

Privatbanka, a.s.

ANNUAL REPORT 2023

This is an English language translation of the original Slovak language document.

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Prepared in accordance with International Financial Reporting Standards, as adopted by the European Union for the year ended 31 December 2023 and Independent Auditor's Report

INTRODUCTION

The Annual Report of Privatbanka, a.s. ("the "Bank") has been prepared pursuant to Article 77 of Act No. 566/2001 Coll. on Securities and Investment Services, as amended, pursuant to Article 20 of Act No. 431/2002 Coll. on Accounting, as amended, and pursuant to Article 37 of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts, as amended.

1. DETAILS OF THE REPORTING ENTITY

Business name:	Privatbanka, a. s.
Registered office:	Einsteinova 25, 851 01 Bratislava
Company ID:	31634419
Date of incorporation:	9 August 1995
Founder:	Fond národného majetku Slovenskej republiky, Drieňová 27, 821 01 Bratislava, Slovak Republic, Slovenská poisťovňa, a.s., Strakova 1, 815 74 Bratislava, Slovak Republic, Slovenská sporiteľňa, a.s., Zelená 2, 816 07 Bratislava, Slovak Republic
Share capital:	EUR 25,120,648.06
Contact person:	Ing. Eva Hírešová
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Fax:	02/3226 6900
E-mail:	privatbanka@privatbanka.sk
Website:	www.privatbanka.sk

2. SCOPE OF BUSINESS

A banking license was granted to the Bank for the following activities:

1. Receipt of deposits
2. Provision of loans
3. Investing in securities on own account
4. Trading on own account:
 - a) With money market financial instruments in euros and foreign currency, including foreign exchange activities
 - b) With capital market financial instruments in euros and foreign currency
 - c) With coins made of precious metal, commemorative banknotes and coins, sheets of banknotes, and sets of coins for circulation
5. Administration of a clients' receivables on the clients' account, including related advisory services
6. Finance leasing
7. Provision of guarantees; opening and confirmation of letters of credit
8. Provision of business advisory services
9. Issue of securities, participation in issuing securities and provision of related services
10. Financial intermediation
11. Custody of valuables
12. Safe hire
13. Provision of banking information
14. Acting as a depository according to a special regulation
15. Processing of banknotes, coins, commemorative banknotes and coins
16. Provision of investment services, investment activities, and ancillary services in accordance with Article 79 (1) and in connection with Article 6 (1) and (2) of Act 566/2001 Coll. on Securities and Investment Services and on an Amendment to Certain Acts, as amended, in the following scope:
 - I. Acceptance and forwarding of clients' instructions for one or several of the following financial instruments:

- a) Convertible securities
 - b) Money market instruments
 - c) Trustee shares or securities issued by foreign collective investment entities
 - d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash
- II. Execution of client instructions on the client's account in relation to the following financial instruments:
- a) Convertible securities
 - b) Money market instruments
 - c) Trustee shares or securities issued by foreign collective investment entities
 - d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash
- III. Trading on own account in relation to the following financial instruments:
- a) Convertible securities
 - b) Money market instruments
 - c) Trustee shares or securities issued by foreign collective investment entities
 - d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash
- IV. Portfolio management in relation to the following financial instruments:
- a) Convertible securities
 - b) Money market instruments
 - c) Trustee shares or securities issued by foreign collective investment entities
 - d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash
- V. Investment consulting in relation to the following financial instruments:
- a) Convertible securities
 - b) Money market instruments
 - c) Trustee shares or securities issued by foreign collective investment entities
 - d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash
- VI. Underwriting and placement upon a firm commitment in relation to the following financial instruments:
- a) Convertible securities
 - b) Money market instruments
 - c) Trustee shares or securities issued by foreign collective investment entities
- VII. Placement without a firm commitment in relation to the following financial instruments:
- a) Convertible securities
 - b) Money market instruments
 - c) Trustee shares or securities issued by foreign collective investment entities
- VIII. Custody and management on clients' account, including custodian management and related services, in particular the management of cash and financial collaterals in relation to the following financial instruments:
- a) Convertible securities
 - b) Money market instruments
 - c) Trustee shares or securities issued by foreign collective investment entities
- IX. Granting of loans and borrowings to an investor to be able to trade one or several financial instruments if the lender or provider of the borrowing is involved in the transaction
- X. Trading of foreign exchange values if they are associated with the provision of investment services
- XI. Performance of investment surveys and financial analysis or other forms of general recommendation for trading in financial instruments
- XII. Services related to the underwriting of financial instruments
17. Provision of payment services and settlement
18. Issue and administration of electronic money

3. PUBLICATION OF THE ANNUAL REPORT

The Annual Report is published on the Bank's website.

4. CONSOLIDATED FINANCIAL STATEMENTS

(Article 77 (2) (b1) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)

Pursuant to Article 22 (12) of Act No. 431/2002 Coll. on Accounting, as amended, the Bank did not prepare consolidated financial statements for the year ended 31 December 2023, since the subsidiary Privatfin, s.r.o., with its registered office at Einsteinova 25, 851 01 Bratislava, Company ID: 36 037 869, does not have a significant impact on the Bank's consolidation group. The judgment on the financial position, expenses, revenues and results of operations of the Bank's consolidation group has not been significantly affected by preparing only the Bank's separate financial statements.

5. AUDIT OF FINANCIAL STATEMENTS

(Article 77 (2) (a) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)
(Article 20 (1) of Act No. 431/2002 Coll. on Accounting, as amended)

The Bank's financial statements as at 31 December 2023, prepared in accordance with International Financial Reporting Standards, as adopted by the EU, were audited on 25 April 2024 by Ernst & Young Slovakia, spol. s r.o., Licence SKAU No. 257, Ing. Dalimil Draganovský, statutory auditor License SKAU No. 893.

6. REPORT ON FINANCIAL POSITION

a) INFORMATION ON THE BANK'S DEVELOPMENT, CURRENT SITUATION, SIGNIFICANT RISKS AND UNCERTAINTIES IN 2023

(Article 77 (2) (b1) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)
(Article 20 (1) (a) of Act No. 431/2002 Coll. on Accounting, as amended)

Privatbanka, a.s. continued a series of successful, profitable years and in 2023 achieved its highest net profit in history of EUR 20.3 mill. In a year-on-year comparison, the Bank's net profit increased by 57% over 2022, and operating profit development was similarly dynamic, with a 64% increase on the previous year, to EUR 20.8 mill. On this basis, in 2023 Privatbanka, a.s. achieved a return on capital (ROE indicator) of 19.1%.

Comparison of financial indicators

EUR '000	31.12.2023	31.12.2022	Change	Change in %
Total assets	855 017	804 259	50 758	6%
Cash and balances with central banks	252 145	165 558	86 587	52%
Loans and advances to banks	60 243	36 323	23 920	66%
Loans and advances to customers	365 915	429 440	(63 525)	(15%)
Securities	167 530	163 285	4 245	3%
Deposits from customers	718 560	679 656	38 904	6%
Debt securities issued	50	2 500	(2 450)	(98%)
Share capital	25 121	25 121	-	-
Equity	122 182	110 128	12 054	11%
Regulatory capital	96 213	96 644	(431)	-
Adequacy of regulatory capital	19,49%	19,28%	0,21%	

The largest contribution to these results was from net interest income, which increased by 94% year-on-year and reached a value of EUR 22.7 million at the end of the year. The reason for the mentioned fact was mainly the increase in market interest rates compared to previous periods. The second largest source of revenue was revenue from fees and commissions of EUR 13.5 million, which remained at a comparable level as in 2022.

The Bank's total assets at the end of 2023 amounted to EUR 855 million, which represents an increase of 6% year-on-year. The main reason for the increase in assets was the increase in liabilities to clients, which had reached EUR 718.6 million by the end of 2023, representing an increase of 6% on the previous year.

The volume of the loan portfolio at the end of 2023 reached a value of EUR 365.9 million and the portfolio of securities had reached a volume of EUR 167.5 million.

As at 31 December 2023, the adequacy of regulatory capital amounted to 19.49%, increasing during the year by 0.21 percentage points.

The Bank has no significant impact on the environment. The Bank's activities in 2023 had no significant impact on employment in individual regions of the Slovak Republic.

The year 2023 was marked by the war conflict in Ukraine and excessively increasing inflation, to which the ECB responded by significantly increasing its interest rates. In this situation, the Bank managed to achieve significantly above average, and in some areas even record economic results.

Further details of the Bank's results for 2023 are disclosed in the financial statements and notes thereto.

b) INFORMATION ON EVENTS OF PARTICULAR IMPORTANCE THAT OCCURRED AFTER THE END OF THE REPORTING PERIOD AS AT 31 DECEMBER 2023

(Article 20 (1) (b) of Act No. 431/2002 Coll. on Accounting, as amended)

As of the reporting date, no material events occurred after the end of the financial year as at 31 December 2023 that would require a material adjustment to the data or information disclosed in the financial statements as at 31 December 2023.

c) INFORMATION ON THE BANK'S ANTICIPATED ECONOMIC AND FINANCIAL POSITION IN 2024

(Article 77 (2) (d) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)

(Article 20 (1) (c) of Act No. 431/2002 Coll. on Accounting, as amended)

With the results of the past year, Privatbanka, a.s. managed to meet and even exceed its key business goals, thus confirming its stable position in the Slovak banking market.

Private banking and activities directly related to it, such as asset management, remain the core area of the Bank's activities in 2024. In parallel with private banking, the Bank continues to place great emphasis on corporate banking, especially on lending to corporate clients.

In private banking, the Bank's goal for 2024 is to continue to increase the volume of assets it manages for clients. Qualitatively, the aim of the Bank is to provide private clients with highly individual and flexible asset management and related services. Issuance of corporate bonds or corporate promissory notes arranged by the Bank primarily for shareholder group entities will continue to represent a major part of the product range. In 2024, the Bank will also focus on the sale of third-party products, which should contribute to the growth of the volume of clients' assets it manages.

Regarding corporate banking, the Bank will continue to develop its existing loan portfolio to further improve capital and funding options. In strategy, the Bank continues to apply its proven method of providing loans based on good security and the client's track record.

In 2024, the Bank's goal is to maintain or partially expand the product range for standard clients, to whom it provides services through a network of regional investment centers and branches. Funds from the general public represent a substantial share of the fund base of the Bank's balance sheet business. In 2024, the Bank plans to continue the sale of public issues of corporate bonds for retail clients but has no plans for major changes to its regional network.

In aggregate terms, the Bank plans to report a profit after tax of EUR 6.8 million and total assets of EUR 758.1 million at the end of 2024, with the introduction of a special gross profit levy of 30% for banking institutions having the greatest negative impact on the planned economic result.

The Bank will have no impact on the environment. In 2024, its activities will not substantially impact employment in individual regions of the Slovak Republic.

d) INFORMATION ON COSTS OF RESEARCH AND DEVELOPMENT
(Article 20 (1) (d) of Act No. 431/2002 Coll. on Accounting, as amended)

In 2023, the Bank recorded no costs of research and development.

e) INFORMATION ON ACQUISITION OF OWN SHARES, TEMPORARY BONDS, EQUITIES AND SHARES, PLUS TEMPORARY BONDS AND EQUITIES OF THE CONTROLLING ENTITY
(Article 20 (1) (e) of Act No. 431/2002 Coll. on Accounting, as amended)

The Bank does not carry out such transactions.

f) INFORMATION ON PROPOSED 2023 PROFIT DISTRIBUTION
(Article 20 (1) (f) of Act No. 431/2002 Coll. on Accounting, as amended)

The distribution of the Bank's profits for 2023 will be decided by the General Meeting.

g) INFORMATION ON 2022 PROFIT DISTRIBUTION
(Article 77 (2) (c) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)

EUR '000	2022
Dividends	10 000
Allotment to retained earnings	2 930
Profit for the current reporting period after tax	12 930

h) INFORMATION ON DATA REQUIRED UNDER SPECIAL REGULATIONS
(Article 20 (1) (g) of Act No. 431/2002 Coll. on Accounting, as amended)

The Annual Report has been prepared pursuant to Article 77 of Act No. 566/2001 Coll. on Securities and Investment Services, as amended, and pursuant to Article 37 of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts, as amended.

i) INFORMATION ON WHETHER THE BANK HAS AN ORGANIZATIONAL UNIT ABROAD
(Article 20 (1) (h) of Act No. 431/2002 Coll. on Accounting, as amended)

As at 31 December 2023, the Bank provided investment services, acceptance and forwarding of instructions related to one or more financial instruments in the Czech Republic through a branch of a foreign bank, which was listed in the Business Register of the Czech Republic on 8 January 2018.

j) SUMMARY OF RECEIVED BANK LOANS AND OTHER LOANS
(Article 77 (2) (b2) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)

As of 31 December 2023, the Bank did not register bank and other loans received.

k) SUMMARY OF ISSUED AND OUTSTANDING SECURITIES

(Article 77 (2) (b3) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)

ISIN	Type	Form	Nature	Number (pcs)	Face value (EUR, CM '000)	Description of Rights
SK1110001619	Share	Registered	Book-entry security	756 874	0,03319 EUR	Section 6l)
SK4000023602	Bond	Bearer bond	Book-entry security	50 000	0,00100 EUR	Section 6m)

l) DESCRIPTION OF RIGHTS ATTACHED TO SHARES ISIN SK1110001619

(Article 77 (2) (b3) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)

- a. The Company's shareholder may be an individual or legal entity. A holder of an interim certificate is also considered a shareholder.
- b. The Company shall treat all shareholders equally in equal conditions.
- c. The exercise of the shareholder's rights may be restricted or suspended only based on law.
- d. The basic rights of a shareholder include the right to participate in the Company's management and to share the Company's profit and the Company's liquidation balance if it is dissolved by liquidation.
- e. The shareholder is authorised to participate in and vote at the General Meeting, to request at the General Meeting information and explanations related to the Company's matters and to the matters of entities controlled by the Company, which are associated with the subject of discussion at the General Meeting, and to make proposals at the General Meeting and to be elected in the Company's bodies.
The above rights may be exercised only by a person authorized to exercise these rights as at the decisive date. The decisive date is a day specified in the invitation to the General Meeting or in the General Meeting notice. This day may be the day on which the General Meeting is held, or the day before the General Meeting, but no more than five days before the General Meeting is held. If the decisive date is not specified in this way, the day on which the General Meeting is held shall be considered the decisive date.
- f. The shareholder is entitled to a share in the Company's profit (dividend), which the General Meeting has decided to distribute. This share is determined by the ratio of the face value of the shareholder's shares to the face value of shares of all shareholders. The right to a dividend may be exercised towards the Company only by a person authorized to exercise these rights as at the decisive date. The decisive date to determine a person authorized to exercise the right to a dividend shall be determined by the General Meeting that decided to distribute the Company's profit, and this day may not be determined to be earlier than the fifth day after the day on which the General Meeting is held or later than the 30th day from the day on which the General Meeting is held. If the General Meeting does not specify the decisive date to determine the person authorized to exercise the right to a dividend, the 30th day from the day on which the General Meeting is held shall be considered the decisive date. The dividend is due within 60 days at the latest from the decisive date determined in line with the previous procedure. The Company shall pay the dividend to the shareholders at its own costs and risk. The shareholder is not required to return to the Company a dividend received in good faith.
- g. The shareholder is entitled to a share in the liquidation balance if the Company is dissolved by liquidation.
- h. The Board of Directors shall provide each shareholder upon request at the General Meeting complete and true information and explanations, which are related to the discussion at the General Meeting, or in writing within 30 days at the latest from the day on which the General Meeting is held, unless the law provides otherwise.
- i. The shareholder has the right to inspect the minutes from the meetings of the Supervisory Board; he/she shall keep such obtained information confidential.
- j. The shareholder has the right to inspect at the Company's registered seat the deeds filed in the collection of deeds pursuant to a special act and to request copies of these deeds or request that they be sent to a specified address, at his/her own cost and risk.
- k. The General Meeting decides by a majority of votes of the shareholders present, unless generally binding legal regulations or Articles of Association require another type of majority.
- l. A decision of the General Meeting requires a two-thirds majority of votes of the shareholders present if it decides on:
 - I. A change in the Company's Articles of Association
 - II. An increase in the Company's share capital
 - III. The issue of priority bonds or convertible bonds
 - IV. A conditional increase in the Company's share capital associated with an issue of priority or convertible bonds
 - V. A decrease in the Company's share capital

- VI. The dissolution of the Company
- VII. A change of the Company's legal form if it ceases to be a bank
- VIII. Termination of trading of the Company's shares on a stock exchange
- IX. The mandate of the Board of Directors to increase the share capital pursuant to Article 210 of the Commercial Code
- X. The restriction of the shareholder's right to priority underwriting of shares if necessitated by important interests of the Company
- XI. Other matters, if explicitly provided for in a generally binding legal regulation

m) DESCRIPTION OF RIGHTS ATTACHED TO BONDS ISIN SK4000023602

(Article 77 (2) (b3) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)

On 14 August 2023, the Bank issued bonds with a nominal value of EUR 1 for a total issued volume of EUR 5,000 thousand. The bond yield is paid quarterly on 14 February, 14 May, 14 August and 14 November of the current period and is determined by the fixed interest rate, which is determined at 3.25% p.a. of the nominal value of the bond. The basis for calculating the yield is ACT/ACT. The bonds are due on 14 August 2025. These bonds are issued based on a public offer and no application will be made for admission to the stock exchange in the Slovak Republic or abroad. No guarantees were taken over by third parties for the repayment of the nominal value and bond yields. There are no pre-emptive, exchange and other rights associated with the bonds, with the exception of those listed in the terms of issue. Rights to bonds are time-barred after a period of 10 years from their due date. Bonds are transferable to the new owner without restriction. Early repayment of the nominal value of the bonds is not possible.

n) CONVERTIBLE BONDS

(Article 77 (2) (b4) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)

The Bank issued no convertible bonds.

o) SPECIFICATION OF THE NATURE OF ACTIVITIES AND GEOGRAPHICAL LOCATION

(Article 77 (2) (e) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)
(Article 37 (6) (a) of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts, as amended)

The Bank's core activities include the provision of a wide range of banking and financial services to individuals and legal entities under a banking license, the scope of which is specified in Clause 2.

As at 31 December 2023, the Bank performed its activities in the Slovak Republic through the Center of Banking Services in Bratislava (Centrum bankových služieb), its network of three regional investment branches in Banská Bystrica, Bratislava and Košice, and 10 regional investment centers for non-cash operations in Bratislava, Brezno, Nitra, Dunajská Streda, Žilina, Trenčín, Prešov, Trnava, Prievidza and Nové Zámky. As at 31 December 2023, in the Czech Republic the Bank provided investment services, acceptance and forwarding of instructions related to one or more financial instruments through a branch of the foreign bank, which was listed in the Business Register of the Czech Republic on 8 January 2018. In addition to the activities above, as at 31 December 2023, the Bank also provided other banking activities in the Czech Republic based on the right to free cross-border activity in line with Directive 2013/36/EU of the European Parliament and of the Council dated 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

p) TURNOVER

(Article 77 (2) (f) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)
(Article 37 (6) (b) of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts, as amended)

The Bank's turnover was EUR 54,167 thousand in 2023. The turnover of the Bank's branch in the Czech Republic in 2023 was EUR 1,856 thousand.

q) NUMBER OF FULL-TIME EMPLOYEES AS AT THE REPORTING DATE

(Article 77 (2) (g) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)
(Article 37 (6) (c) of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts, as amended)

The number of full-time employees as at 31 December 2023 in Bank was 183. The number of full-time employees as at 31 December 2023 of the Bank's branch in the Czech Republic was 21.

r) PROFIT OR LOSS BEFORE TAX

(Article 77 (2) (h) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)
(Article 37 (6) (d) of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts, as amended)

The Bank's profit before tax was EUR 23,610 thousand as at 31 December 2023. The profit before tax of the Bank's branch in the Czech Republic was EUR 307 thousand as at 31 December 2023.

s) INCOME TAX

(Article 77 (2) (i) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)
(Article 37 (6) (e) of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts, as amended)

The Bank's income tax expenses amounted to EUR 3,336 thousand as at 31 December 2023. The income tax expenses of the Bank's branch in the Czech Republic amounted to EUR 64 thousand as at 31 December 2023.

t) RECEIVED SUBSIDIES FROM PUBLIC FUNDS

(Article 77 (2) (j) of Act No. 566/2001 Coll. on Securities and Investment Services, as amended)
(Article 37 (6) (f) of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts, as amended)

The Bank or its branch in the Czech Republic received no subsidies from public funds in 2023.

u) RETURN ON ASSETS DETERMINED AS THE RATIO OF NET PROFIT AND TOTAL ASSETS

(Article 37 (6) (g) of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts, as amended)

The Bank's return on assets (ROA) amounted to 2.33% in 2023. The ROA of its Czech branch was 13.82% in 2023.

