Tatra banka

Annual report 2023

Slovak Republic

TATRA BANKA
Member of RBI Group

Content of Annual Report

About

Survey of key data according to International Financial Reporting Standards

Tatra banka Group (in EUR thousands)

	2023	2022	Change
Consolidated Statement of Comprehensive Income			
Net interest income	404 363	321 620	25,7 %
Net fees and commission income	166 967	157 913	5,7 %
Net trading income and fair value result	40 803	39 045	4,5 %
General administrative expenses	(273 394)	(244 067)	12,0 %
Cash contributions to resolution funds and deposit guarantee schemes	(7 343)	(11 228)	(34,6) %
Impairment losses on financial assets	(29 146)	(33 986)	(14,2) %
Consolidated profit before income taxes	300 882	231 770	29,8 %
Consolidated profit after income taxes	237 160	186 775	27,0 %
Comprehensive consolidated profit after tax	242 564	174 781	38,8 %
Consolidated Statement of Financial Position			
Loans to banks, gross	194 778	195 011	(0,1) %
Loans to customers, gross	14 351 046	13 981 867	2,6 %
Deposits from banks	2 549 688	3 324 862	(23,3) %
Deposits from customers	15 694 256	15 447 584	1,6 %
Equity (including consolidated profit)	1 622 332	1 484 450	9,3 %
Total assets	22 231 147	21 724 815	2,3 %
Key ratios			
Return on equity (ROE) before tax	21,0 %	17,0%	23,5 %
Cost/income ratio [2]	44,8 %	46,9%	(4,5) %
Return on assets (ROA) before tax	1,4 %	1,1%	27,3 %
Tier 1 ratio, total	17,4 %	16,5%	5,5 %
Own funds ratio	19,4 %	18,7%	3,7 %
Stock data			
Earnings per ordinary share (nominal value per share: 800 EUR)	3 023	2 178	38,8 %
Earnings per ordinary share (nominal value per share: 4 000 EUR)	15 115	10 890	38,8 %
Resources			
Number of staff on balance sheet date	3 349	3 324	0,8 %
Branches on balance sheet date [1]	140	142	(1,4) %

Ratings	Long-term deposits	Outlook	Short-term deposits	Baseline Credit Assessment
Moody's Investors Service	A2	negative	Prime-1	Baa2

1) Inclusive of Corporate centres, "Centrum bývania" branches, Raiffesen bank branches and Tatra-Leasing, s.r.o. branches
2) excluded special levy of selected financial institutions

Statements

Statement by the Chairman of the Management Board

Dear shareholders, business partners and clients,

I appreciate the opportunity to address you after another year and take stock of the past period. Last year, I expressed some concerns about the high inflation and growth of interest rates and their effects on our clients. I am pleased that we managed, together with our clients, to cope well during that period and since our clients thrived, we thrived as well.

However, 2024 will write a different story. The intervention in the banking sector in the form of new levies will affect us all, both banks and their clients. The precise consequences will be visible during the year, however, the ground for optimism is severely limited. Banks kept large part of profits, which could be paid to shareholders as dividends, to use it as capital for further lending. Bank levy will thus also affect the lending capacity of banks. Moreover, in a market economy, scarcity can cause prices to rise.

Same as banks can only thrive when their clients thrive too, also the economy can only thrive when the banking sector fulfils its key role.

But, let's take one last look back at 2023. In addition to the outstanding results, we were also particularly successful in the area of innovations which were introduced to increase the clients' user experience. Our efforts were rated highly also by the professional community which awarded the bank with more than 20 prizes, some of them at the level of Central and Eastern Europe and one on a global scale. According to EMEA Finance and the weekly Trend, Tatra banka is dominating the Slovak banking market. Global Finance considers the bank as the most innovative bank in the Central and Eastern Europe region. Moreover, according to Global Finance, the bank has the best adaptive mobile web in the world. Euromoney, EMEA Finance, as well as PWM and The Banker have decided that Tatra banka's private banking is the best on the Slovak market. The bank has achieved excellent results also in the area of small corporate clients, as evidenced by the awards won by the bank, namely the Best Digital Lending in Central and Eastern Europe from SME Banking Club and the Best SME Banking in CEE from Global Finance.

Although we are pleased to have won these awards which make us proud of our work, our clients are at the heart of innovations. We brought for them many new products and services.

To increase the security in the digital space, we have introduced a unique code which is used when clients are contacted by the bank. Since March 2023, Tatra banka clients are the only ones in Slovakia who can verify the authenticity of incoming calls from the bank using a unique code in the **Tatra banka** mobile application or **Internet** banking[TB]. This new feature fits into the concept *#fordigitalsecurity* (*#predigitálnubezpečnosť*) focused on the digital fraud prevention and on educating our clients in this area.

Tatra banka was one of the first banks in Slovakia to launch another new feature that saves time of 60,000 clients per year. When a client is issued with a new ID, the bank, based on information from the ID card records, performs in its systems an automatic update of the new ID card number, issue and expiry dates, as well as of information about the title, name and surname, and permanent address.

Personal finance management has been enriched with our new **Spending** plan[TB]. This feature aspires to help clients to plan their finances. It provides them with an overview of their anticipated spending for the given period, as well as with information on the balance after deduction of the anticipated payments. The sophisticated calculation takes into account both monthly expenditures and less frequent payments, such as annual insurance payments and payment for highway vignette.

Tatra banka does not hide its unique innovations, just the opposite, it makes them available to the outside too. The proof is Face Biometry[TB] (**Tvárová** biometria) which the bank made available to third parties. First corporate clients, interested to increase the digitalization of their own processes and the security of new user registrations, started to use this innovative verification method in 2023.

