the accrued contractual interest plus reasonable compensation for early termination.
- (b) For financial assets with an early repayment option acquired at a discount to the contractual nominal value, the SPPI criterion is met when the fair value of the early repayment element is immaterial at initial recognition.
- (c) If the contractual terms and conditions include initial interest-free or low-interest periods, the SPPI criterion is met when these terms are offered to clients as incentives and only lead to a reduction in the overall margin that the Bank obtains from the relevant loan products,
- (d) If the contractual conditions allow the Bank to freely adjust interest rates in response to certain macroeconomic or regulatory changes or even regardless of the market situation, the SPPI criterion is met when the Bank concludes that competition in the banking sector and the borrower's practical ability to refinance loans would prevent it from setting interest rates above the market level. Clients may refinance their loans on market terms if the Bank adjusts interest rates.

Depreciation policy. Financial assets are written off, in whole or in part, when the Bank has exhausted all practical possibilities to recover funds and concludes that it cannot reasonably be expected that it will ever be successful in this. Identifying cash flows for which there is no reasonable expectation they will be recoverable requires judgement. Indicators suggesting that it is unreasonable to expect a resumption of cash flows are, in particular, the number of days past due, the status of the debtor (e.g. liquidation, bankruptcy proceedings), the fair value of a collateral and whether execution activities are ongoing.

4.2 Interest bonus

The Bank reports other liabilities to clients from the interest bonus. The interest bonus is paid to a client in accordance with the building savings contract after meeting the conditions for saving with a building society and other specific terms and conditions.

The Bank performs regular analyses and estimates to determine, as accurately as possible, the probability, timing, and amounts relating to the likely outflow of resources in each case, as described in Section 6.9 of the Notes. If the amount of liabilities as an estimate of the outflow of resources differs from reality, the difference is reflected in the profit or loss of the relevant accounting period in which the difference was identified.

Based on historical behavioural experience, the Bank estimates the number of clients who meet the required conditions and to whom an interest bonus will be paid. The total amount of the interest bonus is built up over the term of the building savings contract using the effective interest method. Every year, the Bank reassesses the behaviour of its clients and the amount of the interest bonus liability. The amount of the interest bonus liability is adjusted if a change in the

client's behaviour has been identified. The Bank settles the interest bonus liability in the year in which the client meets the required criteria.

In previous years, the Bank set up the interest bonus liability (Flexibil bonus) for savings contracts. The share of building savings contracts in which clients met the conditions for receiving the bonus amounted to 29.4%. This interest bonus is credited to the contract upon its termination. The interest bonus is charged to the contract automatically. The Bank regularly checks whether the balance of the set-up provision (liability) corresponds to the amount of pre-assigned interest bonuses. The Bank has concluded that this provision was set-up in a sufficient amount at 31 December 2023 and is gradually used (the same was true for 31 December 2022).

The Bank shows an interest bonus liability for BV2, BV1, B2V, BV3, BV4, B3V, and B4V short-term products. If the proportion of contracts that meet the conditions for paying the bonus was lower/higher by 10%, the profit at 31 December 2023 would be higher/lower by EURO thousand (31 December 2022: higher/lower by EUR 0 thousand).

The Bank shows an interest bonus liability for savings products with an interest bonus of 2.5% in the first 12 months of the contract. If the proportion of contracts that meet the conditions for paying the bonus was lower/higher by 10%, the profit at 31 December 2023 would be higher/lower by EUR 0 thousand (31 December 2022: higher/lower by EUR 0.5 thousand). The Bank introduced an interest rate bonus of 2.5% in 2015.

The Bank shows an interest bonus liability for savings products with an interest bonus of 3.5% and 3% in the first 12 months of the contract. If the proportion of contracts that meet the conditions for paying the bonus was lower/higher by 10%, the profit at 31 December 2023 would be higher/lower by EUR 0 thousand for the interest bonus of 3.5% (31 December 2022: higher/lower by EUR 0 thousand) and by EUR 0 thousand for the interest bonus of 3% (31 December 2022: higher/lower by EUR 0 thousand).

The Bank shows an interest bonus liability for savings products with an interest bonus of 2% in the first 12 months of the contract. If the proportion of contracts that meet the conditions for paying the bonus was lower/higher by 10%, the profit at 31 December 2023 would be higher/lower by EUR 0.9 thousand (31 December 2022: higher/lower by EUR 3.1 thousand). The Bank introduced an interest rate bonus of 2% in 2018.

The sensitivity of the set-up of the interest bonus provision for savings products is specified in Section 6.9.1 of the Notes.

4.3 Measurement of financial instruments

The accounting policies and accounting methods for determining fair value are described in Section 3.6 of the Notes.

The Bank determines fair values using the following method hierarchy:

- Quoted market price in an active market for an identical instrument (Level 1).
- Valuation techniques based on observable inputs. This category includes the following instruments: quoted market price in an active market for similar instruments, quoted prices for similar instruments in markets that are considered less active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data (Level 2).
- Valuation techniques using significant unobservable inputs. This category includes all instruments where valuation techniques include inputs that are not based on observable data and unobservable inputs may have a material effect on the valuation of the instrument. This category includes instruments that are measured at the market price for similar instruments for which a significant unobservable adjustment or assumption needs to be taken into account to reflect the difference between the instruments (Level 3).

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotes. For all other financial instruments, the Bank determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparisons with similar instruments for which there is a market with observable prices, and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and stock prices, foreign exchange rates, shares and stock indices, and expected volatilities and correlations. The objective of valuation techniques is to determine fair value, which reflects the price of a financial instrument at the reporting date, and which would be determined by market participants under market conditions.

The Bank uses a recognized and widespread valuation model to determine the fair value of common and simpler financial instruments, such as interest rate and currency swaps, which use observable market data and that require less managerial judgement and estimates. Observable prices and model inputs are usually available on the market for quoted bonds and equity securities, exchange-traded derivatives and simple over-the-counter derivatives, such as interest rate swaps. The availability of observable market prices and model inputs reduces the need for managerial judgements and estimates and reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on products and markets and is more prone to change based on specific events and general financial market conditions.

For more complex instruments, the Bank uses its own valuation models, which are usually developed from recognized models. Some or all of the significant inputs to these models may not be observable from the market, but are derived from market prices or rates or are estimated based on assumptions. An example of an instrument that includes significant unobservable inputs is an instrument that contains some OTC structured derivatives, loans and securities for which there is no active market, and some investments in subsidiaries. Valuation models that use significant observable inputs require a higher degree of managerial judgement and estimation in determining fair value. Managerial judgements and estimates are usually required when selecting an appropriate valuation model, determining expected future cash flows from a financial instrument, determining the probability of counterparty default and early repayment, and selecting an appropriate discount rate.

The Bank has established a control system in connection with the determination of fair values. This system includes a product control function performed by the Controlling Department, which is independent of front office management. Specific controls include verification of observable price inputs and revaluation of valuation models, review and process approval for new models and model changes, calibration and back-testing of models based on observed market transactions, analysis and review of significant daily valuation movements and review of significant unobservable inputs and valuation adjustments.

The reported values of financial instruments measured at fair value, analysed according to the valuation methodology, are reported in Section 6.31 of the Notes (Fair value of financial instruments). Although the Bank believes its fair value estimates are reasonable, the use of different methodologies and assumptions could lead to different fair values.

A change in one or more assumptions used as a reasonable alternative to the assumption will have the following effects on the reported fair value measured using significant unobservable inputs. If the market interest rate was higher/lower by 1%, the impact on the other components of the comprehensive income would be as follows, while the interest income recognized in the income statement would not change:

31 December 2023 in thousands of EUR	Impact reported in P/L		Impact reported in OCI	
	Favourable	Unfavourable	Favourable	Unfavourable
Financial assets FVOCI	0	0	669	650
Total	0	0	669	650

31 December 2022 in thousands of EUR	Impact reported in P/L		Impact reported in OCI	
	Favourable	Unfavourable	Favourable	Unfavourable
Financial assets FVOCI	0	0	1 013	976
Total	0	0	1 013	976

4.4 Deferred tax asset

The deferred tax asset is recognized up to the amount of the expected taxable profit the Bank will achieve in the future.

Due to a change to the Bank's strategic direction described in Section 1.6 of the Notes, the likelihood of deducting the deferred tax asset from future tax bases is very low. Therefore, the Bank does not account for a deferred tax asset.

5 FINANCIAL AND OPERATIONAL RISK MANAGEMENT

The Bank is exposed to the following main risks:

- Credit risk
- Liquidity risk
- Market risk

Information on individual risk exposures, objectives, approaches, processes for risk measurement and management, and on capital management is provided below.

The Bank's risk management system is adjusted and implemented in accordance with NBS Regulation No. 13/2010 of 31 August 2010 on Other Types of Risks, Details of a Risk Management System of a Bank or a Branch of a Foreign Bank, which stipulates the definition of a sudden and unexpected change in market interest rates.

The Bank's risk management system includes:

- The Supervisory Board;
- The Board of Directors;
- The Internal Control and Internal Audit Department;
- The Risk Management and Controlling Department; and
- Specialist departments in the Bank's organizational structure.

Day-to-day risk management is the responsibility of the Risk Management Department. This department prepares a quarterly risk management report that assesses all risks of the Bank. The Board of Directors uses this report to make appropriate decisions and take the respective measures.

5.1 Credit risk

5.1.1 Credit risk management principles and limits

To mitigate credit risk related to loans provided to clients, the Bank sets:

- a lending strategy within the business and financial plan;
- lending procedures - assessment of borrower creditworthiness, assessment of the degree of exposure to credit risk using an automated scoring model, loan register, the Social Insurance Agency register and other information on client restrictions as regards loan provisions to individuals or a group of related parties;
- a procedure for identifying, managing, and collecting bad debts - repayment and reminder system, rules for internal and external debt collection; and
- the procedure for identifying, ascertaining, evaluating, monitoring, and managing credit risk - classification and measurement of receivables and creation of credit loss allowance.

Limits. The Bank prepares a structure of individual stages of credit risk it is exposed to when placing restrictions on the amount of risk it assumes towards one borrower or a group of borrowers, as well as geographical areas. Bank management regularly approves the limits set for credit risk stages. These limits are monitored periodically and reassessed at least once a year.

External publicly available ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's, or Fitch. The following ratings and the corresponding PD intervals are applied to investments in debt securities (bank bonds, government bonds, and corporate bonds).

Description of ratings

AAA	AAA-rated assets are considered to be the highest quality receivables with the lowest level of credit risk. It is highly unlikely that the borrower's ability to meet its obligations will be adversely affected by foreseeable events.
AA	AA-rated assets are considered to be of high quality and with very low credit risk. The borrower's ability to meet its obligations is not significantly jeopardized by foreseeable events.
A	A-rated assets are considered to be of above average quality and show low credit risk. However, the risk that the borrower's ability to meet its obligations as a result of changes in the economic or business environment will worsen is greater than for higher ratings.
BBB	BBB-rated assets are considered to be medium-risk assets with minor credit risk, and as such may have certain speculative characteristics.
BB	BB-rated assets are considered speculative and subject to significant credit risk.
B	B-rated assets are deemed to be speculative with high credit risk.
CCC	CCC-rated assets are deemed to be speculative and with very high credit risk.
CC	CC-rated assets are highly speculative and very close to default.
C	C-rated assets have the lowest rating and there is a low probability that the principal will be repaid.

The Bank does not apply credit ratings for loans provided to clients. When a loan is provided, the Bank uses application scoring. Subsequently, stages 1, 2, and 3 as set out in IFRS 9 for ECL determination are applied to individual loans (see Section 5.1.2 of the Notes).

Comments on the current situation

The Bank is convinced that the limits set up for borrowers are sufficient even in the current crisis situation. In 2023, the Bank primarily raised capital for its activities on the interbank market and within the group, so it was almost exclusively in the position of a debtor to other banks and the same scenario is expected in 2024.

5.1.2 Setting up valuation allowances for, and determining the amount of, expected credit losses (ECL) – Definitions

ECL is a probability-weighted estimate of the present value of future cash outflows (i.e. the weighted average of credit losses, where weighting coefficients represent the respective risks that the ability to repay liabilities will be lost in the given period). The ECL determination is unbiased and must be undertaken by evaluating a range of possible outcomes.

Bank uses four components to calculate ECL:

Exposure at Default (**EAD**) – an estimate of a financial institution's exposure to its counterparty at the time of default, taking into account expected changes in exposure after the reporting date, including repayment of principal and interest, and expected drawdown of promised funds.

Probability of Default (**PD**) – an estimate of the probability that a default will occur during the given period.

Loss Given Default (**LGD**) – an estimate of the amount of money a financial institution loses when a borrower defaults on a loan. The estimate is based on the difference between the amount of contractual cash flows due and the cash flows the creditor usually expects to receive, including those from a collateral. LGD is usually expressed as a percentage of EAD.

Discount rate – a tool for discounting expected credit losses to the present value at the reporting date. The discount rate represents the effective interest rate for a financial instrument (or its approximate estimate).

Lifetime period – the period during which ECL should be determined. For loans with a fixed date of maturity, the maximum lifetime period is identical with the remaining contractual period. The Bank estimates the remaining lifetime used in the ECL calculation separately for individual portfolios based on the behaviour of clients and the observed outflow of receivables. This period may not exceed the maximum lifetime specified in contractual conditions. For loan commitments and financial guarantee agreements, it is the maximum contractual period during which an entity has a present contractual obligation to extend the loan.

Lifetime ECL – losses that result from all possible defaults during the remaining life of a financial instrument. The remaining life of a financial instrument is determined by the lifetime from the previous section.