7. INFORMATION ON THE BANK'S RISK MANAGEMENT OBJECTIVES AND METHODS, INCLUDING THE POLICY FOR HEDGING THE MAIN TYPES OF PLANNED TRANSACTIONS USING HEDGING DERIVATIVES

(Article 20 (5) (a) of Act No. 431/2002 Coll. on Accounting, as amended)

In line with legislative requirements, the Bank's objective regarding risk management is to ensure the adequacy of individual risk exposures in relation to the amount of the Bank's regulatory capital, diversification of risk for all risk factors identified and the maintenance of an acceptable liquidity position. In addition to meeting market regulatory requirements, the Bank has developed an internal system of procedures, limits and reports which eliminates potential risks to which the Bank is exposed in its business activities. In terms of risk exposures, the Bank is conservative and does not engage in speculative transactions.

The Bank has strict rules limiting exposure to the risk of exchange rate fluctuations. The Bank does not open significant capital exposures and does not trade with commodities or their derivatives. The only risk factor that the Bank may hedge using derivatives is the Banking Book's interest rate risk. The interest rate risk exposure of this portfolio, as well as of the Trading Book, is monitored daily using interest rate sensitivity and is reported regularly to the relevant authorities. The Bank used exclusively interest rate swaps in the past to hedge this risk exposure resulting from the different duration of assets and liabilities. Currently, the Bank has no hedging derivatives.

8. INFORMATION ON PRICE RISKS, CREDIT RISKS, LIQUIDITY RISKS AND CASH FLOW RISKS TO WHICH THE BANK IS EXPOSED

(Article 20 (5) (b) of Act No. 431/2002 Coll. on Accounting, as amended)

Price change risks in the Bank are monitored and reported for all instruments that can be measured at market values regardless of whether the price change has an impact on the Bank's capital or its profit. Price changes are monitored and reported daily to the Bank's middle and top management. The Bank has stop/loss limits in place.

Credit risks are limited, apart from legislative requirements, by a system of credit limits for individual counterparties or groups of connected entities, limits for segment concentration and country exposure limits. The use of credit limits or credit exposure in the Bank is monitored daily, including reporting to the Bank's middle and top management.

The Bank has defined qualitative and quantitative liquidity limits combined with the liquidity position development scenario and their use is regularly monitored and reported to middle and top management.

Privatbanka, a.s.

**Financial statements
prepared in accordance with International
Financial Reporting Standards,
as adopted by the European Union,**

**For the year ended 31 December 2023
and Independent Auditor's Report**

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Independent Auditor's Report

To the Shareholder, Supervisory Board, Board of Directors and to the Audit Committee of Privatbanka, a.s.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Privatbanka, a.s. ("the Bank"), which comprise the statement of financial position as at 31 December 2023, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). 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 are independent of the Bank in accordance with the Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Statutory Audit") related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the financial statements, and we have fulfilled other requirements of these provisions related to ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Provisions for loans and advances to customers

Loans and advances to customers valued at amortized cost less impairment as at 31 December 2023 amount to EUR 365,915 thousand and represent a significant portion of the Bank's total assets. As disclosed in Note 6 (Loans and advances to customers) and in Note 7 (Provision for impairment losses) to the financial statements, it includes the gross book value of loans and advances to customers valued at amortized cost of EUR 377,784 thousand and provisions for loans and advances to customers of EUR 11,869 thousand.

Determining the amount and the moment of recognizing provisions for loans and advances to customers requires significant judgments and complex estimates of the management disclosed in Note 2.4 (Significant accounting judgments and estimates) and Note 41 (Financial instruments – credit risk) to the financial statements. The expected credit loss models incorporate assumptions such as the assessment of a significant increase in credit risk, the definition of default, the determination of the amount of expected loss on a defaulted loan and the probability of default, the determination of probabilities and scenarios of expected cash flows on defaulted loans, i.e. estimates of cash flows from the client's economic activity and cash flows from the collaterals securing the loan discounted at the effective interest rate.

The war in Ukraine, the energy crisis, rising inflation and interest rates intensified economic volatility, increasing estimation uncertainty and complexity of the estimates used in the calculation of impairment allowances for due from customers.

Due to the significance of loans and advances to customers in relation to the total assets and significance of the management's judgments and estimates and their complexity regarding the expected credit losses described above, we evaluated provisions for loans and advances to customers as a key audit matter.

As part of our audit procedures, we documented our understanding of the Bank's credit risk management policies. We obtained an understanding, evaluated the design and tested the operating effectiveness of the internal controls over the approval, recording and monitoring of the loans, identification of loss events and impairment triggers and the process of calculating provisions for loans and advances to customers. We involved specialists in the field of IT to assist us with the testing of effectiveness of the internal control mechanisms of IT systems, in which the Bank calculates the credit risk parameters and the provisions for loans and advances to customers.

We also involved credit risk specialists to assist us in assessing the provisioning methodology and related models, their parameters, assumptions and implementation into the system in accordance with the IFRS 9 requirements.

We assessed whether the Bank had adequately considered the impact of the expected effects of economic volatility in its valuation assumptions for provisions for impairment losses.

We reconciled a register of loans and advances to customers with accounting records to assess completeness of the recognition of due from customers, which create the basis for the calculation of the provisions.

On a selected sample, we analyzed loan exposures assessed individually by the Bank. For selected performing exposures, we analyzed the economic and financial situation of borrowers and fulfillment of the terms of loan agreements to evaluate appropriateness of the classification into risk categories, so-called 'staging'. In case of non-performing exposures, we assessed the reasonableness of the expected cash flows based on available financial and market data and recalculated the provisions.

We performed analytical procedures of the provisions per portfolios and stages related to the development of the structure and characteristics of the credit portfolio, reflecting the quality of the loan portfolio in the light of the provisions for loans and advances to customers aimed at identifying portfolios of loans and advances to customers with understated provisions for impairment losses.

We also assessed the disclosures in Note 2.4 (Significant accounting judgments and estimates), Note 6 (Loans and advances to customers), Note 7 (Provision for impairment losses) and Note 41 (Financial instruments – credit risk) to the financial statements regarding provisions for loans and advances to customers in terms of their completeness and compliance with IFRS EU requirements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give true and fair view in accordance with IFRS EU, 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 and Regulation (EU) No. 537/2014 of the European Parliament and the Council 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 and Regulation (EU) No. 537/2014 of the European Parliament and the Council, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

Report on Information Disclosed in the Annual Report

Management is responsible for the information disclosed in the annual report, prepared based on requirements of the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting"). Our opinion on the financial statements expressed above does not apply to other information contained in the annual report.

In connection with audit of the financial statements it is our responsibility to understand the information disclosed in the annual report and to consider whether such information is not materially inconsistent with audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

We considered whether the Bank's annual report contains information, disclosure of which is required by the Act on Accounting.

Based on procedures performed during the audit of financial statements, in our opinion:

- Information disclosed in the annual report prepared for 2023 is consistent with the financial statements for the relevant year,
- The annual report contains information based on the Act on Accounting.

Additionally, based on our understanding of the Bank and its situation, obtained in the audit of the financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issue of this auditor's report. In this regard, there are no findings which we should disclose.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment of Auditor

We were appointed as the statutory auditor by the General Meeting of Shareholder of the Bank held on 30 May 2023. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 3 years.

Consistence with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Bank, which we issued on 18 April 2024.

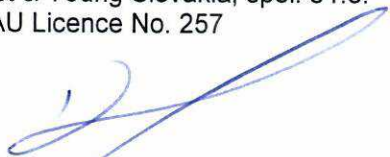
Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Bank and we remain independent from the Bank in conducting the audit.

In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services were provided by us to the Bank.

25 April 2024
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257



Ing. Dalimil Draganovský, statutory auditor
SKAU Licence No. 893

Statement of Financial Position as at 31 December 2023
prepared in accordance with International Financial Reporting Standards,
as adopted by the European Union

	Note	2023 EUR '000	2022 EUR '000
Assets			
Cash and balances with central banks	4.	252 145	165 558
Loans and advances to banks	5.	60 243	36 323
Loans and advances to customers	6.	365 915	429 440
Securities at fair value through other comprehensive income	8.	54 785	62 630
Securities at amortized cost	9.	112 745	100 655
Investments in subsidiaries	10.	7	7
Tangible and intangible assets	11.	1 303	1 236
Right-of-use assets	12.	2 731	2 853
Deferred tax asset	13.	1 875	1 448
Other assets	14.	3 268	4 109
Total assets		855 017	804 259
Liabilities and equity			
Due to banks		1	-
Deposits from customers	15.	718 560	679 656
Debt securities issued	16.	50	2 500
Current tax liability	17.	1 438	125
Provisions for liabilities		63	273
Lease liabilities	18.	2 743	2 853
Other liabilities	19.	9 980	8 724
Total liabilities		732 835	694 131
Equity			
Share capital	20.	25 121	25 121
Capital reserves and funds from profit	20.	5 024	5 024
Accumulated other comprehensive income from securities, including deferred tax	20.	(1 512)	(3 305)
Retained earnings		93 549	83 288
Total equity		122 182	110 128
Total liabilities and equity		855 017	804 259

The notes on pages 13 to 79 form an integral part of these financial statements.

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

	Note	2023 EUR '000	2022 EUR '000
Interest income and similar income	26.	39 189	16 685
Interest expense and similar expense	27.	(16 498)	(5 014)
Net interest income		22 691	11 671
Fee and commission income	28.	14 697	14 315
Fee and commission expense	29.	(1 201)	(854)
Net fee and commission income		13 496	13 461
Trading profit	30.	244	1 168
Other income		29	8
Operating income		36 460	26 308
General operating expenses	31.	(14 325)	(12 670)
Depreciation and amortisation of TA and IA	11.	(516)	(399)
Depreciation of leased assets	12.	(797)	(561)
Operating expense		(15 638)	(13 630)
Operating profit		20 822	12 678
(Creation)/release of impairment losses, write-off and assignment of receivables	32.	1 713	2 072
Profit/(loss) from modifications		843	202
(Creation)/release of provisions for securities		20	181
Net profit/(loss) from the sale of tangible assets		2	3
(Creation)/release of provisions for liabilities		210	(78)
Profit before taxes		23 610	15 058
Current tax	22.	(4 240)	(2 687)
Deferred tax	22.	904	559
Profit after tax		20 274	12 930

The notes on pages 13 to 79 form an integral part of these financial statements.

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

	Note	2023 EUR '000	2022 EUR '000
Profit after tax from the Income Statement		20 274	12 930
Items that may be reclassified to profit or loss:			
Remeasurement of securities at fair value through other comprehensive income		2 270	(4 144)
Deferred tax on securities at fair value through other comprehensive income		(477)	870
Comprehensive income		22 067	9 656

The notes on pages 13 to 79 form an integral part of these financial statements.

Statement of Changes in Shareholder's Equity
for the year ended 31 December 2023
 prepared in accordance with International Financial Reporting Standards,
 as adopted by the European Union

	Share capital	Retained earnings	Capital reserves and funds from profit	Revaluation reserves on securities at fair value through other comprehensive income (including deferred tax)	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
As at 1 January 2023	25 121	83 288	5 024	(3 305)	110 128
Dividends	-	(10 000)	-	-	(10 000)
FX difference	-	(13)	-	-	(13)
2023 comprehensive income	-	20 274	-	1 793	22 067
As at 31 December 2023	25 121	93 549	5 024	(1 512)	122 182

	Share capital	Retained earnings	Capital reserves and funds from profit	Revaluation reserves on securities at fair value through other comprehensive income (including deferred tax)	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
As at 1 January 2022	25 121	78 849	5 024	(31)	108 963
Dividends	-	(8 500)	-	-	(8 500)
FX difference	-	9	-	-	9
2022 comprehensive income	-	12 930	-	(3 274)	9 656
As at 31 December 2022	25 121	83 288	5 024	(3 305)	110 128

The notes on pages 13 to 79 form an integral part of these financial statements.

Statement of Cash Flows for the year ended 31 December 2023
Prepared in accordance with International Financial Reporting Standards,
as adopted by the European Union

	Note	2023 EUR '000	2022 EUR '000
Cash flows from operating activities			
Profit before changes in operating assets and liabilities	33.	28 576	11 896
(Increase)/decrease in minimum reserve deposits with the NBS		3 144	241 665
(Increase)/decrease in loans and advances to customers		63 080	(158 178)
(Increase) in securities at fair value through profit or loss upon purchase of securities		-	(59)
Decrease in securities at fair value through profit or loss upon sale and maturity of securities		-	57
(Increase) in securities at fair value through other comprehensive income upon purchase of securities		(24 904)	-
Decrease in securities at fair value through other comprehensive income upon sale and maturity of securities		35 129	30 788
(Increase)/decrease in other assets		728	(511)
Increase/(decrease) in amounts due to banks		1	-
Increase/(decrease) in deposits from customers		34 681	112 977
Income tax paid		(2 906)	(2 680)
Dividends		(10 000)	(8 500)
Increase/(decrease) in other liabilities		2 035	(1 943)
Net cash flows from operating activities		129 564	225 512
Cash flows from investment activities			
(Increase)/decrease in securities at amortized cost upon purchase of securities		(44 978)	(37 477)
Decrease in securities at amortized cost upon maturity of securities		32 805	-
Purchase of tangible and intangible assets		(587)	(444)
Sale of tangible and intangible assets		6	3
Net cash flows used in investment activities		(12 754)	(37 918)
Cash flow from financing activities			
Increase upon issue of long-term debt securities - bonds		50	-
Decrease upon maturity, repurchase and resale of long-term debt securities – bonds		(2 493)	(504)
Net increase/(decrease) in lease liabilities		(797)	(561)
Net cash flows used in financing activities		(3 240)	(1 065)
Net increase in cash and cash equivalents		113 570	186 529
Cash and cash equivalents at the beginning of the year	34.	197 818	11 289
Cash and cash equivalents at the end of the year	34.	311 388	197 818

The statement of cash flows has been prepared using an indirect method.

The notes on pages 13 to 79 form an integral part of these financial statements.

1. GENERAL INFORMATION

Incorporation

Privatbanka, a.s. ("the Bank") was established on 2 August 1995 and incorporated on 9 August 1995. The Bank commenced its activities on 22 May 1996. The Bank's registered office is Einsteinova 25, 851 01 Bratislava, its identification number is 31 634 419 and its tax identification number is 2020461905.

Principal activities

The principal activities of the Bank, as a holder of a banking license, include the provision of a wide range of banking and financial services to corporate and private customers.

The banking license was granted to the Bank for the following activities:

1. Receipt of deposits
2. Provision of loans
3. Investment in securities on own account
4. Trading on its own account with:
 - a) Money market financial instruments in euros and foreign currency including foreign exchange activities
 - b) Capital market financial instruments in euros and foreign currency
 - c) Coins made of precious metal, commemorative banknotes and coins, sheets of banknotes, and sets of coins for circulation
5. Administration of customer receivables on its account including advisory services
6. Finance leases
7. Provision of guarantees; opening and confirmation of letters of credit
8. Provision of business advisory services
9. Issue of securities, participation in issuing securities and provision of related services
10. Financial intermediation
11. Custody of valuables
12. Safe hire
13. Provision of banking information
14. Acting as a depository according to a special regulation
15. Processing of banknotes, coins, commemorative banknotes and coins
16. Provision of investment services, investment activities, and ancillary services in accordance with Article 79 (1) and in connection with Article 6 (1) and (2) of Act 566/2001 Coll. on Securities and Investment Services and on an amendment to certain acts, as amended, in the following scope:
 - I. Acceptance and forwarding of client instructions for one or several of the following financial instruments:
 - a) Convertible securities
 - b) Money market instruments
 - c) Trustee shares or securities issued by foreign collective investment entities
 - d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash
 - II. Execution of clients' instructions on their account in relation to the following financial instruments:
 - a) Convertible securities
 - b) Money market instruments
 - c) Trustee shares or securities issued by foreign collective investment entities
 - d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash

- III. Trading on its own account in the following financial instruments:
 - a) Convertible securities
 - b) Money market instruments
 - c) Trustee shares or securities issued by foreign collective investment entities
 - d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash

 - IV. Portfolio management of the following financial instruments:
 - a) Convertible securities
 - b) Money market instruments
 - c) Trustee shares or securities issued by foreign collective investment entities
 - d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash

 - V. Investment consulting concerning the following financial instruments:
 - a) Convertible securities
 - b) Money market instruments
 - c) Trustee shares or securities issued by foreign collective investment entities
 - d) Futures, swaps, forwards concerning currencies, interest rates or yields to be settled by their delivery or cash

 - VI. Underwriting and placement upon a firm commitment in relation to the following financial instruments:
 - a) Convertible securities
 - b) Money market instruments
 - c) Trustee shares or securities issued by foreign collective investment entities

 - VII. Placement without a firm commitment in relation to the following financial instruments:
 - a) Convertible securities
 - b) Money market instruments
 - c) Trustee shares or securities issued by foreign collective investment entities

 - VIII. Custody and management on clients' accounts, including custodian management and related services, in particular management of cash and financial collaterals, of the following financial instruments:
 - a) Convertible securities
 - b) Money market instruments
 - c) Trustee shares or securities issued by foreign collective investment entities

 - IX. Granting of loans and borrowings to an investor to be able to trade one or several financial instruments if the lender or provider of the borrowing is involved in the business

 - X. Trading of foreign exchange values if they are associated with the provision of investment services

 - XI. Performance of investment surveys and financial analysis or other forms of general recommendations for trading the financial instruments

 - XII. Services related to the underwriting of these financial instruments
17. Provision of payment and clearing services
18. Issue and administration of electronic money

Shareholders' structure

The shareholders' structure is as follows:

%	2023	2022
Penta Financial Services Ltd., Limassol	100,00	100,00
Total	100,00	100,00

The immediate consolidating entity is Penta Investments Limited, with its registered office at Agias Fylaxeos & Polygnostou 212, C&I Center, 2nd Floor, 3082 Limassol, Cyprus.

The ultimate parent company is Penta Investments Group Limited, with its registered office at Agias Fylaxeos & Polygnostou 212, C&I Center, 2nd Floor, 3082 Limassol, Cyprus.

The consolidated financial statements are available at Penta Investments Limited.

Investments in subsidiaries

As at 31 December 2023, the Bank had the following subsidiary:

Name	Activity	Share (%)
Privatfin, s.r.o.	Factoring, forfaiting, business advisory services, leasing services	100

Privatfin, s.r.o., with its registered office at Einsteinova 25, 851 01 Bratislava, Identification number: 36 037 869, is listed in the Business Register of District Court Bratislava I, Section: Sro, File No. 40865/B. The subsidiary does not perform activities in significant volumes. As at 31 December 2023, the subsidiary reported a loss of EUR 0.3 thousand (2022: a loss of EUR 0.3 thousand).