Last year, the user experience of Tatra banka's corporate clients was also improved through the possibility to sign loan and security contracts digitally in **Business** banking[TB]. It is only required to enter PIN code to the electronic signature and documents are subsequently available in the client's digital channels. It is no longer needed to print and store paperwork and contracts.

For entrepreneurs, the bank has launched online business loan. To get the information on available loans, the client only needs to visit the bank's website or the Tatra banka mobile application. Once the client completes its Company ID No. and answers a few short questions, information about available loan amount are displayed. If the client finds the offer interesting, they can continue with the loan process digitally. The new service is available to both clients and non-clients.

Not only innovations, but also art is at the heart of Tatra banka. Therefore, its partnership with the Slovak National Theater and the Slovak National Gallery continued in 2023. Moreover, for the fourth time, the bank donated art to the whole society. This time, the gallery collection was permanently extended by two works of art. According to the bank, art plays a prominent and irreplaceable role in the society. It helps to cultivate both the environment and the society as such.

In conclusion, I would like to thank you, our valued shareholders, business partners and clients, for your support and trust. Although the banking sector will face challenging times in 2024, I firmly believe that we will overcome them together.

Michal Liday
Chairman of the Management Board and CEO

Report of the Supervisory Board

Ladies and Gentlemen,

In 2023, Tatra banka delivered a consolidated profit after tax of EUR 237.2 million, a third record-breaking year and for the first time in its history, Tatra banka delivered a profit above 200 million. The result is a testament to our hard work, focus on the client experience, and innovation leadership. All of this is supported by awards from international competitions.

During the 2023 financial year, the members of the Supervisory Board held 4 meetings. The overall attendance rate for Supervisory Board meetings was around 97 per cent.

The Supervisory Board regularly and comprehensively monitored the business performance and risk developments at Tatra banka. Discussions were regularly held with the Management Board on the adequacy of capital and liquidity, as well as on the direction of the bank's business and risk strategies. The Supervisory Board also dealt at length with further developments within corporate governance and monitored the implementation of corresponding policies. In the course of its monitoring and advisory activities, the Supervisory Board maintained direct contact with the responsible Management Board members, the auditor, and the heads of the internal control functions. It also maintained a continuous exchange of information and views with representatives from the supervisory authorities on topical issues.

Moreover, the Management Board provided the Supervisory Board with regular and detailed reports on relevant matters concerning performance in the respective business areas. Between meetings, the Supervisory Board maintained close contact with the Chairman and members of the Management Board. The Management Board was available when required for bilateral or multilateral discussions with members of the Supervisory Board, with the involvement of experts on the matters being addressed where applicable.

The work undertaken together with the Management Board was based on a relationship of mutual trust and conducted in the spirit of efficient and constructive collaboration. Discussions were open and critical, and the Supervisory Board passed resolutions after fully considering all aspects. If additional information was required in order to consider individual issues in more depth, this was provided to members of the Supervisory Board without delay and to their satisfaction.

The performance of the duties of the Supervisory Board was fully in line with the applicable law and the bank's Articles of Association. The Supervisory Board reviewed the individual and consolidated financial statements and profit distribution, and recommended the approval thereof to the General Meeting.

I would like to take this opportunity to sincerely thank the Management Board and all Tatra banka employees for their unwavering effort, and also our customers for their continued trust.

On behalf of the Supervisory Board,

Andrii Stepanenko
Chairman of the Supervisory Board

Mission, Vision and Values of Tatra banka

Mission

We transform continuous innovation into superior customer experience.

Vision

We are the most recommended banking group in Slovakia.

Values

Ambition
Creativity
Partnership
Courage

Raiffeisen Bank International at a glance

RBI regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE) as its home market. Subsidiary banks cover 12 markets in the region. In addition, the Group includes numerous other financial service providers active in areas such as leasing, asset management and M&A. In total, around 45,000 RBI employees serve 18.6 million customers from more than 1,500 business outlets, the vast majority of which are in CEE.

The regional Raiffeisen banks hold approximately 61.17 per cent of RBI's shares. The remaining shares are held in free float.

Summary of Consolidated Performance

For the third time in a row, Tatra banka Group reached a record profit in 2023, exceeding the EUR 200 million milestone for the first time. The Group's consolidated profit increased by 27 per cent year-on-year from EUR 186.8 million in 2022 to EUR 237.2 million in 2023. In this phase of the interest cycle, the record result was mainly caused by an increase in net interest income by 26 per cent to EUR 404.4 million year-on-year. Profitability was further boosted by an almost 6 per cent increase in net commission and fee income, a 4.5 per cent increase in net profit from financial instruments held for trading and exchange rate differences, as well as by lower provisioning for loans compared to the previous year.

Due to the strong year-on-year growth of profit, return on equity increased to 16.5 per cent in 2023. It was 13.7 per cent in the previous year. The ratio of operating expenses to operating income, expressing the operational efficiency of the bank, which was already at an extraordinarily favorable level in 2022, dropped further in 2023 to 44.8 per cent.

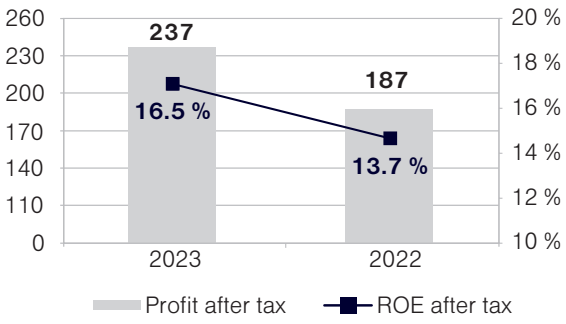
In 2023, Tatra banka retained its excellent A2 long-term deposit rating awarded by international rating agency Moody's.