12-month ECL – the portion of lifetime expected credit losses that represent expected credit losses resulting from default events on a financial instrument that are possible within 12 months of the reporting date and that are limited by the remaining contractual life of a financial instrument.

Forward-looking information – includes key macroeconomic variables affecting credit risk and expected credit losses for each portfolio segment. The ubiquitous concept when determining the amount of ECL in accordance with IFRS 9 is that forward-looking information should be taken into account. When applying forward-looking information, the Bank uses NBS assumptions about Slovakia's economic development in future years, focusing mainly on macroeconomic indicators, such as the unemployment rate and GDP. Using these assumptions, the Bank compiles scenarios that it uses to model ECL. The impact of individual assumptions, the delay of their effect, or the effect of assumptions on each other constitute three standard scenarios, to which the probability of occurrence is assigned.

Credit Conversion Factor (**CCF**) – determines the probability that a loan commitment will be converted into a loan over a certain period. It can be calculated for a 12-month period, or for the entire remaining contractual life of a financial instrument. Based on the analysis performed, the Bank concluded that the 12-month CCF and the lifetime CCF are identical.

Purchased or originated credit impaired (**POCI**) financial assets – financial assets that are impaired immediately upon initial recognition.

Low credit risk financial assets – financial assets whose investment grade is defined by external credit rating agencies or have corresponding ratings defined by internal risk models. The assumption that there has been a significant increase in credit risk since initial recognition when financial assets are overdue for more than 30 days has not been refuted.

Default and credit-impaired assets – the loan is in default (i.e. meets the definition of an impaired loan) when one or more of the following criteria is/are met:

- The borrower is more than 90 days in arrears with its contractual payments, and the overdue amount is at least 1% of the receivable balance and not less than €100 (loans to individuals) or €500 (Rekofond loans and transactions on money or capital markets);
- The Bank sold the borrower's debt at a loss;
- International credit rating agencies have assigned a Default rating to the borrower; or
- The borrower meets other qualitative criteria defined by the Bank (bankruptcy of the debtor, decision of the Accounts Receivable Coordinating Committee, significant outstanding deposits in the savings account, etc.).

The above definition of default is applied to all the Bank's financial assets. A financial instrument is no longer considered non-performing (i.e. it has recovered) when it no longer meets any of the default criteria for a predetermined period. This

period is determined based on an analysis that takes into account the likelihood that the financial instrument will return to default after recovery, using various possible definitions of recovery.

Significant Increase in Credit Risk (**SICR**) – SICR is assessed both on an individual and portfolio basis. For debt securities measured at amortized cost or at FVOCI, SICR is assessed on an individual basis by monitoring the triggers listed below. For loans provided to individuals or legal entities, SICR is assessed both on an individual (in terms of defined indicators of higher credit risk) and on a portfolio basis. The Risk Management Department monitors the criteria used to identify SICR and regularly reviews their appropriateness.

The Bank assumes there has been a significant increase in credit risk as regards a financial instrument when one or more of the following quantitative or qualitative criteria have been met.

For interbank operations and bonds:

- 30 days overdue; or
- Significant deterioration of the rating, CDS or other negative information about the issuer assessed by the Asset-Liability Committee (ALCO).

For loans granted to legal entities and individuals:

- a delay in repaying the receivable of at least 30 days (backstop),
- a delay of 0 days if additional qualitative criteria are met (outstanding deposits in the savings account allocated to the credit account, the loan is subject to recovery, forbearance in place (i.e. existence of adjustments to the loan repayment schedule), decision of the Accounts Receivable Coordinating Committee); or
- indications of an increase in credit risk since the loan was granted (outstanding deposits in the savings account allocated to the credit account, delay of at least 60 days in the last 6 months, indication of distraint of the client in the last 6 months, postponement due to 'Lex Corona'). The Accounts Receivable Coordinating Committee may classify individual exposures, exposures in designated regions, sectors, etc. to Stage 2 based on a significant increase in credit risk arising from other available information (including macroeconomic information).

If there is evidence that SICR criteria have not been met for 3 months, the instrument is transferred back to Stage 1. If the exposure has been moved to Stage 2 based on a qualitative or quantitative indicator (delayed repayments), the Bank monitors whether this indicator still exists or whether it has changed. This 3-month period is known as the probation or cure period.

Determining the ECL amount – description of estimation techniques

General principle

For non-POCI financial assets, ECL is generally determined based on the risk of default during one or two different periods, depending on whether or not the borrower's credit risk has increased significantly since initial recognition. This approach can be summarized in a three-stage model for determining the ECL amount:

- Stage 1 – a financial instrument that is not credit-impaired at initial recognition and whose credit risk has not increased significantly since initial recognition. The valuation allowance due to expected losses is based on 12-month ECL.
- Stage 2 – if SICR is identified after initial recognition, the financial instrument is transferred to Stage 2 but is not yet considered credit-impaired, and the valuation allowance due to expected losses is based on lifetime ECL.
- Stage 3 – if a financial instrument is credit-impaired, the financial instrument is transferred to Stage 3 and the valuation allowance due to expected losses is based on lifetime ECL.

The Bank performs assessments on an individual basis for individually significant loans. The following loans are classified as significant:

- a) Loans to legal entities – mostly for the construction of residential buildings in accordance with the Building Society Saving Act (310/1992), regardless of the target amount
- b) Building society loans to legal entities with a target amount over EUR 350,000
- c) Building society loans to individuals with a target amount over EUR 200,000
- d) Money market and capital market investments
- e) Borrowings to subsidiaries

The Accounts Receivable Coordinating Committee is responsible for the individual assessment of loans. The Asset-Liability Committee (ALCO) is responsible for the individual assessment of investments in the money and capital markets.

The Bank performs assessments based on external evaluations for the following types of loans: interbank loans, securities issued by banks, governments, and legal entities.

Assessment principles – Individual ECL assessments are made by estimating credit losses individually and are mainly based on professional judgement (individual assessment), or on a defined methodology that takes into account the characteristics of the loan (standardized calculation). Judgements are regularly tested to reduce the difference between estimates and actual losses. The ECL analysis according to the valuation allowance and the ECL stage calculation models is presented in Section 5.1.1 of the Notes. The classification of these items can be found in Section 5.1.2.3 of the Notes.

In general, ECL is obtained by multiplying the following credit risk parameters: EAD, PD, and LGD (their definitions are shown above). Below is the general procedure used to calculate ECL. It may be applied to products assessed on a portfolio basis and to products for which the Bank has assessed credit risk on the basis of borrower-specific information.

The valuation allowance is calculated by applying the formula:

$$OP_t = \sum_{i=t}^{t+n} \frac{(EaD_i + BalanceOnPayment * CCF_i) * PD_i * LGD_i}{(1 + UrS)^i}$$

where:

LGDi – loss in the event of default in time i;

EADi – exposure in the event of default in time i;

PDi – probability of default in the period between time i and time (i+1) (cannot exceed 100%)

CCFi – represents a proportional part of the loan commitment which will be converted into a loan in the next 12 months;

ECL are determined by predicting credit risk parameters (EAD, PD, and LGD) for each future month during the lifetime for each individual exposure.

Principles applied when calculating credit risk parameters

EADs are calculated based on the expected payment profile, which varies by product type:

- For amortized products, EAD is based on the contractual instalments the borrower must pay over a period of 12 months or the entire lifetime of the loan. For loan commitments, EAD is forecast by taking the current balance drawn and adding a 'credit conversion factor', which represents the expected drawdown of the remaining limit at the time of default. These assumptions vary depending on the product type and the concurrent use of limits.

- Two types of PDs are used to calculate ECL – 12-month PDs and lifetime PDs:
- 12-month PD – estimated probability of default over the next 12 months (or over the remaining life of a financial instrument if shorter than 12 months). This parameter is used to calculate the 12-month ECL. The 12-month PD assessment is based on the most up-to-date data on past defaults and is adjusted for forward-looking information on expected future developments.
- Lifetime PD – estimated probability of default over the remaining life of a financial instrument. This parameter is used to calculate ECL during the remaining life of a financial instrument for Stage 2 or Stage 3 exposures. The lifetime PD assessment is based on the most recent available data on previous defaults and is adjusted for forward-looking information.

For PD calculations, the Bank uses various statistical procedures depending on the segment and type of product (such as PD extrapolation over 12 months based on migration matrices) and calculates lifetime PD curves based on former default data and the vintage model. For lifetime PD calculations, the Bank uses data on past defaults and extrapolation of trends for longer periods during which data on defaults were not available.

LGD represents the Bank's expectations regarding the size of the loss from the defaulted exposure. LGD varies depending on the type of the counterparty and the availability of a collateral or other credit support.

12-month LGD and lifetime LGD are determined based on factors that affect expected yields after a default.

The procedure for determining LGD can be divided into three phases:

- determining LGD based on the specific characteristics of the collateral;
- calculating LGD on a portfolio basis based on yield statistics; and
- individually defined LGD depending on various factors and scenarios.

The LGD parameter for unsecured loans is scaled according to days of delay of the given loan and for loans secured by real estate according to the current loan-to-value (LTV) ratio. The LGD model uses statistics on discounted cash flows from non-performing loans.

In the past, the Bank used internal resources and external legal services for debt collection and the recovery process took much longer compared to the current strategy. In accordance with the Bank's strategy, as described in Section 1.6 of the Notes, and the resulting financial and business plan, the Bank plans to sell non-performing receivables. At 31 December 2023, LGDs for secured and unsecured loans were adjusted (increased) so that their amounts correspond to the expected loss for loans which were sold in 2023. LGDs amounting to the sales price were selected for LTV and for days in arrears corresponding to an average LTV and average days in arrears for loans being sold. The proportional increase for these LGD categories was subsequently also applied for other LGD categories.

Calculating ECL for off-balance sheet financial instruments

ECL from off-balance sheet accounts is calculated as a proportional part of the total ECL, as the ECL calculation contains both a balance sheet and off-balance sheet (unused credit lines) part.

Assessment principles based on external ratings – the principles applied when calculating ECL based on external ratings are the same as for the portfolio-based assessment. Clients have a defined external credit rating, so the credit risk parameters (PD and LGD) may be taken from the default and loss statistics published by international rating agencies.

Forward-looking information incorporated into ECL models. ECL calculations incorporate forward-looking information about expected future developments. In the past, the Bank carried out analyses and identified the most important economic variables that affect credit risk and ECL for each portfolio. The incorporation of forward-looking information

into ECL models consists in elaborating a prediction model that follows the linear relationship between changes in selected variables (in this case – the unemployment rate and year-on-year GDP growth) and the relative change in PD. Subsequently, regression is used to estimate the change in PD within a year depending on the expected changes in GDP and unemployment rate within a year. These changes are estimated based on published NBS forecasts for the unemployment rate and GDP changes. An estimate of a PD change within a year using a linear model is made as a weighted average of three PD parameters determined on the basis of three scenarios for changes in unemployment rate and GDP:

- Expected scenario – includes the unemployment rate and GDP estimates according to NBS or the Slovak Ministry of Finance (the less favourable is taken). The probability of occurrence is assumed to be 40%.
- Favourable scenario – consists of estimates for GDP growth and unemployment rate changes according to NBS or the Slovak Ministry of Finance (the more favourable is taken). The probability of occurrence is assumed to be 20%.
- Adverse scenario – is determined based on internal adverse scenarios (assumptions) on the macroeconomic development for GDP growth and the unemployment rate. The probability of occurrence is assumed to be 40%.

The values for the first year of the original PD curve are subsequently adjusted for the expected percentage change in the default rate.

Backtesting – The Bank regularly reviews its methodology and assumptions to reduce any discrepancies between estimates and current loan losses. Such backtesting is performed at least once a year if the conditions defined in the Bank's internal regulations are met.

The results of backtesting the methodology for ECL determination are presented to Bank management and further steps to fine-tune the models and assumptions are defined after discussions between eligible persons.

Modification of financial assets

The risk of default of these assets after modification is assessed at the reporting date and compared with the risk under the original conditions at initial recognition when the modification is not significant and thus does not result in derecognition of the original asset (see Section 3.7 of the Notes). The Bank monitors the subsequent performance of modified assets and may conclude that the credit risk has significantly improved after restructuring, so that the assets can be transferred from Stage 3 or Stage 2 (lifetime ECL) to Stage 1 (12-month ECL). However, this only applies to assets that have generated returns in accordance with the new conditions for at least six consecutive months. The Bank continues to monitor whether there has been a subsequent significant increase in credit risk in relation to such assets by using specific models for modified assets.

In 2022 and 2023, no financial assets requiring modification were identified.

5.1.2.1 Maximum credit risk exposure

The following table shows the gross carrying amount and valuation allowance due to expected losses or impairment for loans and interim loans provided to clients and measured at amortized cost according to the ECL grade at 31 December 2023 and 31 December 2022:

in thousands of EUR	31 December 2023			31 December 2022		
	Gross carrying amount	Credit loss allowance due to ECL	Carrying amount	Gross carrying amount	Credit loss allowance due to ECL	Carrying amount
Building society loans - secured						
Stage 1	2 215	1	2 214	2 418	2	2 416
Stage 2	354	3	351	398	2	396
Stage 3	55	3	52	92	9	83
Total building society loans - secured	2 624	7	2 617	2 908	13	2 895
Building society loans - unsecured						
Stage 1	6 682	37	6 645	6 745	43	6 702
Stage 2	179	4	175	128	5	123
Stage 3	161	152	9	156	147	9
Total building society loans - unsecured	7 022	193	6 829	7 029	195	6 834
Interim loans - individuals - secured						
Stage 1	107 558	117	107 441	118 343	153	118 190
Stage 2	19 483	248	19 235	19 492	160	19 332
Stage 3	4 238	1 015	3 223	4 263	861	3 402
Total interim loans - individuals - secured	131 279	1 380	129 899	142 098	1 174	140 924
Interim loans - individuals - unsecured						
Stage 1	24 186	303	23 883	30 628	442	30 186
Stage 2	4 948	208	4 740	5 544	258	5 286
Stage 3	2 055	1 383	672	1 883	1 290	593
Total interim loans - individuals - unsecured	31 189	1 894	29 295	38 055	1 990	36 065
Interim loans - legal entities						
Stage 1	41 054	0	41 054	43 646	35	43 611
Stage 2	123	0	123	370	4	366
Stage 3	453	39	414	452	44	408
Total interim loans - legal entities	41 630	39	41 591	44 468	83	44 385
Total building society loans and interim loans	213 744	3 513	210 231	234 558	3 455	231 103

At 31 December 2023, the total carrying amount of loans and interim loans provided to clients and measured at amortized cost was EUR 210,231 thousand (31 December 2022: EUR 231,103 thousand).

