ANNUAL REPORT
STAVEBNÁ SPORITEĽŇA

2024

wüstenrot

STAVEBNÉ SPORENIE | ÚVERY

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FOREWORD OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

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

In recent years, the real estate market in Slovakia has faced many challenges. Price developments were volatile due to macroeconomic factors such as inflation and changes in interest rates. The reduction of average annual inflation to 2,8 percent and the fourfold change in the base interest rate by the European Central Bank also had a positive impact on the gradual recovery of the real estate and mortgage markets. The gradual reduction of the base interest rate is very important for Wüstenrot stavebná sporiteľňa, a.s. (hereinafter referred to as the Bank), as it significantly reduces the interest costs of refinancing and at the same time reduces the interest costs on matured deposits.

In the past year, we continued our activities aimed at reducing the business activities of the Bank. One of the key alternatives from the point of view of the Wüstenrot Group's business strategy in 2024 was our initiative to amend legislative changes that allow the transformation of a building society bank into a branch of a foreign bank. In 2025, this strategic step will be one of our top priorities.

Wüstenrot InHouse Broker has proven to be a key pillar of our strategy in 2024, thanks to which we can provide clients with a wide range of financial services under one roof. We have expanded our business network and offer comprehensive solutions in the field of investment, savings, loans and insurance. We offer attractive options on the market through reputable banks and financial institutions to those interested in financing housing or refinancing loans. Our goal is to provide our clients with professional service and comprehensive financial solutions in the long term, which will enable them to effectively manage and build their financial stability.

For more than three decades, our company has been building the trust of clients with a fair approach, expertise and reliability. This year was another confirmation that we can adapt to the changing environment and at the same time remain a stable partner for our clients. All these achievements are the result of great teamwork of all our colleagues, for which we are grateful. We are optimistic about 2025 and look forward to the new opportunities it will bring. We will continue to stand by our clients and offer them solutions that will help them secure their financial future.

April 2025

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

ABOUT THE COMPANY

Company profile

Company Name:	Wüstenrot stavebná sporiteľňa, a.s.
Residence:	Digital Park I, Einsteinova 21, 851 01 Bratislava
Capital:	EUR 16 597 000
Company ID:	31 351 026
Call Center:	0850 60 60 60
Internet:	www.wuestenrot.sk
Email:	infosporitelna@wuestenrot.sk

Company's shareholders at 31 December 2024

Sole shareholder

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

Company bodies as of December 31, 2024

General Meeting	comprising the Company's sole shareholder Bausparkasse Wüstenrot Aktiengesellschaft	
Supervisory Board	Mag. Gregor HOFSTÄTTER-POBST	Chairman of the Supervisory Board
	Dr. Susanne RIESS-HAHN	Vice-Chairman of the Supervisory Board
	Mag. Christine SUMPER-BILLINGER	Member of the Supervisory Board (re-elected from 25.11.2024)
	Mag. Christian Wilhelm Zettl	Member of the Supervisory Board (from 01.07.2024)
Board of Directors	Ing. Marian HROTKA, PhD.	Chairman of the Board of Directors
	Mag. Christian SOLLINGER, CIIA	Member of the Board of Directors
	JUDr. Katarína NOVOTNÁ	Member of the Board of Directors

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 colleagues
Efficiency	– it is part of everyday communication and management processes
Reliability	– we comply with established commitments and agreements
Tradition	– we are part of the multinational stable Wüstenrot Group
Fair play	– we recognize a fair approach and honesty
Respect	– we value the work and opinions of clients, business partners, employees and colleagues
Maximum responsibility	– full commitment is a prerequisite for the success of any activity
Commitment	– we actively work to achieve the set goals

Marketing activities

The marketing activities of Wüstenrot stavebná sporiteľňa, a.s. in 2024 were focused on effective communication with clients, support for sustainability and socially responsible initiatives. Through targeted direct communication and digital tools, the Bank strived to bring transparent information, improve customer experience and at the same time contribute to environmental protection.

The Bank focused mainly on direct communication tools, through which it regularly addressed clients. In addressed letters and emails, we informed them about the increase in the base interest rate, the possibilities and conditions of obtaining a state premium or the possibility of early repayment of loans. At the same time, the Bank has prepared special promotions for building savings clients to receive an extra bonus for additional deposits or a waiver of the account maintenance fee from a certain amount of the balance on the building savings account. The matured-deposits portfolio is becoming more and more important. For these clients, the Bank offers attractive rates for 12 months.

At the same time, as part of its socially responsible activities (CSR), the Bank has long supported the Slovak art community by exhibiting the works of young talents at its headquarters by borrowing them. It also actively involved the employees in initiatives focused on social responsibility - by organizing collections for seniors, shelters or other charitable projects.

Narrative report of the Human Resources Department

We consider all employees of Wüstenrot stavebná sporiteľňa, a.s. to be equal and are subject to the principles of compliance with equal treatment set out in the field of employment relations by Act No. 365/2004 Coll. on Equal Treatment in Certain Areas and on Protection against Discrimination and on Amendments to Certain Acts (Anti-Discrimination Act).

Remuneration at Wüstenrot stavebná sporiteľňa, a.s. is governed by gender-neutral principles, which mainly represents the principle that all employees are remunerated for equal work or work of equal value regardless of their gender.

In particular, gender-neutral remuneration principles applied ensure that all aspects of remuneration are gender-neutral, including the conditions for awarding and paying bonuses.

Working conditions

The modern premises, which the Bank has been using since the end of 2022, provide full comfort for everyday analytical and creative work, as well as for socializing, development, and education. In 2024, we organized joint themed breakfasts and employee meetings, lectures, tastings, a vernissage, as well as Children's Day and St. Nicholas Day with a theater performance for employees' children and a Christmas party in common relaxation zones.

Wüstenrot stavebná sporiteľňa, a.s., as an employer, takes measures to balance the work and private life of employees. Flexible working hours and home office are already a permanent part of our working conditions. Almost all employees can work from home, they have the necessary IT technology and company mobile phones with data services also for private purposes. We allow employees to use home office for 60% of their working time.

Before leaving and returning from maternity and parental leave, our colleagues can apply for part-time work. In 2024, an average of 4 employees worked part-time, which represents almost 3% of the total number of employees.

Employee care
To promote health, we implemented Health Month for our colleagues in 2024 – a series of lectures, sports activities, exercises to prevent the impact of sedentary work. The Multisport company again provided body composition measurements and relevant consultations on lifestyle changes. We also streamed some activities for colleagues who worked from home or from the regions of Slovakia. These events have been well attended.

Promoting employee engagement
The support of corporate culture and engagement is also implemented through the reference program „Looking for a new colleague". For vacancies, employees can propose suitable candidates from the external environment and receive a financial reward. The aim is to increase the success rate of filling vacancies through the „Looking for a new colleague" program compared to conventional forms of recruitment. We successfully managed to employ 1 employee under this program. In 2024, we promoted 1 colleague from internal sources to a managerial position.

At the end of the year, we conducted a survey of employee satisfaction and engagement. 65% of the total number of employees participated in the survey. A total of 91% of employees reported satisfaction at work, with the highest satisfaction in the areas of „We know what is expected of us at work (98%)", „Relationships in teams and the ability to rely on other team members (97%)" and „The ability to openly communicate their opinion to the supervisor without fear (95%)". With regard to the results of the satisfaction survey, we also focused on the development of managerial skills, project management and we have been continuing language education for a long time.

Diversity
There were 130 employees in the Bank as of 31.12.2024. The Bank employs 85 women (65,38% of the total number of employees) and 45 men (34,62% of the total number of employees). 13 women out of a total of 32 managers work in managerial positions, which represents almost 41% of women. The age composition is as follows: 7 employees are less than 30 years old (5,38%), 91 employees are 30 to 50 years old (70,00%) and 32 employees are over 50 years old (24,62%). The average age is 43 years.

ESG factors
The Bank emphasizes environmental protection and sustainability, and in 2024 it continued to follow its ESG strategy, which includes environmental, social and governance. It motivated employees to take a responsible approach to the environment, for example by minimizing and separating waste, thus helping to reduce the carbon footprint. At the same time, it allows its clients to send their requests even easier and more conveniently through the website, making communication with them more efficient and speeding up the handling of their needs. In addition, this contributes to the protection of the environment by reducing the use of paper.

REPORT OF THE BOARD OF DIRECTORS

Report on the Bank's business activities and assets

Economic situation
Economic growth in the euro area accelerated from 0,2% to 0,4% (quarter-on-quarter GDP growth) in Q3 2024, mainly reflecting the recovery in private consumption. This stemmed from renewed real income growth, which was the result of a significant decline in inflation accompanied by faster wage developments.[1]

Thus, the previous risks associated with soaring costs and higher interest rates are gradually being eased. Inflation in the euro area fell below its 2% target in the third quarter of 2024 and the European Central Bank cut the key interest rate up to four times in the course of 2024, with further monetary policy easing projected in 2025.

However, uncertain geopolitical developments, a possible increase in trade barriers and the weak competitiveness of the EU economy, including Slovakia, remain a source of risk. After the announcement of the government's package of consolidation measures in autumn 2024, the mood of Slovak households began to deteriorate sharply, and at the same time inflation expectations for next year began to rise.

Banks continue to show a high degree of resilience (capital adequacy and liquidity ratios reached levels close to their all-time highs in mid-2024) and, despite the bank levy, relatively high profitability.[2]

Report on the Bank's financial position
At the beginning of the second half of 2021, the Wüstenrot financial group decided to change its strategy for the Slovak market and stop offering new building savings, interim loans and purposefully gradually abandon the concept of a building savings bank. The decision translated into a halt to the conclusion of new contracts, which was also reflected in the Bank's results and a decline in market shares.

In line with the Bank's strategy, the gradual outflow of deposits continued in 2024. The volume of liabilities to clients is EUR 171 million as of 31.12.2024 (2023: EUR 192 million). As with client deposits, the gradual reduction of the portfolio continued in 2024 in the area of loans. As at 31.12.2024, the balance of receivables from clients is at the level of EUR 194 million (2023: EUR 210 million).

As at 31.12.2024, the Bank prepared individual financial statements in accordance with the international financial reporting standards applicable in the EU, which is part of the annual report.

As at 31.12.2024, the Bank's balance sheet total was EUR 252,2 million (2023: EUR 271,1 million). On the asset side, receivables from clients decreased by approximately EUR 16 million. As at 31.12.2024, cash and cash equivalents was at EUR 12,4 million (2023: EUR 5,8 million). The balance of investment securities decreased to EUR 44,8 million (2023: EUR 54,2 million) as at 31.12.2024 owing to the maturity of government bonds with a nominal value of EUR 9 million. As deposits fell more significantly than loans, the need for refinancing increased. Liabilities to banks increased to EUR 25,1 million (2023: EUR 20,1 million). Liabilities to other financial institutions amounted to EUR 20,3 million as at 31.12.2024 (2023: EUR 20,3 million). Bank's net interest income (EUR 3,0 million) decreased by around EUR 0,65 million compared to 2023 as a result of the planned portfolio reduction. Net fee and commission income also declined at EUR 0,54 million (2023: EUR 0,75 million). Cost of risk (net valuation allowances and profit/loss on the sale of bad debts) amounts to EUR 0,75 million as at 31.12.2024 (2023: EUR 0,52 million).