Geographical network

As at 31 December 2023, the Bank performed its activities in the Slovak Republic through the Center of Banking Services in Bratislava (Centrum bankových služieb), its network of three regional investment branches in Banská Bystrica, Bratislava and Košice, and 10 regional investment center for non-cash operations in Bratislava, Brezno, Nitra, Dunajská Streda, Žilina, Trenčín, Prešov, Trnava, Prievidza and Nové Zámky. As at 31 December 2023, in the Czech Republic the Bank provided investment services, and acceptance and forwarding of instructions related to one or more financial instruments through a branch of the foreign bank, which was listed in the Business Register of the Czech Republic on 8 January 2018. Additionally, as at 31 December 2023, the Bank provided other banking activities in the Czech Republic based on the right to free cross-border activity in line with Directive 2013/36/EU of the European Parliament and of the Council dated 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

Members of the Board of Directors

The members of the Bank's Board of Directors as at 31 December 2023 were as follows:

1. Mgr. Ing. Ľuboš Ševčík, CSc.	Chairman	Appointed on 4 September 2007
2. Ing. Marek Benčat	Member	Appointed on 1 January 2022
3. Ing. Vladimír Hrdina	Member	Appointed on 6 August 2003

Supervisory Board

The members of the Bank's Supervisory Board since 31 December 2023 are as follows:

Elected by the General Meeting:

1. Ing. Marián Slivovič	Chairman	Appointed on 12 May 2021
2. Ing. Marek Hvozdčara	Vice-Chairman	Appointed on 27 September 2012
3. Mgr. Martin Molnár	Member	Appointed on 24 June 2022

Elected by the employees:

4. Ing. Mgr. Milan Čerešňa	Member	Appointed on 24 August 2012
5. Ing. Milan Ondrej	Member	Appointed on 11 May 2021

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(2.1) Basis of presentation

The annual separate financial statements of the Bank (“the financial statements”) for 2023 and comparative data for 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) in Commission Regulation (EC) 1126/2008, and current interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The Bank does not prepare consolidated financial statements, in which Privatfin, s.r.o. (a subsidiary) would be included, because of its immaterial impact on the Bank’s financial statements.

Standards and interpretations relating to the Bank's operations that are effective for the current period

The application of the following standards, which have become effective in the current period, do not have a material effect on a bank's financial statements:

- IFRS 17 Insurance Contracts
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendments): Definition of Accounting Estimates
- IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)
- IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (Amendments)

Standards and interpretations relating to the Bank's operations not in force for the current period:

The Bank did not apply the new and amended standards prematurely in preparing these financial statements and intends to adopt them when they enter into force.

The Bank does not expect the following new and amended standards to have a material impact on its financial statements:

- IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current Liabilities with Covenants (Amendments)
- IFRS 16 Lease: Lease Liability in a Sale and Leaseback (Amendments)
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments – Disclosures: Supplier Finance Arrangements (Amendments)
- IAS 21 The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability (Amendments)

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

- IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures)
- Sale or Contribution of Assets between an Investor and its Associates and Joint Ventures (Amendments)

(2.2) Statement of compliance

The purpose of preparing these financial statements in the Slovak Republic is to comply with Act No. 431/2002 Coll. on Accounting, as amended. The Bank prepares its financial statements and Annual Report under special regulations – Regulation (EC) 1606/2002 of the European Parliament and of the Council on the Application of International Accounting Standards (IFRS).

Pursuant to Article 22 (12) of Act No. 431/2002 Coll. on Accounting, as amended, the Bank did not prepare consolidated financial statements for the year ended 31 December 2023, since the subsidiary Privatfin, s.r.o. does not have a significant impact on Privatbanka's consolidated group. The judgment on the financial position, expenses, revenues and results of the operations of Privatbanka's consolidated group has not been significantly affected by preparation of only the Bank's separate financial statements.

On 30 May 2023, the Bank's General Meeting approved the financial statements prepared in accordance with IFRS as at 31 December 2022.

The financial statements are intended for general use and information and are not intended for the purposes of any specific user or consideration of any specific transactions. Accordingly, users should not rely exclusively on these financial statements when making decisions.

(2.3) Basis of preparation

All data are stated in euros (EUR, €). The unit of measure is thousands of euros, unless specified otherwise. The data in parentheses represent negative values.

A branch operating in the Czech Republic is included in the financial statements. Assets and liabilities of the branch are translated to EUR using the exchange rate valid as at the reporting date. Income and costs of the branch abroad are translated to EUR using the exchange rate valid as at the transaction date. Exchange rate gains/losses arising from these transactions are recognized directly in equity.

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain financial investments, assets, liabilities and derivatives at fair value.

Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value. Other financial and non-financial assets and liabilities are measured at amortized cost or historical cost less provisions.

These financial statements were prepared under the assumption that the Bank will continue operating as a going concern for the foreseeable future.

The Bank has a controlling interest in the subsidiary as stated in Note 10. In these financial statements, the subsidiary is recognized at cost, taking into account losses from impairment.

(2.4) Significant accounting judgments and estimates

The presentation of financial statements in accordance with IFRS requires that the Bank's management make judgments on estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses during the reporting period and the disclosure of contingent assets and liabilities as at the reporting date. Actual results could differ from those estimates and future changes in the economic conditions, business strategies, regulatory requirements, accounting rules and/or other factors could result in a change in estimates that could have a material impact on the future reported financial position and results of operations.

Significant areas that require judgment and estimates:

- Provisions for liabilities are based on management judgments and represent the best estimate of expenditures required to settle a liability with uncertain timing or an amount resulting from an obligation.

- For leases designated in IFRS 16, the Bank assesses the term of such contracts, including contracts with an indefinite term and contracts with an option to extend the term of a contract, the determination of interest rates to be applied for the discounting of future cash flows and the determination of depreciation/amortization rates.
- When determining fair values of financial instruments for which a market price is not available, the Bank follows the procedure described in Note 2.5.7.
- The Bank continuously monitors the loan portfolio and performs an assessment of receivables from loan transactions on a specific or portfolio basis to identify client defaults and the related settlement of the client's liabilities to the Bank. Subsequently, the Bank quantifies (on a quarterly basis) the impact of default on recognized financial assets.

The identification of expected losses requires the use of models and assumptions on future economic conditions and the credit behaviour of clients. Significant judgments are:

- Determination of criteria for a significant increase of credit risk
- Selection of appropriate models and assumptions to measure expected credit losses using probability of default (PD) and loss given default (LGD)
- Determination of probabilities and scenarios of expected cash flows from defaulted financial assets
- Establishing groups of similar financial assets for the purposes of portfolio measurement of expected credit losses

For more details on the algorithm used to calculate provisions, refer to Note 41. Financial Instruments – Credit Risk. Given the current economic conditions, the final estimates may differ from the provisions recognized as at 31 December 2023.

(2.5) Summary of significant accounting policies

(1) IFRS 9 “Financial Instruments”

The International Financial Reporting Standard “Financial Instruments” (“IFRS 9”) was applied by Privatbanka, a.s. for the first time as of 1 January 2018. The standard covers three main areas: classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

All financial assets, except for equity securities and derivatives, are classified based on the Bank's business model, and based on contractual cash flow characteristics of individual assets in compliance with the requirements of IFRS 9. Classification is according to the following categories, based on measurement of financial assets at:

- Fair value through profit or loss
- Fair value through other comprehensive income
- Amortized cost

Impairment

Under IFRS 9, the incurred loss principle was replaced by the expected loss principle in the impairment calculation model. The new model is applied to all loan receivables and financial assets which are not measured at fair value through profit or loss, including off-balance sheet liabilities.

Impairment recognized through a provision for impairment losses is based on expected losses arising from the probability of default of a financial asset in the following 12 months. If there has been a significant increase in the credit risk of the financial asset since its initial recognition, the provision is based on the expected losses over the entire maturity period of the financial asset. The Bank assesses whether there was a significant increase in credit risk based on the criteria defined in internal guidelines.

Loans

Loans are assessed, measured and recognized by the Bank on an individual and portfolio basis. Loans are assessed on an individual basis, unless they are included in a group of loans as a portfolio. The Bank has created five portfolios, which group loans according to similar credit risk characteristics.

The Bank classifies loans in accordance with IFRS 9 in three stages as follows:

Stage 1 – standard loans: upon initial recognition of a loan and the Bank calculates provisions based on expected losses based on the probability of default in the following 12 months.

Stage 2 – risk-bearing loans: in the event of a significant increase in credit risk, the Bank calculates provisions based on expected losses over the full lifecycle of a loan.

Stage 3 – defaulted loans: the Bank calculates provisions based on expected losses over the full lifecycle of a loan.

For assets classified as standard or risk-bearing loans (Stage 1 and Stage 2), interest income is recognized based on the gross carrying amount of assets. For defaulted assets (Stage 3), interest income is recognized based on the net carrying amount of assets.

Loans are only classified in Stage 3 if there is objective evidence that the client will default on its liability to the Bank.

For portfolio-assessed loans, the Bank calculates provisions based on the principle of expected loan losses for the lifecycle of the loan.

Securities

When calculating provisions for securities, the Bank applies the same approach as when calculating provisions for loans assessed individually, as described above.

Modified Financial Assets

Under IFRS 9, modification occurs when the contractual cash flows of a financial asset are renegotiated or otherwise modified (in particular, by adjusting the repayment schedule, extending the maturity of the loan or by changing the interest rate/margin) and such a renegotiation or modification does not result in the derecognition of the financial asset. A modification may occur at any time over the full lifecycle/holding of a financial asset, i.e., from initial recognition until the repayment or sale of the financial asset. As regards Privatbanka, a.s., the receivables (financial assets) are usually modified upon their maturity.

The Bank differentiates between two types of modification:

- Unforced modification
- Forced modification (restructuring)

Through unforced modification of a financial asset, the client has no financial difficulties, and the Bank does not grant any concession to the client without which it would be unable to meet its obligation. The Bank applies unforced modification mainly for commercial reasons.

A forced modification is applied where the client has financial difficulties, due to which the Bank grants a concession. This is a modification to the repayment schedule, or an extension of the loan's maturity, or a decrease in the interest rate. In its internal guidelines, the Bank has defined characteristics that may indicate that the client has financial difficulties.

The Bank calculates the impact of the modification of the contractual cash flows as the difference between the gross value of the financial asset prior to the modification and the present value of the modified cash flows discounted using the original effective interest rate or market interest rate.

If the calculated impact of the modification of the contractual cash flows does not exceed the materiality level set by the Bank, the Bank does not record and recognize the impact of the modification.

(2) Foreign currency translation

Transactions denominated in foreign currencies are translated to euros using the rates of exchange of the ECB or other commercial banks available on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing on the reporting date. Exchange rate gains/losses are included in the Income Statement in "Trading profit".

(3) Cash and cash equivalents

The Bank considers cash, current accounts with the National Bank of Slovakia (NBS) or other financial institutions, term deposits with other financial institutions with residual maturity up to three months, and treasury bills with a residual maturity of up to three months, to be cash equivalents. For the purposes of determining cash flows, the minimum reserve deposit with the NBS is not included as cash equivalent due to restrictions on its availability.

(4) Financial instruments – recognition and measurement

(i) Date of initial recognition

Purchases or sales of financial assets that require the delivery of assets within the timeframe generally established by regulation or convention in the marketplace are recognized as at the date of settlement. Derivatives are recognized as at the trade date.

(ii) Initial measurement of financial instruments

The classification of individual financial instruments depends on the Bank's business model and the cash flow characteristics of a particular financial instrument. Each debt financial instrument must undergo an SPPI testing based on the known parameters of such an instrument at initial classification in the Bank's assets. At initial recognition, the financial instruments are measured at fair value, including the transaction costs.

(iii) Financial investments at amortized cost

Financial investments at amortized cost are financial investments held as part of the Bank's business model to collect contractual cash flows; the contractual terms of financial investments define the exact values and amounts of instalments that are solely payments of principal and interest on the principal amounts. After initial recognition, the financial investments are then measured at amortized cost using the effective interest rate method, net of the provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition cost and fees that are an integral part of the effective interest rate. Amortization is included in "Interest income and similar income" in the Income Statement. Impairment losses on such investments are recognized under "(Creation)/release of provisions for securities" in the Income Statement.

(iv) Loans and advances to banks and loans and advances to customers

After initial recognition, the loans and advances to banks and the loans and advances to customers are subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition cost and fees that are an integral part of the effective interest rate. Amortization is included in "Interest income and similar income" in the Income Statement. Impairment losses on such investments are recognized under "(Creation)/release of provisions for impairment losses, write-off and assignment of receivables" in the Income Statement.

(v) Financial assets at fair value through profit or loss

Financial instruments at fair value through profit or loss comprise financial derivative instruments and securities at fair value through profit or loss. Securities at fair value through profit or loss comprise financial assets held for trading and assets that did not meet the SPPI test.

Financial instruments at fair value through profit or loss are recognized at fair value. Gains and losses from revaluation are presented in the Income Statement as "Trading profit". Interest earned while holding securities held for trading is reported using the effective interest rate as interest income in the Income Statement as "Interest income and similar income". Dividends earned while holding financial investments are recognized in the Income Statement as "Trading profit" when the right to payment has been established.

Financial derivatives include currency and interest rate swaps and forwards, FRA and currency options (call and put options) and other financial derivatives for the purposes of trading and interest rate risk and exchange rate risk management. Financial derivatives are measured at fair value. Unrealized gains and losses on financial derivatives are recognized as “Other assets” or “Other liabilities”.

Realized and unrealized gains and losses on derivatives entered into for trading purposes are included in the Income Statement in “Trading profit”.

Derivatives held as hedging instruments for risk management purposes are remeasured to fair value at the end of each reporting period. The treatment of changes in their fair value depends on their classification into the following categories:

(i) Fair value hedge

When a derivative is designated as a hedge of the change in fair value of a recognized asset or liability or a firm off-balance sheet irrevocable commitment, changes in the fair value of the derivative are recognized immediately in the Income Statement together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same income statement line as the hedged item).

Hedge accounting is discontinued if the derivative expires or is sold, terminated, or exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked. Any adjustment to a hedged item for which the effective interest method is used is amortized to income as part of the recalculated effective interest rate of the item over its remaining life.

(ii) Cash flow hedge

When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect income, the effective portion of changes in the fair value of the derivative are recognized directly in equity. The amount recognized in equity is removed and included in the Income Statement in the same period as the hedged cash flows affect the Income Statement under the same income statement line as the hedged item.

Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the income statement.

If a derivative expires or is sold, terminated or exercised, no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognized in equity remains in equity until the forecast transaction affects income. If the forecast transaction is no longer expected to occur, hedge accounting is discontinued and the balance in equity is recognized immediately in the income statement.

The relationship between the hedging instrument and the hedged item, risk management objectives, and the implementation strategy of various hedging transactions are documented at the beginning of the hedge relationship. From the origin of the hedging, the Bank continuously documents whether the hedging instrument is highly effective in offsetting changes in the fair values or cash flows of the hedged item.

Hedging derivatives are defined as derivatives following the Bank’s risk management strategy, the hedge relationship is officially documented and the hedging is effective [run-on].

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (“the host contract”). The Bank accounts for embedded derivatives separately from the host contract when that is not itself carried at fair value through income and the characteristics of the embedded derivative are not clearly and closely related to the host contract. Separated, embedded derivatives are recognized depending on their classification and are presented in the balance sheet together with the host contract.

(vi) Securities at fair value through other comprehensive income

Debt securities at fair value through other comprehensive income are financial investments that are held

as part of the Bank's business model to collect contractual cash flows as well as their sale. The contractual terms of financial investments determine the exact values and amounts of instalments that are solely payments of principal and interest on the principal amounts. This category also includes equity instruments not held for trading.

After initial recognition, the securities at fair value through other comprehensive income are measured at fair value. Unrealized gains and losses are recognized directly in equity under "Revaluation reserves on securities at fair value through other comprehensive income including deferred tax". When the financial asset is sold, the cumulative gain or loss previously recognized in equity is recognized in the Income Statement in "Trading profit". Where the Bank holds more than one investment in the same financial asset, they are deemed to be disposed of on an average price basis. Interest income on holding financial investments at fair value through other comprehensive income is recognized using the effective interest rate as interest income in the Income Statement under "Interest income and similar income". Dividends earned while holding financial investments are recognized in the Income Statement as "Trading profit" when the right of the payment has been established. Impairment losses on such investments are recognized in the Income Statement under "(Creation)/release of provisions for securities" and are derecognized from equity ("Revaluation reserves on securities at fair value through other comprehensive income including deferred tax").

(vii) Deposits from customers, due to banks and debt securities issued

Deposits from customers, due to banks, and debt securities issued are financial instruments, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder or other banks.

After initial recognition, deposits from customers, due to banks, and debt securities issued are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the face value and initial costs that are an integral part of the effective interest rate. The corresponding interest expense is recognized in the Income Statement in the line "Interest expense and similar expense".

(5) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset or where applicable, a part of a financial asset or group of similar financial assets, is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement
- The Bank has transferred substantially all the risks and rewards of the asset
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of it

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Bank's continuing exposure. Continuing exposure that takes the form of a guarantee over the transferred asset is measured at the lower of a) the original carrying amount of the asset, and b) the maximum amount of consideration that the Bank could be required to repay.

(ii) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and recognition of a new liability, and the difference in the relevant carrying amounts is recognized in the Income Statement.

(6) Repurchase and reverse repurchase agreements

Transactions in which securities are sold under a commitment to repurchase (repos) at a predetermined price or purchased under a commitment to resell (reverse repos) are treated as received loans in “Due to banks” or “Deposits from customers” with the security transfer of securities or as loans granted in “Loans and advances to banks” or “Loans and advances to customers”. The Bank recognizes interest income on securities transferred under a repurchase commitment while interest income on securities received under a resale commitment is not accrued.

Income and expenses arising from repurchase and reverse repurchase commitments, being the difference between the selling and purchase prices of the securities, are accrued over the period of the transaction and recorded in the Income Statement as “Interest income and similar income” or “Interest expense and similar expense”.

(7) Determination of fair value

Based on the used input data for the fair value estimates, the calculation of the fair values of the Group’s financial assets and liabilities can be classified into one of three levels:

Level 1: Quoted prices from active markets for identical assets or liabilities

Level 2: Inputs other than “Level 1” quoted prices, which can be obtained for assets or liabilities either directly (e.g., prices) or indirectly (derived from interest rates etc.)

Level 3: Input data for assets or liabilities, which cannot be derived from market data

Determination of the fair value of financial instruments:

- Corresponds to their quoted price in an active market as at the reporting date, without any deduction for transaction costs
- Using valuation techniques such as theoretical price derived from the proceeds, as read from the yield curve of government bonds and the credit margin of issuers’ debt securities with comparable credit risk under generally accepted revaluation rules, if the quoted market price is not available or there is no active market for the applicable financial instrument
- Using valuation techniques, involves financial instruments being measured and periodically reviewed by qualified personnel independent of the field of their creation and if practically feasible, models use only observable data but areas such as credit risk, volatility and liquidity require expert estimates, with changes in the assumptions related to these factors affecting the reported fair value of financial instruments
- Such as shares and other corporate equity securities whose price is not listed on an active market is stated at cost less impairment, which is considered a reasonable fair value estimate
- Such as government and NBS treasury bills is determined by discounting the face value to present value by the required proceeds by maturity derived from the applicable rates effective on the interbank market
- Such as OTC derivatives discounts future cash flows to their present value using verifiable market data

With respect to the definition of the fair value of financial instruments that are not revalued to fair value, the Bank applies the net present value method using the prime interest rates of individual currencies disclosed by central banks, which approximate market values. More detailed information on the methods of calculation of fair values of financial instruments not revalued to fair value is provided in Note 43.

To determine the fair values of its financial assets and liabilities, the Bank uses information from the Bloomberg system, where the value is determined by the values of various contributors (financial market entities contributing their prices into the information system) and other important market information.

(8) Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. The value of a financial asset or a group of financial assets is reduced if, and only if, the Bank identifies a client default due to one or more events that occurred after the initial recognition of the financial asset and that event (or events) has an impact on the estimated future cash flows of the financial asset, or the group of financial assets that can be reliably estimated.

Criteria identifying client default towards the Bank may apply to situations where the borrower (or a group of borrowers) is in financial difficulty, is in default or delinquency as regards interest or principal payments, which are overdue by more than 90 days, if they enter bankruptcy, or other cases where observable data indicate that the client will probably fail to meet its obligations in the full amount towards the Bank.

(i) Loans and advances to banks and loans and advances to customers

For loans and advances to banks and loans and advances to customers, the Bank first assesses individually whether objective evidence of impairment exists for individually assessed items of financial assets.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred as at the reporting date). The carrying amount of the asset is reduced through use of an account of impairment losses and the amount of the loss is recognized in the Income Statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the financial asset. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases owing to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the account of impairment losses. The unrecovered portion of the loans is written off by the Bank as a loss after all means for recovery of the receivable have been applied including the realization of the receivable's collateral.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that will be generated from the realization of the collateral less costs of sale.