At 31 December 2023, the Bank shows loan commitments in the gross amount of EUR 1,494 thousand (31 December 2022: EUR 2,348 thousand). The Bank manages credit risk from provided unconditional loan commitments by monitoring their amount and during the loan approval process. At 31 December 2023, the Bank set up a valuation allowance for loan commitments due to expected losses in the amount of EUR 0 thousand (31 December 2022: EUR 0.3 thousand).

The breakdown of loan commitments is presented in the following table. For Stage 3 loans, the Bank does not set up a valuation allowance for outstanding loan commitments, as there is no credit risk arising therefrom as the funds will not be paid to clients:

in thousands of EUR	31 December 2023		31 December 2022	
	Gross carrying amount	Credit loss allowance due to ECL	Gross carrying amount	Credit loss allowance due to ECL
Building society loans				
Stage 1	155	0	193	0,1
Stage 2	1	0	5	0
Stage 3	0	0	0	0
Total building society loan	156	0	198	0,1
Interim loans				
Stage 1	1 199	0	1 975	0,2
Stage 2	85	0	109	0,0
Stage 3	54	0	66	0,0
Total interim loans	1 338	0	2 150	0,2
Total building society loans and interim loans	1 494	0	2 348	0,3

The following table shows the gross carrying amount and valuation allowance due to expected losses or impairment for loans and interim loans provided to clients and measured at amortized cost according to models for the calculation of valuation allowances and ECL at 31 December 2023:

in thousands of EUR	Gross carrying amount				Credit loss allowance due to ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standardized calculation	181 695	25 087	6 449	213 231	458	463	2 493	3 414
Individual assessment	0	0	513	513	0	0	99	99
Total building society loans and interim loans	181 695	25 087	6 962	213 744	458	463	2 592	3 513

The following table shows the gross carrying amount and valuation allowance due to expected losses or impairment for loans and interim loans provided to clients and measured at amortized cost according to models for the calculation of valuation allowances and ECL at 31 December 2022:

in thousands of EUR	Gross carrying amount				Credit loss allowance due to ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Standardized calculation	201 780	25 932	6 338	234 050	675	429	2 251	3 355
Individual assessment	0	0	508	508	0	0	100	100
Total building society loans and interim loans	201 780	25 932	6 846	234 558	675	429	2 351	3 455

5.1.2.2 Collateral

Impact of collateral:

31 December 2023	Receivables exceeding the value of the collateral received		Receivables below the value of the collateral received	
	Receivable value	Fair value of the collateral	Receivable value	Fair value of the collateral
in thousands of EUR				
Building society loans	7 067	0	2 579	15 029
Interim loans – individuals	33 883	2 533	128 585	184 223
Interim loans – legal entities	41 630	0	0	0
Total	82 580	2 533	131 164	199 252

31 December 2022	Receivables exceeding the value of the collateral received		Receivables below the value of the collateral received	
	Receivable value	Fair value of the collateral	Receivable value	Fair value of the collateral
in thousands of EUR				
Building society loans	7 072	0	2 865	14 350
Interim loans – individuals	40 702	2 487	139 451	200 736
Interim loans – legal entities	44 468	0	0	0
Total	92 242	2 487	142 316	215 086

The published fair value of a collateral, as determined by an internal expert, represents the fair value of real estate, the saved amounts in corresponding savings accounts and other escrow deposits. It does not include the value of guarantees provided by other persons, as it was deemed impossible to determine the fair value of a large number of individual guarantees accepted by the Bank.

The Bank does not have loans in its portfolio where the amount of the valuation allowance would be zero due to a high value of the collateral (high-value real estate).

The following table shows the gross carrying amount of receivables and valuation allowances due to expected losses measured at amortized cost by loan-to-value (LTV) ratio and ECL stage at 31 December 2023:

SECURED LOANS in thousands of EUR	Gross carrying amount				Valuation allowance due to expected losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
LTV ≤ 50%	20 592	2 604	235	23 431	10	15	20	45
LTV 51-70%	33 795	4 115	935	38 845	32	41	150	223
LTV 71-80%	40 941	9 114	1 615	51 670	52	130	361	543
LTV 81-90%	14 029	3 852	965	18 846	23	63	291	377
LTV > 90%	416	152	543	1 111	1	2	196	199
Total secured loans	109 773	19 837	4 293	133 903	118	251	1 018	1 387

The following table shows the gross carrying amount of receivables and valuation allowances due to expected losses measured at amortized cost by loan-to-value (LTV) ratio and ECL stage at 31 December 2022:

SECURED LOANS in thousands of EUR	Gross carrying amount				Valuation allowance due to expected losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
LTV ≤ 50%	22 428	1 828	325	24 581	14	6	26	46
LTV 51-70%	29 542	4 572	997	35 111	33	31	145	209
LTV 71-80%	49 089	8 876	1 452	59 417	71	72	276	419
LTV 81-90%	18 698	4 153	947	23 798	35	46	236	317
LTV > 90%	1 004	461	634	2 099	2	7	187	196
Total secured loans	120 761	19 890	4 355	145 006	155	162	870	1 187


The following table shows the gross carrying amount of receivables measured at amortized cost and the value of real estate collateral by ECL stages at 31 December 2023 and 31 December 2022:

LOANS SECURED BY REAL ESTATE COLLATERAL in thousands of EUR	31 December 2023		31 December 2022	
	Gross carrying amount	Real estate collateral	Gross carrying amount	Real estate collateral
Stage 1	109 773	169 604	120 761	185 868
Stage 2	19 837	27 018	19 890	26 430
Stage 3	4 293	5 163	4 355	5 275
Total loans	133 903	201 785	145 006	217 573

5.1.2.3 Valuation allowance due to expected credit losses

The following table shows the changes in the allowance for expected credit losses and in the gross carrying amount for loans and intermediate loans provided to customers between the first and last day of the reporting period:

BUILDING SOCIETY LOANS AND EMPLOYEE LOANS in thousands of EUR	Gross carrying amount				Valuation allowance due to expected losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1 January 2023	9 163	526	248	9 937	45	7	156	208
Transfer to lifetime ECL: from Stage 1 to Stages 2 and 3	-95	71	24	0	-1	1	12	12
Transfer to credit-impaired category: from Stage 2 to Stage 3	0	0	0	0	0	0	0	0
Transfer to 12-month ECL: from Stages 2 and 3 to Stage 1	154	-150	-4	0	0	-2	-3	-5
Transfer from Stage 3 to Stage 2	0	6	-6	0	0	0	-5	-5
New loans	2 974	235	30	3 239	16	3	24	43
Cancelled loans	-1 027	-91	-75	-1 193	-4	-1	-30	-35
Other changes (without change of stage)	-2 272	-64	-1	-2 337	-18	-1	1	-18
31 December 2023	8 897	533	216	9 646	38	7	155	200



Transfers to/from credit risk grades of financial assets represent an increase or decrease in valuation allowances for the reporting period as shown in the value of valuation allowances belonging to individual grades. New loans are loans which the Bank provided during the reporting period (the presentation of new valuation allowances is divided into the stages in which financial assets (loans) are classified at year-end).

Cancelled loans are loans that were part of the loan portfolio at the beginning of the reporting period but were not part of this portfolio at its end. Other changes are changes in valuation allowances for financial assets that were part of the loan portfolio both at the beginning and at the end of the reporting period and there was no change in their classification into the stage of credit risk of financial assets, e.g. a change in loan repayments, impact of the interest rate method, etc.

As of 2022, transfers within the gross carrying amount were adjusted so that they totalled zero (last column), i.e. the amount that is removed from a given stage is equal to the amount that will be transferred to another stage. The original methodology also included a change in the amount of the portfolio during the year. In the current methodology, this difference is included in the line 'Other changes', so that the total sum of transfers by columns remains the same.

BUILDING SOCIETY LOANS AND EMPLOYEE LOANS in thousands of EUR	Gross carrying amount				Valuation allowance due to expected losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1 January 2022	10 508	674	558	11 740	25	5	343	373
Transfer to lifetime ECL: from Stage 1 to Stages 2 and 3	-188	163	25	0	0	1	19	20
Transfer to credit-impaired category: from Stage 2 to Stage 3	0	-74	74	0	0	0	21	21
Transfer to 12-month ECL: from Stages 2 and 3 to Stage 1	352	-215	-137	0	1	-2	-23	-24
Transfer from Stage 3 to Stage 2	0	24	-24	0	0	0	-6	-6
New loans	2 430	62	8	2 500	16	1	6	23
Cancelled loans	-1 594	-47	-438	-2 079	-4	0	-355	-359
Other changes (without change of stage)	-2 345	-61	182	-2 224	7	2	151	160
31 December 2022	9 163	526	248	9 937	45	7	156	208

INTERIM LOANS TO INDIVIDUALS in thousands of EUR	Gross carrying amount				Credit loss allowance due to ECL			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
1 January 2023	148 971	25 036	6 146	180 153	595	418	2 151	3 164
Transfer to lifetime ECL: from Stage 1 to Stages 2 and 3	-8 397	8 058	339	0	-33	141	150	258
Transfer to credit-impaired category: from Stage 2 to Stage 3	0	-2 056	2 056	0	0	-46	765	719
Transfer to 12-month ECL: from Stages 2 and 3 to Stage 1	4 813	-4 507	-306	0	14	-63	-57	-106
Transfer from Stage 3 to Stage 2	0	646	-646	0	0	13	-176	-163
New loans	0	0	0	0	0	0	0	0
Cancelled loans	-13 925	-2 676	-1 289	-17 890	-79	-46	-515	-640
Other changes (without change of stage)	282	-70	-7	205	-77	39	80	42
31 December 2023	131 744	24 431	6 293	162 468	420	456	2 398	3 274

INTERIM LOANS TO INDIVIDUALS	Gross carrying amount				Valuation allowance due to expected losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
in thousands of EUR								
1 January 2022	236 028	33 757	21 064	290 849	721	502	13 089	14 312
Transfer to lifetime ECL: from Stage 1 to Stages 2 and 3	-9 328	8 699	629	0	-28	129	191	292
Transfer to credit-impaired category: from Stage 2 to Stage 3	0	-3 424	3 424	0	0	-56	1 051	995
Transfer to 12-month ECL: from Stages 2 and 3 to Stage 1	7 501	-7 211	-290	0	31	-106	-78	-153
Transfer from Stage 3 to Stage 2	0	1 266	-1 266	0	0	22	-331	-309
New loans	177	113	0	290	0	1	0	1
Cancelled loans	-86 440	-7 736	-17 187	-111 363	-255	-115	-11 816	-12 186
Other changes (without change of stage)	1 033	-428	-228	377	126	41	45	212
31 December 2022	148 971	25 036	6 146	180 153	595	418	2 151	3 164

INTERIM LOANS TO LEGAL ENTITIES	Gross carrying amount				Valuation allowance due to expected losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
in thousands of EUR								
1 January 2023	43 646	370	452	44 468	35	4	44	83
Transfer to lifetime ECL: from Stage 1 to Stages 2 and 3	0	0	0	0	0	0	0	0
Transfer to credit-impaired category: from Stage 2 to Stage 3	0	0	0	0	0	0	0	0
Transfer to 12-month ECL: from Stages 2 and 3 to Stage 1	247	-247	0	0	0	-2	0	-2
Transfer from Stage 3 to Stage 2	0	0	0	0	0	0	0	0
New loans	0	0	0	0	0	0	0	0
Cancelled loans	-2 916	0	0	-2 916	-2	0	0	-2
Other changes (without change of stage)	77	0	1	78	-33	-2	-5	-40
31 December 2023	41 054	123	453	41 630	0	0	39	39

INTERIM LOANS TO LEGAL ENTITIES in thousands of EUR	Gross carrying amount				Valuation allowance due to expected losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1 January 2022	48 241	877	0	49 118	0	0	0	0
Transfer to lifetime ECL: from Stage 1 to Stages 2 and 3	-334	334	0	0	0	4	0	4
Transfer to credit-impaired category: from Stage 2 to Stage 3	0	-451	451	0	0	0	44	44
Transfer to 12-month ECL: from Stages 2 and 3 to Stage 1	394	-394	0	0	0	0	0	0
Transfer from Stage 3 to Stage 2	0	0	0	0	0	0	0	0
New loans	271	0	0	271	0	0	0	0
Cancelled loans	-4 826	0	0	-4 826	0	0	0	0
Other changes (without change of stage)	-100	4	1	-95	35	0	0	35
31 December 2022	43 646	370	452	44 468	35	4	44	83

The most significant movements in the table are described below:

- Transfers between Stage 1 or Stage 2 and Stage 3 due to balances that have seen either a significant increase (or decrease) in credit risk or impairment during the reporting period, and a resulting 'step up' (or 'step-down') between 12-month ECL and lifetime ECL;
- Additional credit loss allowance for new financial instruments recognized during the reporting period, and releases for financial instruments that were derecognized during the reporting period;
- The impact of ECL calculations due to changes in model assumptions, including changes to PD, EAD, and LGD during the accounting period that result from regularly adding new inputs into models; and
- Write-off of credit loss allowance for assets that were derecognized (written off) during the accounting period.