For 2024, the Bank recorded a loss before tax of EUR 1,8 million.

[1] NBS Economic and Monetary Development - Winter 2024, available at: https://nbs.sk/dokument/dd7e2984-14a4-4eb1-b129-007767096b1d/stiahnut?force=false

[2] NBS Financial Stability Report – November 2024, available at: https://nbs.sk/publikacie/sprava-o-financnej-stabilite/sprava-o-financnej-stabilite-november-2024/

Outlook for 2025

The strategic decision to stop offering new building savings and building interim loans, as well as the activities of clients who use refinancing options in other financial institutions, as well as the termination of savings contracts and withdrawals of their deposits, will mean a further decline in the Bank‘s portfolio and balance sheet total. In 2025, we expect a decrease in receivables from clients to the level of EUR 183 million and a decrease in liabilities to clients to the level of EUR 136 million. At the same time, the Bank will reduce its operating costs. In terms of economic result, given the planned values of the portfolios and the set strategy, there is a forecast for net loss in the year 2025. The Bank expects to continue to meet all regulatory limits and expects the total value of the own funds ratio as a percentage of risk-weighted assets to be 34,5% by the end of the year.

In 2025, in accordance with the business strategy of the Bank‘s 100% shareholder, Bausparkasse Wüstenrot AG with its registered office in Austria („BWAG“), the Bank will be implementing a cross-border merger („merger“) project with the parent company BWAG. This is a legislative prerequisite for BWAG to conduct and manage the Bank‘s original business in Slovakia in the future through a branch of a foreign bank, and not through a 100% joint-stock company, which is primarily in the economic interest of the current shareholder of the Bank. Clients will not be affected by this change in legal form, as all contractual relationships will be transferred to the universal legal successor of BWAG as a result of the merger, without any changes. The only impact on clients will be a change in the deposit protection system; their deposits will cease to be subject to the Slovak deposit protection system as of the merger and will be subject to the Austrian deposit protection system. Since the deposit protection system is regulated uniformly in the EU countries, this change will not have any practical impact on clients. The branch of the foreign bank will start its operations on the effective date of the cross-border merger, which will also be the date on which the Bank ceases to exist without liquidation. The aforementioned process is subject to prior approval by the National Bank of Slovakia.

As a result of the change in legal form, the Bank‘s equity will be transformed into a liability of the branch to the head office of the foreign bank.

Information on the risk management system

Information on risk management is included in the notes to the financial statements, specifically Chapter 5 „Financial and operational risk management“.

The share of non-performing loans increased slightly (3,58% as at 31.12.2024; 2,74% as at 31.12.2023) as a result of the decline in the loan portfolio. In November 2024, part of the non-performing loans was divested. The Bank has sufficient credit coverage by valuation allowances.

The Bank did not purchase securities during 2024. The portfolio of securities consists mainly of Slovak government bonds, while the average rating of the securities portfolio is at the A level (in accordance with the Moody‘s classification).

As a result of the decrease in the balance sheet of building savings and loans, there was a significant reduction in interest rate risk in the banking book, which is at a low level as of 31.12.2024. The loan-to-deposit ratio stands at 117,99% as of 31.12.2024. The Bank has taken steps to maintain the volume of deposits so that this ratio does not increase significantly. The Bank offers clients attractive interest rates for 12 months on matured deposits. This greatly helps in stabilizing this significant portfolio.
The LCR and NSFR indicators are above the legislative limits (LCR 1448,11%, NSFR 151,97%). The Bank thus maintains a healthy liquidity position.

The Bank‘s internal capital coverage ratio decreased to 294,56% compared to last year (2023: 347,19%) due to a slight increase in market risk and the inclusion of a new type of *credit spread risk* in the calculation.

In connection with the conflict in Ukraine, the Bank has no direct exposures to Russia, Ukraine or financial institutions and businesses in Ukraine and Russia. So far, no significant direct impacts have been recorded. The Bank does not expect significant indirect impacts on its risk profile.

However, the Bank will be directly affected by the so-called consolidation package, which was adopted by the National Council of the Slovak Republic on 3 October 2024 with the aim of stabilising public finances. In its financial plan, the Bank included an increase in the basic rate of value added tax from 20% to 23% as well as the introduction of a new tax on financial transactions. The first tax period will be April 2025.

Information on significant events that occurred after the end of the financial year

Significant events that occurred after the end of the financial year are included in item 6.27 of the notes to the financial statements.

Information on the costs of research and development activities

The Bank did not record R&D expenses in 2024.

Organizational units

The Bank does not have any organizational units abroad.

Overview of bank loans and other loans received

The Bank records liabilities to banks in the amount of EUR 25 million and liabilities to other financial institutions in the amount of EUR 20 million.

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

The Bank did not acquire its own shares, temporary certificates, or business shares and shares, temporary certificates and business shares of the parent accounting entity in its portfolio during the 2024 accounting period, nor does it own any as of 31 December 2024.

Sustainability reporting

In 2024, the Bank did not exceed the minimum requirements for individual reporting pursuant to Section 20c (1) and (2) of Act No. 431/2002 Coll., as amended (the „Accounting Act“), and therefore does not have an obligation to publish.

Pursuant to Section 20c(16) of the Accounting Act, the Bank will benefit from an exemption from the obligation to report individual sustainability information. A bank is a subsidiary whose parent company has its registered office in the Republic of Austria, i.e. in a Member State. The bank as a subsidiary and its subsidiaries are included in the consolidated report of that parent entity, which is prepared in accordance with the requirements for consolidated sustainability reporting under a legally binding European Union act.

The Bank is included in the consolidated report of the Wüstenrot Group for 2024. The report will be published on https://www.wuestenrot.at/de/ueber-uns/nachhaltigkeitsbezogene-offenlegungen.html.

Other information

The Bank did not receive any subsidies from public funds.

REPORT OF THE SUPERVISORY BOARD

During the three regular meetings, the Supervisory Board was acquainted with fundamental matters related to the development of business, the development of risks and the state of assets, including the situation in the personnel area. The Board was also regularly informed about the regulatory development of the Branchification variant and discussed these issues with the Board of Directors. The Supervisory Board fulfilled its control duties determined by law and the statutes. The Board of Directors submitted all required reports to the Supervisory Board in a timely manner and reported extensively on all relevant business policy issues.

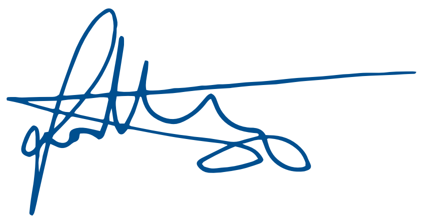
The financial statements for 2023, prepared in accordance with IFRS as adopted by the EU and audited by the auditing company PricewaterhouseCoopers Slovensko, s.r.o., which was appointed by the Supervisory Board, were approved by the General Meeting and recognized by the Banking Supervisory Authority.

The Supervisory Board accepted the proposal for the 2023 profit distribution, agreed not to pay dividends to the shareholder, and recommended that the General Meeting approve this proposal.

The Supervisory Board would like to thank all its employees as well as the members of the Board of Directors for their cooperation in 2024.

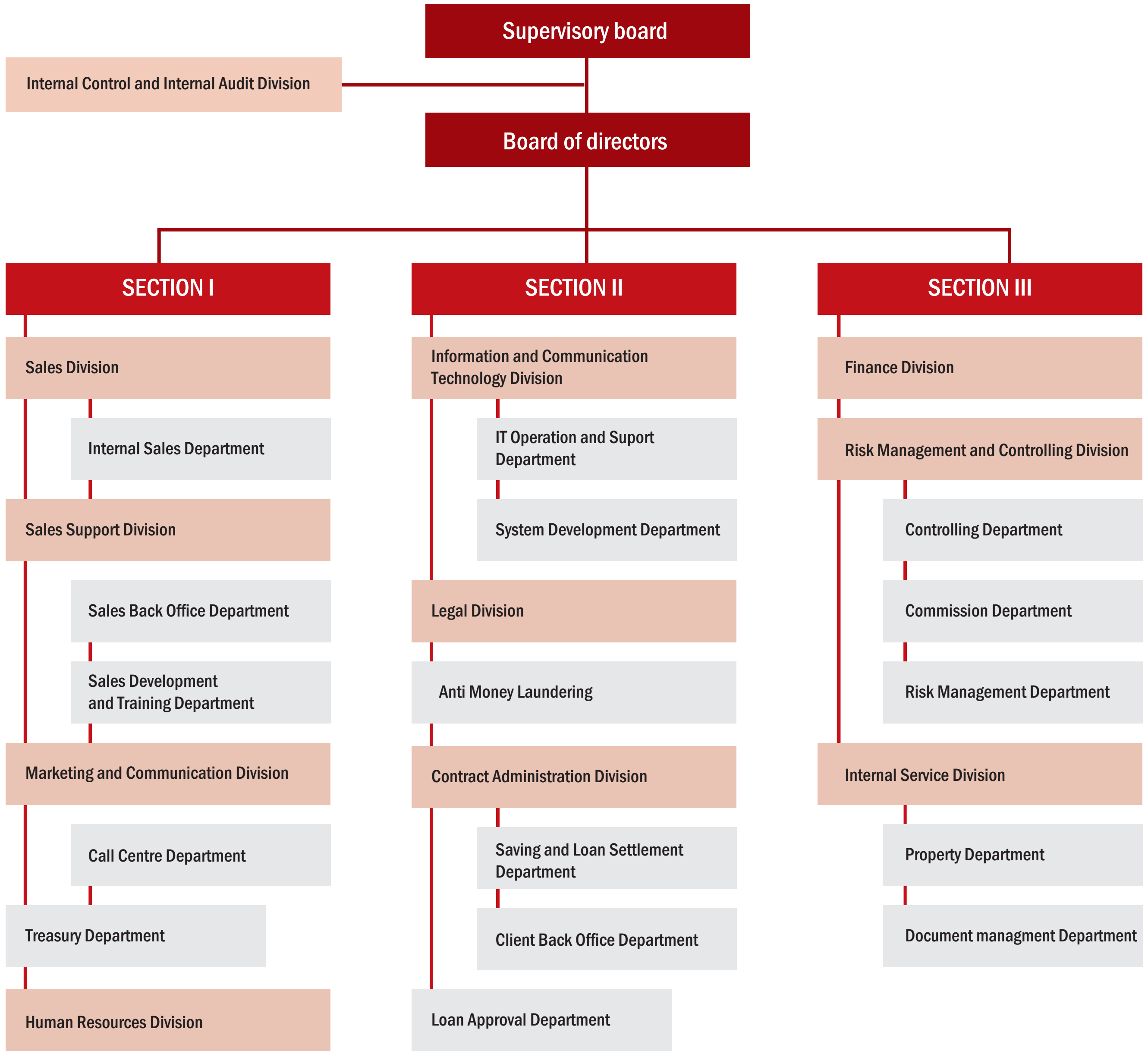
April 2025, Bratislava

On behalf of the Supervisory Board



Mag. Gregor Hofstätter-Pobst
Chairman of the Supervisory Board

Organisation chart Wüstenrot stavebná sporiteľňa as at 31 December 2024



Financial statements

for the year ended 31 December 2024,
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union

and Independent Auditor‘s Report

Wüstenrot stavebná sporiteľňa, a.s.