If the Bank concludes that no objective evidence of impairment exists for an individually assessed financial asset and such an asset shows common indications characteristic for individual portfolios created by the Bank, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment are not included in a collective assessment of impairment.

For the collective recognition of impairment, financial assets are grouped using the Bank's internal credit classification system that considers similar credit risk characteristics, in particular type of financial asset, type of debtor, security method, and other relevant factors.

The selected types of loans to customers where no default was identified on an individual basis are classified as portfolios with similar risk characteristics. The Bank has five portfolios created for the collective (portfolio) measurement of receivables with common characteristics. The Bank's loan portfolios comprise the portfolio of loans and current account overdrafts provided to the Bank's employees, the portfolio of current account overdrafts provided to private banking customers, the portfolio of loans provided to individuals as housing loans, the portfolio of loans provided to private banking customers as loans secured by the portfolio of the customers' securities managed by the Bank and the portfolio of loans provided to the Bank's customers included in the Bank's watch list (closer monitoring).

To cover losses that have not yet been identified on an individual level but are included in individual portfolios based on objective historical experience, provisions created for portfolios of financial assets are used. Provision items created on a portfolio basis are aimed at reflecting the potential risk of loss that cannot be identified individually at the given time but are included in individual portfolios based on historical experience and the impact of current market conditions.

The Bank does not have a sufficiently long series for the calculation of an historical default rate for the loan portfolios. The Bank developed a model for the calculation of provisions for loan portfolios. The amount of such provisions is defined as a percentage of the total portfolio value and depends on

the probability of default and loss given default. The input data for the model comprise, is data from the BLOOMBERG system, regular monthly statements reported by the NBS on the status of loans in the banking sector for the preceding periods and a loan portfolio report of the Bank.

The Bank monitors changes in economic conditions of the relevant market and regularly reassesses the amount of portfolio provisions. The Bank also tests the model quality by comparison with the realized losses from the loan portfolio for the previous year.

Additional information on credit risk management is provided in Note 41. Financial Instruments – Credit Risk

(ii) Financial investments at amortized cost

For investments measured at amortized cost, the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognized in the Income Statement.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, any amounts previously disclosed in expenses are credited to the “Loss on impairment of financial investments”.

(iii) Financial investments at fair value through other comprehensive income

For financial investments at fair value through other comprehensive income, the Bank assesses as at the reporting date whether there is objective evidence of impairment of the investment or a group of investments.

For equity investments classified as measured at fair value through other comprehensive income, objective evidence would include a significant or long-term decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement – is removed from equity and recognized in the Income Statement. Provisions for equity investments are not reversed through the Income Statement. Increases in their fair value after impairment are recognized directly in equity.

For debt instruments classified as measured at fair value through other comprehensive income, impairment is assessed based on the same criteria as for financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate and is recorded as part of “Interest income and similar income”. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the Income Statement, the provision for the financial assets is reversed through the Income Statement.

(iv) Renegotiated loans

The Bank prefers to restructure loans rather than perfect the collateral if such procedure improves or strengthens its position as a creditor. Restructuring may include the extension of repayment dates and the agreement of new credit terms and conditions. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective assessment for impairment expressed as a provision.

(9) Accrued interest income and expense

Accrued interest income and expense related to financial assets and liabilities are presented as at the reporting date together with the corresponding assets and liabilities in the statement of financial position.

(10) Tangible and intangible assets

Tangible and intangible assets are recognized at historical cost less accumulated depreciation and provisions for impairment losses. Tangible and intangible assets are depreciated/amortized as follows:

Buildings and structures	20 to 40 years, linear
Software	Up to 5 years, linear
Other assets	4 to 12 years, linear

Land and assets under construction are not depreciated.

Gains and losses on the sale of tangible and intangible assets are determined by reference to their net book value and are recognized in the Income Statement in the year of disposal. Low-value tangible and intangible assets and technical improvements costing less than EUR 1,700 in the case of tangible assets, and EUR 2,400 in the case of intangible assets, are recognized in the Income Statement when the expenditure is incurred.

Costs associated with the maintenance of existing software are expensed through “General operative expenses” as incurred, while the costs of technical improvements are capitalized and increase the cost of software.

(11) Impairment of tangible and intangible assets

At each reporting date, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of impairment loss (if any).

The recoverable amount is the higher of fair value less costs of sale and present value of future cash flows expected to be derived from the asset. If any of the above amounts exceeds the carrying amount, there is no need to estimate the other amount. If the estimated recoverable amount of an asset is lower than its carrying amount, the carrying amount of the asset is reduced to equal the recoverable amount. The impairment loss is recognized directly in the Income Statement.

(12) IFRS 16 Leases

The International Financial Reporting Standard “Leases” (IFRS 16) was applied by the Bank for the first time as of 1 January 2019.

This standard removes the dual model of accounting by the lessee. Instead, it requires that companies recognize most leases in the balance sheet under a single model eliminating the distinction between an operating lease and a finance lease. In accordance with IFRS 16, a contract is, or contains, a lease if the contract transfers the right to control the use of an identified asset over a certain period in exchange for consideration. For such contracts, the new model requires the lessee to recognize a right-of-use asset and a lease liability. The right of use is amortized over the term of the lease contract and the liability bears interest.

The new standard introduces several exemptions for a lessee, which include:

- Leases with a lease term of 12 months or less which do not include a purchase option
- Leases for which the underlying asset is of low value

The Bank applied the above exemptions.

After the application of IFRS 16, the Bank measures lease liabilities at the present value of receivables from lease payments. Lease payments are discounted using the interest rate implicit in the lease. The Bank uses a zero implicit interest rate.

Right-of-use assets are initially measured at cost, which comprises:

- Initial estimate of lease liabilities
- Any lease payments made at or before the commencement date of the lease, less any receivable from lease incentives
- Any initial costs directly incurred by the lessee through entering into a lease contract
- An estimate of costs which will be incurred by the lessee due to an obligation to dismantle and remove the underlying asset or to carry out refurbishment/restoration

(13) Guarantees issued

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, guarantees and accepted notes. Financial guarantees are initially recognized at fair value, in "Other liabilities". Upon initial recognition, the Bank's liability under each guarantee granted is measured at the higher of the amortized cost and the best estimate of expenditures required to settle any financial obligation arising as a result of the guarantee and is recognized in "Other liabilities".

(14) Provisions for liabilities

A provision is a liability of uncertain timing or amount. A reserve is recognized when the Bank has an obligation (legal or constructive) as a result of past events, it is probable that the satisfaction of the obligation will require a cash outflow and, at the same time, the amount of the obligation can be reliably estimated.

The amount of provisions for liability is recognized based on the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. Where a provision for liability is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision for liability are expected to be recovered from a third party, the receivable is recognized as an asset if it is certain that a reimbursement will be received and the amount of the receivable can be measured reliably.

(15) Recognition of income and expenses**(i) Interest expense and interest income**

Interest expense and interest income are recorded in the Income Statement on an accrual basis using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability, or a group of financial assets or liabilities, by allocating interest income and income expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument so that they correspond to the net carrying amount of the financial asset or financial liability.

Fees earned for the provision of loans and loan commitments that compensate activities performed to maintain the instrument are recorded on an accrual basis and recognized as effective interest rate adjustments.

Interest expenses and interest income also include transaction fees at the origin of the financial instrument.

For assets classified as standard or risk-bearing (Stage 1 and Stage 2), interest income is recognized based on the gross carrying amount of assets. For defaulted assets (Stage 3), interest income is recognized based on the net carrying amount of assets.

(ii) Fee and commission income and expenses

Fees earned for the administration of loans and other received and paid fees are recorded in the Income Statement when the service is provided or received. The Bank receives fees primarily in connection with the issue of securities for related parties.

(iii) Income tax

Income tax includes current tax and deferred tax.

Current income tax represents the expected tax liability resulting from taxable income for the year calculated at the tax rate as at the reporting date with any current income tax adjustments from previous years.

Deferred income tax is calculated using the balance sheet liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is calculated at the tax rates that are expected to apply to the period when the time differences are reversed.

Deferred income tax assets are only recognized to the extent that it is probable that taxable profits will be available against which non-utilized tax losses and credits can be applied. Deferred income tax assets are decreased to the extent that it is not probable that the related tax benefits can be realized.

Deferred income tax is charged or credited to the Income Statement, except when such deferred income tax relates to items charged or credited directly to equity, in which case the deferred tax is also recorded in equity. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities, and when they relate to income taxes levied by the same tax authority and the Bank intends to settle its current income tax assets and liabilities on a net basis.

(16) Subsidiaries and other equity investments

The financial statements present the accounts and results of the Bank only.

Subsidiaries

An investment in a subsidiary is one in which the Bank holds, directly or indirectly, more than 50% of such subsidiary's share capital or in which the Bank can exercise more than 50% of the voting rights, or where the Bank can appoint or dismiss the majority of the Board of Directors or Supervisory Board members or have other means of governing the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries are valued at cost less provisions for impairment.

Other equity participations

Other equity participations represent investments with less than a 20% share of the share capital and voting rights. Such investments are measured using the fair value model applicable on the available-for-sale securities. Investments for which no quoted market prices on an active market are available or investments the fair value of which cannot be determined reliably are recognized at cost.

(17) Transactions with securities for customers

Securities received by the Bank into custody and for deposit are recognized at face value in the off-balance sheet. The securities taken over by the Bank for management are recognized at fair value in the off-balance sheet. The Bank's amounts due to customers are recognized as "Deposits from customers" in the balance sheet owing to cash received for purchase of securities and cash to be returned to clients.

(18) Regulatory requirements

The Bank is subject to the regulatory requirements of the central bank. These regulations include those pertaining to capital adequacy, classification of loans and off-balance sheet commitments, asset concentration, credit risks associated with the Bank's clients, liquidity, interest rates, and foreign currency position.

3. RECOGNITION OF SELECTED ASSETS BY GEOGRAPHICAL AREA

Classification by geographical area as at 31 December 2023:

EUR '000	Cash and balances with central banks	Loans and advances to banks	Loans and advances to customers	Securities at fair value through other comprehensive income	Securities measured at amortized cost	Investments in subsidiaries
Cyprus	-	-	39 663	-	-	-
Czech Republic	6	50 196	39 337	-	-	-
Ireland	-	-	-	2 320	-	-
Latvia	-	-	-	-	1 395	-
Lichtenstein	-	-	19 831	-	-	-
Lithuania	-	-	-	-	9 501	-
Poland	-	-	46 369	-	-	-
Austria	-	2 349	183	4 482	-	-
Romania	-	11	7 021	-	-	-
Slovak Republic	251 976	7 687	225 380	21 052	99 346	7
Slovenia	-	-	-	2 560	2 601	-
United States of America	52	-	-	24 456	-	-
Switzerland	41	-	-	-	-	-
United Kingdom	70	-	-	-	-	-
Total, gross	252 145	60 243	377 784	54 870	112 843	7
Provisions (Note 7)	-	-	(11 869)	(85)	(98)	-
Total, net	252 145	60 243	365 915	54 785	112 745	7

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

Classification by geographical area as at 31 December 2022:

EUR '000	Cash and balances with central banks	Loans and advances to banks	Loans and advances to customers	Securities at fair value through other comprehensive income	Securities measured at amortized cost	Investments in subsidiaries
Cyprus	-	-	21 053	-	-	-
Czech Republic	60	17 728	53 018	13 797	-	-
France	-	-	-	9 934	-	-
Ireland	-	-	-	2 205	-	-
Latvia	-	-	-	-	10 046	-
Lichtenstein	-	-	99 187	-	-	-
Hungary	-	-	-	-	10 172	-
Poland	-	-	38 498	-	-	-
Austria	-	2 321	183	4 357	-	-
Romania	-	11	8 194	-	-	-
Slovak Republic	165 291	16 263	223 821	10 633	77 851	7
Slovenia	-	-	-	2 632	2 696	-
United States of America	116	-	-	19 164	-	-
Switzerland	21	-	-	-	-	-
United Kingdom	70	-	-	-	-	-
Total, gross	165 558	36 323	443 954	62 722	100 765	7
Provisions (Note 7)	-	-	(14 514)	(92)	(110)	-
Total, net	165 558	36 323	429 440	62 630	100 655	7

4. CASH AND BALANCES WITH CENTRAL BANKS

EUR '000	2023	2022
Cash on hand	2 075	2 015
Current account in NBS	249 070	-
Term deposits in NBS	-	159 480
Minimum reserve deposits at NBS	1 000	4 063
Total cash and balances with central banks	252 145	165 558

Receivables from central banks are not secured by any collateral.

The minimum reserve deposits are recognized as a deposit under the regulations of the National Bank of Slovakia. The amount of the reserves depends on the level of deposits accepted by the Bank. The Bank's ability to withdraw the reserve is restricted by statutory legislation; therefore, it is not included in "Cash and balances with central banks" for the purposes of cash flow statement preparation (see Note 34).

5. LOANS AND ADVANCES TO BANKS

EUR '000	2023	2022
Current bank accounts	6 053	6 713
Term deposits with banks	51 744	28 016
Other amounts due from banks	2 446	1 594
Total loans and advances to banks	60 243	36 323

Loans and advances to banks have not been secured by any collateral.

6. LOANS AND ADVANCES TO CUSTOMERS

(a) Breakdown of loans and advances to customers by type

EUR '000	2023	2022
Loans and borrowings to corporate entities	365 222	429 189
Stage 1	273 260	304 306
Stage 2	75 096	92 664
Stage 3	16 866	32 219
Loans and borrowings to individuals	12 562	14 765
Stage 1	10 584	312
Stage 2	315	13 023
Stage 3	1 663	1 430
Total loans and advances to customers, gross	377 784	443 954
Provisions for loans and advances to customers (Note 7)	(11 869)	(14 514)
Total loans and advances to customers, net	365 915	429 440

The decrease in provisions for loans and advances to customers was primarily due to:

- Repayment of part of non-performing loans (stage 3) and dissolution of relevant provisions
- Write-off of part of non-performing loans in parallel with the dissolution of the same quantity of provisions
- Review of cash flow scenarios when calculating provisions for non-performing loans

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As at 31 December 2023, the 15 largest customers accounted for 59,57% of the gross loan portfolio, which amounted to EUR 225,041 thousand (2022: 62.25%, EUR 276,355 thousand).

Further details on credit risk are described in Note 41.

(b) Breakdown of loans and advances to customers by sector

The table below details the breakdown of loans and advances to customers by sector as at 31 December 2023.

EUR '000	Stage 1	Stage 2	Stage 3	Total
Residents				
Financial institutions	-	9 524	-	9 524
Non-financial institutions	137 178	50 755	15 943	203 876
Public administration	-	-	-	-
Non-profit organisations	-	300	-	300
Self-employed	-	11	-	11
Individuals	10 001	5	1 663	11 669
Non-residents				
Financial institutions	39 539	-	-	39 539
Non-financial institutions	96 543	14 517	923	111 983
Individuals	583	299	-	882
Total loans and advances to customers, gross	283 844	75 411	18 529	377 784
Provisions for loans and advances to customers (Note7)	(2 714)	(4 817)	(4 338)	(11 869)
Total loans and advances to customers, net	281 130	70 594	14 191	365 915

The table below details the breakdown of loans and advances to customers by sector as at 31 December 2022.

EUR '000	Stage 1	Stage 2	Stage 3	Total
Residents				
Financial institutions	-	8 121	435	8 556
Non-financial institutions	116 485	61 945	22 655	201 085
Public administration	-	123	-	123
Non-profit organisations	-	300	-	300
Self-employed	122	17	-	139
Individuals	190	11 998	1 430	13 618
Non-residents				
Financial institutions	18 972	-	-	18 972
Non-financial institutions	168 849	22 175	9 129	200 153
Individuals	-	1 008	-	1 008
Total loans and advances to customers, gross	304 618	105 687	33 649	443 954
Provisions for loans and advances to customers (Note 7)	(1 638)	(3 731)	(9 145)	(14 514)
Total loans and advances to customers, net	302 980	101 956	24 504	429 440

(c) Breakdown of loans and advances to customers per purpose

The table below details the breakdown of loans and advances to customers by purpose as at 31 December 2023.

EUR '000	Stage 1	Stage 2	Stage 3	Total	Share (%)
Short-term loans	2 028	1 805	2 471	6 304	
Operating	1 009	-	2 471	3 480	0,92
Investment	1 019	1 805	-	2 824	0,75
Project	-	-	-	-	0,00
Long-term loans	281 816	73 606	16 058	371 480	
Operating	48 663	12 434	298	61 395	16,25
Investment	190 816	36 243	6 751	233 810	61,89
Project	42 337	24 929	9 009	76 275	20,19
Total loans and advances to customers, gross	283 844	75 411	18 529	377 784	100,00
Provisions for loans and advances to customers (Note 7)	(2 714)	(4 817)	(4 338)	(11 869)	
Total loans and advances to customers, net	281 130	70 594	14 191	365 915	

The table below details the breakdown of loans and advances to customers by purpose as at 31 December 2022.

EUR '000	Stage 1	Stage 2	Stage 3	Total	Share (%)
Short-term loans	108 015	24 350	2 926	135 291	
Operating	1 808	21 600	2 926	26 334	5,93
Investment	99 711	2 750	-	102 461	23,08
Project	6 496	-	-	6 496	1,46
Long-term loans	196 603	81 337	30 723	308 663	
Operating	22 291	14 020	4 680	40 991	9,23
Investment	120 691	51 713	7 564	179 968	40,54
Project	53 621	15 604	18 479	87 704	19,76
Total loans and advances to customers, gross	304 618	105 687	33 649	443 954	100,00
Provisions for loans and advances to customers (Note 7)	(1 638)	(3 731)	(9 145)	(14 514)	
Total loans and advances to customers, net	302 980	101 956	24 504	429 440	

(d) Risk categorization of loans to customers








The table below details the breakdown of loans to customers according to the type of exposure and the level of risk identified within the Bank's portfolio of loans and advances as at 31 December 2023. The estimate of collateral value is a recoverable portion.

EUR '000	Exposure	Provisions	Provisions coverage	Estimated value of collateral	Provisions and collateral coverage
Portfolio provisions	67 266	4 915	7,31%	42 991	71,22%
Individuals	10 899	148	1,36%	3 992	37,99%
of which: Stage 1	10 584	118	1,11%	3 992	38,83%
Stage 2	315	30	9,52%	-	9,52%
Stage 3	-	-	-	-	-
Corporate entities	56 367	4 767	8,46%	38 999	77,64%
of which: Stage 1	3 670	34	0,93%	337	10,11%
Stage 2	52 697	4 733	8,98%	38 662	82,35%
Stage 3	-	-	-	-	-
Specific provisions	310 518	6 954	2,24%	135 358	45,83%
Individuals	1 663	747	44,92%	1 049	108,00%
of which: Stage 1	-	-	-	-	-
Stage 2	-	-	-	-	-
Stage 3	1 663	747	44,92%	1 049	108,00%
Corporate entities	308 855	6 207	2,01%	134 309	45,50%
of which: Stage 1	269 590	2 562	0,95%	99 407	37,82%
Stage 2	22 399	54	0,24%	20 537	91,93%
Stage 3	16 866	3 591	21,29%	14 365	106,46%
Total	377 784	11 869	3,14%	178 349	50,35%

In 2023, interest income on impaired loans to customers (Stage 3) amounted to EUR 413 thousand (2022: EUR 911 thousand).

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The table below details the breakdown of loans to customers according to the type of exposure and the level of risk identified within the Bank's portfolio of loans and advances as at 31 December 2022. The estimate of collateral value is a recoverable portion.