The following table shows gross carrying amounts for loans and valuation allowances by days past due (DPD) and stages at 31 December 2023:

BUILDING SOCIETY LOANS AND EMPLOYEE LOANS in thousands of EUR	Gross carrying amount				Valuation allowance due to expected losses			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
DPD 0	8 897	212	16	9 125	38	3	12	53
DPD 30	0	245	3	248	0	3	0	3
DPD 60	0	76	4	80	0	1	3	4
DPD ≥ 90	0	0	193	193	0	0	140	140
Total building society loans	8 897	533	216	9 646	38	7	155	200

The following table shows gross carrying amounts for loans and valuation allowances by days past due (DPD) and stages at 31 December 2022:

BUILDING SOCIETY LOANS AND EMPLOYEE LOANS in thousands of EUR	Gross carrying amount				Valuation allowance due to expected losses			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
DPD 0	9 163	248	9	9 420	45	1	7	53
DPD 30	0	232	0	232	0	5	0	5
DPD 60	0	46	0	46	0	1	0	1
DPD ≥ 90	0	0	239	239	0	0	149	149
Total building society loans	9 163	526	248	9 937	45	7	156	208

The following table shows gross carrying amounts for interim loans to individuals and employee loans and valuation allowances by days past due (DPD) and stages at 31 December 2023:

INTERIM LOANS TO INDIVIDUALS in thousands of EUR	Gross carrying amount				Valuation allowance due to expected losses			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
DPD 0	131 744	18 075	2 658	152 477	420	282	934	1 636
DPD 30	0	5 351	1 484	6 835	0	147	527	674
DPD 60	0	1 005	913	1 918	0	27	336	363
DPD ≥ 90	0	0	1 238	1 238	0	0	601	601
Total interim loans to individuals and employee loans	131 744	24 431	6 293	162 468	420	456	2 398	3 274

The following table shows gross carrying amounts for interim loans to individuals and employee loans and valuation allowances by days past due (DPD) and stages at 31 December 2022:

INTERIM LOANS TO INDIVIDUALS in thousands of EUR	Gross carrying amount				Valuation allowance due to expected losses			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
DPD 0	148 971	19 621	2 531	171 123	595	284	901	1 780
DPD 30	0	4 358	1 266	5 624	0	106	435	541
DPD 60	0	1 057	989	2 046	0	28	296	324
DPD ≥ 90	0	0	1 360	1 360	0	0	519	519
Total interim loans to individuals and employee loans	148 971	25 036	6 146	180 153	595	418	2 151	3 164

The following table shows gross carrying amounts for interim loans to legal entities and valuation allowances by days past due (DPD) and stages at 31 December 2023:

INTERIM LOANS TO LEGAL ENTITIES in thousands of EUR	Gross carrying amount				Valuation allowance due to expected losses			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
DPD 0	41 054	123	453	41 630	0	0	39	39
DPD 30	0	0	0	0	0	0	0	0
DPD 60	0	0	0	0	0	0	0	0
DPD ≥ 90	0	0	0	0	0	0	0	0
Total interim loans to legal entities	41 054	123	453	41 630	0	0	39	39

The following table shows gross carrying amounts for interim loans to legal entities and valuation allowances by days past due (DPD) and stages at 31 December 2022:

INTERIM LOANS TO LEGAL ENTITIES in thousands of EUR	Gross carrying amount				Valuation allowance due to expected losses			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
DPD 0	43 646	274	452	44 372	35	3	44	82
DPD 30	0	96	0	96	0	1	0	1
DPD 60	0	0	0	0	0	0	0	0
DPD ≥ 90	0	0	0	0	0	0	0	0
Total interim loans to legal entities	43 646	370	452	44 468	35	4	44	83

The following table shows the movements in the valuation allowance account due to expected losses for receivables at amortized cost at 31 December 2023 and 31 December 2022 reported in the income statement during 2023 and 2022:

Valuation allowance due to expected losses (in thousands of EUR)	2023	2022
1 January	3 455	14 685
Set-up/release of valuation allowances for receivables from clients posted to expenses	900	8 055
Set-up/release of valuation allowances for receivables from clients in Stage 3 recognized via interest income	139	276
Irrecoverable loans and interim loans written off	-981	-19 561
31 December	3 513	3 455

5.1.3 Investments in debt securities

a) Investments in debt securities measured at FVOCI

The table below shows an analysis of credit risk exposure for debt securities measured at FVOCI at 31 December 2023 and 31 December 2022, for which a valuation allowance due to expected losses is recognized based on credit risk stages. A description of the credit risk assessment system which the Bank applies and the approach it applies to determine ECL, including the definition of default and SICR as applied to debt securities measured at FVOCI, is presented in Section 5.1.1 of the Notes.

The carrying amount of the following debt securities measured at FVOCI at 31 December 2023 and 31 December 2022 also represents the Bank's maximum exposure to credit risk for these assets:

in thousands of EUR	31 December 2021				31 December 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Government bonds	36 088	0	0	36 088	35 958	0	0	35 958
Bank bonds	0	0	0	0	0	0	0	0
Non-bank bonds	0	0	0	0	0	0	0	0
Remeasurement to fair value	864	0	0	864	536	0	0	536
Valuation allowances	-5	0	0	-5	-6	0	0	-6
Total debt securities measured at FVOCI	36 947	0	0	36 947	36 488	0	0	36 488

Debt securities measured at FVOCI are not secured by a collateral.

For debt securities measured at FVOCI, there were no transfers either between individual recognition stages in the credit loss allowance set up due to expected credit losses or in the gross carrying amount between the first and the last day of the reporting period.

b) Investments in debt securities measured at amortized cost

The following table shows an analysis of debt securities measured at amortized cost by credit quality at 31 December 2023 and 31 December 2022 based on credit risk stages and, for the purposes of calculating ECL, shows balances in all three stages. A description of the credit risk assessment system which the Bank uses and the approach it applies to determine ECL, including the definition of default and SICR as applied to debt securities measured at amortized cost, is presented in Section 5.1.1 of the Notes.

The carrying amount of the following debt securities measured at amortized cost at 31 December 2023 and 31 December 2022 also represents the Bank's maximum exposure to credit risk for these assets:

in thousands of EUR	31 December 2023				31 December 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Government bonds	11 158	0	0	11 158	11 247	0	0	11 247
Bank bonds	4 024	0	0	4 024	4 021	0	0	4 021
Non-bank bonds	2 039	0	0	2 039	2 046	0	0	2 046
Valuation allowances	-3	0	0	-3	-3	0	0	-3
Total debt securities measured at amortized cost	17 218	0	0	17 218	17 311	0	0	17 311

Debt securities measured at amortized cost are not secured by collateral.

At 31 December 2023 and 31 December 2022, no debt securities measured at amortized cost were pledged in favour of third parties as a collateral.

For debt securities measured at amortized cost, there were no transfers either between individual recognition stages in the valuation allowance set up due to expected losses, or in the gross carrying amount between the first and the last day of the reporting period.

Credit quality of financial assets not yet due and not impaired, other than loan receivables:

in thousands of EUR	31 December 2023				31 December 2022			
	Amount	Rating Moody's	Rating S&P	Rating Fitch	Amount	Rating Moody's	Rating S&P	Rating Fitch
Target 2 clearing account - NBS	152	A2	A+	A	32	A2	A+	A
Current accounts at ČSOB	22	A3			83	A3		
Current accounts at Tatra banka	5	A3			5	A3		
Current accounts at UniCredit Bank Slovakia	231	A2			219	A2		
Current accounts at 365.Bank	13	Ba1		BB-	34			BB-
Total	423				373			
Term deposits - NBS	5 402	A2	A+	A	6 016	A2	A+	A
Total	5 402				6 016			
VUB mortgage bonds	2 004	A2			2 000	A2		
Rabobank bank bond	2 020	Aa2	A+	AA-	2 021	Aa2	A+	AA-
Daimler bond	2 039	A2	A-	A-	2 046	A3	A-	A-
FVOCI government bonds - Slovakia	33 018	A2	A+	A	32 647	A2	A+	A
FVOCI government bonds - Poland	1 978	A2	A-	A-	1 949	A2	A-	A-
FVOCI government bonds - Spain	1 956	Baa1	A	A-	1 898	Baa1	A	A-
AC government bonds / Slovakia	11 158	A2	A+	A	11 247	A2	A+	A
Total	54 173				53 808			

Categorization of average PDs by financial asset ratings (except for loan receivables):

in thousands of EUR	31 December 2023		31 December 2022	
	Amount	Average PD	Amount	Average PD
AAA to AA-	2 020	0,06 %	2 021	0,07%
A+ to A-	57 965	0,05 %	58 142	0,05 %
BBB+ to BBB-	0	-	0	-
BB+ to BB-	13	1,18 %	34	1,83 %
Without rating	0	-	0	-

For investments without an external rating, PD for the 'All Rated' category in the Moody's table is used, which is roughly comparable with PD value in the lower BB area and thus represents a conservative approach.

Lower PD for A ratings compared to AAA/AA is due to the fact that most of the Bank's exposure to A-rated exposures is from Slovak bonds and, as these are government exposures, they have a lower PD for the same rating. In other words, exposure to the government has a lower PD for an A rating than for an A rating of a bank or company.

5.1.4 Principles and procedures followed by the Bank in collecting debts from debtors

To maintain maximum efficiency of the debt collection process, each case is assessed individually; the realistic possibilities of the debtor and the persons who secured his liability are taken into account. By carefully selecting the appropriate form of debt collection, the Bank strives for timely elimination of subsequent adverse consequences associated with the debtor's default.

The first step of internal debt collection is a reminder process and subsequently more radical collection methods to recover receivables are applied, e.g. via the courts, by foreclosure or voluntary auction of the pledged real estate, which is undertaken on behalf of the Bank by an authorized law firm.

During the multi-stage reminder process, the debtor and guarantors are contacted by phone and in writing and requested to pay the outstanding monthly instalments, with the offer that if settled promptly, the debtor will be permitted to continue repaying his obligation in the previously agreed manner. If these reminders are ignored, the Bank proceeds with the recovery of its receivables depending on how they are secured:

- receivables secured by the guarantor – enforcement via the courts;
- receivables secured by a notary protocol on the acknowledgment of the obligation and consent to execution in the event of non-payment – collection in execution proceedings;
- receivables secured by a lien on real estate - recovery by a voluntary auction of the pledged real estate.

If the debtor is willing to pay the collected liability (also during judicial recovery or execution), the Bank allows them to settle it based on an extraordinary repayment schedule.

Extraordinary repayment schedule outside enforcement in court or via execution

If immediately after withdrawal from the loan agreement or the sending of a request for immediate repayment of borrowed loans due, the client expresses their willingness to pay, but their financial situation does not allow them to repay the debt in a lump sum, an agreement may be made on an extraordinary repayment schedule. However, if the client fails to comply with this newly agreed repayment schedule, the Bank or the law firm authorized by the Bank may withdraw from it and initiate enforcement in court or via execution.

Court proceedings

The Bank initiates court proceedings when an extraordinary repayment schedule has not been approved for the client and if a notary protocol is not available as an execution title. In such a case, the authorized law firm will send a request for a payment order to the competent court on behalf of the Bank.

Attempt at out-of-execution settlement

In exceptional cases, after the court decision becomes valid and it appears during the court proceedings that there is a possibility that the receivable will be repaid without execution, the authorized law firm may invite the debtors on behalf of the Bank to undertake out-of-execution settlement. If the client reacts positively, a special repayment schedule may be agreed in writing.

Execution proceedings

The Bank enforces receivables through bailiffs in accordance with the Execution Rules. A petition for execution is filed if a valid and enforceable court decision is issued in favour of the Bank, or if a notary protocol is available as an execution title in a given case in accordance with Slovak legislation.

Voluntary auction

The Bank also collects debts via auctions in accordance with the Slovak Voluntary Auctions Act. This method is applied to outstanding debts secured by a lien in favour of the Bank. An auction is conducted based on an auction contract concluded between the Bank and the auctioneer. The contract must contain all the requirements stipulated by law. Information on conducting the auction must be published in the central notary register of auctions.

If the Bank requested immediate full repayment of a loan, accounting for any repayments received from that loan is the same as when accounting for payments received from clients that are not behind schedule and were not requested to repay their loans in full immediately.

5.1.5 Credit risk concentration

A concentration of credit risk arises when there are credit claims with similar economic characteristics that affect the ability of the borrower to meet their obligations.

In accordance with the Building Society Saving Act, the Bank may only provide building society loans to building society saver, which may be:

- an individual who has concluded a building savings contract with a building society or for whose benefit a building savings contract is concluded;
- a community of apartment owners established under a special regulation, which concludes a building savings contract with the building society or for the benefit of which a building savings contract is concluded; and
- a legal entity other than that stated above, which concludes a building savings contract with the building society or for the benefit of which a building savings contract is concluded.

The purpose of saving with a building society is to finance housing and housing-related needs in Slovakia. The Bank only carries out its activities in Slovakia. It accepts deposits from building society savers, provides loans to building society savers, and provides consulting services related to saving with a building society. The Bank performs other banking activities only to a minimum extent. This eliminates the risk of credit risk concentration by country and industry. The risk of credit risk concentration by borrowers is minimized by the limits the Bank has set.

At the reporting date, the Bank does not have a significant concentration of credit risk towards any borrower or an economically related group of borrowers.