Financial statements for the year ended 31 December 2024,
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union

and

Independent Auditor's Report

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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 2024, 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 30 April 2025.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2024;
- the statement of profit or loss for the year then ended;
- the statement of other 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 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 2024 to 31 December 2024, are disclosed in Note 6.16 to the financial statements.

Emphasis of matter

We draw attention to Notes 1.6, 2.3 and 6.27 to the financial statements, which point out that in January 2025 the Supervisory Board of the Bank and the Board of Directors of the Bank decided on the intention to cease its operations as an independent legal entity due to the cross-border merger with its parent company Bausparkasse Wüstenrot Aktiengesellschaft (hereinafter „BWAG“). As of the planned merger date the Bank will be dissolved without liquidation and the business activities of the Bank will be transferred to the successor branch of the foreign bank BWAG. The merger is expected to take place in 2026. In preparation for the legal cross-border merger, the Bank has completed certain notifications required by law. Our opinion is not modified in respect of this matter.

Our audit approach

Overview

Materiality	Overall materiality: EUR 980 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.

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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 980 thousand
How we determined it	Overall materiality represents approximately 0.5% of loan portfolio of receivables from clients.
Rationale for the materiality benchmark applied	In consideration of the materiality benchmark we have taken into account the strategic direction of the Bank, which continues its rundown strategy and does not provide new building savings contracts and interim loans. As such, the loan portfolio is the primary focus of the Bank's management which is responsible for the loan portfolio reduction. Based on our professional judgement we applied quantitative threshold of approximately 0.5% and concluded that the materiality benchmark is appropriate for the users of the financial statements.

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
Expected credit losses allowance estimate	
As explained in Notes 4.1 and 5.1 to the financial statements, management estimated the expected credit losses allowance for loans to customers totalling EUR 3,831 thousand as at 31 December 2024. 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 Notes 4.1. and 5.1.	We assessed and tested design and operating effectiveness of controls related to timely identification of significant increase in credit risk and defaults of loans to customers, approval of assumptions and judgements employed in the calculation of expected credit losses and valuation of received collateral. 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. We verified that the models used for quantification of expected credit losses are in line with the requirements of IFRS 9.

Key audit matter	How our audit addressed the key audit matter
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 require judgment. The estimation of risk parameters for the determination of collective expected credit losses in stage 3 was assessed by us as a significant audit risk. 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.	We tested and evaluated on a sample basis 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. The underlying models and expert judgement applied by the Bank were assessed by our specialists for financial risk management and modelling. 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 on a sample basis as well as their presentation in the financial statements. On a sample basis, we assessed appropriateness of assumptions, completeness and accuracy of the underlying data that the Bank used to calculate expected credit losses.

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.
- 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 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 four years. Our appointment for the year ended 31 December 2024 was approved by the shareholder's resolution on 20 June 2024.

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

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

Ing. Eva Hupková, FCCA
SKAU licence No. 672

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

30 April 2025
Bratislava, Slovak Republic

Statement of financial position (Balance sheet)

in thousand EUR	Note	31 December 2024	31 December 2023
ASSETS			
Cash and cash equivalents	6.1	12 426	5 824
Investments in debt securities	6.2	44 842	54 165
Receivables from clients	6.3	194 301	210 231
Tax receivable - tax due	6.10	0	64
Other assets	6.5	221	233
Intangible assets	6.4	381	623
TOTAL ASSETS		**252 171**	**271 140**
LIABILITIES			
Liabilities to clients	6.6	170 800	192 224
Liabilities to banks	6.7	25 126	20 143
Liabilities to other financial institutions	6.7	20 294	20 264
Short-term provisions and accruals	6.8	410	823
Long-term provisions	6.9	50	50
Tax liabilities – tax due	6.10	4	0
Withholding tax	6.12	396	367
Other liabilities	6.12	470	485
Deferred tax liability	6.11	110	181
TOTAL LIABILITIES		**217 660**	**234 537**
EQUITY			
Share capital	6.13	16 597	16 597
Legal reserve fund	6.13	3 319	3 319
Remeasurement of financial assets at FVOCI		422	683
Retained earnings and loss carried forward		14 173	16 004
TOTAL EQUITY		**34 511**	**36 603**
TOTAL LIABILITIES AND EQUITY		**252 171**	**271 140**

The Notes on pages 1 to 54 are an integral part of these financial statements.

Statement of profit or loss (Income statement)

in thousand EUR	Note	For the year ended 31 December 2024	For the year ended 31 December 2023
Interest income calculated using the effective interest method		7 830	7 964
Interest expense		(4 866)	(4 352)
Net interest income	6.14	**2 964**	**3 612**
Fee and commission income		930	1 242
Cost of fees and commissions		(388)	(492)
Net fee and commission income	6.15	**542**	**750**
General operating expenses	6.16	(1 694)	(1 807)
Personnel costs	6.17	(2 269)	(2 384)
Depreciation of PPE	6.18	(41)	(63)
Amortization of intangible assets	6.18	(246)	(296)
Other operating income	6.19	70	115
Other operating expenses	6.20	(376)	(406)
Valuation allowances for credit transactions	6.21	(746)	(521)
Valuation allowances for debt securities		(2)	1
Valuation allowances for other assets	6.22	(29)	3
Profit/(loss) before taxes		**(1 827)**	**(996)**
Corporate income tax	6.23	(4)	(8)
Profit/(loss) after taxes		**(1 831)**	**(1 004)**

Statement of other comprehensive income

in thousand EUR	Note	For the year ended 31 December 2024	For the year ended 31 December 2023
Profit/(loss) after taxes		**(1 831)**	**(1 004)**
Other components of comprehensive income			
Items that may be reclassified to profit or loss in the future:			
Change in the fair value of FVOCI debt securities		(332)	329
Deferred tax posted to equity accounts	6.11	71	(69)
Other components of comprehensive income		**(261)**	**260**
Total comprehensive income for the period		**(2 092)**	**(744)**

Statement of changes in equity

for the year ended 31 December 2024

in thousand EUR	Share capital	Legal reserve fund	Remeasurement of financial assets FVOCI	Retained earnings	Total equity
Balance at 1 January 2024	**16 597**	**3 319**	**683**	**16 004**	**36 603**
Loss for 2024	0	0	0	(1 831)	(1 831)
Other components of comprehensive income					
FVOCI debt securities revaluation, after taxes	0	0	(261)	0	(261)
Total comprehensive income for the period	**0**	**0**	**(261)**	**(1 831)**	**(2 092)**
Balance at 31 December 2024	**16 597**	**3 319**	**422**	**14 173**	**34 511**

for the year ended 31 December 2023

in thousand EUR	Share capital	Legal reserve fund	Remeasurement of financial assets FVOCI	Retained earnings	Total equity
Balance at 1 January 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					
FVOCI debt securities revaluation, after taxes	0	0	260	0	260
Total comprehensive income for the period	**0**	**0**	**260**	**(1 004)**	**(744)**
Balance at 31 December 2023	**16 597**	**3 319**	**683**	**16 004**	**36 603**

Statement of cash flows

in thousand EUR	Note	For the year ended 31 December 2024	For the year ended 31 December 2023
Operating activities			
Profit/(loss) before taxes		**(1 827)**	**(996)**
Interest income	6.14	(7 830)	(7 964)
Interest expense	6.14	4 866	4 352
Amortization of intangible assets	6.18	246	296
Depreciation of PPE	6.18	41	63
Increase in valuation allowances for loans and securities	6.21	746	126
Increase in valuation allowances for other assets		33	0
Profit from the sale of non-current assets		(26)	0
Cash flows from operating activities before changes in operating assets and liabilities		**(3 750)**	**(4 123)**
Interest received		7 972	8 484
Interest paid		(3 986)	(3 932)
Cash inflow from the sale of receivables	6.21	282	395
Corporate income tax received / paid		64	(219)
Decrease in receivables from clients		14 748	19 795
Decrease in other assets		29	121
Decrease in liabilities to clients		(22 291)	(35 268)
Increase in liabilities to banks		5 000	9 986
Increase/(decrease) in liabilities to other financial institutions		0	4 991
Decrease in other liabilities		(398)	(765)
Net cash used in operating activities		**(2 330)**	**(534)**
Investing activities			
Cash inflow from repayment of investments in debt securities		9000	0
Changes in other assets		(32)	(21)
Changes in intangible assets		(5)	(10)
Net cash from investing activities		**8 963**	**(31)**
Change in cash and cash equivalents		**6 634**	**(565)**
Cash and cash equivalents at the beginning of the accounting period	6.1	5 824	6 389
Change in cash and cash equivalents consists of changes in the following items:			
Cash		0	(1)
Current accounts with other banks		(9)	(69)
Mandatory minimum reserves		38	120
Term deposits		6 605	(615)
Cash and cash equivalents at the end of the accounting period	6.1	**12 458**	**5 824**
Change in cash and cash equivalents		**6 634**	**(565)**

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 Petržalka
Corporate ID (IČO):	31 351 026
Tax ID (DIČ):	2022806304

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 2024, the network of Wüstenrot agencies included 2 business group managers and 29 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 2024, this network comprised 18 Wüstenrot centres across Slovakia, with 10 building savings advisors in total. 49 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 2024 and 31 December 2023:

SHAREHOLDER	**Registered office**	**Share in the registered capital (%) 2024**	**2023**
Bausparkasse Wüstenrot Aktiengesellschaft	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 EUR 16 597,00 (31 December 2023: 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 Bank bodies

The Bank's statutory and supervisory bodies in 2024:

Board of Directors		**Supervisory board**	
Chairman:	Ing. Marian Hrotka, PhD.	Chairman:	Mag. Gregor Hofstätter-Pobst
		Vice-chairman:	Dr. Susanne Riess-Hahn
Members:	JUDr. Katarína Novotná	Members:	Mag. Christine Sumper-Billinger (reappointed since 25.11.2024)
	Mag. Christian Sollinger, CIIA		Mag. Christian Wilhelm Zettl (since 1.7.2024)

The Bank's statutory and supervisory bodies in 2023:

Board of Directors		**Supervisory board**	
Chairman:	Ing. Marian Hrotka, PhD	Chairman:	Mag. Gregor Hofstätter-Pobst
		Vice-chairman:	Dr. Susanne Riess-Hahn
Members:	JUDr. Katarína Novotná (since 1.10.2023)	Members:	Mag. Christine Sumper-Billinger
	Mag. Christian Sollinger, CIIA		Andreas Senjak, MBA, CIIA (since 20.10.2023)
	Dr. Klaus Wöhry (until 30.09.2023)		Mag. Gerald Hasler (until 30.4.2023)

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 2024	**31 December 2023**
Total number of staff, of which:	130	139
- Management	*3*	*4*
	2024	**2023**
Average number of staff per year*	55	57

* 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

Wüstenrot stavebná sporiteľňa, a.s. continues its rundown strategy and does not provide new building savings contracts and interim loans.