Development of Income and Expenses

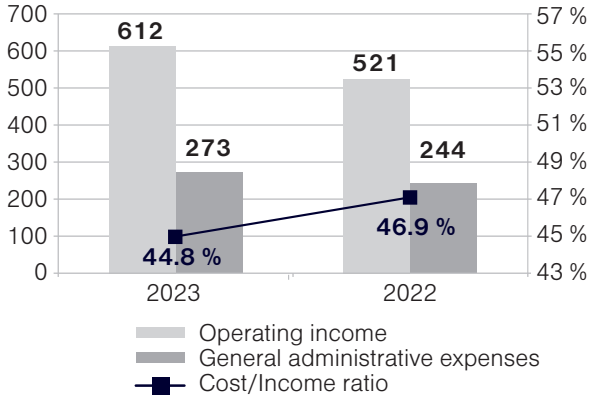
In this phase of the interest cycle, the strongest growth among income categories was reported by net interest income. It increased by 25.7 per cent to EUR 404.4 million year-on-year. However, growth was also reported by other income categories, such as net fee and commission income, which increased by 5.7 per cent to EUR 167 million year-on-year, and net profit on financial instruments held for trading and exchange rate differences, which increased by 4.5 per cent to EUR 40.8 million.

Lower provisioning compared to the previous year and the reduced contribution to the resolution fund also had a positive impact on the bank's financial results. On the other hand, the financial results were negatively influenced by a year-on-year increase in expense items, reflecting the persistent strong inflationary pressures. Average inflation for the whole of 2023 reached 10.5 per cent in Slovakia.

Development of profit and return on equity EUR million



Development of Cost/Income ratio EUR million



General administrative expenses increased by 12.0 per cent to EUR 273.4 million compared to the previous year. Personnel costs grew by 14.1 per cent to EUR 160.6 million.

The consolidated profit before tax increased by as much as 30 per cent year-on-year, exceeding the EUR 300 million milestone. It reached EUR 300.9 million in 2023. In the previous year, it was only EUR 231.8 million.

Development of Assets

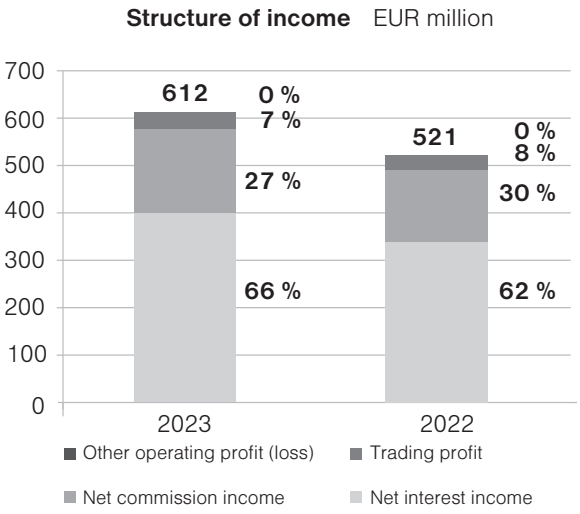
Tatra banka Group's consolidated assets grew by 2.3 per cent to EUR 22.2 billion year-on-year from EUR 21.7 billion in 2022. The sharp rate hikes by the ECB and the high rate of consumer price growth were also reflected in the reduced demand for loans and lower savings.

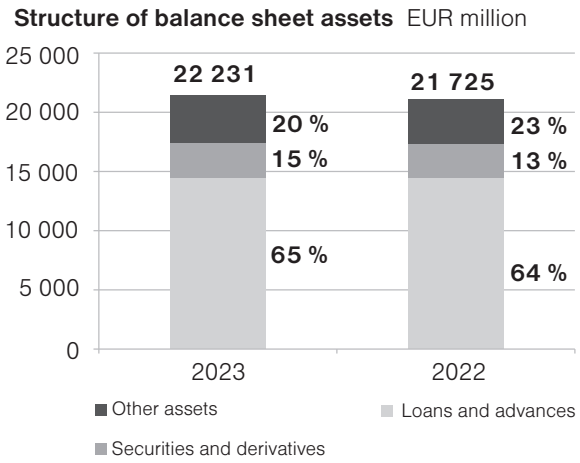
The year-on-year growth pace of loans granted to clients weakened in 2023. Their volume increased by 2.6 per cent year-on-year to EUR 14.4 billion. However, the share of non-performing loans in the total portfolio remained below 2 per cent, despite the challenging macroeconomic backdrop, which attests to the very good quality of the bank's loan portfolio.

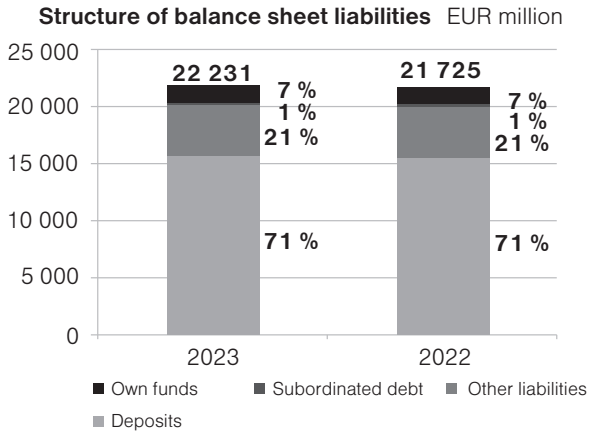
Development of Liabilities and Equity

In 2023, client deposits increased to 1.6 per cent year-on-year from EUR 15.5 billion to EUR 15.7 billion. The growth of deposits was mainly dampened by lower household savings due to high inflation. With a background of increased interest rates, demand for term deposits in particular increased.