5.1.6 Processes for managing the Bank's capital

The Bank's objectives in capital management are as follows:

- compliance with capital requirements set by the regulatory authority;
- ability to continue as a going concern to generate profits for shareholders; and
- maintaining a strong capital base to support its business activities.

Bank management monitors capital adequacy and the use of regulatory capital using techniques based on guidelines developed by the Basel Commission and European Community regulations applied by the competent national authority for supervisory purposes. The required data must be provided to the competent authority on a quarterly basis.

The competent authority requires each bank or a banking group to maintain a minimum specific amount of regulatory capital and keep the ratio of total regulatory capital to assets with a specified risk (the Basel ratio) above an internationally agreed minimum level of 8%, plus capital buffers defined by the regulator. The current setting of capital cushions in Slovakia includes 2.5% for a capital preservation buffer and 1.5% for an anti-cyclical buffer.

Assets with a specified risk are recognized based on defined risk categories by the type of each individual asset and counterparty and with regard to an estimate of credit, market, and other related risks, taking into account the accepted security: collateral and guarantee. A similar principle is applied to off-balance sheet accounts, using several adjustments that reflect the nature of potential losses.

The Bank's position as regards own funds based on information provided internally to the Bank's key management is shown in the following table:

in thousands of EUR	31 December 2023	31 December 2022
Own funds		
Tier 1 capital		
Share capital and share premium (Section 6.16 of the Notes)	16 597	16 597
Reserve funds and other revenue reserves	3 319	3 319
Retained earnings, without current-year profit	17 008	18 346
less: losses for the current financial year	-1 004	-2 157
less: intangible assets	-588	-858
Transitional capital adjustments under IFRS 9	0	974
Positive valuation differences	683	423
Total Tier 1 capital	36 015	36 644
Tier 2 capital		
Positive valuation differences	0	0
Amount by which credit loss allowance exceed the expected loss from the bank's assets and other bank exposures	0	0
Total Tier 2 capital	0	0
Total own funds	36 015	36 644

Position Transitional capital adjustments based on IFRS 9: Based on IFRS 9, the Bank was obliged to set up additional valuation allowances in the amount of 3,898 thousand at 1 January 2018. Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 introduces transitional arrangements to mitigate the impact of the introduction of IFRS 9 on own funds. Under this Regulation, 25% of the additionally set-up valuation allowances were part of own funds in 2023. This coefficient was 0% in 2023.

The amounts of share capital, share premium, and intangible assets included in the calculation of own funds are taken from the financial statements prepared in accordance with IFRS as adopted by the EU.

Risk weighted assets are listed in the following table:

in thousands of EUR	31 December 2023	31 December 2022
Risk weighted assets	115 389	133 776
Total risk-weighted assets	115 389	133 776
Capital ratios based on information provided internally to the Bank's key management		
Total own funds as a percentage of risk-weighted assets	31,21%	27,39%
Total Tier 1 capital as a percentage of risk-weighted assets	31,21%	27,39%

At 31 December 2023, the Bank's own funds totalled 36,015 thousand (31 December 2022: EUR 36,644 thousand). Until 31 December 2023 (as in 2022), the Bank complied with capital adequacy in accordance with the legislative requirements of the NBS.

5.2 Liquidity risk

Liquidity risk is the risk that the Bank will not be able to meet its obligations when they fall due.

Liquidity management comprises a set of activities implemented to prevent significant and unexpected cash surpluses or shortages while achieving the required economic efficiency.

The basic objectives of the Bank's liquidity management include:

- minimize liquidity risk, i.e. ensure a lasting ability to meet financial obligations duly and on time;
- in connection with arranging the required liquidity flow, minimize losses with regard to the conversion of non-monetary assets into cash, i.e. avoid unnecessary costs of obtaining additional funds;
- ensure compliance with the defined minimum reserves;
- ensure compliance with rules and limits set by the NBS; and
- ensure compliance with internal rules and limits.

Liquidity risk is a significant risk for the Bank, and due attention is paid to its management.

The Bank has prepared an internal regulation for its liquidity risk management strategy. This regulation contains the main principles and methods the Bank uses in liquidity risk management.

The Bank monitors liquidity risk by the expected remaining maturities of assets and liabilities. Liquidity is managed exclusively in euro, as the vast majority of assets and liabilities are realized in euros. The main cash inflows to the Bank are primary funds obtained from client deposits. The main cash outflows are liquid funds required for building society loans and interim loans, contract cancellations, and operating costs.

For proper liquidity management, the Bank has defined basic and alternative scenarios for liquidity management.

To manage liquidity risk, the Bank also uses limits defined by the NBS.

The Bank does not face imminent liquidity risk due to withdrawal of deposits upon cancellation of building savings contracts, as there is a specific time interval of 3 months defined in the General Terms and Conditions for the payment of building savings funds. Therefore, if client demand for drawing these funds is higher, the Bank will have sufficient time to resolve the situation by selling liquid assets.

The Bank has prepared a Contingency Plan, which details measures to resolve temporary and long-term liquidity problems. In critical situations, the Director of Risk Management and Controlling Division is obliged to call a meeting attended by the Director of Division I (Sales, Marketing and Communication, and Product Development departments) and a dealer from the Treasury Department at which the situation will be evaluated in detail. Subsequently, the Director of the Risk Management and Controlling Division informs the Board of Directors which makes a final decision on the solution. Long-term liquidity is monitored by the Controlling Department. An employee of the Treasury Department is responsible for short-term liquidity.

The primary financing source for the Bank's activities (provision of interim loans and building society loans) is the building society saving fund (§ 1 Sections 2 and 3 of the Act on Saving with a Building Society), which mainly consists of building society savers' deposits, accrued interest, and the state premium. The state premium is a contribution for building society savers from the national budget, the amount of which is updated by the Act on Saving with a Building Society, which also determines who is currently entitled to receive the contribution and in what amount. The funds purchased on the money market serve for refinancing interim loans and covering short-term liquidity shortages. The funds to be purchased are secured by highly liquid securities.

The Bank is not exposed to a high risk of concentration of resources as building saving products have a maximum target amount (EUR 200 thousand for individuals and EUR 3 million for legal entities).

The tables below present an analysis of financial assets and financial liabilities by the respective maturity dates. This analysis was performed based on the contractual maturity date at the reporting date. Assets and liabilities are disclosed as undiscounted contractual cash benefits.

Contractual remaining maturity of financial assets and liabilities:

31 December 2023	>1 month					TOTAL	Carrying amount
in thousands of EUR	≤ 1 month	≤ 3 months	>3 months ≤ 1 year	>1 year ≤ 5 years	> 5 years		
Cash and cash equivalents	5 825	0	0	0	0	5 825	5 824
Investments in debt securities	58	55	10 747	45 797	0	56 657	54 165
Receivables from clients	726	1 441	9 421	53 288	215 720	280 596	210 231
Other financial assets	21	0	0	0	0	21	21
Total financial assets	6 630	1 496	20 168	99 085	215 720	343 099	270 241

in thousands of EUR	>1 month					TOTAL	Carrying amount
in thousands of EUR	≤ 1 month	≤ 3 months	>3 months ≤ 1 year	>1 year ≤ 5 years	> 5 years		
Payables to clients	35 232	11 823	25 815	97 977	26 825	197 672	192 224
Liabilities to banks			20 143	0	0	20 143	20 143
Liabilities to other financial institutions	0	0	20 264	0	0	20 264	20 264
Other financial liabilities	191	0	0	0	0	191	191
Loan commitments	1 494	0	0	0	0	1 494	1 494
Total financial liabilities	36 917	11 823	66 222	97 977	26 825	239 764	234 315

Expected remaining maturity of non-discounted financial liabilities:

31 December 2023	>1 month					TOTAL
in thousands of EUR	≤ 1 month	≤ 3 months	>3 months ≤ 1 year	>1 year ≤ 5 years	> 5 years	
Payables to clients	3 829	7 358	24 903	114 724	51 159	201 973
Liabilities to banks	0	0	20 143	0	0	20 143
Liabilities to other financial institutions	0	0	20 264	0	0	20 264
Other financial liabilities	191	0	0	0	0	191
Loan commitments	1 494	0	0	0	0	1 494
Total financial liabilities	5 514	7 358	65 310	114 724	51 159	244 065

Liabilities to banks represent short-term refinancing from banks, mostly with a maturity of up to 3 months. After the due date, refinancing is renewed up to EUR 40 million. The client may draw funds from loan commitments within 1 year after they have been granted. Based on the Bank's analysis, these funds are mostly used within 5 months after being granted.

Other financial liabilities with indefinite maturities represent provisions set up in connection with the estimated amount of commissions to be paid to intermediaries.

Contractual remaining maturity of financial assets and liabilities:

31 December 2022 in thousands of EUR	≤ 1 month	>1 month ≤ 3 months	>3 months ≤ 1 year	>1 year ≤ 5 years	> 5 years	Undefined maturity	TOTAL	Carrying amount
Cash and cash equivalents	6 389	0	0	0	0	0	6 389	6 389
Investments in debt securities	8	55	1 746	56 657	0	0	58 516	53 799
Receivables from clients	781	1 563	9 201	57 707	243 688	0	312 940	231 114
Other financial assets	24	0	0	0	0	0	24	24
Total financial assets	7 252	1 618	10 947	114 364	243 688	0	377 869	291 326

in thousands of EUR	≤ 1 month	>1 month ≤ 3 months	>3 months ≤ 1 year	>1 year ≤ 5 years	> 5 years	Undefined maturity	TOTAL	Carrying amount
Payables to clients	41 828	7 949	30 626	123 320	26 064	0	229 787	227 479
Liabilities to banks	10 014	0	0	0	0	0	10 014	10 014
Liabilities to other financial institutions	0	5 003	10 006	0	0	0	15 009	15 009
Other financial liabilities	325	0	0	0	0	6	331	331
Loan commitments	2 348	0	0	0	0	0	2 348	2 348
Total financial liabilities	54 515	12 952	40 632	123 320	26 064	6	257 489	255 181

Expected remaining maturity of non-discounted financial liabilities:

31 December 2022 in thousands of EUR	≤ 1 month	>1 month ≤ 3 months	>3 months ≤ 1 year	>1 year ≤ 5 years	> 5 years	Undefined maturity	TOTAL
Payables to clients	11 126	21 379	59 126	114 651	28 642	0	234 924
Liabilities to banks	10 014	0	0	0	0	0	10 014
Liabilities to other financial institutions	0	5 002	10 007	0	0	0	15 009
Other financial liabilities	325	0	0	0	0	6	331
Loan commitments	2 348	0	0	0	0	0	2 348
Total financial liabilities	23 813	26 381	69 133	114 651	28 642	6	262 626

The Bank recalculated the remaining maturity of financial liabilities from cash flows the Bank expects to receive based on its historical experience.

5.3 Market risk

Market risk is the risk of loss resulting from the Bank's position and from changes in the values of risk factors determined by the market. The main components of market risk are: interest rate risk, foreign exchange risk, equity risk, and commodity risk. Due to the type of transactions performed, the Bank is not exposed to equity or commodity risk.

In 2023 and 2022, the Bank was not exposed to significant foreign exchange risk; client deposits are accepted, and loans are provided in the functional currency. Liabilities and receivables from the Bank's operating activities in currencies other than the functional currency did not have a significant impact on the Bank's foreign exchange risk.

Operations related to market risk include the following: government bond transactions, NBS treasury bills transactions, mortgage bond transactions, setting interest rates on loans and interim loans, and transactions on the interbank market.

Interest rate risk

Interest rate risk arises from fluctuation of the value of a financial instrument due to changes in market interest rates and that the maturity of interest-bearing assets will differ from the maturity of interest-bearing liabilities used as a source of funding for these assets. The time interval during which an interest rate is fixed to a financial instrument determines the extent to which that financial instrument is exposed to interest rate risk.

The Bank uses the outlier ratio method to manage interest rate risk, which is based on GAP analysis. The Bank performs the GAP analysis on a monthly basis.

If the market interest rate increased/decreased by 1%, this change would affect the newly opened savings accounts as well as new interim loans and building society loans, and the impact on the profit/(loss) at 31 December 2023 would be positive/negative by EUR 0 thousand (31 December 2022: EUR 0 thousand). The impact on equity resulted from a change in the price of financial assets held for sale due to an interest rate change by 1% would be EUR -650 thousand / 669 thousand (31 December 2022: EUR (976 thousand) / 1,013 thousand).

Effective interest rates of financial instruments:

in %	31 December 2023	31 December 2022
Cash and cash equivalents	3,71	1,88
Receivables from banks	--	-
Financial assets at fair value (FVOCI)	4,45	4,45
Receivables from clients	2,86	2,39
Financial assets at amortized cost	1,83	1,83
Client deposits	0,97	1,00

Financial instruments, liabilities, and loan commitments by category:

31 December 2023 in thousands of EUR	Amortized cost	Fair value through other comprehensive income (FVOCI)	Total carrying amount	Fair value
Cash and cash equivalents	5 824	0	5 824	5 824
Investments in debt securities	17 218	36 947	54 165	53 725
Receivables from clients, of which:				
- building society loans	9 446	0	9 446	9 697
- interim loans – individuals	159 194	0	159 194	143 862
- interim loans – legal entities	41 591	0	41 591	37 089
Other financial assets	21	0	21	21
Total financial assets	233 294	36 947	270 241	250 218
Liabilities to clients	192 224	0	192 224	187 012
Liabilities to banks	20 143	0	20 143	20 143
Liabilities to other financial institutions	20 264	0	20 264	20 264
Other financial liabilities	191	0	191	191
Total financial liabilities	232 822	0	232 822	227 610

At 31 December 2023, off-balance sheet liability commitments are posted in the net amount of EUR1,494 thousand. Fair value of off-balance sheet liability commitments is in amount of EUR 1,349 thousand.