As a result of this strategy, there has been a further decrease in the volume of receivables and liabilities to clients. The gradual reduction of the client portfolio will also result in a decrease in interest income and fee income in the coming years a decrease in the total assets and liabilities.

Given the legislative changes that were approved by parliament in 2024, part of the strategic direction will mainly be cessation of business operations of Wüstenrot stavebnej sporiteľne, a.s. as an independent legal entity and transfer its business activities to a branch of a foreign bank after the planned previous cross-border merger with the parent company Bausparkasse Wüstenrot AG, which is planned in April 2026. The branch of the foreign bank Bausparkasse Wüstenrot AG will focus on overseeing the stewardship of the current client portfolio.

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 2023 on 20 June 2024.

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 debt instruments measured at fair value through other comprehensive income (FVOCI) that are subsequently measured at fair value.

2.3 Going concern

Based on the strategic direction of the Bank, as outlined in section 1.6 of the notes to the financial statements, and the decision of the Supervisory Board in January 2025 regarding the intention for a cross-border merger with the parent company Bausparkasse Wüstenrot AG, the intention will be implemented in the course of 2026 after all legislative conditions have been met. On the effective date of the cross-border merger, the Bank will cease to exist without liquidation as an independent legal entity and its assets, rights and obligations will be transferred to the branch of the foreign bank Bausparkasse Wüstenrot AG as its universal legal successor. Bausparkasse Wüstenrot AG will continue the operations of the Bank in the legal form of a branch of a foreign bank, which will be established in Slovakia.

Although the aforementioned implies that these financial statements are not prepared under the assumption of the Bank's going concern, this fact has not impacted the accounting policies and methods used in their preparation. The Bank's financial statements have been prepared on the accrual basis of accounting, whereby transactions and events are recorded when they occur and are reported in the financial statements for the period to which they relate.

The financial statements do not include any adjustments that might arise from the planned intention to merge the Bank with the branch of the foreign bank Bausparkasse Wüstenrot AG, from changes in the scope of operations or strategy of the Bank, which would lead to changes in the classification or valuation of assets and liabilities.

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 MATERIAL ACCOUNTING POLICY INFORMATION

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 by 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 valuation 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 valuation allowance set-up due to ECL is recognized for financial assets stated at amortized cost and for investments in debt instruments 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 6.14.1 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 the P/L item ‘*Interest income calculated using the effective interest method’.*

Business model and SPPI test: Further information on the business model assessment as well as the assessment of the SPPI criteria is described in Section 4.1 of the Notes.

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 valuation 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;
(ii) 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 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.

3.8 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.

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.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.

3.9 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.

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. 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.

3.10 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.

3.11 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 set up 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.

3.12 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 in Section 6.24 of the Notes.

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 6.24 of the Notes).

3.13 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 Bank 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 Bank to the Social Insurance Agency or a private fund on the basis of the relevant legal regulations. The Bank 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.

3.14 Equity

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.

3.15 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 valuation 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.

3.16 Accounting for fees and commissions

Loan-processing charges 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 3.16 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:
Revenues related to transactions 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.

3.17 Corporate income tax

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

The corporate tax stated in the income statement 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 result for the current period by adding items that increase, and deducting items that decrease the result.

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.

3.18 Embedded derivatives

Interest bonus (Section 6.6 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.

3.19 Issued standards, interpretations, and amendments to standards which the Bank applied for the first time in 2024

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (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 assessed these amendments which had no material impact on the financial statements for the year ended 31 December 2024.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These 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 twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. 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. The Bank assessed these amendments which had no material impact on the financial statements for the year ended 31 December 2024.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024). 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 entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The Bank assessed these amendments which had no material impact on the financial statements for the year ended 31 December 2024.

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

Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025). 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 can 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 has assessed these amendments as irrelevant for its activities.

Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026). On 30 May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 to:

(a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;

(b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;

(c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and

(d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The Bank is currently assessing the impact of these amendments.

Annual Improvements to IFRS Accounting Standards (Issued in July 2024 and effective from 1 January 2026). IFRS 1 was clarified that a hedge should be discontinued upon transition to IFRS Accounting Standards if it does not meet the ‘qualifying criteria’, rather than ‘conditions’ for hedge accounting, in order to resolve a potential confusion arising from an inconsistency between the wording in IFRS 1 and the requirements for hedge accounting in IFRS 9.

IFRS 7 requires disclosures about a gain or loss on derecognition relating to financial assets in which the entity has a continuing involvement, including whether fair value measurements included ‘significant unobservable inputs’. This new phrase replaced reference to ‘significant inputs that were not based on observable market data’. The amendment makes the wording consistent with IFRS 13. In addition, certain IFRS 7 implementation guidance examples were clarified and text added that the examples do not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7.

IFRS 16 was amended to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply IFRS 9 guidance to recognise any resulting gain or loss in profit or loss. This clarification applies to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment.

In order to resolve an inconsistency between IFRS 9 and IFRS 15, trade receivables are now required to be initially recognised at ‘the amount determined by applying IFRS 15’ instead of at ‘their transaction price (as defined in IFRS 15)’.

IFRS 10 was amended to use less conclusive language when an entity is a ‘de-facto agent’ and to clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de-facto agent.

IAS 7 was corrected to delete references to ‘cost method’ that was removed from IFRS Accounting Standards in May 2008 when the IASB issued amendment ‘Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate’. The Bank is currently assessing the impact of these improvements.

IFRS 18 Presentation and Disclosure in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027). In April 2024, the IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity’s financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and also applies to comparative information. The Bank is currently assessing the effects of this standard.

IFRS 19 Subsidiaries without Public Accountability: Disclosures (Issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027). The International Accounting Standard Board (IASB) has issued a new IFRS Accounting Standard for subsidiaries. IFRS 19 permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures. Applying IFRS 19 will reduce the costs of preparing subsidiaries' financial statements while maintaining the usefulness of the information for users of their financial statements. Subsidiaries using IFRS Accounting Standards for their own financial statements provide disclosures that maybe disproportionate to the information needs of their users. IFRS 19 will resolve these challenges by:

- enabling subsidiaries to keep only one set of accounting records – to meet the needs of both their parent company and the users of their financial statements;
- reducing disclosure requirements – IFRS 19 permits reduced disclosure better suited to the needs of the users of their financial statements.

The Bank is currently assessing the effects of this standard.

4 USE OF ESTIMATES AND JUDGEMENTS

4.1 Measurement of valuation allowances 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 valuation allowance for expected credit losses (hereafter the "loss allowance"): definition of default, SICR, PD, EAD, LGD (see also 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 2024 and the internally defined adverse scenario:

	Unemployment rate (change)	**GDP growth**	**Probability**
Expected scenario	0,10%	0,00%	40%
Favourable scenario	(0,10%)	(0,10%)	20%
Adverse scenario	1,00%	(1,50%)	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 2024 would lead to an increase in loss allowances as follows:

in thousand EUR	**Increase in ELC**
5% increase in LGD	186
5% increase in PD	40
Total increase in ELC if LGD and PD were changed by 5%	**228**

in thousand EUR	**Increase in ELC**
10% increase in LGD	367
10% increase in PD	81
Total increase in ELC if LGD and PD were changed by 10%	**456**

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 thousand EUR	**Increase in ELC**
5% increase in LGD	166
5% increase in PD	46
Total increase in ELC if LGD and PD were changed by 5%	**214**

in thousand EUR	**Increase in ELC**
10% increase in LGD	331
10% increase in PD	92
Total increase in ELC if LGD and PD were changed by 10%	**432**

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 and bonus for savings deposits. These bonuses are 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.

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.

The interest bonus liabilities for savings products are described in Section 6.6.1 of the Notes.

4.3 Measurement of financial instruments

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 6.26 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 statement of profit or loss would not change:

in thousand EUR	**Impact reported in P/L***		**Impact reported in OCI**	
31 December 2024	**Favourable**	**Unfavourable**	**Favourable**	**Unfavourable**
Financial assets FVOCI	0	0	322	312
Total	**0**	**0**	**322**	**312**

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

*P/L = Profit or loss

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 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 modified and implemented in accordance with the NBS Regulation from 19 November 2024, amending and supplementing the NBS Regulation of 31 March 2015 No. 4/2015 on Other Types of Risks, on Details of a Risk Management System of a Bank and 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 set-up of valuation allowances.

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 description in Section 5.1.2 of the Notes).

Comments on the current situation
The Bank assesses the limits set up for borrowers to be sufficient in the current situation. In 2024, 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. Same scenario is expected in 2025.

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

Determining the ECL amount - 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 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) Building society loans to legal entities – mostly for the construction of residential buildings in accordance with the Building Society Saving Act, regardless of the target amount;
b) Building society loans to legal entities with a target amount over EUR 350 thousand;
c) Building society loans to individuals with a target amount over EUR 200 thousand
d) Money and capital market investments; and
e) Borrowings to other group undertakings

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:

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

where:
LGDi – loss given 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 – Credit Conversion Factor - 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 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 2024, LGDs for secured and unsecured loans were adjusted so that their amounts correspond to the expected loss for loans which were sold in 2024. 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.

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 EUR 100 (loans to individuals) or EUR 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*.

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 2024 and 31 December 2023:

	31 December 2024			**31 December 2023**		
in thousand EUR	**Gross carrying amount**	**Valuation allowance due to expected losses**	**Carrying amount**	**Gross carrying amount**	**Valuation allowance due to expected losses**	**Carrying amount**
Building society loans – secured						
Stage 1	2 029	1	2 028	2 215	1	2 214
Stage 2	285	2	283	354	3	351
Stage 3	84	6	78	55	3	52
Total building society loans – secured	**2 398**	**9**	**2 389**	**2 624**	**7**	**2 617**
Building society loans – unsecured						
Stage 1	7 824	50	7 774	6 682	37	6 645
Stage 2	208	5	203	179	4	175
Stage 3	198	179	19	161	152	9
Total building society loans – unsecured	**8 230**	**234**	**7 996**	**7 022**	**193**	**6 829**
Interim loans – individuals – secured						
Stage 1	102 092	99	101 993	107 558	117	107 441
Stage 2	17 363	311	17 052	19 483	248	19 235
Stage 3	5 500	1 344	4 156	4 238	1 015	3 223
Total interim loans -individuals – secured	**124 955**	**1 754**	**123 201**	**131 279**	**1 380**	**129 899**
Interim loans – individuals – unsecured						
Stage 1	18 075	195	17 880	24 186	303	23 883
Stage 2	3 784	142	3 642	4 948	208	4 740
Stage 3	2 287	1 497	790	2 055	1 383	672
Total interim loans – individuals – unsecured	**24 146**	**1 834**	**22 312**	**31 189**	**1 894**	**29 295**
Interim loans – legal entities						
Stage 1	37 696	0	37 696	41 054	0	41 054
Stage 2	707	0	707	123	0	123
Stage 3	0	0	0	453	39	414
Total interim loans – legal entities	**38 403**	**0**	**38 403**	**41 630**	**39**	**41 591**
Total building society loans and interim loans	**198 132**	**3 831**	**194 301**	**213 744**	**3 513**	**210 231**

At 31 December 2024, the Bank shows loan commitments in the gross amount of EUR 1 171 thousand (31 December 2023: EUR 1 494 thousand). The Bank manages credit risk from provided unconditional loan commitments by monitoring their amount and during the loan approval process. 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.