EUR '000	Exposure	Provisions	Provisions coverage	Estimated value of collateral	Provisions and collateral coverage
Portfolio provisions	66 328	3 303 	4,98%	32 986	54,71%
Individuals	13 023	381 	2,93%	3 262	27,97%
of which: Stage 1	-	-	-	-	-
Stage 2	13 023	381	2,93%	3 262	27,97%
Stage 3	-	-	-	-	-
Corporate entities	53 305	2 922 	5,48%	29 724	61,24%
of which: Stage 1	-	-	-	-	-
Stage 2	53 305	2 922	5,48%	29 724	61,24%
Stage 3	-	-	-	-	-
Specific provisions	377 626	11 211 	2,97%	257 480	71,15%
Individuals	1 742	569 	32,66%	1 289	106,66%
of which: Stage 1	312	-	-	313	100,32%
Stage 2	-	-	-	-	-
Stage 3	1 430	569	39,79%	976	108,04%
Corporate entities	375 884	10 642 	2,83%	256 191	70,99%
of which: Stage 1	304 306	1 638	0,54%	212 863	70,49%
Stage 2	39 359	428	1,09%	17 952	46,70%
Stage 3	32 219	8 576	26,62%	25 376	105,38%
Total	443 954	14 514 	3,27%	290 466	68,70%

(e) Breakdown of loans and advances to customers by movement in gross carrying amounts

The table below details the breakdown of loans and advances to customers by movement in gross carrying amounts related to movements in provisions during 2023.

EUR '000	Stage 1	Stage 2	Stage 3	Total
Gross amount of loans and advances as at 1 Jan 2023	304 618	105 687	33 649	443 954
Operating loans	25 573	(23 186)	(4 837)	(2 450)
New loans and advances	4 325	-	-	4 325
Transfer to Stage 1	23 204	(23 204)	-	-
Transfer to Stage 2	3	3 436	(3 439)	-
Transfer to Stage 3	(109)	-	109	-
Repaid loans and advances	(1 345)	(2 725)	(220)	(4 290)
Write-offs	-	-	(818)	(818)
Assignment of receivables	-	-	-	-
Other changes	(505)	(693)	(469)	(1 667)
Investment loans	(28 567)	(16 415)	(813)	(45 795)
New loans and advances	96 876	-	-	96 876
Transfer to Stage 1	9 171	(9 171)	-	-
Transfer to Stage 2	(21 646)	21 652	(6)	-
Transfer to Stage 3	-	(1 165)	1 165	-
Repaid loans and advances	(32 692)	(25 573)	(1 576)	(59 841)
Write-offs	-	-	(77)	(77)
Assignment of receivables	-	-	-	-
Other changes	(80 276)	(2 158)	(319)	(82 753)
Project loans	(17 780)	9 325	(9 470)	(17 925)
New loans and advances	10 980	-	-	10 980
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(4 955)	4 955	-	-
Transfer to Stage 3	-	-	-	-
Repaid loans and advances	(22 471)	(2 349)	(9 476)	(34 296)
Write-offs	-	-	(3)	(3)
Assignment of receivables	-	-	-	-
Other changes	(1 334)	6 719	9	5 394
Gross amount of loans and advances as at 31 Dec 2023	283 844	75 411	18 529	377 784
Provisions for loans and advances to customers as at 1 Jan 2023 (Note 7)	(1 638)	(3 731)	(9 145)	(14 514)
New loans and advances	(2 153)	-	-	(2 153)
Transfer to Stage 1	(745)	745	-	-
Transfer to Stage 2	697	(2 366)	1 669	-
Transfer to Stage 3	110	65	(175)	-
Repaid loans and advances	121	1 628	834	2 583
Write-offs	-	-	898	898
Assignment of receivables	-	-	-	-
Other changes	894	(1 158)	1 581	1 317
Provisions for loans and advances to customers as at 31 Dec 2023 (Note 7)	(2 714)	(4 817)	(4 338)	(11 869)
Net amount of loans and advances as at 31 Dec 2023	281 130	70 594	14 191	365 915

Other changes mainly comprise the drawing of loans provided before 2023 and the repayment of loans in 2023 that were not repaid in full in 2023.

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The table below details the breakdown of loans and advances to customers by movement in gross carrying amounts related to movements in provisions during 2022.

EUR '000	Stage 1	Stage 2	Stage 3	Total
Gross amount of loans and advances as at 1 Jan 2022	191 272	59 786	34 155	285 213
Operating loans	(10 461)	29 338	(1 209)	17 668
New loans and advances	23 720	-	-	23 720
Transfer to Stage 1	1	(1)	-	-
Transfer to Stage 2	(32 123)	32 123	-	-
Transfer to Stage 3	(249)	-	249	-
Repaid loans and advances	(2 332)	(630)	(1)	(2 963)
Write-offs	-	-	(502)	(502)
Assignment of receivables	-	-	(10)	(10)
Other changes	522	(2 154)	(945)	(2 577)
Investment loans	107 398	4 123	(607)	110 914
New loans and advances	162 222	-	-	162 222
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(19 436)	19 436	-	-
Transfer to Stage 3	-	(49)	49	-
Repaid loans and advances	(38 517)	(6 611)	(179)	(45 307)
Write-offs	-	-	(37)	(37)
Assignment of receivables	-	-	(10)	(10)
Other changes	3 129	(8 653)	(430)	(5 954)
Project loans	16 409	12 440	1 310	30 159
New loans and advances	33 085	-	-	33 085
Transfer to Stage 1	217	(217)	-	-
Transfer to Stage 2	(5 764)	5 764	-	-
Transfer to Stage 3	(9 091)	-	9 091	-
Repaid loans and advances	(3 389)	(196)	(8 234)	(11 819)
Write-offs	-	-	(14)	(14)
Assignment of receivables	-	-	-	-
Other changes	1 351	7 089	467	8 907
Gross amount of loans and advances as at 31 Dec 2022	304 618	105 687	33 649	443 954
Provisions for loans and advances to customers as at 1 Jan 2022 (Note 7)	(712)	(3 723)	(12 398)	(16 833)
New loans and advances	(1 918)	-	-	(1 918)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	725	(725)	-	-
Transfer to Stage 3	5	1	(6)	-
Repaid loans and advances	158	348	1 560	2 066
Write-offs	-	-	553	553
Assignment of receivables	-	-	20	20
Other changes	104	368	1 126	1 598
Provisions for loans and advances to customers as at 31 Dec 2022 (Note 7)	(1 638)	(3 731)	(9 145)	(14 514)
Net amount of loans and advances as at 31 Dec 2022	302 980	101 956	24 504	429 440

Other changes mainly comprise the drawing of loans provided before 2022 and the repayment of loans in 2022 that were not repaid in full in 2022.

7. PROVISIONS FOR IMPAIRMENT LOSSES

EUR '000	01.01.2023	(Creation)	Release	Use for assigned/ written-off receivables	Foreign exchange gain/loss	31.12.2023
Loans and advances to customers (Note 6)	(14 514)	(11 245)	12 985	898	7	(11 869)
Securities at fair value through other comprehensive income (Note 8)	(92)	(34)	41	-	-	(85)
Securities measured at amortized cost (Note 9)	(110)	(30)	42	-	-	(98)
Other assets (Note 14)	(40)	(138)	5	21	-	(152)
Total provisions	(14 756)	(11 447)	13 073	919	7	(12 204)

EUR '000	01.01.2022	(Creation)	Release	Use for assigned/ written-off receivables	Foreign exchange gain/loss	31.12.2022
Loans and advances to customers (Note 6)	(16 833)	(9 162)	10 909	573	(1)	(14 514)
Securities at fair value through other comprehensive income (Note 8)	(334)	(32)	296	-	(22)	(92)
Securities measured at amortized cost (Note 9)	(27)	(84)	1	-	-	(110)
Other assets (Note 14)	(177)	(45)	66	116	-	(40)
Total provisions	(17 371)	(9 323)	11 272	689	(23)	(14 756)

8. SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Breakdown of securities at fair value through other comprehensive income by type of security and issuer's country as at 31 December 2023:

EUR '000	Government		Corporate		Total
	bonds	Bank bonds	bonds	Trust units	
Ireland	-	-	-	2 320	2 320
Austria	-	4 482	-	-	4 482
Slovak Republic	15 309	5 655	88	-	21 052
Slovenia	2 560	-	-	-	2 560
United States of America	-	13 234	11 222	-	24 456
Total, gross	17 869	23 371	11 310	2 320	54 870
Provisions (Note 7)	-	(56)	(22)	(7)	(85)
Total, net	17 869	23 315	11 288	2 313	54 785

The total volume of securities measured through other comprehensive income is at Stage 1 in accordance with IFRS 9.

Breakdown of securities at fair value through other comprehensive income by type of security and issuer's country as at 31 December 2022:

EUR '000	Government		Corporate		Total
	bonds	Bank bonds	bonds	Trust units	
Czech Republic	13 797	-	-	-	13 797
France	-	9 934	-	-	9 934
Ireland	-	-	-	2 205	2 205
Austria	-	4 357	-	-	4 357
Slovak Republic	5 021	5 484	128	-	10 633
Slovenia	2 632	-	-	-	2 632
United States of America	-	12 894	6 270	-	19 164
Total, gross	21 450	32 669	6 398	2 205	62 722
Provisions (Note 7)	-	(73)	(15)	(4)	(92)
Total, net	21 450	32 596	6 383	2 201	62 630

The total volume of securities measured through other comprehensive income was at Stage 1 in accordance with IFRS 9.

The method for determining the fair value of securities measured at fair value through other comprehensive income is described in Note 43.

The structure of securities provided as collateral for pooling to the National Bank of Slovakia is as follows:

EUR '000	2023	2022
Bank bonds domestic	5 645	5 472
Bank bonds foreign	-	9 913
Total	5 645	15 385

The NBS is responsible for depositing, uploading and withdrawing individual collateral from the pooling account held with the NBS.

Over the period when the debt security is deposited on the pooling account, if income on such a debt security is paid in favour of the NBS, Privatbanka, a. s. is entitled to a cash amount after making all mandatory deductions in accordance with the applicable legislation.

9. SECURITIES AT AMORTIZED COST

Breakdown of securities at amortized cost by type of security and issuer's country as at 31 December 2023:

EUR '000	Government bonds	Bank bonds	Corporate bonds	Total
Latvia	1 395	-	-	1 395
Lithuania	9 501	-	-	9 501
Slovak Republic	92 207	2 001	5 138	99 346
Slovenia	2 601	-	-	2 601
Total, gross	105 704	2 001	5 138	112 843
Provisions (Note 7)	-	(4)	(94)	(98)
Total, net	105 704	1 997	5 044	112 745

The total volume of securities at amortized cost is at Stage 1 in accordance with IFRS 9.

Breakdown of securities at amortized cost by type of security and issuer's country as at 31 December 2022:

EUR '000	Government bonds	Bank bonds	Corporate bonds	Total
Latvia	10 046	-	-	10 046
Hungary	-	-	10 172	10 172
Slovak Republic	70 712	2 002	5 137	77 851
Slovenia	2 696	-	-	2 696
Total, gross	83 454	2 002	15 309	100 765
Provisions (Note 7)	-	(4)	(106)	(110)
Total, net	83 454	1 998	15 203	100 655

The total volume of securities at amortized cost was at Stage 1 in accordance with IFRS 9.

As at 31 December 2022, the Bank's portfolio of securities at amortized cost included domestic government bonds at an amortized cost of EUR 2,050 thousand provided as collateral to a local bank.

The structure of securities provided as collateral for pooling to the NBS is as follows:

EUR '000	2023	2022
Government bonds domestic	9 914	-
Bank bonds domestic	1 997	1 997
Total	11 911	1 997

10. INVESTMENTS IN SUBSIDIARIES

Name	Registered office	Share in the registered capital (EUR '000)	Share in the reserve fund (EUR '000)	Share in the registered capital (%)	Carrying amount (EUR '000)
At 31 Dec 2023					
Privatfin, s.r.o.	Bratislava	6,7	0,3	100	7
At 31 Dec 2022					
Privatfin, s.r.o.	Bratislava	6,7	0,3	100	7

11. TANGIBLE AND INTANGIBLE ASSETS
a) Changes in tangible and intangible assets as at 31 December 2023

	Tangible assets					Intangible assets				Total
	Buildings	Furniture, fittings and equipment	Motor vehicles	Acquisition of tangible assets	Advances made for tangible assets	Software	Patents and licences	Acquisition of intangible assets	Advances made for intangible assets	
EUR '000										
Cost										
At 1 Jan 2023	743	2 825	265	-	-	5 638	107	16	-	9 594
Additions	6	168	119	293	5	308	1	294	-	1 194
Disposals	(6)	(317)	(22)	(293)	(5)	(10)	-	(309)	-	(962)
At 31 Dec 2023	743	2 676	362	-	-	5 936	108	1	-	9 826
Accumulated depreciation										
At 1 Jan 2023	(404)	(2 507)	(178)	-	-	(5 162)	(107)	-	-	(8 358)
Depreciation and amortisation charges	(37)	(233)	(65)	-	-	(180)	(1)	-	-	(516)
Disposals	2	317	22	-	-	10	-	-	-	351
At 31 Dec 2023	(439)	(2 423)	(221)	-	-	(5 332)	(108)	-	-	(8 523)
Net book value										
At 31 Dec 2023	304	253	141	-	-	604	-	1	-	1 303

b) Changes in tangible and intangible assets as at 31 December 2022

	Tangible assets					Intangible assets				Total
	Buildings	Furniture, fittings and equipment	Motor vehicles	Acquisition of tangible assets	Advances made for tangible assets	Software	Patents and licences	Acquisition of intangible assets	Advances made for intangible assets	
EUR '000										
Cost										
At 1 Jan 2022	743	3 346	213	10	-	5 474	113	-	-	9 899
Additions	-	134	73	199	-	230	1	246	2	885
Disposals	-	(655)	(21)	(209)	-	(66)	(7)	(230)	(2)	(1 190)
At 31 Dec 2022	743	2 825	265	-	-	5 638	107	16	-	9 594
Accumulated depreciation										
At 1 Jan 2022	(367)	(2 983)	(155)	-	-	(5 090)	(113)	-	-	(8 708)
Depreciation and amortisation charges	(37)	(179)	(44)	-	-	(138)	(1)	-	-	(399)
Disposals	-	655	21	-	-	66	7	-	-	749
At 31 Dec 2022	(404)	(2 507)	(178)	-	-	(5 162)	(107)	-	-	(8 358)
Net book value										
At 31 Dec 2022	339	318	87	-	-	476	-	16	-	1 236

c) Insurance of assets

Tangible assets at the headquarters and the branches were insured against natural disasters for their full cost.

12. RIGHT-OF-USE ASSETS

The table below details the breakdown of changes in right-of-use assets as at 31 December 2023.

EUR '000	Real estate	Total
Cost		
At 1 Jan 2023	5 538	5 538
Additions	709	709
Disposals	(515)	(515)
At 31 Dec 2023	5 732	5 732
Accumulated depreciation		
At 1 Jan 2023	(2 685)	(2 685)
Depreciation and amortisation charges	(797)	(797)
Disposals	481	481
At 31 Dec 2023	(3 001)	(3 001)
Net book value		
At 31 Dec 2023	2 731	2 731

The table below details the breakdown of changes in right-of-use assets as at 31 December 2022.

EUR '000	Real estate	Total
Cost		
At 1 Jan 2022	4 214	4 214
Additions	1 324	1 324
Disposals	-	-
At 31 Dec 2022	5 538	5 538
Accumulated depreciation		
At 1 Jan 2022	(2 124)	(2 124)
Depreciation and amortisation charges	(561)	(561)
Disposals	-	-
At 31 Dec 2022	(2 685)	(2 685)
Net book value		
At 31 Dec 2022	2 853	2 853

13. DEFERRED TAX ASSET

Deferred tax assets and liabilities are as follows:

EUR '000	Assets		Liabilities		Net	
	2 023	2 022	2 023	2 022	2 023	2 022
Tangible and intangible assets	18	15	-	-	18	15
Securities - revaluation in equity	402	878	-	-	402	878
Provisions	911	-	-	-	911	-
Other liabilities	544	555	-	-	544	555
Total	1 875	1 448	-	-	1 875	1 448

The deferred tax assets and liabilities have been calculated using the corporate income tax rate of 21% (2022: 21%).

14. OTHER ASSETS

EUR '000	2023	2022
Other debtors	2 764	3 535
Operating advance payments made	391	346
Inventories	2	23
Deferred expenses	263	243
Other	-	2
Total other assets, gross	3 420	4 149
Provisions for other debtors (Note 7)	(152)	(40)
Total other assets, net	3 268	4 109

The item "Other debtors" mainly includes receivables for invoices from related parties for issues of securities and invoices from clients for services provided by the Bank.

15. DEPOSITS FROM CUSTOMERS

(a) Breakdown of deposits from customers by type

EUR '000	2023	2022
Current accounts	151 994	199 143
Term deposits	559 994	480 319
Saving deposits	78	114
Other	6 494	80
Total deposits from customers	718 560	679 656

As at 31 December 2023, the 15 largest clients accounted for 14.10% of the total deposits from customers, which represents EUR 101,331 thousand (2022: 28.70%, EUR 195,083 thousand).

A portion of the deposits from customers comprises payables to related parties. Their share of the total deposits from customers as at 31 December 2023 represented 10.7%, totalling EUR 77,134 thousand (2022: 27%, EUR 183,200 thousand). Additional information on exposures to related parties is described in Note 36.

All deposits from customers are within maturity.

(b) Breakdown of deposits from customers by sector

EUR '000	2023	2022
Residents		
Financial institutions	14 764	95 698
Non-financial institutions	58 625	58 984
Public administration	1 136	1 134
Non-profit organisations	6 259	4 767
Self-employed	622	557
Individuals	412 021	366 081
Non-residents		
Financial institutions	40 620	13 810
Non-financial institutions	47 408	77 082
Non-profit organisations	723	247
Self-employed	102	-
Individuals	136 280	61 296
Total deposits from customers	718 560	679 656

16. DEBT SECURITIES ISSUED

(a) Breakdown of debt securities issued according to type

EUR '000	2023	2022
Coupon bonds	50	2 500
Total debt securities issued	50	2 500

All payables under the debt securities issued are within maturity.

(b) Summary of bonds issued

EUR '000	Date of Maturity of		Effective interest rate	Face value	Face value
	issue	issue		2023	2022
Bond PWM 02	08/2023	08/2025	3,250%	50	-
Bond PWM 01 - Float	08/2021	08/2023	1,992%	-	2 493
Total face value				50	2 493
Accrued interest				-	7
Total debt securities issued				50	2 500

The issued bonds are bearer bonds and bonds were issued as book-entry securities and in a public offering. Bonds were not accepted on the listed securities market or any other stock market.

The bonds are negotiable and are not subject to any pre-emptive right. The entitlement to receipt of the face value plus yield is governed by generally binding legal regulations and the bond issue terms and conditions, the full wording of which is published as required pursuant to Act No. 530/1990 Coll. on Bonds, as amended.

(c) Breakdown of debt securities issued by sector of creditors

EUR '000	2023	2022
Residents		
Non-financial institutions	-	247
Individuals	50	2 253
Total debt securities issued	50	2 500

17. CURRENT TAX LIABILITY

EUR '000	2023	2022
Tax Advances	(2 730)	(2 562)
Tax payable	4 168	2 687
Total	1 438	125

18. LEASE LIABILITIES

The table below details the breakdown of lease liabilities by maturity.

EUR '000	2023	2022
Payable within 1 year	1 037	766
Payable within 2 years	786	726
Payable within 3 years	271	656
Payable within 4 years	213	185
Payable within 5 years	148	166
Payable over 5 years	288	354
Total lease liabilities	2 743	2 853

All lease liabilities are within maturity.

19. OTHER LIABILITIES

EUR '000	2023	2022
Negative fair value of derivatives for trading (Note 25)	-	4
Various creditors	237	400
Settlement with employees	433	404
Social fund	13	21
Payables to the state budget	1 773	1 281
Payables to social and health insurance companies	577	255
Deferred income	97	90
Accrued expenses	3 025	3 011
Other amounts due to customers	3 825	3 258
Total other liabilities	9 980	8 724

All other liabilities are within maturity.

Accrued expenses mainly comprise liabilities to the Bank's employees and management, and suppliers.