The consolidated ratio of customer loans to deposits was 91 per cent as of December 31, 2023. The capital adequacy ratio was 19.4 per cent as of December 31, 2023.







Objectives for 2024

Tatra banka's mission is to turn innovation into a unique client experience and Raiffeisen Bank's mission is to deliver easy banking to its clients. For both brands, these missions are fundamental to the fulfillment of the brand promise and the definition of strategic objectives. Tatra banka Group will therefore reword the joint mission in 2024 to reflect both these approaches and thereby affirm its strong position as a mature, multi-brand organization. The bank will also continue its activities, started during 2023, aimed at further cultivation and upgrade of its internal corporate culture. The high engagement of the bank's employees is the result of a stable internal culture, a clear differentiating factor on the labor market. The bank therefore systematically reflects and works on both the culture and atmosphere, with the added aim of strengthening its position as an attractive employer for the younger generation.

Innovations and digitalization are an opportunity for Tatra banka to actively participate in shaping the future of the whole country. The bank continues these efforts taking into account and applying sustainability principles. During the year, the bank intends to introduce improvements and new solutions that will digitize further sales and service processes in order to improve the client experience.

Maintaining the high satisfaction of clients, an important pillar in achieving the vision of being the most recommended banking group in Slovakia, will remain Raiffeisen Bank's priority. Raiffeisen Bank also pays significant attention to the provision of services to its clients and sales through digital channels with the aim of increasing the client experience and the availability of products and services for clients wherever they are.

During the year, the bank will also complete the renovation and modernization of Tatra banka branches and continue with the re-design of Raiffeisen Bank branches. By gradually relieving branch staff of selected service operations, the bank will create even greater space for personal consultations and high-quality financial advice for clients in new modern branches.

Corporate Social Responsibility

Tatra banka's Approach to Corporate Social Responsibility

The societal values of companies are also perceived through the way they behave towards the environment in which they operate. Sustainability is not only about meeting legislative and regulatory obligations, it should also be part of a company's value system. Tatra banka Group wishes to set an example and, therefore, implements sustainability elements in its business and operations, as well as in relation to its employees, communities, and the society in which it operates.

The financial sector plays a key role in the economy, with banks having a significant impact on the economy. Banks can redirect investments to more sustainable projects and influence the fulfillment of global sustainability goals. As an institution, Tatra banka Group believes that innovations push the boundaries of banking, while adding the dimension of social responsibility. The group believes that it is important to achieve the triple bottom line: a balance between people, the planet, and profit. Tatra banka Group's business is built on ethical principles that people not only adhere to, but actually live.

In terms of fair conduct, Tatra banka Group follows global principles of responsible and sustainable banking officially signed by the parent company Raiffeisen Bank International (hereinafter referred to as "RBI"):

- UNEP Principles for Responsible Banking – the principles of the United Nations for responsible banking setting out the responsibilities of the banking sector and aligning the entire banking sector with sustainable development objectives and the Paris Climate Agreement.
- United Nations Global Compact – one of the largest global sustainable development initiatives. Its principles include key areas of human rights, labor standards, environmental protection, and the fight against corruption.
- UNEP Finance Initiative – a global partnership between the United Nations Environment Programme and the financial industry.

The bank has also joined local Slovak initiatives to support sustainable value creation in accordance with environmental and social principles:

- The Slovak Diversity Charter – employers who signed the Charter have committed themselves to creating and maintaining an inclusive working environment for their employees, regardless of age, sex, ethnicity, religion, sexual orientation, or disability. This helps organizations to eliminate the risk of discrimination complaints, but by pursuing diversity, organizations also contribute to the building of the organization's positive image among their clients, customers, employees, and contractors.
- Memorandum on Sustainable Development and Business (Memorandum o trvalo udržateľnom rozvoji a podnikaní) – within the Slovak Banking Association, Tatra banka Group has joined the industry-wide Memorandum on Sustainable Development and Business, publicly declaring its sustainability commitments towards Slovak authorities and institutions, society, employees, clients, business partners, and the environment.
- Membership in the Circular Economy Section of the Slovak Chamber of Commerce and Industry – the section provides support in addressing the issue of waste and waste management, participates in the preparation of legislation on the circular economy, and engages in educational and information events on the topic.

Products and Communication

In view of the long-term positive effects of responsible funding, Tatra banka Group considers ESG (Environmental, Social, and Governance) principles as crucial. Therefore, the bank examines the impact of its business on the economy, the environment, and society. It considers the ecological and social effects of its products and services. Banks have an impact on whether to support sustainable or unsustainable projects. Together with affiliated banks in RBI Group, Tatra banka is actively contributing to the sustainable development goals (SDGs) defined in the 2030 Agenda. The path to sustainability has its challenges and risks. One of them is the transition from a linear to a circular economy. The bank acknowledges the important role of helping clients reach their sustainability goals, whether through financing their sustainable investments or by providing them with the relevant and timely information needed to set up their ESG strategy. Sustainable assets are also important for the bank in terms of its carbon footprint; the carbon footprint of financial institutions is also created by indirect emissions reported under scope 3 emissions, especially by emissions from investments, which also includes loans.