	31 December 2024		**31 December 2023**	
in thousand EUR	**Gross carrying amount**	**Valuation allowance due to expected losses**	**Gross carrying amount**	**Valuation allowance due to expected losses**
Building society loans				
Stage 1	184	0	155	0
Stage 2	6	0	1	0
Stage 3	3	0	0	0
Total building society loan	**193**	**0**	**156**	**0**
Interim loans				
Stage 1	851	0	1 199	0
Stage 2	71	0	85	0
Stage 3	56	0	54	0
Total interim loans	**978**	**0**	**1 338**	**0**
Total building society loans and interim loans	**1 171**	**0**	**1 494**	**0**

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 2024:

	Gross carrying amount				**Valuation allowance due to expected losses**			
in thousand EUR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Standardized calculation	167 716	22 347	8 004	198 067	345	460	2 961	3 766
Individual assessment	0	0	65	65	0	0	65	65
Total building society loans and interim loans	**167 716**	**22 347**	**8 069**	**198 132**	**345**	**460**	**3 026**	**3 831**

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:

	Gross carrying amount				**Valuation allowance due to expected losses**			
in thousand EUR	**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**

5.1.2.2 Collateral

Impact of collateral:

31 December 2024	**Receivables exceeding the value of the collateral received**		**Receivables below the value of the collateral received**	
in thousand EUR	**Receivable value**	**Fair value of the collateral**	**Receivable value**	**Fair value of the collateral**
Building society loans	8 291	0	2 337	15 432
Interim loans – individuals	26 763	2 400	122 338	175 293
Interim loans – legal entities	38 403	0	0	0
Total	**73 457**	**2 400**	**124 675**	**190 725**

31 December 2023	**Receivables exceeding the value of the collateral received**		**Receivables below the value of the collateral received**	
in thousand EUR	**Receivable value**	**Fair value of the collateral**	**Receivable value**	**Fair value of the collateral**
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**

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 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 2024 and 2023:

SECURED LOANS 31. December 2024	**Gross carrying amount**				**Valuation allowance due to expected losses**			
in thousand EUR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
LTV ≤ 50%	21 062	2 251	333	23 646	11	20	26	57
LTV 51-70%	39 153	4 755	1 580	45 488	34	58	266	358
LTV 71-80%	33 105	8 440	1 742	43 287	38	177	411	626
LTV 81-90%	10 310	2 048	1 161	13 519	16	54	367	437
LTV > 90%	491	154	768	1 413	1	4	280	285
Total secured loans	**104 121**	**17 648**	**5 584**	**127 353**	**100**	**313**	**1 350**	**1 763**

SECURED LOANS 31. December 2023	**Gross carrying amount**				**Valuation allowance due to expected losses**			
in thousand EUR	**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 measured at amortized cost and the value of real estate collateral by ECL stages at 31 December 2024 and 31 December 2023:

LOANS SECURED BY REAL ESTATE COLLATERAL	**31 December 2024**		**31 December 2023**	
in thousand EUR	**Gross carrying amount**	**Real estate collateral**	**Gross carrying amount**	**Real estate collateral**
Stage 1	104 121	162 375	109 773	169 604
Stage 2	17 648	23 989	19 837	27 018
Stage 3	5 584	6 761	4 293	5 163
Total loans secured by real estate collateral	**127 353**	**193 125**	**133 903**	**201 785**

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	**Gross carrying amount**				**Valuation allowance due to expected losses**			
in thousand EUR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1 January 2024	8 897	533	216	9 646	38	7	155	200
Transfer to lifetime ECL: from Stage 1 to Stages 2 and 3	(169)	152	17	0	(1)	1	11	11
Transfer to credit-impaired category: from Stage 2 to Stage 3	0	(43)	43	0	0	0	6	6
Transfer to 12-month ECL: from Stages 2 and 3 to Stage 1	148	(133)	(15)	0	1	(2)	(12)	(13)
Transfer from Stage 3 to Stage 2	0	3	(3)	0	0	0	0	0
Transformed from interim loans to building society loans	4 021	114	45	4 180	28	2	32	62
New loans	54	0	0	54	0	0	0	0
Sold loans	(12)	(28)	(7)	(47)	(0)	(1)	0	(1)
Cancelled and repaid loans	(824)	(5)	0	(829)	(4)	0	0	(4)
Other changes (without change of stage)	(2 262)	(100)	(14)	(2 376)	(11)	0	(7)	(18)
31 December 2024	**9 853**	**493**	**282**	**10 628**	**51**	**7**	**185**	**243**

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.

BUILDING SOCIETY LOANS AND EMPLOYEE LOANS	**Gross carrying amount**				**Valuation allowance due to expected losses**			
in thousand EUR	**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)
Transformed from interim loans to building society loans	2 915	235	30	3 180	16	3	24	43
New loans	59	0	0	59	0	0	0	0
Sold loans	0	(27)	(62)	(89)	0	0	(19)	(19)
Cancelled and repaid loans	(1 027)	(64)	(13)	(1 104)	(4)	(1)	(11)	(16)
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**

INTERIM LOANS TO INDIVIDUALS	**Gross carrying amount**				**Valuation allowance due to expected losses**			
in thousand EUR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1 January 2024	131 744	24 431	6 293	162 468	420	456	2 398	3 274
Transfer to lifetime ECL: from Stage 1 to Stages 2 and 3	(3 986)	3 508	478	0	(16)	73	202	259
Transfer to credit-impaired category: from Stage 2 to Stage 3	0	(2 615)	2 615	0	0	(63)	858	795
Transfer to 12-month ECL: from Stages 2 and 3 to Stage 1	3 629	(3 492)	(137)	0	10	(61)	(22)	(73)
Transfer from Stage 3 to Stage 2	0	511	(511)	0	0	16	(171)	(155)
Sold loans	(101)	(303)	(515)	(919)	(1)	(10)	(353)	(364)
Cancelled and repaid loans	(11 328)	(939)	(519)	(12 786)	(64)	(23)	(135)	(222)
Other changes (without change of stage)	209	46	83	338	(55)	65	64	74
31 December 2024	**120 167**	**21 147**	**7 787**	**149 101**	**294**	**453**	**2 841**	**3 588**

INTERIM LOANS TO INDIVIDUALS	**Gross carrying amount**				**Valuation allowance due to expected losses**			
in thousand EUR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**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)
Sold loans	(60)	(526)	(373)	(959)	(1)	(14)	(247)	(262)
Cancelled and repaid loans	(13 865)	(2 150)	(916)	(16 931)	(78)	(32)	(268)	(378)
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 LEGAL ENTITIES	**Gross carrying amount**				**Valuation allowance due to expected losses**			
in thousand EUR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1 January 2024	41 054	123	453	41 630	0	0	39	39
Transfer to lifetime ECL: from Stage 1 to Stages 2 and 3	-253	253	0	0	0	0	0	0
Transfer to 12-month ECL: from Stages 2 and 3 to Stage 1	96	(96)	0	0	0	0	0	0
Transfer from Stage 3 to Stage 2	0	452	(452)	0	0	0	(39)	(39)
Sold loans	0	0	0	0	0	0	0	0
Cancelled and repaid loans	(3 261)	(27)	0	(3 288)	0	0	0	0
Other changes (without change of stage)	60	2	(1)	61	0	0	0	0
31 December 2024	**37 696**	**707**	**0**	**38 403**	**0**	**0**	**0**	**0**

INTERIM LOANS TO LEGAL ENTITIES	**Gross carrying amount**				**Valuation allowance due to expected losses**			
in thousand EUR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
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 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
Cancelled and repaid 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**

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 valuation allowances 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 valuation allowances 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 2024:

BUILDING SOCIETY LOANS AND EMPLOYEE LOANS	**Gross carrying amount**				**Valuation allowance due to expected losses**			
in thousand EUR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
DPD 0	9 853	177	35	10 065	51	1	23	75
DPD 30	0	309	5	314	0	6	5	11
DPD 60	0	7	4	11	0	0	3	3
DPD ≥ 90	0	0	238	238	0	0	154	154
Total	**9 853**	**493**	**282**	**10 628**	**51**	**7**	**185**	**243**

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	**Gross carrying amount**				**Valuation allowance due to expected losses**			
in thousand EUR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**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	**8 897**	**533**	**216**	**9 646**	**38**	**7**	**155**	**200**

The following table shows gross carrying amounts for interim loans to individuals and valuation allowances by days past due (DPD) and stages at 31 December 2024:

INTERIM LOANS TO INDIVIDUALS	**Gross carrying amount**				**Valuation allowance due to expected losses**			
in thousand EUR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
DPD 0	120 167	16 522	3 520	140 209	294	297	1 186	1 777
DPD 30	0	3 364	1 160	4 524	0	104	479	583
DPD 60	0	1 261	961	2 222	0	52	356	408
DPD ≥ 90	0	0	2 146	2 146	0	0	820	820
Total	**120 167**	**21 147**	**7 787**	**149 101**	**294**	**453**	**2 841**	**3 588**

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

INTERIM LOANS TO INDIVIDUALS	**Gross carrying amount**				**Valuation allowance due to expected losses**			
in thousand EUR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**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	**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 legal entities and valuation allowances by days past due (DPD) and stages at 31 December 2024:

INTERIM LOANS TO LEGAL ENTITIES	**Gross carrying amount**				**Valuation allowance due to expected losses**			
in thousand EUR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
DPD 0	37 696	545	0	38 241	0	0	0	0
DPD 30	0	162	0	162	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	**37 696**	**707**	**0**	**38 403**	**0**	**0**	**0**	**0**

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	**Gross carrying amount**				**Valuation allowance due to expected losses**			
in thousand EUR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**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	**41 054**	**123**	**453**	**41 630**	**0**	**0**	**39**	**39**

The following table shows the movements in the valuation allowance account due to expected losses for receivables at amortized cost at 31 December 2024 and 31 December 2023 reported in the income statement during 2024 and 2023:

Valuation allowance due to expected losses (*in thousand EUR*)	**2024**	**2023**
1 January	**3 513**	**3 455**
Set-up/release of valuation allowances for receivables from clients posted to expenses	1 028	900
Set-up/release of valuation allowances for receivables from clients in Stage 3 recognized via interest income	201	139
Non-recoverable loans and interim loans written off	(912)	(981)
31 December	**3 830**	**3 513**

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 2024 and 31 December 2023, 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 2024 and 31 December 2023 also represents the Bank's maximum exposure to credit risk for the these assets:

	31 December 2024				**31 December 2023**			
v tis. EUR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Government bonds	36 219	0	0	36 219	36 088	0	0	36 088
Fair value remeasurement	525	0	0	525	859	0	0	859
Total debt securities measured at FVOCI	**36 744**	**0**	**0**	**36 744**	**36 947**	**0**	**0**	**36 947**
FVOCI Valuation allowances	-8	0	0	-8	-5	0	0	-5

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 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.