Movements in the social fund:

EUR '000	
Balance at 31 Dec 2022	21
Creation	89
Drawing	(97)
Balance at 31 Dec 2023	13

20. SHARE CAPITAL, CAPITAL RESERVES FROM PROFIT AND REVALUATION RESERVES

Share capital

EUR '000	2023	2022
Issued and fully paid share capital		
756 874 ordinary shares (ISIN SK1110001619 with a face value of EUR 33.19 each)	25 121	25 121

The total amount of the share capital of EUR 25,121 thousand is registered with the Business Register.

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

Shareholder	Registered office	No. of shares (face value)	Share in the share capital (%)	Share in voting rights (%)
Penta Financial Services Ltd.	Limassol	25 121	100,00	100,00
Total		25 121	100,00	100,00

Legal reserve fund

Under the Slovak Commercial Code, all companies are required to maintain a legal reserve fund to cover future adverse financial conditions. The Bank is obliged to contribute an amount to the fund each year that is not less than 10% of its annual net profit until the aggregate amount reaches a minimum level equal to 20% of the issued share capital. The legal reserve fund is not available for distribution to shareholders.

Accumulated other comprehensive income from securities, including deferred tax

Accumulated other comprehensive income from securities, including deferred tax represents unrealized revaluation of securities at fair value through other comprehensive income and securities reclassified to the "Securities at amortized cost" portfolio. The revaluation reserves are recognized net of deferred tax effect. Such revaluation reserves are not available for distribution to the shareholder.

21. PROPOSAL FOR DISTRIBUTION OF 2023 PROFIT

The distribution of the Bank's profits for 2023 will be decided by the General Meeting of the Bank.

22. TAX (REVENUE)/EXPENSE

EUR '000	2023	2022
Current income tax	4 240	2 687
Deferred income tax owing to temporary differences	(904)	(559)
Total	3 336	2 128

23. RECONCILIATION OF THEORETICAL AND RECOGNIZED INCOME TAX

	Balance (EUR '000)	2023 Applicable rate	Impact on tax
Theoretical tax base	23 610	21%	4 958
Permanent non-deductible differences	592	21%	124
Permanent deductible differences	(900)	21%	(189)
Effect of unaccounted deferred tax - provisions	(7 302)	21%	(1 533)
Effect of unaccounted deferred tax - other	(116)	21%	(24)
Adjusted tax			3 336
Effective tax expense			3 336

	Balance (EUR '000)	2022 Applicable rate	Impact on tax
Theoretical tax base	15 058	21%	3 162
Permanent non-deductible differences	117	21%	25
Permanent deductible differences	-	21%	-
Tax losses carried forward – previously unrecognised deferred tax asset	-	21%	-
Unrecognised deferred tax asset – other	2 429	21%	(510)
Unrecognised deferred tax asset owing to temporary differences, utilisation of which is uncertain in the future	2 616	21%	(549)
Impact of a change in the tax rate			-
Adjusted tax			2 128
Effective tax expense			2 128

24. OFF-BALANCE SHEET ITEMS

EUR '000	Off-balance sheet assets	2023	2022
1. Receivables from spot transactions with currency instruments		50	20
2. Receivables from term transactions with currency instruments		166	416
3. Received collaterals:		195 834	306 352
a) Real estate		124 084	159 221
b) Cash		2 112	82 739
c) Securities		24 183	27 025
d) Other		45 455	37 367

EUR '000	Off-balance sheet liabilities	2023	2022
1. Unused credit facilities		22 113	36 547
2. Issued guarantees		-	154
3. Liabilities from spot transactions with currency instruments		50	20
4. Liabilities from term transactions with currency instruments		166	420
5. Securities provided as collateral		17 556	19 432

The whole amount of undrawn credit facilities and provided guarantees in 2023 and 2022 represent irrevocable commitments.

25. FINANCIAL DERIVATIVES

In its ordinary business activities, the Bank conducts transactions with financial derivatives to manage its liquidity, interest rate, and foreign exchange risks.

2023 EUR '000	Face value in off-balance sheet		Fair value		Fair value
	Receivable	Payable	Positive	Negative	Net
Currency swaps for trading	167	167	-	-	-
Total financial derivatives	167	167	-	-	-

2022 EUR '000	Face value in off-balance sheet		Fair value		Fair value
	Receivable	Payable	Positive	Negative	Net
Currency swaps for trading	417	424	-	(4)	(4)
Total financial derivatives	417	424	-	(4)	(4)

The negative fair value of derivatives as at 31 December 2022 of EUR 4 thousand is recognized in "Other liabilities" (Note 19).

The breakdown of the face value of financial derivatives by residual maturity as at the end of 2023 is as follows:

EUR '000	Within 1	1	3 months	1 year	Over	Total
	month	to 3 months	to 1 year	to 5 years	5 years	
Currency swaps for trading	126	32	9	-	-	167
Total receivables	126	32	9	-	-	167
Currency swaps for trading	127	31	9	-	-	167
Total liabilities	127	31	9	-	-	167

The breakdown of the face value of financial derivatives by residual maturity as at the end of 2022 is as follows:

EUR '000	Within 1	1	3 months	1 year	Over	Total
	month	to 3 months	to 1 year	to 5 years	5 years	
Currency swaps for trading	200	48	169	-	-	417
Total receivables	200	48	169	-	-	417
Currency swaps for trading	200	49	175	-	-	424
Total liabilities	200	49	175	-	-	424

26. INTEREST INCOME AND SIMILAR INCOME

EUR '000	2023	2022
Interest income on loans and advances to banks and central banks and amounts due to banks and central bank	10 945	2 228
Interest income on customers overdrafts	727	341
Interest income on other loans to customers	25 542	12 466
Interest income on securities at fair value through other comprehensive income	476	749
Interest income on securities at amortised cost	1 499	901
Total interest income and similar income	39 189	16 685

27. INTEREST EXPENSE AND SIMILAR EXPENSE

EUR '000	2023	2022
Interest expense from amounts due to banks	19	521
Interest expense from customers' current accounts	147	14
Interest expense from customers' term deposits	14 739	4 438
Interest expense from customers' saving deposits	8	8
Interest expense from loans	1 537	18
Interest expense from debt securities	48	15
Total interest expense and similar expense	16 498	5 014

28. FEE AND COMMISSION INCOME

EUR '000	2023	2022
For the following areas:		
Loans	117	138
Payments	50	106
Itemised fees	548	389
Securities trading	12 908	12 725
Portfolio management	895	891
Other areas	179	66
Total fee and commission income	14 697	14 315

The most significant item of fees from transactions with securities are fees for the issues of securities for related parties.

29. FEE AND COMMISSION EXPENSE

EUR '000	2023	2022
For the following areas:		
Payments	397	332
Interbank transactions	26	31
Securities trading	369	358
Intermediation	409	133
Total fee and commission expense	1 201	854

30. TRADING PROFIT

EUR '000	2023	2022
Profit/loss on shares (reported at fair values through profit or loss)	-	(2)
Realised profit/loss from transactions with debt securities (measured at fair value through other comprehensive income)	-	-
Profit/loss from shares and trust units (measured at fair value through other comprehensive income)	126	82
Profit/(loss) from derivative transactions	4	-
Profit/(loss) from FX transactions	114	1 088
Total trading profit	244	1 168

31. GENERAL OPERATING EXPENSES

EUR '000	2023	2022
Wages, salaries and social security payments	10 057	9 030
Other general operating expenses	4 268	3 640
Of which: Costs of auditing financial statements	185	201
Assurance audit services other than the audit of financial statements	43	45
Other non-audit services	22	-
Contributions to the Deposits Protection Fund	86	383
Contribution to the Resolution Fund	(4)	4
Rent	192	166
Energy	212	189
Advertising	229	143
IT systems	621	507
Training and education	37	23
Car maintenance and fuel	67	62
Membership fees	423	415
Other services	1 496	1 182
Other operating expenses	659	320
Total general operating expenses	14 325	12 670

The number of employees as at 31 December 2023 was 192 (2022: 183). The number of managers as at 31 December 2023 was 3 (2022: 3). The average number of employees for 2023 was 193 (2022: 189), of which managers for 2023: 3 (2022: 3).

The Bank's obligation to pay an annual contribution to the Deposit Protection Fund arises from the provision of Article 5 (1b) of Act of the National Council of the Slovak Republic No. 118/1996 Coll. on the Protection of Bank Deposits and on Amendment to and Supplements to Certain Acts, as amended.

With effect from 2015, selected financial institutions are obliged to pay contributions to the National Resolution Fund pursuant to Act No. 371/2014 Coll. on Resolution in the Financial Market and on Amendments to and Supplements to Certain Acts, as amended. The annual contribution for each selected institution is calculated as the ratio of the selected institution's liabilities less its own funds and covered deposits to the liabilities of all selected institutions operating in the Slovak Republic, less own funds and covered deposits of all selected institutions operating in the Slovak Republic. The annual contribution is calculated, considering the business cycle phase and the potential pro-cyclical impact on the financial position of a contributing selected institution and its risk profile.

The Bank does not have any pension arrangements other than the state compulsory pension system. Pursuant to Slovak legal regulations, employers are obliged to pay contributions to social security and medical insurance. These expenses are recognized in the Income Statement in the period in which the employee was entitled to the salary.

32. CREATION/RELEASE OF PROVISIONS FOR IMPAIRMENT LOSSES, WRITE-OFF AND ASSIGNMENT OF RECEIVABLES

EUR '000	2023	2022
(Creation) of provisions for receivables	(11 277)	(8 921)
Release of provisions for receivables	13 909	11 665
Written-off receivables, gross	(921)	(669)
(Expense for)/Income from assigned receivables	2	(3)
Total	1 713	2 072

33. PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES

EUR '000	2023	2022
Profit before income taxes	23 610	15 058
Adjustments for non-cash transactions:		
Interest income	(39 189)	(16 685)
Interest expense	16 498	5 014
Remeasurement of derivatives measured at fair value through profit or loss	(4)	-
Depreciation/amortisation of tangible and intangible assets	516	399
Provisions for receivables, write-off of and assignment of receivables	(1 713)	(2 072)
(Profit)/Loss from modifications	(843)	(202)
Provisions for securities	(20)	(181)
Net profit/(loss) from the sale of tangible assets	(2)	(3)
Creation/(Release) of provisions for liabilities	(210)	78
Total before interest received/(paid)	(1 357)	1 406
Interest received	42 215	16 040
Interest paid	(12 282)	(5 550)
Profit before changes in operating assets and liabilities	28 576	11 896

34. CASH AND CASH EQUIVALENTS

EUR '000	2023	2022
Cash on hand (Note 4)	2 075	2 015
Current account in NBS	249 070	-
Term deposits in NBS due within 3 months	-	159 480
Loans and advances to banks due within 3 months	60 243	36 323
Total cash and cash equivalents	311 388	197 818

35. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Legal disputes

The Bank reviewed legal proceedings pending against it as at 31 December 2023 and 31 December 2022. As 31 December 2022, the Bank did not recognize a provision for litigation.

b) Commitments arising from issue of guarantees

Commitments from guarantees include issued guarantees that represent an irrevocable commitment that the Bank will make payments if a customer cannot meet its obligations to third parties. Based on the risk assessment as at 31 December 2023, the Bank recorded a provision to cover losses inherent in balances of undrawn loan commitments and guarantees, which are recognized in the off-balance sheet in the amount of EUR 63 thousand (2022: EUR 273 thousand).





Detailed information on the creation of provisions for liabilities is provided in Note 41. Financial Instruments – Credit Risk.

c) Commitments to extend credit, undrawn loan commitments, unused overdrafts, and approved overdraft loans





The primary purpose of commitments to extend credit is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused authorizations to extend credits in the form of loans or guarantees. Commitments to extend credit issued by the Bank represent issued loan commitments or guarantees, undrawn and approved overdraft loans. Commitments to extend credit or guarantees issued by the Bank that are contingent upon customers maintaining specific credit standards (including the condition that a customer's solvency does not deteriorate) are revocable commitments. Irrevocable commitments represent undrawn portions of authorised loans and approved overdraft facilities as they result from contractual terms and conditions in loan agreements.

**Notes to the financial statements for the year ended 31 December 2023
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The table below details the breakdown of credit facilities and provided guarantees by entity and risk level as at 31 December 2023.

EUR '000	Exposure	Provisions for liabilities	Provisions for liabilities, coverage	Estimated value of collateral	Provisions for liabilities and collateral coverage
Future loans provided - individuals	2 071	14 	0,68%	402	20,09%
of which: Stage 1	1 869	13	0,70%	368	20,39%
Stage 2	202	1	0,50%	34	17,33%
Stage 3	-	-	-	-	-
Future loans provided - corporate entities	20 042	49 	0,24%	17 083	85,48%
of which: Stage 1	9 480	5	0,05%	9 040	95,41%
Stage 2	10 561	43	0,41%	8 042	76,56%
Stage 3	1	1	100,00%	1	200,00%
Bank guarantees	-	- 	-	-	-
of which: Stage 1	-	-	-	-	-
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
Total	22 113	63 	0,28%	17 485	79,36%

The table below details the breakdown of credit facilities and provided guarantees by entity and risk level as at 31 December 2022.

EUR '000	Exposure	Provisions for liabilities	Provisions for liabilities, coverage	Estimated value of collateral	Provisions for liabilities and collateral coverage
Future loans provided - individuals	1 853	- 	-	860	46,41%
of which: Stage 1	-	-	-	-	-
Stage 2	1 853	-	-	860	46,41%
Stage 3	-	-	-	-	-
Future loans provided - corporate entities	34 694	211 	0,61%	15 026	43,92%
of which: Stage 1	18 842	100	0,53%	8 717	46,79%
Stage 2	15 851	110	0,69%	6 309	40,50%
Stage 3	1	1	100,00%	-	100,00%
Bank guarantees	154	62 	40,26%	-	40,26%
of which: Stage 1	92	-	-	-	-
Stage 2	-	-	-	-	-
Stage 3	62	62	100,00%	-	100,00%
Total	36 701	273 	0,74%	15 886	44,03%

36. RELATED PARTY TRANSACTIONS

Related parties as defined by IAS 24 include:

- a) A person or a close family member of that person is related to the Bank if that person:
- Has control or joint control over the Bank
 - Has significant influence over the Bank
 - Is a member of the key management personnel of the Bank or a parent company of the Bank
- b) An entity is related to the Bank if any of the following conditions applies:
- The entity and the Bank are members of the same group (which means that each parent company, subsidiary and fellow subsidiary is related to the others).
 - One entity is an associate or joint venture of the Bank (or an associate or joint venture of a member of the group of which the Bank is a member).
 - The entity and the Bank are joint ventures of the same third party.
 - The entity is a joint venture of a third entity and the Bank is an associate of the same third entity.
 - The entity is a post-employment defined benefit plan for the benefit of employees of either the Bank or an entity related to the Bank.
 - The entity is controlled or jointly controlled by a person identified in (a); and
 - A person who has control or joint control over the Bank has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent company of the entity).

The Bank is controlled by Penta Financial Services Ltd., which holds 100% of the voting rights of the Bank's total votes.

Banking transactions are entered into with related parties in the normal course of business. These primarily include loans and deposits and issue of securities. These transactions were carried out on an arm's length basis and at market prices.

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EUR '000	Balance at 31 Dec 2023	Accruals and deferrals at 31 Dec 2023	Total	Provisions for assets at 31 Dec 2023	Interest expense/ interest income 2023	Fee and commission income 2023	Trading profit/loss 2023	General operating expenses 2023	(Creation)/ release of provisions for assets 2023	(Creation)/ release of provisions for liabilities 2023
Receivables from the parent company										
Loans and advances to customers	-	-	-	-	-	-	-	-	-	-
Other assets	50	-	50	-	-	50	-	-	-	-
Payables to the parent company										
Deposits from customers	24	-	24	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-
Receivables from related parties of the parent company										
Loans and advances to banks	444	-	444	-	-	-	-	-	-	-
Loans and advances to customers	54 051	227	54 278	(1 063)	2 951	7	-	-	(790)	-
Securities at fair value through other comprehensive income	87	1	88	-	6	-	-	-	1	-
Other assets	716	-	716	-	-	9 678	153	-	-	-
Payables to the parent company's related parties										
Due to banks	-	-	-	-	-	-	-	-	-	-
Deposits from customers	75 194	17	75 211	-	(3 274)	64	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Provisions for liabilities	1	-	1	-	-	-	-	-	-	44
Other liabilities	308	-	308	-	-	-	-	(173)	-	-
Unused credit facilities	1 100	-	1 100	-	-	-	-	-	-	-
Bank guarantees	-	-	-	-	-	-	-	-	-	-
Received collateral	41 865	-	41 865	-	-	-	-	-	-	-

**Notes to the financial statements for the year ended 31 December 2023
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EUR '000	Balance at 31 Dec 2023	Accruals and deferrals at 31 Dec 2023	Total	Provisions for assets at 31 Dec 2023	Interest expense/ interest income 2023	Fee and commission income 2023	Trading profit 2023	General operating expenses 2023	(Creation)/ release of provisions for assets 2023	(Creation)/ release of provisions for liabilities 2022
Receivables from subsidiaries										
Loans and advances to customers	-	-	-	-	-	-	-	-	-	-
Investments in subsidiaries	7	-	7	-	-	-	-	-	-	-
Payables to subsidiaries										
Deposits from customers	17	-	17	-	-	-	-	-	-	-
Receivables from management members and their related parties										
Loans and advances to customers	586	-	586	-	6	-	-	-	4	-
Other assets	1	-	1	-	-	6	-	-	-	-
Payables to management members and their related parties										
Deposits from customers	1 877	5	1 882	-	(19)	2	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Other liabilities	1 467	-	1 467	-	-	-	-	(1 458)	-	-
Of which: wages and salaries plus insurance contributions	-	-	-	-	-	-	-	(1 458)	-	-
Unused credit facilities	6	-	6	-	-	-	-	-	-	-
Received collateral	586	-	586	-	-	-	-	-	-	-

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as adopted by the European Union**

EUR '000	Balance at 31 Dec 2022	Accruals and deferrals at 31 Dec 2022	Total	Provisions for assets at 31 Dec 2022	Interest expense/ interest income 2022	Fee and commission income 2022	Trading profit/loss 2022	General operating expenses 2022	(Creation)/ release of provisions for assets 2022	(Creation)/ release of provisions for liabilities 2022
Receivables from the parent company										
Loans and advances to customers	-	-	-	-	-	-	-	-	-	-
Other assets	50	-	50	-	-	50	-	-	-	-
Payables to the parent company										
Deposits from customers	21	-	21	-	-	1	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-
Receivables from related parties of the parent company										
Loans and advances to banks	697	-	697	-	-	-	-	-	-	-
Loans and advances to customers	34 401	207	34 608	(82)	1 747	2	-	-	(65)	-
Securities at fair value through other comprehensive income	126	2	128	(1)	10	-	-	-	1	-
Other assets	1 848	-	1 848	-	-	9 793	130	-	-	-
Payables to the parent company's related parties										
Due to banks	-	-	-	-	-	-	-	-	-	-
Deposits from customers	181 557	55	181 612	-	(771)	76	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Provisions for liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	50	-	50	-	-	-	(8)	(273)	-	-
Unused credit facilities	1 100	-	1 100	-	-	-	-	-	-	-
Bank guarantees	-	-	-	-	-	-	-	-	-	-
Received collateral	30 784	-	30 784	-	-	-	-	-	-	-

**Notes to the financial statements for the year ended 31 December 2023
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EUR '000	Balance at 31 Dec 2022	Accruals and deferrals at 31 Dec 2022	Total	Provisions for assets at 31 Dec 2022	Interest expense/ interest income 2022	Fee and commission income 2022	Trading profit 2022	General operating expenses 2022	(Creation)/ release of provisions for assets 2022	(Creation)/ release of provisions for liabilities 2022
Receivables from subsidiaries										
Loans and advances to customers	-	-	-	-	-	-	-	-	-	-
Investments in subsidiaries	7	-	7	-	-	-	-	-	-	-
Payables to subsidiaries										
Deposits from customers	17	-	17	-	-	-	-	-	-	-
Receivables from management members and their related parties										
Loans and advances to customers	636	1	637	(4)	5	-	-	-	(4)	-
Other assets	2	-	2	-	-	4	7	-	-	-
Payables to management members and their related parties										
Deposits from customers	1 550	-	1 550	-	(2)	3	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Other liabilities	1 434	-	1 434	-	-	-	-	(1 548)	-	-
Of which: wages and salaries plus insurance contributions	-	-	-	-	-	-	-	(1 548)	-	-
Unused credit facilities	5	-	5	-	-	-	-	-	-	-
Received collateral	636	-	636	-	-	-	-	-	-	-

Wages and salaries and social insurance expenses with respect to the Statutory Representatives and members of the Supervisory Board were in the amount of EUR 1,458 thousand as at 31 December 2023 (2022: EUR 1,548 thousand). Remuneration policy for Statutory Representatives complies with CRD III. As at 31 December 2023, short-term bonuses of Statutory Representatives amounted to EUR 545 thousand (2022: EUR 669 thousand) and long-term bonuses to EUR 593 thousand (2022: EUR 465 thousand). Members of the Bank's bodies did not receive any non-monetary remuneration in 2023 and 2022.