31 December 2022 in thousands of EUR	Amortized cost	Fair value through other comprehensive income (FVOCI)	Total carrying amount	Fair value
Cash and cash equivalents	6 389	0	6 389	6 389
Investments in debt securities	17 311	36 488	53 799	53 138
Receivables from clients, of which:				
- building society loans	9 577	0	9 577	10 281
- interim loans – individuals	177 141	0	177 141	189 322
- interim loans – legal entities	44 385	0	44 385	47 077
Other financial assets	24	0	24	24
Total financial assets	254 827	36 488	291 315	306 231
Liabilities to clients	227 479	0	227 479	229 232
Liabilities to banks	10 014	0	10 014	10 014
Liabilities to other financial institutions	15 009	0	15 009	15 009
Other financial liabilities	331	0	331	331
Total financial liabilities	252 833	0	252 833	254 586

At 31 December 2022, off-balance sheet liability commitments are posted in the net amount of EUR 2,348 thousand.

5.4 Operational risk

Operational risk is the risk of loss resulting from inappropriate or erroneous internal processes in the Bank, from the failure of the human factor, from the failure of systems the Bank uses, or from external events.

The Bank identifies the following basic types of operational risks:

- personnel risk;
- legal risk;
- external risk;
- information risk; and
- outsourcing risk.

The analysis and identification of operational risks is an integral part of all changes at the Bank. The analysis of operational risks is based on the Bank's subjective assessment of individual parameters that enter into this analysis. It is usually based on the experience of asset owners and their views on possible vulnerabilities and threats, the impact of the threats, and the likelihood that they will materialize.

One of the basic principles of operational risk management is the responsibility of each manager to manage the risks involved in the processes they own. Managers are responsible for coordinating matters related to individual processes, identifying and assessing operational risk, and collecting and recording data on operational risk events and losses. The Risk Management Division ensures coordination of activities between organizational units for processes that involve more than one organizational unit.

The breakdown of operational risks is performed in accordance with international standards for information risk management and in accordance with NBS Regulation No. 13/2010 of 31 August 2010 on Other Types of Risks, Details of a Risk Management System of a Bank or a Branch of a Foreign Bank which defines a sudden and unexpected change in market interest rates.

Personnel risks

Personnel risks are characterized as risks caused by the actions of staff, employees, and advisors leading to errors in processing, intentional or unintentional human actions which damage the Bank's assets.

The condition for classifying a given risk as a personnel risk is a clear demonstration of the fact that the event was caused by human action. A special subgroup of personnel risks includes risks associated with the recruitment of new employees, motivation and remuneration of employees, and substitutability of individual job positions. These risks, including the tools for their management, are covered by the Bank's HR strategy. The Human Resources Department is responsible for developing and updating the HR strategy.

Legal risks

Legal risk is the risk arising mainly from the unenforceability of contracts, unsuccessful court proceedings, or adverse rulings for the Bank.

External risks

External risks are all risks from the external environment that have not been included in other types of operational risks, e.g. damage to property due to someone else's fault, natural disaster, industrial accident, insufficient level of services provided, etc.



Information risks

Information risks are risks that constitute a threat to information assets, e.g. misuse, damage or loss of business, banking, personal data, etc.

Outsourcing risk

This risk arises when banking activities are performed by a third party.

6 ADDITIONAL INFORMATION ON THE STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AND THE STATEMENT OF PROFIT OR LOSS (INCOME STATEMENT)

6.1 Cash and cash equivalents

Cash and cash equivalents at 31 December 2023 and 31 December 2022 comprise the following items:

in thousands of EUR	31 December 2023	31 December 2022
Stamps and vouchers	0	1
Current accounts	271	341
Deposits with central banks	-3	32
Term deposits with the NBS	5 402	6 016
Cash and cash equivalents	5 670	6 390
Mandatory minimum reserves	155	0
Valuation allowance	-1	-1
Total	5 824	6 389

6.2 Investments in debt securities

in thousands of EUR	31 December 2023	31 December 2022
Debt instruments at fair value (FVOCI)	36 947	36 488
Debt instruments at amortized cost	17 218	17 311
Total investments in debt instruments	54 165	53 799

The following table shows investments in debt instruments by valuation category and class:

in thousands of EUR	31 December 2023			31 December 2022		
	Debt instruments at fair value (FVOCI)	Debt instruments at amortized cost	Total	Debt instruments at fair value (FVOCI)	Debt instruments at amortized cost	Total
Government bonds	36 952	11 158	48 110	36 494	11 247	47 741
Bank bonds	0	4 024	4 024	0	4 021	4 021
Non-bank bonds	0	2 039	2 039	0	2 046	2 046
Investments in debt instruments (fair value or gross carrying amount)	36 952	17 221	54 173	36 494	17 314	53 808
Allowances	-5	-3	-8	-6	-3	-9
Investments in debt instruments (carrying amount)	36 947	17 218	54 165	36 488	17 311	53 799

At 31 December 2023 and 31 December 2022, non-bank bonds include a Daimler AG bond. In 2023 and 2022, the Bank did not sell any bonds and no bonds became due.

6.3 Receivables from clients

Section 5.1.2.1 of the Notes show the gross carrying amount of loans and interim loans provided to clients (except for off-balance sheet accounts) and the carrying amount of the valuation allowance due to expected losses or impairment of loans and interim loans provided to clients at 31 December 2023 and 31 December 2022.

The valuation allowance for expected losses on loans and interim loans provided to clients, reported in the current accounting period, is affected by various factors. Details on calculating ECL are presented in Section 5.1.1 of the Notes.

6.4 Property, plant and equipment

An overview of changes in property, plant and equipment ('PPE') for the current and previous accounting period is presented in the table below:

in thousands of EUR	Right-of-use assets	Buildings and structures	Land	Instruments and equipment	Other PPE	PPE under construction	Total
Acquisition cost							
1 January 2023	11	7	0	659	700	5	1 382
Additions	0	0	0	0	0	24	24
Transfer	0	0	0	5	18	-23	0
Disposals	-11	-7	0	-395	-395	0	-808
31 December 2023	0	0	0	269	323	6	598
Accumulated depreciation and credit loss allowance							
1 January 2023	0	-4	0	-618	-634	0	-1 256
Additions	0	-3	0	-12	-48	0	-63
Disposals	0	7	0	395	392	0	794
31 December 2023	0	0	0	-235	-290	0	-535
Net book value							
31 December 2023	0	0	0	34	33	6	73

in thousands of EUR	Right-of-use assets	Buildings and structures	Land	Instruments and equipment	Other PPE	PPE under construction	Total
Acquisition cost							
1 January 2022	0	460	66	729	1 641	13	2 909
Additions	11	0	0	0	0	58	69
Transfer	0	0	0	49	10	-59	0
Reclassification from PPE to assets held for sale	0	-453	-66	0	0	0	-519
Disposals	0	0	0	-119	-951	-7	-1 077
31 December 2022	11	7	0	659	700	5	1 382
Accumulated depreciation and credit loss allowance							
1 January 2022	0	-225	0	-729	-1 485	0	-2 439
Additions	0	-3	0	-8	-87	0	-98
Reclassification from PPE to assets held for sale	0	224	0	0	0	0	224
Disposals	0	0	0	119	938	0	1 057
31 December 2022	0	-4	0	-618	-634	0	-1 256
Net book value							
31 December 2022	11	3	0	41	66	5	126

At 31 December 2023, the Bank records fully depreciated tangible assets at an acquisition cost of EUR 418 thousand (31 December 2022: EUR 928 thousand) that are still used.

At 31 December 2023, insurance premiums for PPE totalled EUR 7 thousand (31 December 2022: EUR 10 thousand).

There are no restrictions on ownership rights to the Bank's assets and no assets are pledged as a collateral for the Bank's liabilities.

6.5 Investment property

in thousands of EUR	Investment property	Investment property under construction	Total
Acquisition cost			
1 January 2023	0	0	0
Additions	0	0	0
Reclassification from investment property to assets held for sale	0	0	0
Disposals	0	0	0
31 December 2023	0	0	0
Accumulated depreciation and credit loss allowance			
1 January 2023	0	0	0
Additions	0	0	0
Reclassification from investment property to assets held for sale	0	0	0
31 December 2023	0	0	0
Net book value			
31 December 2023	0	0	0

in thousands of EUR	Investment property	Investment property under construction	Total
Acquisition cost			
1 January 2022	951	3	954
Additions	0	0	0
Reclassification from investment property to assets held for sale	-951	0	-951
Disposals	0	-3	-3
31 December 2022	0	0	0
Accumulated depreciation and credit loss allowance			
1 January 2022	-461	0	-461
Additions	-3	0	-3
Reclassification from investment property to assets held for sale	464	0	464
31 December 2022	0	0	0
Net book value			
31 December 2022	0	0	0

6.6 Assets held for sale

in thousands of EUR	2023	2022
1 January	0	4 665
Acquisition	0	0
Reclassifications	0	782
Disposals	0	-5 447
Fair value adjustments	0	0
31 December	0	0

6.7 Intangible assets

An overview of changes in intangible assets for the current accounting period is presented in the table below:

in thousands of EUR	Software	Intangible assets under development	Total
Acquisition cost			
1 January 2023	5 978	28	6 006
Additions	0	9	9
Transfer	36	-36	0
Reclassifications	0	0	0
Disposals	0	0	0
31 December 2023	6 014	1	6 015
Accumulated depreciation and credit loss allowance			
1 January 2023	-5 096	0	-5 096
Additions	-296	0	-296
Disposals	0	0	0
31 December 2023	-5 392	0	-5 392
Net book value			
31 December 2023	622	1	623

in thousands of EUR	Software	Intangible assets under development	Total
Acquisition cost			
1 January 2022	5 931	61	5 992
Additions	0	14	14
Transfer	47	-47	0
Reclassifications	0	0	0
Disposals	0	0	0
31 December 2022	5 978	28	6 006
Accumulated depreciation and credit loss allowance			
1 January 2022	-4 601	0	-4 601
Additions	-495	0	-495
Disposals	0	0	0
31 December 2022	-5 096	0	-5 096
Net book value			
31 December 2020	882	28	910

At 31 December 2023, the Bank records fully amortized intangible assets at an acquisition cost of EUR 3,211 thousand (31 December 2022: EUR 3,104 thousand) that are still used.

6.8 Other assets

in thousands of EUR	31 December 2023	31 December 2022
Other (financial) assets		
Various debtors	103	202
Credit loss allowance	-82	-178
Other receivables from clients - fees	8	8
Valuation allowances for receivables from fees	-8	-8
Total other financial assets	21	24
Other (non-financial) assets		
Inventories	16	25
Operating advance payments provided	10	12
Deferred expenses and accrued income	113	160
Other non-financial assets	0	60
Total other non-financial assets	139	257
Total other assets	160	281

At 31 December 2023, other (financial) assets include overdue receivables of EUR 8 thousand (31 December 2022: EUR 8 thousand), for which a valuation allowance of EUR 8 thousand was set up (31 December 2022: EUR 8 thousand).

Other receivables from clients relate to fees charged on clients' savings deposits where the client had saved insufficient funds to settle these fees.

The 'Various debtors' line mainly includes receivables from commissions of EUR 103 thousand (31 December 2022: EUR 180 thousand). A 100% valuation allowance amounting to EUR 82 thousand is set up for receivables from commissions overdue for more than 90 days (31 December 2022: EUR 178 thousand).

The most significant part of Operating advance payments provided includes prepayments to suppliers and advances for commissions provided to building savings consultants.

At 31 December 2023, the most significant items which the Bank keeps under deferred expenses and accrued income include the cost of intercompany projects of EUR 80 thousand (31 December 2022: EUR 122 thousand).

Set-up and use of valuation allowances for various Bank's debtors:

in thousands of EUR	1 January 2023	Set-up	Use	31 December 2023
Credit loss allowance for various debtors	-178	0	96	-82
Total	-178	0	96	-82

in thousands of EUR	1 January 2022	Set-up	Use	31 December 2022
Credit loss allowance for various debtors	-194	0	16	-178
Total	-194	0	16	-178

Set-up and use of valuation allowances for Bank's receivables from fees:

in thousands of EUR	1 January 2023	Set-up	Use	31 December 2023
Credit loss allowance for receivables from fees	-8	-7	7	-8
Total	-8	-7	7	-8

in thousands of EUR	1 January 2022	Creation	Use	31 December 2022
Credit loss allowance for receivables from fees	-32	-7	31	-8
Total	-32	-7	31	-8

The valuation allowance for Bank's receivables from fees is used when the respective receivable was written off or reversed.

6.9 Liabilities to clients

Liabilities to the Bank's clients and other creditors consist of items described in the sections below.

6.9.1 Liabilities to clients and other creditors

in thousands of EUR	31 December 2023	31 December 2022
Savings deposits of individuals	172 006	210 330
Savings deposits of legal entities, of which:	19 036	14 133
- savings deposits of apartment owner associations	14 320	13 908
Other liabilities to clients	1 182	3 016
Total	192 224	227 479

Other liabilities to clients include liabilities from bonus schemes for savings deposits:

Bonus scheme for savings deposits (Flexibil interest bonus)

Since 2002, the Bank has accounted for a liability from the bonus scheme for savings deposits. In accordance with § 5 of the General Terms and Conditions for Saving with a Building Society related to the Flexibil interest bonus, the Bank may pay building society savers a bonus on the building savings contract after six years of savings, the amount of which the Bank determines twice a year. Another condition for obtaining an interest rate bonus is a written statement of a building society saver to waive a claim for a building society loan for the entire term of the contractual relationship.