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 2024 and 31 December 2023 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 2024 and 31 December 2023 also represents the Bank's maximum exposure to credit risk for these assets:

	31 December 2024				**31 December 2023**			
in thousand EUR	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Government bonds	2 041	0	0	2 041	11 158	0	0	11 158
Bank bonds	4 027	0	0	4 027	4 024	0	0	4 024
Corporate bonds	2 032	0	0	2 032	2 039	0	0	2 039
Valuation allowances	(2)	0	0	(2)	(3)	0	0	(3)
Total debt securities measured at amortized cost	**8 098**	**0**	**0**	**8 098**	**17 218**	**0**	**0**	**17 218**

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

At 31 December 2024 and 31 December 2023, 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:

	31 December 2024				31 December 2023			
in thousand EUR	**Amount**	**Rating Moody's**	**Rating S&P**	**Rating Fitch**	**Amount**	**Rating Moody's**	**Rating S&P**	**Rating Fitch**
Target 2 clearing account – NBS	190	A3	A+	A-	152	A2	A+	A-
Current accounts at ČSOB	4	A3			22	A3		
Current accounts at Tatra banka	8	Baa1			5	A3		
Current accounts at UniCredit Bank Slovakia	247	A2			231	A2		
Current accounts at 365.Bank	3	Ba1			13	Ba1		BB
Total	**452**				**423**			
Term deposits – NBS	0	A3	A+	A-	5 402	A2	A+	A-
Term deposits - PSS	4 007				0			
Term deposits - ČSOB	8 001	A3			0			
Total	**12 008**				**5 402**			
VUB mortgage bonds	2 007	A2			2 004	A2		
Rabobank bank bond	2 020	Aa2	A+	AA-	2 020	Aa2	A+	AA-
Daimler bond	2 032	A2	A	A	2 039	A2	A	A
FVOCI government bonds – Slovakia	32 753	A3	A+	A-	33 018	A2	A+	A-
FVOCI government bonds – Poland	2 005	A2	A-	A-	1 978	A2	A-	A-
FVOCI government bonds – Spain	1 986	Baa1	A	A-	1 956	Baa1	A	A-
AC government bonds – Slovakia	2 041	A3	A+	A-	11 158	A2	A+	A-
Total	**44 844**				**54 173**			

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

	31 December 2024		31 December 2023	
in thousand EUR	**Amount**	**Average PD**	**Amount**	**Average PD**
AAA to AA-	2 020	0,06 %	2 020	0,06 %
A+ to A-	51 266	0,06 %	57 965	0,05 %
BBB+ to BBB-	8	0,18 %	0	-
BB+ to BB-	3	0,86 %	13	1,18 %
Without rating	4 007	1,55 %	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. The sale of receivables is currently the primary way of treating receivables that were requested for instant repayment.

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.

If the primary method of resolving receivables requested for instant repayment by selling them is not used, the Bank proceeds as follows:

Extraordinary repayment schedule outside enforcement in court or via execution
If immediately after sending a request for instant repayment of the loan, 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 instant full repayment of a loan, accounting for any repayments received from that loan is the same as accounting for payments received from clients whose loans are not overdue 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;
- 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 thousand EUR	**31 December 2024**	**31 December 2023**
Own funds		
Tier 1 capital		
Share capital and share premium	16 597	16 597
Reserve funds and other revenue reserves	3 319	3 319
Retained earnings, without current-year profit	16 005	17 008
less: losses for the current financial year	-1 831	-1 004
less: intangible assets	-368	-588
Transitional capital adjustments under IFRS 9	0	0
Positive valuation differences	422	683
Total Tier 1 capital	**34 144**	**36 015**
Tier 2 capital		
Positive valuation differences	0	0
Amount by which valuation allowances exceed the expected loss from the bank's assets and other bank exposures	0	0
Total Tier 2 capital	**0**	**0**
Total own funds	**34 144**	**36 015**

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 thousand EUR	**31 December 2024**	**31 December 2023**
Risk weighted assets	104 011	115 389
Total risk-weighted assets	**104 011**	**115 389**
Capital ratios based on information provided internally to the Bank's key management		
Total own funds as a percentage of risk-weighted assets	32,83%	31,21%
Total Tier 1 capital as a percentage of risk-weighted assets	32,83%	31,21%

At 31 December 2024, the Bank's own funds totalled EUR 34 144 thousand (31 December 2023: EUR 36 015 thousand). Until 31 December 2024 (as in 2023), 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 2024

in thousand EUR	**≤ 1 month**	**>1 month ≤ 3 months**	**>3 months ≤ 1 year**	**>1 year ≤ 5 years**	**> 5 years**	**TOTAL**	**Carrying amount**
Cash and cash equivalents	12 458	0	0	0	0	12 458	12 426
Investments in debt securities	58	55	33 443	12 242	0	45 798	44 842
Receivables from clients	678	1 350	9 661	50 302	192 534	254 525	194 301
Other financial assets	21	0	0	0	0	21	21
Total financial assets	**13 215**	**1 405**	**43 104**	**62 544**	**192 534**	**312 802**	**251 590**

in thousand EUR	**≤ 1 month**	**>1 month ≤ 3 months**	**>3 months ≤ 1 year**	**>1 year ≤ 5 years**	**> 5 years**	**TOTAL**	**Carrying amount**
Payables to clients	36 667	23 161	19 287	74 506	27 166	180 787	170 800
Liabilities to banks			25 126	0	0	25 126	25 126
Liabilities to other financial institutions	0	0	20 294	0	0	20 294	20 294
Other financial liabilities	153	0	0	0	0	153	153
Loan commitments	1 171	0	0	0	0	1 171	1 171
Total financial liabilities	**37 991**	**23 161**	**64 707**	**74 506**	**27 166**	**227 531**	**217 544**

Expected remaining maturity of non-discounted financial liabilities:

31 December 2024

in thousand EUR	**≤ 1 month**	**>1 month ≤ 3 months**	**>3 months ≤ 1 year**	**>1 year ≤ 5 years**	**> 5 years**	**TOTAL**
Payables to clients	4 695	12 821	20 164	80 429	61 945	180 054
Liabilities to banks	0	25 126	0	0	0	25 126
Liabilities to other financial institutions	20 294	0	0	0	0	20 294
Other financial liabilities	153	0	0	0	0	153
Loan commitments	1 171	0	0	0	0	1 171
Total financial liabilities	**26 313**	**37 947**	**20 164**	**80 429**	**61 945**	**226 798**

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.

Contractual remaining maturity of financial assets and liabilities:

31 December 2023

in thousand EUR	≤ 1 month	>1 month ≤ 3 months	>3 months ≤ 1 year	>1 year ≤ 5 years	> 5 years	TOTAL	Carrying amount
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 thousand EUR	≤ 1 month	>1 month ≤ 3 months	>3 months ≤ 1 year	>1 year ≤ 5 years	> 5 years	TOTAL	Carrying amount
Payables to clients	35 232	11 823	25 815	97 977	26 825	197 672	192 224
Liabilities to banks	0	0	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

in thousand EUR	≤ 1 month	>1 month ≤ 3 months	>3 months ≤ 1 year	>1 year ≤ 5 years	> 5 years	TOTAL
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**

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 2024 and 2023, 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 modelling changes in the economic value of interest-sensitive assets and liabilities. The Bank performs this analysis on a monthly basis.

In 2024, the Bank offered an interest rate of 2.25% p.a. for 12 months on overdue deposits received. The average balance of deposits on overdue contracts in 2024 was EUR 47 278 thousand. The impact of an increase/decrease in the market interest rate by 1% on profit or loss would be EUR -473 thousand /+473 thousand.

The bank has short-term liabilities to banks and other financial institutions. In 2024, the impact of an increase/decrease in the market interest rate by 1% on profit or loss would be -EUR 433 thousand /+433 thousand.

The impact on equity resulted from a change in the price of FVOCI financial assets due to an interest rate change by 1% would be EUR -312 thousand /+322 thousand (31 December 2023: EUR -650 thousand /+ 669 thousand).

Effective interest rates of financial instruments:

in %	**31 December 2024**	**31 December 2023**
Cash and cash equivalents	2,93	3,71
Financial assets at fair value (FVOCI)	4,45	4,45
Financial assets at amortized cost	1,15	1,83
Receivables from clients	2,90	2,86
Client deposits	1,33	0,97
Liabilities to banks	2,97	4,15
Liabilities to other financial institutions	3,48	3,86

Financial instruments, liabilities, and loan commitments by category:

31 December 2024 *in thousand EUR*	***Amortized cost***	***Fair value through other comprehensive income (FVOCI)***	***Total carrying amount***	***Fair value***
Cash and cash equivalents	12 426	0	12 426	12 426
Investments in debt securities	8 098	36 744	44 842	44 645
Receivables from clients, of which:				
- building society loans	10 385	0	10 385	10 317
- interim loans – individuals	145 513	0	145 513	138 768
- interim loans – legal entities	38 403	0	38 403	35 982
Other financial assets	21	0	21	21
Total financial assets	**214 845**	**36 744**	**251 590**	**231 842**
Liabilities to clients	170 800	0	170 800	167 299
Liabilities to banks	25 126	0	25 126	25 126
Liabilities to other financial institutions	20 294	0	20 294	20 294
Other financial liabilities	153	0	153	153
Total financial liabilities	**216 373**	**0**	**216 373**	**212 872**

At 31 December 2024, off-balance sheet liability commitments are reported in the net amount of EUR 1 171 thousand. Fair value of off-balance sheet liability commitments amounts to EUR 1 171 thousand.

31 December 2023 *in thousand 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 recognized 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 the NBS Regulation from 19 November 2024, amending and supplementing the NBS Regulation of 31 March 2015 No. 4/2015 on Other Types of Risks, on Details of a Risk Management System of a Bank and 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 2024 and 31 December 2023 comprise the following items:

in thousand EUR	**31 December 2024**	**31 December 2023**
Current accounts	261	271
Deposits with central banks	31	(3)
Term deposits	12 007	5 402
Cash and cash equivalents	**12 299**	**5 670**
Mandatory minimum reserves	159	155
Valuation allowance	(33)	(1)
Total	**12 426**	**5 824**

6.2 Investments in debt securities

in thousand EUR	**31 December 2024**	**31 December 2023**
Debt instruments at fair value (FVOCI)	36 744	36 947
Debt instruments at amortized cost	8 098	17 218
Total investments in debt instruments	**44 842**	**54 165**

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

	31 December 2024			**31 December 2023**		
in thousand EUR	**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	36 744	2 041	38 785	36 952	11 158	48 110
Bank bonds	0	4 027	4 027	0	4 024	4 024
Corporate bonds	0	2 032	2 032	0	2 039	2 039
Investments in debt instruments (fair value or gross carrying amount)	36 744	8 100	44 844	36 952	17 221	54 173
ECL valuation allowance	0	(2)	(2)	(5)	(3)	(8)
Investments in debt instruments (carrying amount)	**36 744**	**8 098**	**44 842**	**36 947**	**17 218**	**54 165**

In 2024 and 2023, the Bank did not sell any bonds. In 2024, government bonds in amount of EUR 9 000 thousand became due (2023: none).