To be able to help clients improve their carbon footprint and contribute to their transition to sustainable business, the bank must be able to assess transactions and projects based on clear ESG criteria. In 2020, parent company RBI proposed and implemented a harmonized definition of loan product sustainability in the form of mandatory rules for the entire financial group, including Tatra banka. These rules are defined for both retail and corporate clients. They specify individual attributes and conditions for environmental and social financing.

RBI's overall ESG strategy also includes sectoral policies concerning those sectors with the greatest impact on both the environment and society. Their main aim is to help clients from the sectors concerned to transform their activities towards sustainability and thereby contribute to optimizing the bank's financed emissions. Such policies have been implemented for coal mining and trade, oil and gas production and trade, steel production and trade, as well as for the real estate and construction industries. In respect of social impact, sectoral policies have been implemented in the production of and trade in tobacco and tobacco products, as well as for financing of gambling. Limitations concerning financing in areas sensitive in terms of RBI Group values, such as nuclear energy financing, are also an important part of the business policy. The implementation of individual sectoral policies will also continue in other sectors, taking into account the de-carbonization goals set by RBI Group.

As regards the evaluation of client activity and ESG performance, which is mandatory for the banking sector under regulatory obligations, and while taking into account the determined sectoral policies, clients are encouraged to transform their businesses. However, insufficient transformation activities may also lead to the bank terminating cooperation with that client. In this way, the bank is shifting its activities towards sectors that are actively reducing their carbon footprint.
Banks are required to manage risks, which entails the identification and evaluation of ESG risks, the development of strategies to mitigate them, and reporting on ESG risks to stakeholders, e.g. investors and regulatory bodies. Further publications for 2023 were made by the bank in the consolidated report at the RBI Group level.

Sustainability is not only about meeting legislative and regulatory obligations, it should part of a company's value system. Tatra banka, therefore, assists its clients and, in general, all Slovak companies interested in ESG issues. In its ESG Principles Guide (Sprievodca ESG princípmi), the bank summarizes all they need to know to transition to a carbon-free economy.

The challenge currently faced in ESG is the data which companies base their decision-making on. However, ESG regulations apply to banks despite the lack of data on the market, forcing the financial institutions to often rely on data which are estimates and data models. Collection of data from clients is crucial for banks to comply with their ESG obligations. However, data are useful not only for banks, but mainly for clients. In this respect, Tatra banka has been implementing the process of obtaining ESG data from its largest corporate clients since 2022. However, to facilitate the data exchange, the bank, together with other involved Slovak banks within the Slovak Banking Association, created a uniform ESG questionnaire allowing easier reporting of data by clients.

Tatra banka Group also further expanded the portfolio of sustainable services and solutions:

- **Account for the Blue Planet** (Účet pre modrú planétu^{TB}) brings innovation in the form of showing the card payment carbon footprint and the My Benefit reward system #fortheblueplanet (premodruplanetu), which rewards clients for more responsible purchases from sustainable merchants. The social dimension is supported by the unique service MyDoctor^{TB}, which offers exclusive health benefits to holders of the bank's credit cards.
- **Mortgage for the Blue Planet** (Hypotéka pre modrú planétu^{TB}) with more favorable conditions for energy efficient buildings.
- **Funds for the Blue Planet** (Fondy pre modrú planétu^{TB}), **American Equity Fund** (Americký akciový fond^{TB}), Global Megatrends Fond^{TB} are investment products promoting environmental and social features, also with a minimum share of sustainable investments.
- **Loan for the Blue Planet** (Úver pre modrú planétu^{TB}) with preferential financing of selected sustainable products, also tied to the "Renovate Your House" (Obnov dom) financing from the Recovery Plan of the Slovak Republic.
- **Green bonds** issued by the bank to support the funding of sustainable projects.
- **Electric car lease** from Tatra Leasing with a favorable interest rate and a ZSE Drive charging card.

The bank also cares about the way in which sustainability is communicated. Activities, including communication, are considered very carefully, which is why the bank also continued with its **#fortheblueplanet** (premodruplanetu) communication campaign in 2023. It represents a framework for Tatra banka's approach to sustainability. The communication carries a clear message that the bank cares about the future, so from the very beginning it has focused on innovations and on supporting projects that considerably reduce resource wastage.

Tatra banka Group views its operation on the market as part of a greater whole and does not see its business operations solely in the context of the banking business. It sees society as a whole, both its present and future. The bank therefore decided to support the 2023 citizens' "Switch Yourself on for Slovakia" (Zapni sa pre Slovensko) and "I Want to Stay Here" (Chcem tu zostať) initiatives, which call upon the public to recognize the shared responsibility for developments in the country and to co-create a cultivated Slovakia. All that is based on a deeply anchored framework of values and tied to sustainability topics.

The principles of ethics and respect are followed by the bank not only within its internal processes, but they are also reflected in its processes towards the external environment, namely in the ethical moderation of discussions on the bank's social networks. Social networks provide a space where mutual respect is needed. To ensure that this space is cultivated, the bank has implemented the Principles of Ethical Discussion based on three pillars: 1. Freedom, 2. Decency, 3. Safety. This way, the bank also supports diversity and respects different views of those involved, developing a safe online space for all.

The topic of financial literacy is also important for the bank. The reasons it is important to deal with the topic of financial health also follow from the results of the Eurobarometer survey from July 2023. According to the survey, only 4 per cent of Slovaks are confident that they will have enough money for a comfortable life once they retire. And only 28 per cent of Slovaks are able to cover their costs of living for a period of six months without having to take a loan or move should they lose their income.