The basis for accounting for the liability is the accrued interest on uncanceled building savings contracts. The proportion of contracts that met the conditions for obtaining an interest rate bonus was 29.4% (Section 4.2 of the Notes).

Bonus scheme for savings deposits (BV3 + BV2)

In 2009, the Board of Directors approved bonus schemes for savings deposits of 2% (BV2) and 3% (BV3) for the first contract year for contracts concluded as of 1 February 2009. The bonus is credited upon contract termination after completing the 2-year (BV2) or 3-year (BV3) period of commitment. From this bonus scheme, the Bank accounts for a liability calculated using the effective interest rate method. The bonus scheme for savings deposits (BV3 + BV2) was effective until 31 May 2010.

Bonus scheme for savings deposits (BV1 + B2V + BV4)

In 2010, the Board of Directors approved bonus schemes for savings deposits of 1% (BV1) and 2% (BV4) for the first contract year for contracts concluded as of 1 June 2010. In line with the development of market interest rates, the bonus was gradually decreased (at 31 December 2023, the bonus for 2-year B2V products was 0.0%). The bonus is credited upon contract termination after completing the 2-year (BV1 and B2V) or 3-year (BV4) period of commitment. From this bonus scheme, the Bank accounts for a liability calculated using the effective interest rate method.

Bonus scheme for savings deposits (B4V + B3V)

In 2011, the Board of Directors approved bonus schemes for savings deposits of 2.5% (B3V) and 3.5% (B4V) for the first contract year for contracts concluded as of September 2011. In line with the development of market interest rates, the bonus was gradually decreased (at 31 December 2023, the bonus for 3-year B3V products and for 4-year B4V products was 0.0%). The bonus is credited upon contract termination, with a minimum period of commitment of 3 years (B3V) or 4 years (B4V). From this bonus scheme, the Bank accounts for a liability calculated using the effective interest rate method.

Bonus scheme for savings deposits – 2.5% (3.5%, 3%)

In 2015, the Board of Directors approved a bonus scheme for savings deposits of 2.5% for building savings contracts with a 6-year cycle. The 2.5% bonus is calculated from a building society saver's deposits made during the first 12 months of the respective building savings contract, up to a maximum of EUR 3,000. The interest bonus is credited to the building savings account upon completion of the 6-year cycle. If the contract is terminated within 6 years of its effectiveness (termination, merger, assignment), the client is not entitled to the interest bonus. The Bank accounts for a liability from this bonus scheme calculated using the effective interest rate method.

Sensitivity of setting up an interest bonus liability for savings products:

in thousands of EUR	Creation in 2023	+10% simulation	-10% simulation
BV products	0	0	0
Bonus - 2.5%	0	0	0
Bonus - 3%	0	0	0
Bonus - 3,5%	0	0	0
Bonus - 2%	8,9	0,9	-0,9

in thousands of EUR	Creation in 2022	+10% simulation	-10% simulation
Flexibil interest bonus	0	0	0
BV products	0	0	0
SPI (SPV) special offer	0	0	0
Bonus - 2.5%	4,7	0,5	-0,5
Bonus - 3%	0	0	0
Bonus - 3,5%	0	0	0
Bonus - 2%	31,1	3,1	-3,1

In the first half of 2016, the interest rate for building savings contracts with a 6-year cycle was reduced from 1.5% to 1% p.a. To increase the attractiveness of this product, the bonus was increased from 2.5% to 3.5%. The terms and conditions for this bonus remained unchanged. As of 1 August 2016, the bonus was decreased from 3.5% to 3%, and the bonus was cancelled as of 1 March 2017. On 1 February 2018, a 2% bonus was introduced during the first 12 months from the conclusion of a building savings contract up to a maximum of EUR 3,000.

Other liabilities to clients include the following items:

in thousands of EUR	31 December 2023	31 December 2022
Flexibil interest bonus	22	27
Bonus for savings deposits (BV3 + BV2) / (BV1 + B2V + BV4)	2	2
Bonus for savings deposits (B4V + B3V)	10	26
Bonus for savings deposits - 2.5%; 3.5%; 3%, 2.0%	136	181
Liabilities from cancelled contracts	1 012	2 780
Total	1 182	3 016

At 31 December 2023, the remaining liability from cancelled contracts amounts to EUR 1,012 thousand, representing 1,540 contracts with an average saved amount of EUR 657 (31 December 2022: liability from cancelled contracts amounted to EUR 2,780 thousand, representing 2,293 contracts with an average saved amount of EUR 1,212).

6.9.2 Structure of Bank's client deposits

The table below presents the structure of Bank's client deposits by remaining contractual maturity:

in thousands of EUR	31 December 2023	31 December 2022
≤ 1 month	46 713	47 865
(1 month, 3 months>	7 218	9 136
(3 months, 1 year>	37 572	26 401
(1 year, 5 years>	70 655	118 802
≥ 5 years	25 523	25 275
Undefined	0	0
Total	187 681	227 479

At 31 December 2023, the Bank had 25,759 building savings accounts (31 December 2022: 35,198).

6.10 Liabilities to banks

Liabilities to banks and other financial institutions include term deposits with a contractual maturity of up to 1 year. The Bank reports the following liabilities to banks and other financial institutions:

in thousands of EUR	31 December 2023	31 December 2022
Term deposits from other banks	20 142	10 014
Term deposits from other financial institutions	20 264	15 009
Total	40 406	10 014

The Bank holds term deposits from Wüstenrot Versicherungs AG and Bausparkasse Wüstenrot AG that are part of the Wüstenrot Group.

6.11 Deferred income, accrued expenses, and short-term provisions

At 31 December 2023 and 31 December 2022, the Bank accounts for the following items of deferred income, accrued expenses, and short-term provisions:

Short-term provisions for untaken holiday, rewards, and supplies and services not yet billed

The Bank accounts for short-term provisions for untaken holiday and rewards, including mandatory contributions to social and health insurance of its employees, and for services not yet billed, which comprise the audit of the financial statements, preparation of the corporate income tax return, and the preparation of the annual report.

in thousands of EUR	31 December 2023	31 December 2022
Provision for services not yet billed	65	87
Provision for untaken holiday	88	80
Provision for rewards and royalties	448	535
Other long-term accruals and deferrals	222	440
Total	823	1 142

In 2023, accrued liabilities are shown in Section 6.15 of the Notes (Other liabilities).

6.12 Long-term provisions

The Bank sets up a long-term provision for risks arising from lawsuits which are expected to fail. The set-up of this provision depends on the expected amount of claims from litigation. Lawsuits are mainly brought against former employees of the external sales network and former Bank employees.

in thousands of EUR	31 December 2023	31 December 2022
Provision for litigations	50	310
Total	50	310

The tables below provide an overview of the set-up and use of the long-term provision in 2023 and 2022:

in thousands of EUR	1 January 2023	Creation	Use	31 December 2023
Provision for litigations	310	0	260	50
Total	310	0	260	50

in thousands of EUR	1 January 2022	Creation	Use	31 December 2022
Provision for litigations	273	50	13	310
Total	273	50	13	310

6.13 Tax liabilities / assets – current income tax

The tax liability is calculated according to the profit/(loss) recorded in the books kept in line with Slovak legislation and the Slovak Income Tax Act (Act No. 595/2003 Coll. on Income Tax, as amended).

Tax liabilities – current income tax

in thousands of EUR	31 December 2023	31 December 2022
Opening balance of the current tax asset	0	398
Corporate income tax received	0	-398
Advance payments for corporate income tax	64	0
Closing balance of the current tax asset	64	0
Opening balance of the current tax liability	148	0
Corporate income tax paid	-156	0
Income tax due (Section 6.26 of the Notes)	8	148
Closing balance of the current tax liability	0	148

6.14 Deferred tax asset/liability

Deferred income tax is calculated from all temporary differences using the 21% (2022: 21%) tax rate that is applicable to the period in which the deferred tax is expected to be settled.

in thousands of EUR	2023	2022
Deferred tax asset - 1 January	-112	416
Deferred tax posted to the income statement (Section 6.26 of the Notes)	0	-1 735
Deferred tax posted to equity accounts: remeasurement of financial assets available for sale/FVOCI	-69	1 207
Deferred tax asset (+) / liability (-) – 31 December	-181	-112

6.15 Other liabilities

in thousands of EUR	31 December 2023	31 December 2022
Other (financial) liabilities		
Liabilities from commissions	0	29
Various creditors	191	296
Liability from commissions for intermediaries	0	6
Total other financial liabilities	191	331
Other (non-financial) liabilities		
Settlement with employees	127	126
Other taxes	72	57
Appropriations to the social fund from wages and from profit	6	12
Settlement with social institutions	77	83
Deferred income and accrued expenses	12	7
Total other non-financial liabilities	294	285
Total	485	616

Other liabilities include the Bank's short-term liabilities with a maturity of up to 1 year. The Bank has no overdue liabilities.

The line 'Various creditors' mainly includes liabilities to suppliers at 31 December 2023 of 186 thousand (31 December 2022: EUR 189 thousand).

According to § 43 of the Slovak Income Tax Act, the bank is obliged to deduct and remit withholding tax on interest accrued on clients' building savings accounts. At 31 December 2023, withholding tax constituted a Bank liability of 366 thousand (31 December 2022: EUR 420 thousand).

Liabilities from outstanding commissions for concluding a building savings contract

Under the Commission Rules, the Bank pays commissions to an intermediary for concluding building savings contracts and for increasing the target amounts. When a deposit is made, 80% of this commission amounting to the fee for concluding the contract or for increasing the target amount is paid. The remaining 20% of the commission is paid when the conditions specified in the Commission Order are met.

The decrease in the amount of commission liabilities (EUR 0 thousand at 31 December 2023 and EUR 29 thousand at 31 December 2022) is due to a change in the Bank's strategy, which terminated the sale of new contracts for its products in 2021 (described in Section 1.6 of the Notes).

6.15.1 Creation and use of the social fund

in thousands of EUR	2023	2022
1 January	12	23
Appropriations expensed	23	24
Use	29	35
31 December	6	12

6.16 Equity

At 31 December 2023 and 31 December 2022, the Bank's share capital consisted of 1,000 fully paid-up shares with a nominal value of EUR 16,597 per share. All shares are listed with the Slovak Central Securities Depository (Centrálny depozitár cenných papierov, a.s.).

According to the Commercial Code, the Bank is obliged to set up a legal reserve fund upon its establishment in the amount of at least 10% of the share capital. Appropriations are made annually of at least 10% of net profit, up to a maximum of 20% of the share capital EUR 3,319 thousand). The mandatory appropriation to the legal reserve fund is no longer necessary, as the fund reached its legal maximum limit in 2015.

On 23 June 2023, the General Meeting approved the transfer of the entire 2022 loss to loss carried forward and a decision about its settlement will be made at a later date. The General Meeting also decided not to pay dividends from the 2022 profit to the Bank's shareholders and to not pay royalties to the members of its Supervisory Board.

in thousands of EUR	31 December 2022
Transfer to loss carried forward	-2 157
Total	-2 157

6.17 Net interest income

in thousands of EUR	31 December 2023	31 December 2022
Interest income calculated using the effective interest rate		
From receivables from clients	5 996	6 317
From current accounts and term deposits at other banks	73	40
From debt securities measured at amortized cost	314	316
From debt securities measured at FVOCI	1 581	1 576
Total interest income calculated using the effective interest rate	7 964	8 249
Interest expenses		
From savings deposits	2 999	3 777
From term deposits of other banks	1 305	45
IFRS From W Reality term deposits 16	43	0
IFRS 16	5	0
Total interest expenses	4 352	3 822
Net interest income	3 612	4 427

At 31 December 2023, interest income from impaired loans amounted to EUR 229 thousand (31 December 2022: EUR 353 thousand).

6.17.1 Interest income from receivables from clients

in thousands of EUR	31 December 2023	31 December 2022
Interest on interim loans	5 567	5 871
Interest on building society loans	392	395
Interest on late instalments	36	51
Total	5 995	6 317

At 31 December 2023, the valuation allowance for interest income from building society loans and interim loans classified in Stage 3 amounted to EUR 341 thousand (31 December 2022: EUR 277 thousand). The valuation allowance for interest income decreases the value of net interest income.

6.17.2 Interest income from investments in debt securities

in thousands of EUR	31 December 2023	31 December 2022
Bank bonds	25	25
Government bonds	1 824	1 819
Mortgage bonds	23	24
Non-bank bonds	23	24
Total	1 895	1 892

6.18 Net fee and commission income

in thousands of EUR	31 December 2023	31 December 2022
Fee and commission income		
Fees received from clients, of which:		
- account management fee	814	898
- account statement fee	149	225
- court fees for litigations with clients	0	0
- account cancellation fee	0	7
- other fees	59	180
Commission received	202	251
Total fee and commission income	18	22
Total fee and commission income	1 242	1 583
Cost of fees and commissions		
Sales agent commissions (e.g. for offices, incentive commissions not related to individual contracts)	453	499
Banking fees	29	32
Other fees	10	32
Total cost of fees and commissions	492	563
Net fee and commission income	750	1 020

Until 31 December 2023, the Bank wrote off receivables from clients, which represented a negative balance on savings accounts, in the total amount of EUR 21 thousand (until 31 December 2022: EUR 37 thousand). These receivables are included in the item 'Account maintenance fee'.

6.19 General operating expenses

in thousands of EUR	31 December 2023	31 December 2022
Advertising costs	93	125
Material consumption	23	24
Repair and maintenance	23	48
Short-term rent and lease of low-value items	280	333
Telecommunication costs	80	101
Software maintenance	927	981
Indirect taxes	24	51
Professional services	63	65
Audit costs	91	80
Energy consumption	110	146
Education	9	20
Other services purchased	84	351
Total	1 807	2 325

Non-audit services (related to trainings) provided by the auditor during the period from 1 January to 31 December 2023 were in total amount of EUR 4 thousand.