37. FINANCIAL INSTRUMENTS – MARKET RISK

When conducting its business activities, the Bank is exposed to market risks that depend on the level of exposure to individual market risk factors, mainly including changes in interest rates, exchange rates, and prices of capital and financial market instruments.

Subsequent to the end of the preceding reporting period, no events occurred that would have a significant impact on market risks resulting from financial instruments.

(a) Interest rate risk

Interest rate risk is the risk of a change in the value of the Bank's portfolios depending on the duration of such portfolios or a change in the net interest income as a result of changes in market interest rates. To measure the interest rate sensitivity of assets and liabilities, the Bank uses a gap analysis. The assets and liabilities of the Bank are classified into time segments depending on the time of revaluation of the instrument or its reinvestment. The size of the interest GAP represents the degree of risk of a potential loss or profit against projected revenues in the form of a change in the net interest income resulting from changes in market interest rates under exactly specified restrictive conditions of the model. The Bank has set a limit for the maximum interest rate exposure defined by the maximum theoretical change of net interest income within one year starting from the moment of the valuation of the Bank's positions.

To measure the interest rate risk of the Banking and Trading Books, the Bank uses interest rate sensitivity based on modified duration and convexity. This method is used daily to monitor the interest rate sensitivity of all the Bank's portfolios. The Bank measures its interest rate risk of the Trading Book using the VaR and interest sensitivity model for which it has set maximum risk exposures, which it monitors daily.

As the Bank has significant positions in fixed-interest bonds in its Banking Book, it may decide to partially hedge certain positions. Hedging instruments comprise, for instance, interest-rate swaps through which the Bank may maintain the total interest rate position of the Banking Book at an acceptable level and eliminates profit/(loss) volatility. The Bank currently does not use such hedging instruments.

The average effective interest rates of assets and liabilities as at 31 December 2023 and the periods in which these rates are remeasured are as follows:

EUR '000	Effective interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
Cash and balances with central banks	3,95%	250 071	-	-	-	-	2 074	252 145
Loans and advances to banks	2,58%	60 243	-	-	-	-	-	60 243
Loans and advances to customers	6,75%	79 847	137 264	98 518	40 354	1 023	8 909	365 915
Securities at fair value through other comprehensive income	1,25%	40	5 705	9 319	37 407	-	2 314	54 785
Securities measured at amortized cost	1,98%	-	-	37 802	74 943	-	-	112 745
Investments in subsidiaries	-	-	-	-	-	-	7	7
Total assets		390 201	142 969	145 639	152 704	1 023	13 304	845 840
Due to banks		1	-	-	-	-	-	1
Deposits from customers	2,29%	287 294	53 706	146 950	224 202	-	6 408	718 560
Debt securities issued	3,25%	-	-	-	50	-	-	50
Total liabilities		287 295	53 706	146 950	224 252	-	6 408	718 611
Difference		102 906	89 263	(1 311)	(71 548)	1 023	6 896	127 229
Cumulative difference		102 906	192 169	190 858	119 310	120 333	127 229	

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The average effective interest rates of assets and liabilities as at 31 December 2022 and the periods in which these rates are remeasured are as follows:

EUR '000	Effective interest rate	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unspecified	Total
Cash and balances with central banks	1,93%	163 543	-	-	-	-	2 015	165 558
Loans and advances to banks	2,18%	36 323	-	-	-	-	-	36 323
Loans and advances to customers	4,91%	98 517	132 632	138 558	33 007	7 196	19 530	429 440
Securities at fair value through other comprehensive income	0,54%	40	64	23 928	36 398	-	2 200	62 630
Securities measured at amortized cost	1,13%	-	3 075	30 479	67 101	-	-	100 655
Investments in subsidiaries		-	-	-	-	-	7	7
Total assets		298 423	135 771	192 965	136 506	7 196	23 752	794 613
Deposits from customers	1,22%	229 947	39 442	181 064	229 187	-	16	679 656
Debt securities issued	1,99%	-	2 500	-	-	-	-	2 500
Total liabilities		229 947	41 942	181 064	229 187	-	16	682 156
Difference		68 476	93 829	11 901	(92 681)	7 196	23 736	112 457
Cumulative difference		68 476	162 305	174 206	81 525	88 721	112 457	

The interest rate sensitivity analysis assumes a parallel movement of the yield curve. The table below shows the change in net profit and equity of the Bank due to possible changes in interest rates.

EUR '000	Impact on net profit	Impact on equity
2023		
+ 0.5% for all currencies	-	(297)
- 0.5% for all currencies	-	300
2022		
+ 0.5% for all currencies	-	(395)
- 0.5% for all currencies	-	400

(b) Currency risk

Currency risk is the risk of a change in the value of the Bank's portfolios due to changes in the value of exchange rates and open unsecured positions. The Bank manages currency risk by determining and daily monitoring of maximum limits of open positions of the banking book for individual currencies. A potential excessive open currency position of the Banking Book is immediately repurchased through an internal operation in the Trading Book. The currency risk of the trading book is limited by maximum exposure using the VaR model. The tables below show the volumes of assets and liabilities according to the individual main currencies and the resulting unsecured open currency positions as at year-end 2023 and 2022.

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As at 31 December 2023, the Bank reported the following structure of financial assets and liabilities in individual currencies:

EUR '000	EUR	CZK	USD	Other FX	Total
Cash and balances with central banks	251 976	6	52	111	252 145
Loans and advances to banks	1 315	50 197	7 834	897	60 243
Loans and advances to customers	364 915	1 000	-	-	365 915
Securities at fair value through other comprehensive income	54 785	-	-	-	54 785
Securities measured at amortized cost	112 745	-	-	-	112 745
Investments in subsidiaries	7	-	-	-	7
Total assets	785 743	51 203	7 886	1 008	845 840
Due to banks	-	1	-	-	1
Deposits from customers	660 351	49 392	7 684	1 133	718 560
Debt securities issued	50	-	-	-	50
Total liabilities	660 401	49 393	7 684	1 133	718 611
Net FX position	125 342	1 810	202	(125)	127 229

As at 31 December 2022, the Bank reported the following structure of financial assets and liabilities in individual currencies:

EUR '000	EUR	CZK	USD	Other FX	Total
Cash and balances with central banks	165 291	60	116	91	165 558
Loans and advances to banks	1 771	25 610	8 054	888	36 323
Loans and advances to customers	413 525	15 915	-	-	429 440
Securities at fair value through other comprehensive income	48 833	13 797	-	-	62 630
Securities measured at amortized cost	100 655	-	-	-	100 655
Investments in subsidiaries	7	-	-	-	7
Total assets	730 082	55 382	8 170	979	794 613
Deposits from customers	615 588	55 121	7 902	1 045	679 656
Debt securities issued	2 500	-	-	-	2 500
Total liabilities	618 088	55 121	7 902	1 045	682 156
Net FX position	111 994	261	268	(66)	112 457

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The table below is a summary of the currencies in which the Bank has more significant open positions as at 31 December 2023 and 31 December 2022. The sensitivity analysis calculates the effect of possible changes in the exchange rate against the selected currencies in the Income Statement. A positive amount reflects a net potential gain and a negative amount reflects net potential loss on the Income Statement.

EUR '000	Change in exchange rate	Impact on net profit
2023		
CHF	+11,82%	(3)
GBP	+12,13%	(4)
USD	+17,22%	35
CZK	+10,03%	48
PLN	+14,39%	(11)
RON	+3,89%	-
2022		
CHF	+19,23%	(5)
GBP	+17,39%	(4)
USD	+24,09%	22
CZK	+15,38%	55
PLN	+19,01%	(5)
RON	+4,75%	1

Other than an impact on the Income Statement, changes in FX rates have no impact on equity.

38. MANAGEMENT OF CAPITAL

The Bank's regulatory capital is used to cover unexpected losses to which the Bank may be exposed in performing its activities. The amount of the regulatory capital, risk-weighted exposures and requirements for regulatory capital are monitored on a regular basis, inter alia, by reference to and in compliance with the prudence principles set at European and national levels. The Bank has complied and complies with the set requirements for regulatory capital and all other capital requirements.

In accordance with the prudence principle, regulatory capital is used to cover risks arising from the Banking Book and the Trading Book to cover other risks (e.g., FX risk, commodity risk) and to cover operational risks.

The basic requirement of the regulatory capital management process is to ensure that the Bank has fulfilled all requirements stipulated by the valid legislation while simultaneously observing the effective adequacy of regulatory capital. The Bank manages the structure of its regulatory capital and may apply changes in the structure of its regulatory capital provided if there is a change in economic terms and conditions or a change in the Bank's appetite for risk. The Bank may influence its regulatory capital based on the decision on distribution of profit in a relevant accounting period or based on other decisions to increase capital (e.g., an increase in the share capital). No significant changes occurred in the policy on regulatory capital management compared to the previous reporting period.

The Bank also applies internal capital management procedures and assesses and calculates requirements for internal capital within the ICAAP process. Internal capital must cover not only legal requirements for individual types of regulatory risk, but also requirements for risks not covered by Tier 1, which are set by the Bank based on the assessment of its risk profile and risk appetite. The Bank has complied and complies with the market regulator's requirements for internal capital.

The Bank's regulatory capital comprises Tier 1 and Tier 2. The Bank's Tier 1 capital includes share capital, the legal reserve fund, retained earnings from previous years, accumulated other comprehensive income and intangible assets (as a decreasing item) and other capital adjustments. The Bank has no Tier 2 capital.

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As at 31 December 2023 and 31 December 2022, the structure of the Bank's the regulatory capital is as follows:

tis. EUR	2023	2022
Tier 1 capital	96 213	96 644
Paid up share capital	25 121	25 121
Reserve fund and other funds created from the profit	5 024	5 024
Retained earnings from previous years	73 275	70 358
Accumulated other comprehensive income	(1 512)	(3 305)
(-) Intangible assets	(605)	(492)
Other capital adjustments	(5 090)	(62)
Tier 2 capital	-	-
Subordinated debt	-	-
Regulatory capital	96 213	96 644

The indicators of the Bank's capital adequacy as at 31 December 2023 and 31 December 2022 are provided in the table below:

EUR '000	2023	2022
Adequacy of regulatory capital (%)	19,49%	19,28%
Regulatory capital	96 213	96 644
Total amount of risk exposures	493 633	501 293
RVE – credit risk and counterparty's credit risk	436 065	447 982
RE – position risk	3 604	8 292
RE – foreign exchange risk	-	-
RE – adjustment of the receivable measurement	-	-
RE – operational risk	53 964	45 019

Legislation requires that the Bank maintain the proportion of the regulatory capital to total risk-weighted exposure of at least 8%. As at 31 December 2023, a cushion to maintain capital in the amount of 2.5% was in place. The Bank also applies an anti-cyclical cushion to selected exposures and other cushions stipulated by the legislation and the regulator.

During the reporting periods, the Bank's regulatory capital exceeded the minimum required level of risk-weighted exposures. Thus, the Bank complied with the capital requirement stipulated by the legislation and the regulator. As at 31 December 2023, the regulator assigned the Bank a minimum level of adequacy of its regulatory capital of 14.45% (31 December 2022: 13.95%).

39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows the structure of the Bank's assets and liabilities by maturity as at 31 December 2023:

EUR '000	Up to 7 days	From 7 days to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Unspecified	Total
Cash and balances with central banks	252 145	-	-	-	-	-	252 145
Loans and advances to banks	23 348	36 895	-	-	-	-	60 243
Loans and advances to customers	895	33 566	109 720	189 303	23 520	8 911	365 915
Securities at fair value through other comprehensive income	-	5 745	9 319	37 407	-	2 314	54 785
Securities measured at amortized cost	-	-	38 284	74 461	-	-	112 745
Investments in subsidiaries	-	-	-	-	-	7	7
Tangible and intangible assets	-	-	-	-	-	1 303	1 303
Right-of-use assets	-	-	-	-	-	2 731	2 731
Deferred tax asset	-	-	-	-	-	1 875	1 875
Other assets	320	1 508	-	-	-	1 440	3 268
Total assets	276 708	77 714	157 323	301 171	23 520	18 581	855 017
Due to banks	1	-	-	-	-	-	1
Deposits from customers	221 390	185 084	143 422	162 217	42	6 405	718 560
Debt securities issued	-	-	-	50	-	-	50
Current tax liability	-	-	1 438	-	-	-	1 438
Provisions for liabilities	-	-	-	-	-	63	63
Lease liabilities	-	-	-	-	-	2 743	2 743
Other liabilities	2 561	1 554	-	-	-	5 865	9 980
Total liabilities	223 952	186 638	144 860	162 267	42	15 076	732 835
Difference	52 756	(108 924)	12 463	138 904	23 478	3 505	122 182
Cumulative difference	52 756	(56 168)	(43 705)	95 199	118 677	122 182	

The bulk of deposits from customers payable within seven days in the amount of EUR 221,390 thousand include deposits payable on demand, which are unlikely to be paid to customers within the defined interval.

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The table below shows the structure of the Bank's assets and liabilities by maturity as at 31 December 2022:

EUR '000	Up to 7 days	From 7 days to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Unspecified	Total
Cash and balances with central banks	165 558	-	-	-	-	-	165 558
Loans and advances to banks	22 417	13 906	-	-	-	-	36 323
Loans and advances to customers	-	34 081	169 808	177 020	29 000	19 531	429 440
Securities at fair value through other comprehensive income	-	104	23 928	36 398	-	2 200	62 630
Securities measured at amortized cost	-	3 075	30 479	67 101	-	-	100 655
Investments in subsidiaries	-	-	-	-	-	7	7
Tangible and intangible assets	-	-	-	-	-	1 236	1 236
Right-of-use assets	-	-	-	-	-	2 853	2 853
Deferred tax asset	-	-	-	-	-	1 448	1 448
Other assets	589	28	-	-	-	3 492	4 109
Total assets	188 564	51 194	224 215	280 519	29 000	30 767	804 259
Deposits from customers	291 533	69 926	177 281	140 437	463	16	679 656
Debt securities issued	-	7	2 493	-	-	-	2 500
Current tax liability	-	-	125	-	-	-	125
Provisions for liabilities	-	-	-	-	-	273	273
Lease liabilities	-	-	-	-	-	2 853	2 853
Other liabilities	1 500	1 197	-	-	-	6 027	8 724
Total liabilities	293 033	71 130	179 899	140 437	463	9 169	694 131
Difference	(104 469)	(19 936)	44 316	140 082	28 537	21 598	110 128
Cumulative difference	(104 469)	(124 405)	(80 089)	59 993	88 530	110 128	

The bulk of deposits from customers payable within seven days in the amount of EUR 291,533 thousand include deposits payable on demand, which are unlikely to be paid to customers within the defined interval.

40. FINANCIAL INSTRUMENTS – LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk of the Bank being unable to fulfill its obligations towards its business partners due to a difference in the maturity of assets and liabilities. The Bank monitors and manages liquidity based on expected cash flows from assets and liabilities. To measure liquidity exposure, the Bank uses the liquidity gap method. The Bank defines and manages the risk of inability to fulfill its obligations by means of specified limits of discrepancy in the maturity of assets and liabilities in individual time segments.

There have been no events since the end of the preceding reporting period that would have a material impact on the liquidity risk arising from financial instruments.

The remaining maturity of undiscounted amounts of financial liabilities as at 31 December 2023:

EUR '000	On demand	Less than 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Unspecified	Total
Due to banks	-	-	-	-	-	-	-
Deposits from customers	160 657	252 111	150 714	167 305	-	-	730 787
Debt securities issued	-	-	1	51	-	-	52
Total liabilities	160 657	252 111	150 715	167 356	-	-	730 839

The remaining maturity of undiscounted amounts of financial liabilities as at 31 December 2022:

EUR '000	On demand	Less than 3 months	From 3		Over 5 years	Unspecified	Total
			months to 1 year	From 1 year to 5 years			
Deposits from customers	199 285	162 408	181 335	142 951	-	-	685 979
Debt securities issued	-	12	2 533	-	-	-	2 545
Total liabilities	199 285	162 420	183 868	142 951	-	-	688 524

41. FINANCIAL INSTRUMENTS – CREDIT RISK

As a result of its business activities arising from the provision of loans, bank guarantees, hedging transactions, and investment and mediation activities, the Bank is exposed to credit risk representing the risk that the debtor or the counterparty will be unable to meet its contractual liabilities.

The Bank mitigates the credit risk by setting limits for exposures with respect to an individual debtor or economically connected group of debtors or to individual sectors of the national economy to avoid inadequate credit risk concentration owing to the accumulation of receivables from a counterparty, an economically connected group, and/or an economic sector. The actual exposure is regularly compared to the set limits. The Bank treats a receivable from a debtor or an economically connected group of debtors that exceeds 5% of the Bank's regulatory capital as a significant exposure. The excessive concentration of credit exposure to one entity affects the ability of the debtor to pay its obligations. The Bank has created a system of internal reports on significant credit exposures to debtors which exceed the specified limit.

Credit risk is also managed by the regular monitoring of financial assets and the subsequent analysis of the debtor's ability to repay its liabilities and by obtaining quality and liquid collateral for the Bank's receivables from credit activities.

Factors leading to the creation of provisions for defaulted financial assets (Stage 3) in 2023:

1. The client was unable to realise its business plan in the agreed time.
2. The client failed to meet the agreed contracting terms and conditions despite the Bank's notices.
3. The client failed to repay the granted loan in a due and timely manner.

Provisioning

According to the classification of financial assets, the Bank creates provisions for:

- Financial assets assessed on an individual basis ("the specific provision")
- Financial assets assessed on a portfolio basis ("the portfolio provision")

The Bank creates two types of provision from a time perspective:

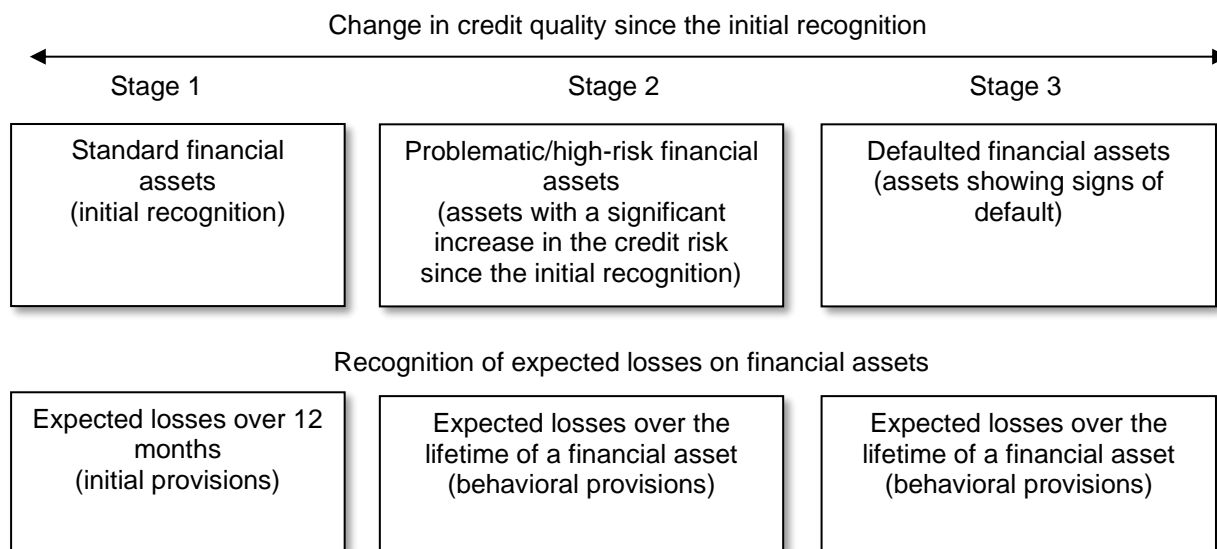
- Initial provisions
- Behavioral provisions

The Bank creates initial provisions for each standard individually assessed financial asset and portfolio-assessed financial asset included in portfolio I.-IV. at its initial measurement. A standard financial asset is any financial asset of the Bank for which customer (debtor) default has not been identified.