Through the "Think Ahead" (Myslite dopredu) campaign, Tatra banka highlights the need to think about one's financial future well ahead of retirement. The bank also understands that investing might seem hard to understand. The bank has, therefore, developed seven simple principles called "7 Investing Principles" (Investičná sedmička) to help people to invest and make their money grow.

To bring the basics of financial education to the attention of the young generation, the bank has created a unique application for mobile devices which combines the topic of financial education with the attractive visuals of the application in virtual reality. In 2023, a new version of the "VR Generation" application was introduced. It aims to improve the relationship between young people in Slovakia and their finance and to teach them responsible finance management. Secondary school students who used the application improved their financial knowledge by 33 per cent on average, which is an excellent result, so it is very important to pay attention to this topic, even though it does not have a direct influence on the bank's business objectives.

Environmental Protection and Responsible Governance

In terms of operational matters, in its offices, Tatra banka Group has implemented the environmental management system according to ISO 14001. At its outlets, the bank promotes the use of renewable energy sources, with its office building powered solely by green electricity. Energy supplier ZSE Energia also guarantees the origin of green electricity at all the bank's contract locations. Since 2022, the bank has been effectively reducing the amount of municipal waste produced as a result of better awareness of recycling among employees and the implementation of a bio-waste collection system at its head office and at selected branches. In 2023, a decision to replace disposable coffee cups with classic ceramic cups was adopted in the branch network, reducing waste production by almost 69,000 pieces of hard-to-recycle single-use packaging. Only recycled paper is used to print documents, and recycled paper towels and eco hand soap are used for personal hygiene. In line with sustainability principles, the bank uses returnable large-volume loose coffee packages in its offices. A green roof with three beehives was created to contribute to the wellbeing of employees in the workplace.

The bank extends sustainability beyond its direct scope. It has also extended the principles of corporate social responsibility to its supply chain, and when selecting larger suppliers, the ESG approach has been introduced into the evaluation matrix, which also takes ecological and social criteria into account. The bank is also committed to ecological behavior in transport, reducing its carbon footprint through the use of electric cars. The bank owns 6 fully electric and 8 hybrid cars. In 2023, the mileage done by the bank's employees on fully electric cars reached almost 70,000 kilometers.

Sustainability is also anchored in the Tatra banka organizational structure through the ESG team and ESG working groups fulfilling specific tasks in this area. The bank thus incorporates sustainability in its business processes in accordance with the bank's overall strategy.

Tatra banka Group acts in accordance with its accepted values, and its conduct is transparent with respect to each employee, client, contractor, shareholder, and society as a whole. Parent financial group RBI issues a separate annual Sustainability Report, in which it presents its approach to CSR. The report includes the CSR results achieved by all subsidiary banks, including Tatra banka. Among others, the document contains information on group diversity, its green initiatives, as well as the wealth of charity and volunteering activities undertaken by RBI Group banks in their respective countries. The Sustainability Report is available at www.rbinternational.com/sustainability.

On the basis of new Directive (EU) 2022/2464 of the European Parliament and the Council on corporate sustainability reporting (the Corporate Sustainability Reporting Directive – CSRD), Tatra banka Group is actively preparing for the publication of its own sustainability report according to the European Sustainability Reporting Standards (ESRS), which will be part of the 2024 annual report.

Ethical Principles and Human Rights Protection

Tatra banka's ethical principles are also formalized in the "Tatra banka Group Ethical Conduct Principles", which are based on the RBI Banking Group standards.

Tatra banka respects and supports the protection of human rights as stipulated in the European Convention on Human Rights and the Universal Declaration of Human Rights. It aims to engage in business that is in line with these principles. The bank strives to neither directly nor indirectly finance any transactions, projects, or parties, nor cooperate with any business partners (including customers, service providers, and suppliers) that do not adhere to these standards or are suspected of human rights violations. The bank seeks not to be involved in businesses with products that are intended to be used to suppress demonstrations or political unrest, or for other violations of human rights.

Employee Relations

Initiatives and projects aimed at improving the working environment and working conditions for employees, leading to continual development and improvement of employee relations, were an important part for the bank's strategic activities in 2023. The bank introduced many initiatives and improvements in line with its employer strategy with the aim of continuously promoting a positive employee experience.

Due to the difficult economic and social situation connected with both the post-pandemic period and the continuing war in Ukraine, the focus was mainly on topics such as the bank's internal culture and employee care. Activities aimed at supporting physical and mental health were successfully implemented within the Be Fit concept, development of remote work in various parts of the bank continued, and, as regards remuneration and benefits, the bank implemented both general and individual wage increases. Education under the long-term Be Better program, which is available to all employees, remained very popular and was extended to new interesting topics.

Employees appreciate transparent and open dialogue with the bank's top management. The Online Chat with the Management Board, which took place four times in 2023, is regularly followed by more than half of colleagues.

Overall, many environmental improvements and extensive renovations of premises contributed to higher employee satisfaction with the working environment. Branches underwent the next renovation stage and, at the end of 2023, 53 per cent of Tatra banka and Raiffeisen Bank branches had a new modern design and 80 per cent were cashless. While they also simplify processes for personnel, branches without cash registers contribute to greater security for both employees and clients.

Employees also appreciated the opportunity to buy the bank's used IT technology for very advantageous prices, several simplified and digitalized processes, especially those connected with employee documentation, as well as many internal events contributing to better awareness, engagement, and alignment in terms of set objectives and priorities, acknowledgement of effort, learning, as well as adaptation to the rapidly evolving environment and changes.