6.20 Personnel costs

in thousands of EUR	31 December 2023	31 December 2022
Wages and salaries, of which:	1 850	2 087
- bonuses	471	583
Pension schemes with defined contributions and other social and health insurance costs, of which:	534	663
- supplementary old-age insurance with defined contributions	342	371
Total	2 384	2 750

6.21 Depreciation of PPE and investment property and amortization of intangible assets

in thousands of EUR	31 December 2023	31 December 2022
Depreciation of PPE and investment property, of which:	63	101
- depreciation of PPE	63	98
- depreciation of investment property	0	3
Amortization of intangible assets	296	495
Total	359	596

6.22 Other operating income

in thousands of EUR	31 December 2023	31 December 2022
Profit from the sale of PPE and intangible assets	31	1 830
Rental income	65	244
Income from the provision of other services	1	0
Other operating income	18	77
Total	115	2 151

6.23 Other operating expenses

in thousands of EUR	31 December 2023	31 December 2022
Contribution to the Deposit Protection Fund	59	308
Unclaimed VAT	249	316
Special levy	2	13
Other operating expenses	96	111
Total	406	748

6.24 Set-up and release of valuation allowances for loans and write-off of receivables

in thousands of EUR	31 December 2023	31 December 2022
Net set-up of valuation allowances	-521	-1 404
Total	-521	-1 404

If debt collection is not successful or the cost of collection was higher than the amount recovered, the Bank writes off such receivables. At 31 December 2023, the Bank wrote off receivables from non-performing building society loans and interim loans in the total amount of EUR 18 thousand (31 December 2022: EUR 65 thousand). The sum of receivables written-off equals balances of building society loans and interim loans without the effect of valuation allowances.

The Bank writes off receivables in the following cases:

- irrecoverable and unassigned receivables, the recovery of which would no longer be efficient;
- debt collection is waived due to a legally binding court decision or an executor's statement of their unenforceability; or
- based on interbank regulations.

6.25 Set-up and release of valuation allowances for other assets and derecognition (write-off) of other assets

in thousands of EUR	31 December 2023	31 December 2022
Set-up of valuation allowances for other assets:		
- for bank accounts	-28	-28
- for receivables being recovered	0	0
- for investments	0	-231
- to PPE	0	0
Release of valuation allowances for other assets:		
- for bank accounts	28	28
- for receivables being recovered	97	15
- for investments	0	152
- to PPE	0	36
Net set-up/release of valuation allowances for other assets	97	-28
Derecognition (write-off) of other assets	-94	-23
Valuation allowances and derecognition of other assets in total	3	-51

6.26 Income tax

in thousands of EUR	31 December 2023	31 December 2022
Profit/(loss) for the current accounting period before taxes	-996	-274
of which: theoretical corporate income tax of 21%	-209	-58
Impact of non-deductible and deductible items:		
Non-taxable assignment of receivables	123	1 735
Decrease in business share	38	0
Impact of tax non-deductible expenses	-44	206
Impact of tax loss	92	0
Effect of tax payable for the previous accounting period (additional calculation)	8	0
Corporate income tax for the taxable period	8	1 883
Current income tax (Section 6.13 of the Notes)	8	148
Deferred income tax (Section 6.14 of the Notes)	0	1 735
Total corporate income tax charge	8	1 883

The 2023 corporate income tax rate is 21% (2022: 21%). The tax rate for deferred income tax is also 21% (2022: 21%).

Current income tax is calculated in accordance with the Slovak Income Tax Act and the tax base is derived from the profit/(loss) reported in the financial statements prepared in accordance with IFRS as adopted by the EU.

6.27 Operating lease

Summary of future minimum lease payments for non-cancellable operating leases in which the Bank is the lessor:

in thousands of EUR	31 December 2023	31 December 2022
Minimum lease payments	0	0
Up to 1 year	0	0

The Bank leases part of its own operating premises in Nitra and Banská Bystrica to Wüstenrot poisťovňa, a.s. on the basis of operating lease agreements.

6.28 Related party transactions

The Company entered into several transactions with related parties in the ordinary course of business. The transactions were carried out under normal business terms and conditions and relationships and at arm's length.

The Bank's related parties include the following entities:

Bank's shareholders

Bausparkasse Wüstenrot AG

Other group undertakings

Wüstenrot poisťovňa, a.s.

Wüstenrot Datenservice GmbH

Wüstenrot Reality s.r.o.

Wüstenrot InHouse Broker s. r. o.

Wüstenrot Servis, spol. s.r.o. v likvidácii

Wüstenrot Versicherungs AG

The Bank's statutory bodies

- members of the Supervisory Board

- members of the Board of Directors

Other related parties

- not identified

6.28.1 Transactions with the Bank's shareholders and other group companies

in thousands of EUR	31 December 2023		31 December 2022	
	Bank's shareholders	Other group undertakings	Bank's shareholders	Other group undertakings
Loan granted	0	0	0	0
Other receivables	0	0	0	0
Total assets	0	0	0	0
Financial liabilities	20 143	24 806	0	15 009
Other liabilities	0	150	0	166
Total liabilities	20 143	24 956	0	15 175

in thousands of EUR	31 December 2023		31 December 2022	
	Bank's shareholders	Other group undertakings	Bank's shareholders	Other group undertakings
Interest income	0	0	0	0
Other operating income	0	94	0	1 242
Total income	0	94	0	1 242
Financial expenses	411	717	0	9
General operating expenses	0	1 613	2	1 443
Total expenses	411	2 330	2	1 452

The bank uses banking and accounting software developed by Wüstenrot Datenservice GmbH. At 31 December 2023, software amortization charges amounted to EUR 217 thousand (31 December 2022: EUR 381 thousand), the net book value of software totalled EUR 460 thousand (31 December 2022: EUR 667 thousand), and no WDS software was derecognized (31 December 2022: no WDS software derecognized).

At 31 December 2023, the Bank reports a financial liability from short-term deposits to the following related parties: Wüstenrot Versicherungs AG in the amount of EUR 20,264 thousand (31 December 2022: EUR 15,009 thousand), Bausparkasse Wüstenrot AG in the amount of EUR 20,143 thousand (31 December 2022: EUR 0), and Wüstenrot Reality s. r. o. in the amount of EUR 4,543 thousand (31 December 2022: EUR 0). Operating expenses in transactions with related parties primarily comprised software maintenance, remuneration for the administration of the client base, and rent.

6.28.2 Transactions with members of the Bank's statutory and supervisory bodies

in thousands of EUR	31 December 2023	31 December 2022
Deposits received	0	9
Total liabilities	0	9

in thousands of EUR	31 December 2023	31 December 2022
Wages and salaries	245	248
Mandatory social and health insurance contributions	45	55
Total cost	290	303

At 31 December 2023, the Bank's cost of accommodation for BoD members totalled 4 thousand (31 December 2022: EUR 6 thousand).

6.29 Contingent liabilities and loan commitments

The Bank sets up a provision for lawsuits against the Bank, which are mainly brought by former employees and advisors (Section 6.12 of the Notes).

Based on the approved loan agreements, the Bank reports loan commitments totalling EUR 1,494 thousand at 31 December 2023 (31 December 2022: EUR 2,348 thousand).

The Bank also has contingent loan commitments. By concluding a building savings contract, clients are entitled to be granted a building society loan if they meet the specified conditions, which are primarily the minimum savings period, saving the minimum required amount, and providing evidence of creditworthiness. If all building society savers exercised this option, met the conditions set (including evidence of creditworthiness), and requested the Bank to provide a building society loan in the future, the total amount of such building society loans is a maximum of EUR 148,323 thousand (2022: EUR 198,198 thousand). The deposits in these accounts would have to be in the same amount, i.e. EUR 148,323 thousand (the simulation parameter is 50%).

Taxation

Many areas of Slovak tax law (such as transfer-pricing regulations) have not been sufficiently tested in practice, so there is uncertainty as to how the tax authorities will apply them. The extent of this uncertainty cannot be quantified. This uncertainty will only be reduced when legal precedents or official interpretations are available. Company management is not aware of any circumstances that could give rise to a future material expense in this respect.

6.30 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If market prices are available (in this case, in particular for securities traded on a stock exchange and in functioning markets), an estimate of fair value is made on the basis of market prices. All other financial instruments were measured on the basis of internal valuation models, including present value models, or the opinion of an external expert was used.

The fair values and the carrying amounts of financial instruments are disclosed in the following table:

31 December 2023								
in thousands of EUR	Note	At amortized cost	At fair value	Total carrying amount	Level 1	Level 2	Level 3	Total fair value
Financial assets								
Cash and cash equivalents	6.1	5 824	0	5 824	0	5 824	0	5 824
Investments in debt securities at amortized cost	6.2	17 218	0	17 218	14 892	1 881	0	16 773
Investment in debt securities at FVOCI	6.2	0	36 952	36 952	36 952	0	0	36 952
Receivables from clients, of which:	6.3							
Building savings loans and employee loans		9 446	0	9 446	0	0	9 697	9 697
Interim loans to individuals		159 194	0	159 194	0	0	143 862	143 862
Interim loans to legal entities		41 591	0	41 591	0	0	37 089	37 089
Other financial assets	6.8	21	0	21	0	21	0	21
Total financial assets		233 294	36 276	269 570	51 173	7 726	190 648	262 080
Financial liabilities								
Liabilities to clients	6.9	192 224	0	192 224	0	187 012	0	187 012
Liabilities to banks	6.10	20 143	0	20 143	0	20 143	0	20 143
Liabilities to other financial institutions		20 264	0	20 264	0	20 264	0	20 264
Other financial liabilities	6.15	191	0	191	0	191	0	191
Total financial liabilities		232 821	0	232 821	0	227 610	0	227 610

31 December 2022									
in thousands of EUR	Note	At amortized cost	At fair value	Total carrying amount	Level 1	Level 2	Level 3	Total fair value	
Financial assets									
Cash and cash equivalents	6.1	6 389	0	6 389	0	6 389	0	6 389	
Investments in debt securities at amortized cost	6.2	17 311	0	17 311	14 839	1 805	0	17 311	
Investment in debt securities at FVOCI	6.2	0	36 488	36 488	36 488	0	0	36 488	
Receivables from clients, of which:	6.3								
Building savings loans and employee loans		9 577	0	9 577	0	0	10 281	10 281	
Interim loans to individuals		177 141	0	177 141	0	0	189 322	189 322	
Interim loans to legal entities		44 385	0	44 385	0	0	47 077	47 077	
Other financial assets	6.8	24	0	24	0	24	0	24	
Total financial assets		254 827	36 488	291 315	51 333	8 218	246 680	306 231	
Financial liabilities									
Liabilities to clients	6.9	227 479	0	227 479	0	229 232	0	229 232	
Liabilities to banks	6.10	10 014	0	10 014	0	10 014	0	10 014	
Liabilities to other financial institutions	6.10	15 009	0	15 009	0	15 009	0	15 009	
Other financial liabilities	6.15	331	0	331	0	331	0	331	
Total financial liabilities		252 833	0	252 833	0	254 586	0	254 586	

The following methods and assumptions were used in estimating the fair values of the Bank's financial assets and liabilities:

Investments in debt securities

The fair value of investments in debt securities is determined using quoted market prices or theoretical prices by discounting future cash flows at the interbank market reference interest rate for the relevant term of the instrument.

For securities (government bonds) which were traded on the Bratislava Stock Exchange in the period not more than 1 month before 31 December 2023 and 31 December 2022, the price of the last trade was used.

The Bloomberg price is used to determine the market price of a financial instrument. If such a price is not available, the theoretical price of the security is determined by using the method of calculating the present value of future expected payments by discounting the yields to maturity derived from the relevant government bond market yield curve adjusted for a risk premium. The yield curve is drawn from yield values to maturity for debt securities with different remaining maturities. The other points of this market yield curve corresponding to the remaining maturities of debt securities for which no yield to maturity exists are determined by linear interpolation.

Receivables from clients

Receivables from clients are stated at net value, i.e. less valuation allowances. For accounts with a remaining maturity of less than three months, it is appropriate to consider their carrying amount to be the approximate fair value. The fair values of other receivables from clients are calculated by discounting future cash flows using current market rates and estimated risk margins.

Liabilities to clients

The fair values of current accounts with a remaining maturity of less than three months are approximately equal to their carrying amounts. The fair values of other liabilities to customers are calculated by discounting future cash flows using current deposit interest rates.

Interest rates used in converting financial instruments to their fair value:

in %	31 December 2023	31 December 2022
Receivables from clients		
- interim loans	3,77	2,09
- building society loans	3,77	1,93
Liabilities to clients	2,37	1,11

6.31 Significant events after the reporting date

After 31 December 2023, no events have occurred until the date on which these financial statements have been approved that would require an adjustment or recognition in these financial statements.

The Bank's Board of Directors approved these financial statements for publication on 27 March 2024.

Signatures of the members of the Bank's statutory body:



Ing. Marián Hrotka, PhD.
Chairman of the Board of Directors



Mag. Christian Sollinger, CIAA
Member of the Board of Directors

Person responsible for bookkeeping and preparation of the financial statements:



Ing. Martina Baánová
Director of the Economic Division



ANNUAL
REPORT
STAVEBNÁ
SPORITELŇA

Media owner, publisher:

IMPRESSUM

Wüstenrot stavebná sporiteľňa, a.s.
Digital Park I, Einsteinova 21
851 01 Bratislava

Tel: 0850 60 60 60
E-mail: infosporitelna@wuestenrot.sk
Internet: www.wuestenrot.sk

IČO: 31351026
DIČ.: 2020806304