6.3 Receivables from clients

Section 5.1.2.1 of the Notes shows 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 2024 and 31 December 2023.

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 Intangible assets

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

in thousand EUR	***Software***	**Intangible assets under development**	***Total***
Acquisition cost			
1 January 2024	6 013	1	6 014
Additions	0	5	5
Transfers	3	(3)	0
Disposals	0	0	0
31 December 2024	**6 016**	**3**	**6 019**
Accumulated depreciation and valuation allowances			
1 January 2024	(5 392)	**0**	(5 392)
Additions	(246)	0	(246)
Disposals	0	0	0
31 December 2024	**(5 638)**	**0**	**(5 638)**
Net book value			
31 December 2024	**378**	**3**	**381**

in thousand EUR	**Software**	**Intangible assets under development**	**Total**
Acquisition cost			
1 January 2023	5 978	28	6 006
Additions	0	9	9
Transfers	36	(36)	0
Disposals	0	0	0
31 December 2023	**6 014**	**1**	**6 015**
Accumulated depreciation and valuation allowances			
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**

At 31 December 2024, the Bank records fully amortized intangible assets at an acquisition cost of EUR 3 996 thousand (31 December 2023: EUR 3 221 thousand) that are still used.

6.5 Other assets

in thousand EUR	31 December 2024	31 December 2023
Total property, plant and equipment	**90**	**73**
Other (financial) assets		
Various debtors	96	103
Valuation allowances	(75)	(82)
Other receivables from clients – fees	6	8
Valuation allowances for receivables from fees	(6)	(8)
Total other financial assets	**21**	**21**
Other (non-financial) assets		
Inventories	15	16
Operating advance payments provided	9	10
Deferred expenses	86	113
Total other non-financial assets	**110**	**139**
Total other assets	**221**	**233**

The '*Various debtors*' line mainly includes receivables from commissions of EUR 96 thousand (31 December 2023: EUR 103 thousand). A 100% valuation allowance amounting to EUR 75 thousand is set up for receivables from commissions overdue for more than 90 days (31 December 2023: EUR 82 thousand).

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

At 31 December 2024, the most significant items which the Bank keeps under deferred expenses include the cost of intercompany projects of EUR 41 thousand (31 December 2023: EUR 80 thousand).

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

in thousand EUR	1 January 2024	Set-up	Use	31 December 2024
Valuation allowances for various debtors	(82)	0	7	(75)

in thousand EUR	1 January 2023	Set-up	Use	31 December 2023
Valuation allowances for various debtors	(178)	0	96	(82)

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

in thousand EUR	1 January 2024	Set-up	Use	31 December 2024
Valuation allowances for receivables from fees	(8)	(3)	5	(6)

in thousand EUR	1 January 2023	Set-up	Use	31 December 2023
Valuation allowances for receivables from fees	(8)	(7)	7	(8)

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

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

in ths. EUR	**Right-of-use assets**	***Buildings and structures***	***Instruments and equipment***	***Other PPE****	***PPE under construction***	***Total***
Acquisition cost						
1 January 2024	0	0	269	323	6	598
Additions	0	0	0	0	62	62
Transfers	0	0	5	62	-62	0
Disposals	0	0	-2	-80	-2	-84
31 December 2024	**0**	**0**	**267**	**305**	**4**	**576**
Accumulated depreciation and valuation allowances						
1 January 2024	0	0	-235	-290	0	-525
Additions	0	0	-13	-28	0	-41
Disposals	0	0	1	79	0	80
31 December 2024	**0**	**0**	**-247**	**-239**	**0**	**-486**
Net book value 31 December 2024	**0**	**0**	**20**	**66**	**4**	**90**

in ths. EUR	**Right-of-use assets**	***Buildings and structures***	***Instruments and equipment***	***Other PPE****	***PPE under construction***	***Total***
Acquisition cost						
1 January 2023	11	7	659	700	5	1 382
Additions	0	0	0	0	24	24
Transfers	0	0	5	18	-23	0
Disposals	-11	-7	-395	-395	0	-808
31 December 2023	**0**	**0**	**269**	**323**	**6**	**598**
Accumulated depreciation and valuation allowances						
1 January 2023	0	-4	-618	-634	0	-1 256
Additions	0	-3	-12	-48	0	-63
Disposals	0	7	395	392	0	794
31 December 2023	**0**	**0**	**-235**	**-290**	**0**	**-525**
Net book value 31 December 2023	**0**	**0**	**34**	**33**	**6**	**73**

*PPE – property, plant and equipment

At 31 December 2024, the Bank records fully depreciated tangible assets at an acquisition cost of EUR 347 thousand (31 December 2023: EUR 418 thousand) that are still used.
At 31 December 2024, insurance premiums for PPE totalled EUR 4 thousand (31 December 2023: EUR 7 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.

6.6 Liabilities to clients

6.6.1 Liabilities to clients and other creditors

in thousand EUR	**31 December 2024**	**31 December 2023**
Savings deposits of individuals	155 364	172 006
Savings deposits of legal entities, of which:	14 403	19 036
- savings deposits of apartment owner associations	*14 337*	*14 320*
Other liabilities to clients	1 033	1 182
Total	**170 800**	**192 224**

Other liabilities to clients include the following items:

in thousand EUR	**31 December 2024**	**31 December 2023**
Flexibil interest bonus	20	22
Bonus for savings deposits (BV3 + BV2) / (BV1 + B2V + BV4)	1	2
Bonus for savings deposits (B4V + B3V)	8	10
Bonus for savings deposits - 2.0%	21	136
Bonus for savings deposits – W-Bonus	141	0
Liabilities from cancelled contracts	842	1 012
Total	**1 033**	**1 182**

At 31 December 2024, the remaining liability from cancelled contracts amounts to EUR 842 thousand, representing 392 contracts with an average savings amount of EUR 2 149 (31 December 2023: liability from cancelled contracts amounted to EUR 1 012 thousand, representing 1 540 contracts with an average savings amount of EUR 657).

6.6.2 Structure of Bank's client deposits

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

in thousand EUR	**31 December 2024**	**31 December 2023**
≤ 1 month	70 908	46 713
(1 month, 3 months>	9 807	7 218
(3 months, 1 year>	15 789	37 572
(1 year, 5 years>	53 777	70 655
≥ 5 years	20 519	25 523
Total	**170 800**	**187 681**

At 31 December 2024, the Bank had 20 149 building savings accounts (31 December 2023: 25 759).

6.7 Liabilities to banks and other financial institutions

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 thousand EUR	**31 December 2024**	**31 December 2023**
Term deposits from other banks	25 126	20 142
Term deposits from other financial institutions	20 294	20 264
Total	**45 420**	**40 406**

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

6.8 Short-term provisions and accruals

The Bank accounts for short-term liability 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 thousand EUR	**31 December 2024**	**31 December 2023**
Liability for services not yet billed	2	65
Liability for untaken holiday	62	88
Liability for rewards and royalties	248	448
Other accruals	98	222
Total	**410**	**823**

6.9 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 thousand EUR	**31 December 2024**	**31 December 2023**
Provision for litigations	50	50
Total	**50**	**50**

The tables below provide an overview of the set-up and use of the long-term provision in 2024 and 2023:

in thousand EUR	**1 January 2024**	**Set-up**	**Use**	**31 December 2024**
Provision for litigations	50	0	0	50

in thousand EUR	**1 January 2023**	**Set-up**	**Use**	**31 December 2023**
Provision for litigations	310	0	260	50

6.10 Tax liabilities/assets – current tax

The tax liability is calculated according to the result recognized 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).

in thousand EUR	**2024**	**2023**
Opening balance of the current tax asset	64	0
Corporate income tax received	(64)	0
Advance payments for corporate income tax	0	64
Closing balance of the current tax asset	**0**	**64**
Opening balance of the current tax liability	0	148
Corporate income tax paid	0	(156)
Income tax due	4	8
Closing balance of the current tax liability	**4**	**0**

6.11 Deferred tax asset / liability

Deferred income tax is calculated from all temporary differences using the 21% tax rate (2023: 21%) that is applicable to the period in which the deferred tax is expected to be settled.

v tis. EUR	***2024***	***2023***
Tax-deductible expenses when paid	1	4
Tax non-deductible addition of provisions	129	202
Tax non-deductible valuation allowances on receivables	1 403	1 313
Tangible assets	1	2
Tax losses recognized	341	93
Financial investments – debt instruments at FVOCI	-110	-182
Deferred tax asset (+) / liability (-) – 31 December	**1 765**	**1 432**

The bank as of December 31, 2024, does not recognize a deferred tax asset because it is likely that it will not generate sufficient taxable income in the future to utilize it.

in thousand EUR	**2024**	**2023**
Deferred tax liability (-) at 1 January	(181)	(112)
Deferred tax posted to the income statement	0	0
Deferred tax posted to equity accounts:		
Remeasurement of FVOCI financial assets	71	(69)
Deferred tax liability (-) at 31 December	**(110)**	**(181)**

6.12 Other liabilities

in thousand EUR	**31 December 2024**	**31 December 2023**
Other (financial) liabilities		
Various creditors	153	191
Total other financial liabilities	**153**	**191**
Other (non-financial) liabilities		
Settlement with employees	139	127
Other taxes	62	72
Appropriations to the social fund from wages and from profit	5	6
Settlement with social institutions	86	77
Others	25	12
Total other non-financial liabilities	**317**	**294**
Total	**470**	**485**

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 2024 of EUR 148 thousand (31 December 2023: EUR 186 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 2024, withholding tax constituted a Bank liability of EUR 396 thousand (31 December 2023: EUR 366 thousand).

6.12.1 Appropriations to, and use of, the social fund

in thousand EUR	***2024***	***2023***
Social fund balance at 1 January	6	12
Appropriations		
- from expenses	23	23
Usage	24	29
Social fund balance at 31 December	**5**	**6**

6.13 Equity

At 31 December 2024 and 31 December 2023, 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 20 June 2024, the General Meeting approved the transfer of the entire 2023 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 2023 profit to the Bank's shareholders and to not pay royalties to the members of its Supervisory Board.

in thousand EUR	**31 December 2023**
Transfer to loss carried forward	(1 004)
Total	**(1 004)**

6.14 Net interest income

in thousand EUR	**2024**	**2023**
Interest income calculated using the effective interest rate		
From receivables from clients	5 890	5 996
From current accounts and term deposits at other banks	70	73
From debt securities measured at amortized cost	286	314
From debt securities measured at FVOCI	1 584	1 581
Total interest income calculated using the effective interest rate	**7 830**	**7 964**
Interest expense		
From savings deposits	3 045	2 999
From term deposits of other banks	1 641	1 305
From W Reality term deposits	180	43
Others	0	5
Total interest expenses	**4 866**	**4 352**
Net interest income	**2 964**	**3 612**

At 31 December 2024, interest income from impaired loans amounted to EUR 245 thousand (31 December 2023: EUR 229 thousand).