As many as 92 per cent of people expressed their opinion in the regular loyalty and engagement survey of Tatra banka Group (TBG). The bank was again positively evaluated in all three areas of its employer strategy:

- Ambience,
- Meaningful and creative work,
- A place for work and life.

The total index value reached 82 points, a year-on-year improvement of the result and at the same time strengthening of a high level. The result was also the highest ever maximum result within Tatra banka Group.

As many as 95 per cent consider the bank to be a socially responsible enterprise that supports technology, sustainable innovations, education and the arts, which is a strong source of the sense of fulfillment and meaningful work.

A total of 92 per cent of employees are proud to work at our bank. As many as 85 per cent of employees expressed a willingness to recommend work at the bank to their family or friends. The internal culture and atmosphere are determined by living the common values. In their day-to-day work, 96 per cent of colleagues believe that their team acts in line with our bank's values.

To support the "Customer Experience" culture, the bank organized another year of the internal TOP CX competition, which recognizes the efforts of teams which managed to improve the service experience for both clients and employees. The quality of internal communication was appreciated by employees, as well as experts. The expert jury of the Association for Internal Communications (AICO) awarded the educational platform Kvízer, the TOP CX competition, and bio-waste recycling. The bank won two first places and one second place in the country-wide round and two Grand Prix awards at the European level, repeating the triumph from last year.

More than 1,300 employees personally participated in one of the bank's employee volunteering and donation programs and interest also increased in the past year. This creates favorable conditions for meaningful team-building, as well as the feeling of togetherness, meaningful help, and satisfaction of the intrinsic motivation to help those around them.

Customer Relations

Confidential Information, Personal Data

The bank adequately protects and uses the personal data and confidential information of its customers.

Information is only provided to authorized parties in accordance with applicable legal regulations. More information is available on our website: https://www.tatrabanka.sk/sk/o-banke/pravne-informacie/#ochrana-osobnych-udajov.

Excellent Products and Services

Tatra banka provides products and services for which it holds the relevant licenses, using all the required expertise and infrastructure. The bank provides its customers with products and services of the highest possible quality.

Fairness

The bank performs its business activities in compliance with all applicable legal and regulatory obligations, including consumer protection. The bank treats customers respectfully. False or misleading marketing and advertising are unacceptable. The bank seeks to avoid the risk of over-indebtedness of borrowers and treats customers who experience repayment difficulties fairly.

Investor Protection

Tatra banka gives clear and appropriate information and individual advice to customers and investors.

Conflict of Interest

Tatra banka has internal processes in place to identify and avoid potential conflicts of interest in its business activities and has stringent internal guidelines in this respect.

Staff members must ensure that their own interests do not conflict with their obligations towards the bank or with the bank's obligations towards its customers.

Fight Against Financial Crime

Bribery and Corruption

Bribes can take many forms, including the offer or acceptance of direct or indirect payments, services, excessive gifts, charitable donations, sponsorships, preferential treatment, or facilitation payments. Every attempt at bribery or illegal gratuities must be rejected by staff. Any acts of bribery or corruption are unacceptable. Particular care must be taken when dealing with public officials. The bank does not participate in any transaction in which there is a reason to believe that bribery or corruption is involved.

Accepting and Giving Gifts and Invitations

Staff members are only permitted to accept or offer gifts and invitations that are appropriate under particular circumstances, and subject to the limitations, approvals, and recording requirements defined in internal rules. Gifts of cash or cash equivalents may not be offered or received under any circumstances.

Prevention of Money Laundering and Terrorist Financing

All staff members must comply with the applicable anti-money laundering and anti-terrorist financing laws. The bank aims to only conduct business with reputable customers involved in legitimate business activities, with funds derived from legitimate sources. The bank follows risk-based "Know Your Customer" due diligence procedures and takes reasonable steps to prevent, detect, and report suspicious business transactions.

To prevent abuse of the bank and its subsidiary entities for money laundering and terrorist financing purposes, the bank has issued its Policy of *Protection Against Abuse of the Bank and Its Subsidiary Entities for Money Laundering and Terrorist Financing Purposes*. This protection policy represents a basic outline of the advanced strategy of the Tatra banka Group in the fight against money laundering and terrorist financing, which reflects the latest knowledge and trends in the development of this issue. The protection policy is available on the Tatra banka website in the Important Documents section.

Economic Sanctions, Embargoes

Business dealings with individuals or entities trading in certain goods and technologies (including financial services) that are affected by sanctions or embargoes are permitted only if done in strict compliance with the applicable sanction and embargo legislation. In addition to complying with generally binding legal regulations, Tatra banka has internal regulations, procedures, and controls for complying with the relevant legislation. Each staff member is responsible for applying the relevant rules in daily business transactions.

Attention is also paid to ensuring compliance with international sanctions in light of constantly changing international developments in relations and security. In this respect, Tatra banka Group proactively adjusts its resources and capacity to be able to flexibly respond to the current situation in international sanctions (the conflict in Ukraine, in particular) and the issuance of new sanction regulations.

Insider Trading and Market Abuse

Violations related to insider trading and market manipulation may seriously damage the bank's reputation and public trust and may lead to civil and/or criminal penalties, including termination of employment. Therefore, trading in securities of any company while in possession of material, non-public information regarding the company is prohibited. The bank does not tolerate any attempt to manipulate or tamper with the markets or the prices of securities, options, futures, or other financial instruments.