The Bank creates behavioral provisions for financial assets where the Bank identifies a significant change in the credit risk of a financial asset or customer default. The Bank creates and reassesses behavioral provisions over the lifetime of a financial asset.

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The provisioning model for individually assessed financial assets has three stages, as illustrated below:



The main criteria for identifying a significant change in credit risk (Stage 2) are as follows:

- Debtor's delay in repaying the Bank's receivable by more than 30 days
- Deterioration of the debtor's internal rating by more than two degrees
- Non-compliance with contractual financial covenants
- Loan restructuring
- Expected or substantial changes in the business, economic, or financial conditions of the industry sector that may have an impact on the debtor's ability to repay their liabilities,
- Legislative changes, loss of permits/licenses having a negative impact on the client's business activity,
- Decrease in market value or liquidity of collateral, which is also the subject of financing, or a source of recovery, and
- Other criteria based on an assessment of the credit risk division in accordance with internal guidelines.

A client's default (Stage 3) is assessed by the Bank automatically, based on the following criteria:

- Debtor's internal rating is E or F, i.e., based on an assessment of all financial and non-financial criteria, the Bank concludes that the debtor will probably fail to pay its liabilities to the Bank in the full amount.
- The debtor is in default with the repayment of its liability to the Bank for more than 90 days.

The Bank uses the expected loss given default (LGD) and the probability of default (PD) to calculate specific provisions for customers not in default (Stage 1 and 2). This calculation uses a PD from data obtained from the Bloomberg system. The resulting value of the provision is the product of PD and LGD. If the remaining maturity of the loan receivable exceeds one year as of the calculation date, the calculated provision is discounted by the bank using the effective interest rate.

In the event of customer default (Stage 3), the Bank determines the amount of the behavioral provision based on the comparison of the carrying amount of a financial asset and its recoverable amount, i.e., the sum of estimated cash flows from the customer's economic activities and the estimated cash flows from the financial asset's collateral discounted using the effective interest rate. The positive difference arising from the two amounts is the provision amount, i.e., the impairment of the financial asset.

For the assets classified as standard or high-risk (Stage 1 and 2), interest income is recognized based on the gross carrying amount of the assets. For defaulted assets (Stage 3), interest income is recognized based on the net carrying amount of assets.

In line with IFRS rules, the Bank creates portfolios of financial assets that have common characteristics, and for which there is a possibility of their impairment if objective circumstances arise in the relevant market. Portfolios of the Bank's financial assets comprise the portfolio of loans and current account overdrafts provided to the Bank's employees, the portfolio of current account overdrafts provided to private banking customers, the portfolio of loans provided to individuals as housing loans, the portfolio of loans provided to private banking customers as loans secured by the portfolio of customers' securities in the Bank's management and the portfolio of loans provided to the Bank's customers included in the Bank's watch list (closer monitoring).

Provisions created for the portfolios of financial assets are used to cover losses that have not been identified at an individual level. However, based on the objective historical experience, they are embedded in individual portfolios. Portfolio-based impairment losses are intended to reflect a potential risk of loss that cannot be individually identified but based on historical experience and an impact of current economic market conditions are included in individual portfolios.

The Bank's calculation of the amount of portfolio provisions is the same as the calculation of specific provisions for customers not in default. When calculating portfolio provisions for portfolio V, PD obtained from the data of statistics of National Bank of Slovakia and an LGD from the Bank's loan portfolio data are used.

The Bank monitors changes in economic conditions of the relevant market and based on this assessment it may increase PD calculated from the statistical data of the National Bank of Slovakia to reflect such information in the level of expected losses. The Bank also tests the model quality by comparison with the realised losses from the loan portfolio for the previous year.

For other assets (except loans and securities) overdue by more than 30 days, the Bank automatically creates a provision of 100% of the carrying amount of the Bank's receivable.

Creation of provisions for liabilities

The Bank creates provisions for off-balance sheet liabilities and calculates their amounts in a manner similar to provisions for assets.

Credit exposure, collaterals

EUR '000	2023	2022
Total credit exposure	377 784	443 954
Value of received collaterals accepted by the Bank	288 493	400 777
Of which: immovables	171 496	211 165
cash	1 903	82 381
securities	54 654	56 830
other	60 440	50 401
Secured portion of credit exposure	178 349	290 466
Unsecured portion of credit exposure	199 435	153 488

The value and type of collateral required to secure the credit risk of the counterparty in credit transactions depend on the extent of the credit risk in a specific credit transaction as identified by the Bank in the course of processing of the transaction. The Bank reassesses the value of individual collaterals on a regular basis.

In its internal instructions, the Bank has defined acceptance procedures as well as procedures for valuing individual collateral types depending on their liquidity.

The most frequently used collateral types:

- Project funding: real estate, current and future receivables arising from sale arrangements and other contracts on the sale, or lease of real estate, securities, personal guarantees
- Operational funding: trade receivables, inventories
- Investment funding: clients' movable and immovable assets, securities, personal guarantees
- Loans provided to individuals: immovable assets, securities, personal guarantees

Assumptions in estimates of collateral realizable value

The value of collateral is determined as follows:

- Immovable and movable assets: based on a comparison between the general value of assets in an expert's opinion and the fair value of assets as identified by means of an expert's estimate. If there is a difference between these two values, the lower shall be considered the value of the immovable or movable asset.
- Cash collateral: the value of the collateral equals the nominal value of a receivable from deposit; in respect of securities, market prices as at the date of valuation are used.
- Receivables, promissory notes, guarantees and accession to liability by a third party: based on their nominal value, net of ratings of a sub-debtor, debtor under a promissory note or a guarantor.

The value accepted by the Bank is that resulting from multiplying the collateral's value by the relevant coefficient representing the degree of acceptance of a specific type of collateral. This value is concurrently the value for calculating impairment losses.

The value of collateral is regularly updated according to type and any anticipated volatility in prices and is performed on at least an annual basis. In the event of collateral impairment, the Bank will require additional security for the credit transaction or will realise other measures to reduce the credit risk.

The amount the Bank can receive from the sale of collateral could differ from the value accepted by the Bank for credit risk management purposes, and such a difference could be material.

Credit quality of assets not recognized as default

Overview of the quality of financial assets resulting from credit transactions that are not recognized as default (i.e., in Stage 3):

Customers - 2023	Receivables (EUR '000)			Share (%)
	Stage 1	Stage 2	Total	
Rating A1 - A3	14 371	-	14 371	4,00%
Rating B1 - B3	85 843	781	86 624	24,11%
Rating C1 - C3	112 550	38 880	151 430	42,15%
Rating D1 - D3	69 352	35 745	105 097	29,25%
Retail	1 728	5	1 733	0,48%
Total	283 844	75 411	359 255	100,00%

Customers - 2022	Receivables (EUR '000)			Share (%)
	Stage 1	Stage 2	Total	
Rating A1 - A3	21 596	5 126	26 722	6,51%
Rating B1 - B3	25 885	5 716	31 601	7,70%
Rating C1 - C3	214 788	61 582	276 370	67,36%
Rating D1 - D3	42 264	31 778	74 042	18,05%
Retail	85	1 485	1 570	0,38%
Total	304 618	105 687	410 305	100,00%

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Based on the balances as at 31 December 2023 and 31 December 2022, there are no clients with accredited external ratings in the Bank's loan portfolio.

The summary of external ratings of securities (Moody's Investors Service) that are not recognized as defaulted as at 31 December 2023:

Securities at fair value through other comprehensive income	EUR '000	Share (%)
Aa1	5 645	10,30
Aa3	2 313	4,22
A1	23 929	43,69
A2	17 351	31,67
A3	5 459	9,96
No rating	88	0,16
Total	54 785	100,00

Securities measured at amortized cost	EUR '000	Share (%)
Aa1	1 997	1,77
A2	101 708	90,22
A3	3 996	3,54
No rating	5 044	4,47
Total	112 745	100,00

All securities in the Bank's portfolios are in Stage 1 in accordance with IFRS 9.

The summary of external ratings of securities (Moody's Investors Service) that are not recognized as defaulted as at 31 December 2022:

Securities at fair value through other comprehensive income	EUR '000	Share (%)
Aa1	5 472	8,74
Aa3	21 007	33,54
A1	13 602	21,72
A2	16 968	27,09
A3	5 454	8,71
No rating	127	0,20
Total	62 630	100,00

Securities measured at amortized cost	EUR '000	Share (%)
Aa1	1 997	1,98
A2	70 712	70,25
A3	12 742	12,66
Baa3	10 142	10,08
No rating	5 062	5,03
Total	100 655	100,00

The total volume of securities in the Bank's portfolios are classified in Stage 1 as per IFRS 9.

Method of determining transaction ratings of clients

The Bank determines an internal rating of customers based on their financial or project, and non-financial and behavioral analyses.

The financial analysis of corporate customers is based on an assessment of individual items of clients' assets, liabilities, expenses and revenues, realisation of assets and equity, and the subsequent calculation of basic financial ratios (indebtedness, liquidity, profitability, activity and cash flow). For retail customers, the Bank assesses the extent of the client's ability to repay a specific loan from his income or assets and the nature of the security of the loan in question.

Project analysis of corporate customers is aimed at evaluating measurable parameters of a client's business plan (e.g., share of own funds, contractual arrangement regarding project exit, investment horizon term).

Non-financial analysis of a client is based on an individual assessment of non-financial aspects (qualitative indicators), i.e., external and internal impacts affecting the client's activities, and an assessment of the macro and micro-environments in which the client operates.

The behavioral analysis of a client includes the identification of adverse events that may result in an impairment of the client's and Bank's assets (e.g., legal dispute, receivable restructuring, client default – non-compliance with contractual obligations).

Based on the sum of points assigned from the above analyses, clients are assigned a rating. The rating system consists of 14 rating classes, where A1 is the best and F the worst rating.

Rating	Number of Points	
A1	36 – 34	Low risk
A2	33 – 32	
A3	31 – 29	
B1	28 – 27	Medium risk
B2	26 – 24	
B3	23 – 22	
C1	21 – 19	Acceptable risk
C2	18 – 17	
C3	16 – 14	
D1	13 – 12	High risk
D2	11 – 9	
D3	8 – 7	
E	6 - 4	Default
F	3 – 0	

The Bank continuously monitors the credit quality of its clients and updates the rating class of each client.

Aging structure of financial assets overdue, recognized as unimpaired

As of 31 December 2023, the Bank reported overdue loan receivables reported in the unimpaired category with a total volume of EUR 109 thousand, of which the principal amounted to EUR 11 thousand and accessories amounted to EUR 98 thousand (of which EUR 66 thousand principal with a delay of more than 30 days).

As at 31 December 2022, the Bank recognized overdue loan receivables classified as unimpaired in the total amount of EUR 3,146 thousand, of which principal amounted to EUR 159 thousand (of which EUR

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61 thousand principal with a delay of more than 30 days) and accessories in the amount of EUR 2 987 thousand (of which accessories in the amount of EUR 6 thousand with a delay period of more than 30 days).

Restructured assets

Under the Bank's internal guidelines, a restructured receivable and/or debt financial asset means an asset if the Bank has provided the client with a relief as the client has, or will have, difficulties in meeting its financial obligations (financial difficulties). A relief is a change in the repayment schedule (temporary decrease of one or more payments, or postponement of one or more payments or a part thereof), or an extension of the receivable's maturity.

In 2023, the Bank carried out restructuring by extending the overall maturity or adjusting the repayment schedules of receivables from loan transactions in the total amount of EUR 25,257 thousand represented by long-term loans.

In 2022, the Bank carried out restructuring by extending the overall maturity or adjusting the repayment schedules of receivables from loan transactions in the total amount of EUR 9,190 thousand represented by long-term loans.

The reasons largely included the failure to fulfill a business plan or exit from a project on the anticipated date and a shortfall in revenues during the year. In all instances the Bank treated its position so that in the future it would not be exposed to higher risks than when closing the deal.

As at 31 December 2023, the Bank recorded restructured assets in the amount of EUR 23,382 thousand (2022: EUR 13,324 thousand), for which provisions amounting to EUR 3,039 thousand have been created (2022: EUR 1,573 thousand).

Major credit risk exposures

(a) Concentrations in national economy sectors as at 31 December 2023

EUR '000	2023			Total
	Stage 1	Stage 2	Stage 3	
Non-banking financial services	17 968	3 582	-	21 550
Manufacturing	21 031	-	5 298	26 329
Construction	399	1 600	-	1 999
Agriculture and forestry	611	1 156	163	1 930
Commercial real estate – cash flow based	41 201	14 438	2 654	58 293
Commercial real estate – collateral based	54 847	23 720	7 803	86 370
Commerce and services	133 404	18 865	25	152 294
Other	3 451	7 312	-	10 763
Individuals	10 584	304	1 663	12 551
Healthcare services	348	4 135	923	5 406
Recreational, cultural and sport activities	-	299	-	299
Total	283 844	75 411	18 529	377 784

(b) Concentrations in national economy sectors as at 31 December 2022

EUR '000	2022			Total
	Stage 1	Stage 2	Stage 3	
Non-banking financial services	9 123	-	435	9 558
Manufacturing	1 089	20 544	5 922	27 555
Construction	1 092	-	3 874	4 966
Agriculture and forestry	385	1 569	603	2 557
Commercial real estate – cash flow based	61 596	15 795	4 047	81 438
Commercial real estate – collateral based	65 676	15 534	16 920	98 130
Commerce and services	158 490	27 332	33	185 855
Other	2 605	10 120	-	12 725
Individuals	190	13 006	1 430	14 626
Healthcare services	4 372	1 487	-	5 859
Recreational, cultural and sport activities	-	300	385	685
Total	304 618	105 687	33 649	443 954

(c) Concentrations in significant groups of related clients

The Bank continuously monitors exposures to groups of related clients to comply with regulatory limits. The maximum exposure to a debtor or an economically connected group of clients as defined by regulations is capped at EUR 24,053 thousand owing to the amount of the Bank's capital as at 31 December 2023 (2022: EUR 24,161 thousand).

Maximum credit exposure

EUR '000	2023	2022
Cash and balances with central banks	252 145	165 558
Loans and advances to banks	60 243	36 323
Loans and advances to customers	365 915	429 440
Securities at fair value through other comprehensive income	54 785	62 630
Securities measured at amortized cost	112 745	100 655
Investments in subsidiaries	7	7
Other assets	3 268	4 109
Total	849 108	798 722
Unused credit facilities	22 113	36 547
Issued guarantees	-	154
Total	22 113	36 701
Total credit exposure	871 221	835 423

42. OPERATIONAL, LEGAL AND OTHER RISKS

The Bank creates a database of operational losses and events that represent a potential risk of loss. Given the size of the Bank and the related frequency of events of operational risks and losses, it is very unlikely that such archived cases of operational risks will represent a sufficiently large sample with acceptable informative value for the creation of more sophisticated solutions for operational risk management. The operational losses and events database is used by senior management mainly as a general rule for the assessment and monitoring of this risk factor.

Legal and other risks are monitored in the Bank's internal control system in the event of reviews made by the Department of Internal Control and Audit and by divisions of the headquarters.

43. FAIR VALUES

The fair value is the amount at which an asset could be exchanged, or a liability settled in an arm's length transaction. The estimated fair values of the Bank's financial assets and financial liabilities at the year-end were as follows:

EUR '000	Carrying amount 2023	Fair value 2023	Carrying amount 2022	Fair value 2022
Financial assets				
Cash and balances with central banks	252 145	252 145	165 558	165 572
Loans and advances to banks	60 243	60 239	36 323	36 321
Loans and advances to customers	365 915	365 919	429 440	429 112
Securities at fair value through other comprehensive income	54 785	54 785	62 630	62 630
Securities measured at amortized cost	112 745	111 746	100 655	97 108
Investments in subsidiaries	7	7	7	7
Financial liabilities				
Due to banks	1	1	-	-
Deposits from customers	718 560	714 463	679 656	666 599
Debt securities issued	50	50	2 500	2 494

The method used to determine the fair values of selected financial assets as at 31 December 2023:

EUR '000	Market price Level 1	Own model with reference to market prices Level 2	Own model without reference to market prices Level 3	Total
Loans and advances to customers	-	-	365 919	365 919
Securities at fair value through other comprehensive income	44 586	10 112	87	54 785
Securities measured at amortized cost	106 840	-	4 906	111 746
Investments in subsidiaries	-	-	7	7

In 2023, there was a transfer of securities valued at fair value through other comprehensive income in the amount of EUR 4,467 thousand from level 1 to level 2.

The method used to determine the fair values of selected financial assets as at 31 December 2022:

EUR '000	Market price Level 1	Own model with reference to market prices Level 2	Own model without reference to market prices Level 3	Total
Loans and advances to customers	-	-	429 112	429 112
Securities at fair value through other comprehensive income	57 031	5 472	127	62 630
Securities measured at amortized cost	92 146	-	4 962	97 108
Investments in subsidiaries	-	-	7	7

There were no transfers between the measurement levels in 2022.

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

Cash and balances with central banks

The carrying value of cash and balances with central banks approximate their fair value.

Loans and advances to banks

The fair value of current accounts with other banks approximates their carrying value. For amounts with a remaining maturity of less than three months, it is also reasonable to use the carrying value as an approximation of their fair value. The fair values of other loans and advances to banks are calculated by discounting the future cash flows using current interbank rates.

Loans and advances to customers

Loans and advances to customers are measured net of impairment losses for receivables. The fair values of loans and advances to customers are calculated by discounting the future cash flows using the current market rates increased by updated risk interest margin by loans. Subsequently, this amount is reduced by the provision for the relevant receivable (Level 3).

Securities at fair value through other comprehensive income

Securities at fair value through other comprehensive income are reported in quoted market prices (Level 1). If the quoted market price is not available, or if there is no active market for the relevant financial instrument, the fair value of a financial instrument is determined using valuation methods (Level 2 and Level 3). The fair value reflects provisions. The method of calculating the fair value of financial instruments is described in Note 2.5.7.

Securities at amortized cost

Securities measured at amortized cost are reported in quoted market prices (Level 1). If the quoted market price is not available, or if there is no active market for the relevant financial instrument, the fair value of a financial instrument is determined using valuation methods (Level 2 and Level 3). The fair value reflects provisions. The method of calculating the fair value of financial instruments is described in Note 2.5.7.

Investments in subsidiaries

Net value of assets approximates fair value.

Due to banks

The fair values of current accounts with other banks are approximately equal to their carrying value. For other liabilities to banks with a remaining maturity of less than three months, it is also appropriate to use the carrying value as an approximate fair value. The fair values of other bank deposits are calculated by discounting future cash flows using prevailing interbank offered rates.

Deposits from customers

The fair values of deposits from customers are calculated by discounting the future cash flows using the current market rates effective as at year-ends.

Debt securities issued

The fair values of debt securities issued are calculated by discounting the future cash flows using the current market rates effective as at year-ends.

44. SIGNIFICANT SUBSEQUENT EVENTS

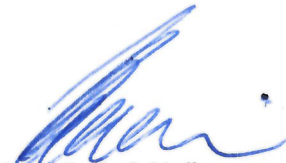
At the date of preparation of these financial statements, no material events had occurred that would require material adjustment of the data or information disclosed in those financial statements as of 31 December 2023.

45. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were signed and authorized by the Board of Directors on 24th April 2024.



Mgr. Ing. Ľuboš Ševčík, CSc.
Chairman of the Board of Directors and
General Director



Ing. Vladimír Hrdina
Member of the Board of Directors and
Executive Director