6.14.1 Interest income from receivables from clients

in thousand EUR	2024	2023
Interest on interim loans	5 426	5 567
Interest on building society loans	429	392
Interest on late instalments	35	36
Total	**5 890**	**5 995**

In 2024, the valuation allowance for interest income from building society loans and interim loans classified in Stage 3 amounted to EUR 201 thousand (2023: EUR 138 thousand). The valuation allowance for interest income decreases the value of net interest income.

6.14.2 Interest income from investments in debt securities

in thousand EUR	2024	2023
Bank bonds	25	25
Government bonds	1 798	1 824
Mortgage bonds	24	23
Corporate bonds	23	23
Total	**1 870**	**1 895**

6.15 Net fee and commission income

in thousand EUR	2024	2023
Fee and commission income		
Fees received and commissions:		
- account management fee	609	814
- account statement fee	110	149
- account cancellation fee	49	59
- other fees	146	202
- commission received	16	18
Total fee and commission income	**930**	**1 242**
Cost of fees and commissions		
Sales agent commissions (e.g. for offices, incentive commissions not related to individual contracts)	392	453
Banking fees	(8)	29
Other fees	4	10
Total cost of fees and commissions	**388**	**492**
Net fee and commission income	**542**	**750**

Until 31 December 2024, the Bank wrote off receivables from clients, which represented a negative balance on savings accounts, in the total amount of EUR 15 thousand (until 31 December 2023: EUR 21 thousand). These receivables are included in the item '*Account management fee*'.

6.16 General operating expenses

in thousand EUR	**2024**	**2023**
Advertising costs	57	93
Material consumption	14	23
Repair and maintenance	18	23
Short-term rent and lease of low-value items	274	280
Telecommunication costs	60	80
Software maintenance	887	927
Indirect taxes	22	24
Professional services	61	63
Audit costs	65	91
Energy consumption	102	110
Education	12	9
Other services purchased	122	84
Total	**1 694**	**1 807**

The fees for non-audit services provided by the auditor of the Bank amounted to EUR 0 thousand in 2024 (2023: EUR 4 thousand).

6.17 Personnel costs

	2024	**2023**
Wages and salaries, of which:	1 617	1 850
- bonuses	650	471
Pension schemes with defined contributions and other social and health insurance costs, of which:	652	534
- supplementary old-age insurance with defined contributions	363	342
Total	**2 269**	**2 384**

6.18 Depreciation of PPE and amortization of intangible assets

in thousand EUR	**2024**	**2023**
Depreciation of PPE	41	63
Amortization of intangible assets	246	296
Total	**287**	**359**

6.19 Other operating income

in thousand EUR	**2024**	**2023**
Profit from the sale of PPE and intangible assets	26	31
Rental income	31	65
Other operating income	13	19
Total	**70**	**115**

6.20 Other operating expenses

in thousand EUR	**2024**	**2023**
Contribution to the Deposit Protection Fund	34	59
Unclaimed VAT	235	249
Other operating expenses	107	98
Total	**376**	**406**

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

in thousand EUR	**2024**	**2023**
Net set-up of valuation allowances	(1 028)	(916)
Income from sale of client receivables	282	395
Total	**(746)**	**(521)**

In line with the strategic direction of exiting the loan and building savings market, the Bank has adopted a strategy of selling written-off receivables, where the sale of non-performing receivables represents a faster form of debt collection compared to the recovery process by internal capacities.

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

in thousand EUR	**2024**	**2023**
Set-up of valuation allowances for other assets:		
- for bank accounts	(52)	(28)
Release of valuation allowances for other assets:		
- for bank accounts	19	28
- for receivables being recovered	7	97
Net set-up/release of valuation allowances for other assets	**(26)**	**97**
Derecognition (write-off) of other assets	(3)	(94)
Valuation allowances and derecognition of other assets in total	**(29)**	**3**

6.23 Income tax

in thousand EUR	***2024***	***2023***
Profit/(loss) for the current accounting period before taxes	-1 827	-996
of which: theoretical corporate income tax of 21%	*-384*	*-209*
Impact of non-deductible and deductible items:	384	209
Non-deductible sale of receivables	133	123
Decrease in shareholding	0	38
Non-deductible expenses	10	27
The tax non-deductible addition of provisions	-103	-139
Tax non-deductible valuation allowances on receivables	95	67
Tax loss	249	93
Current tax from previous period	0	8
Minimum tax	4	0
Total corporate income tax charge	**4**	**8**
Current income tax	4	8
Deferred tax	0	0
Total corporate income tax charge	**4**	**8**

In 2024, the Bank's result did not exceed the statutory threshold for the obligation to pay a special levy. The 2024 corporate income tax rate is 21% (2023: 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.

6.24 Related party transactions

The Bank 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 shareholder

- Bausparkasse Wüstenrot AG

Other group undertakings

- Wüstenrot poisťovňa, a.s.
- Wüstenrot Technology GmbH (the original name of the company was Wüstenrot Dataservice GmbH until 20 December 2022)
- Wüstenrot Reality s.r.o.
- Wüstenrot InHouse Broker s. r. o.
- Wüstenrot Versicherungs AG

The Bank's statutory bodies

- members of the Supervisory Board
- members of the Board of Directors

Other related parties

- not identified

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

	31 December 2024		31 December 2023	
in thousand EUR	**Bank's shareholder**	**Other group undertakings**	**Bank's shareholder**	**Other group undertakings**
Financial liabilities	25 126	25 570	20 143	24 806
Other liabilities	0	115	0	150
Total liabilities	**25 126**	**25 685**	**20 143**	**24 956**

	31 December 2024		31 December 2023	
in thousand EUR	**Bank's shareholder**	**Other group undertakings**	**Bank's shareholder**	**Other group undertakings**
Other operating income	0	51	0	94
Total income	**0**	**51**	**0**	**94**
Financial expenses	848	939	411	717
General operating expenses	4	1 317	0	1 613
Total expenses	**852**	**2 256**	**411**	**2 330**

Operating expenses in transactions with related parties primarily comprised software maintenance, remuneration for the administration of the client base and rent.

The Bank reports a financial liability from short-term deposits to the following related parties:

	31.12.2024		31.12.2023
	Carrying amout in ths. EUR	Interest rate p.a.	Interest rate p.a.
Wüstenrot Versicherungs AG	20 294	3,48%	3,86%
Bausparkasse Wüstenrot AG	25 126	2,97%	4,15%
Wüstenrot Reality s. r. o.	5 276	2,93%	3,58%

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

in thousand EUR	2024	2023
Wages and salaries	338	315
Mandatory social and health insurance contributions	80	63
Total cost	**415**	**378**

At 31 December 2024, the Bank's cost of accommodation for the Board of Directors totalled 0 thousand (31 December 2023: EUR 5 thousand).

6.25 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 6.9 of the Notes).

Based on the approved loan agreements, the Bank reports loan commitments totalling EUR 1 171 thousand at 31 December 2024 (31 December 2023: EUR 1 494 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 86 096 thousand (2023: EUR 148 323 thousand). The deposits in these accounts would have to be in the same amount, i.e. EUR 86 096 thousand (the simulation parameter is 50%).

6.26 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 2024

in thousand 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	12 426	0	12 426	0	12 426	0	12 426
Investments in debt securities at amortized cost	6.2	8 098	0	8 098	5 969	1 932	0	7 901
Investment in debt securities at FVOCI	6.2	0	36 744	36 744	36 744	0	0	36 744
Receivables from clients, of which:	6.3							
Building savings loans		10 385	0	10 385	0	0	10 317	10 317
Interim loans to individuals		145 513	0	145 513	0	0	138 768	138 768
Interim loans to legal entities		38 403	0	38 403	0	0	35 982	35 982
Other financial assets	6.5	21	0	21	0	21	0	21
Total financial assets		**214 845**	**36 744**	**251 590**	**42 713**	**14 379**	**185 067**	**242 159**
Financial liabilities								
Liabilities to clients	6.6	170 800	0	170 800	0	167 299	0	167 299
Liabilities to banks	6.7	25 126	0	25 126	0	25 126	0	25 126
Liabilities to other financial institutions		20 294	0	20 294	0	20 294	0	20 294
Other financial liabilities	6.12	153	0	153	0	153	0	153
Total financial liabilities		**216 373**	**0**	**216 373**	**0**	**212 872**	**0**	**212 872**

31 December 2023

in thousand 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	6.2	17 218	0	17 218	14 892	1 881	0	16 773
Investment in debt securities at FVOCI		0	36 952	36 952	36 952	0	0	36 952
Receivables from clients, of which:	6.3							
Building savings 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	6.5	21	0	21	0	21	0	21
Total financial assets		**233 294**	**36 952**	**270 246**	**51 844**	**7 726**	**190 648**	**250 218**
Financial liabilities								
Liabilities to clients	6.6	192 224	0	192 224	0	187 012	0	187 012
Liabilities to banks	6.7	20 143	0	20 143	0	20 143	0	20 143
Liabilities to other financial institutions	6.7	20 264	0	20 264	0	20 264	0	20 264
Other financial liabilities	6.12	191	0	191	0	191	0	191
Total financial liabilities		**232 821**	**0**	**232 821**	**0**	**227 610**	**0**	**227 610**

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.

The Frankfurt Stock Exchange price is primarily used to determine the market price of a financial instrument, or the Bloomberg price. If such 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 for calculation of the fair value of financial instrument:

in %	**31 December 2024**	**31 December 2023**
Receivables from clients		
- interim loans	3,15	3,77
- building society loans	3,59	3,77
Liabilities to clients	1,93	2,37

6.27 Significant events after the reporting date

As of the date of approval of the financial statements, several steps have been taken to carry out the transformation of Wüstenrot stavebná sporiteľňa, a.s. into a branch of a foreign bank in April 2026. In January 2025 decisions of the Supervisory Board and the Board of Directors of WSS were made to enter the process of cross-border merger of WSS with the parent company Bausparkasse Wüstenrot AG, which is a pre-condition for the establishment of a foreign branch in Slovakia. As part of the transformation process, notifications required by legislation have been made, in particular in connection with the change in the deposit guarantee scheme that will take place with the effect of the merger.

After 31 December 2024, 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 30 April 2025.

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

Ing. Marian Hrotka , PhD. *Chairman of the Board of Directors* Wüstenrot stavebná sporiteľňa, a.s.	Mag. Christian Sollinger, CIIA *Member of the Board of Directors* Wüstenrot stavebná sporiteľňa, a.s.

Person responsible for bookkeeping and preparation of the financial statements:

Ing. Martina Baánová
Director of the Economic Division
Wüstenrot stavebná sporiteľňa, a.s.