Sponsorship and the Tatra banka Foundation

Since their establishment, Tatra banka and the Tatra banka Foundation have supported the arts, education, and digital technologies. The bank is a proud general partner of the Slovak National Theater and all major regional theaters, the Slovak National Gallery, the Academy of Performing Arts, and the Academy of Fine Arts in Bratislava. Recipients of financial support also include Kunsthalle Bratislava, major music festival Viva Musica, TEDx Bratislava, the Duke of Edinburgh International Award, and many other important events. In 2023, for the fourth time in a row, Tatra banka gifted art to the Slovak National Gallery, which will become a permanent part of its collection

of works by current Slovak artists; this year it is the work of Denisa Lehocká and Peter Roller. As a co-founder, Tatra banka actively participated, by allocating financial and human resources, in the development of the unique Kempelen Institute of Intelligent Technologies in 2023.

In 2023, Tatra banka and the Tatra banka Foundation jointly supported 241 projects, individuals, and organizations with a total of nearly EUR 1,700,000.

Charity

Inspired by the motto, "if we want to change something, we need to start with ourselves", Tatra banka views its employees as the most valuable essence of corporate philanthropy. Volunteering during working time with wage compensation and donations are an inseparable part of its activities.

The **More for Regions** (Viac pre regióny[TB]) employee grant program was organized for the tenth time in 2023 in cooperation with the Tatra banka Foundation. The program supports NGO projects nominated by Tatra banka Group employees, in which employees also participate as volunteers. In 2023, 17 such projects were supported with a total of EUR 20,040. In the program, 141 employees participated, working a total of 1,093 volunteering hours.

Tatra banka Group's employees can also participate in the **Our Town** event, which has been the biggest corporate volunteering program in Slovakia since it started. In 2023, 721 employees in 12 locations around Slovakia took part in the 17th year of the event. Together, they put in 2,927 volunteering hours. Thus, for the second consecutive year, Tatra banka Group has placed 1st in the number of participating volunteers among all the participating companies.

The First Aid (**Prvá** pomoc[TB]) grant program is designed for employees and close family members who are experiencing a difficult life situation. A financial support application can be filed by employees themselves, but they often also give a helping hand to their colleagues through this program. In 2023, 64 applicants were supported in this way with a total of EUR 66,153.

The blood donation program, Blood Bank (**Krvná** banka[TB]), which Tatra banka Group organizes in cooperation with the National Transfusion Service, has already been running for thirteen years. In 2023, the mobile blood donation took place three times at the head office building in Bratislava and at the processing center in Prešov and once at the DIALOG Live contact center in Nitra. There were 260 blood donors among employees.

For 14 years, in cooperation with the Pontis Foundation, Tatra banka Group has participated in Pass It On (**Posuň** ďalej[TB]), the collection of clothes and other items for non-profit organizations. In the past year, hundreds of employees from the head office in Bratislava, the processing center in Prešov, and Tatra banka branches in central Slovakia participated in the event.

In addition, Tatra banka organized the Christmas Tree of Fulfilled Wishes for the sixth time in 2023. Hundreds of employees from all departments of the Tatra banka Group participated. Together, they fulfilled the Christmas wishes of 441 children from 11 children and family centers around Slovakia, including 24 children of Raiffeisen Bank in Ukraine. They also filled 509 boxes for seniors under the "How much love can fit in a shoebox" (Koľko lásky sa zmestí do krabice od topánok) initiative. Employees of the processing center and the **DIALOG** Live contact center in Prešov also helped twenty families in material need with a financial contribution of EUR 5,444.

Tatra banka's employees further assisted as expert volunteers mentoring students in the Duke of Edinburgh's International Award and, in cooperation with LEAF, in mentoring managers at schools and other non-profit organizations as part of their expertise.

Corporate Governance Statement

The corporate governance system of Tatra banka is regulated by the Corporate Governance Code for Slovakia issued by the Slovak Association of Corporate Governance in 2016. The Code is publicly available on the Association's website at www.sacg.sk.

In accordance with the Commercial Code and the bank's Articles of Association, the bodies of the bank are the General Meeting, the Supervisory Board and the Management Board.

General Meeting

The General Meeting is the supreme body of the bank, through which shareholders take part in the bank's management. Every shareholder has rights that allow the shareholder to exercise influence on the bank. Shareholders' basic rights are as follows:

a) The right to attend the General Meeting

A shareholder may personally attend the General Meeting or do so by proxy. A shareholder's right of attendance is supported primarily by the obligation of the Management Board to convene a General Meeting at least once a year, to notify each shareholder of the General Meeting by sending an invitation at least thirty days in advance, and to ensure that notice of the General Meeting is published in at least one periodical with nationwide coverage that publishes stock exchange news.

b) The right to vote at the General Meeting

The shareholder's voting right is derived from the nominal value of the shares held. One ordinary share with a nominal value of EUR 800 carries one vote and one ordinary share with a nominal value of EUR 4,000 carries five votes. The General Meeting usually decides by a simple majority of the votes of shareholders holding ordinary shares, unless otherwise stipulated by law or the bank's Articles of Association. Preferred shares do not carry the right to vote at the General Meeting, except where stipulated by law. Where the law allows for voting of shareholders holding preference shares, their vote takes place separately. One preference share with a nominal value of EUR 4 carries one vote.

c) The right to propose motions at the General Meeting

The agenda of each General Meeting is structured so as to give shareholders sufficient space to present their motions, comments and suggestions concerning the bank. Shareholders can exercise this right from the date on which the General Meeting is convened to the date it is held and also during the General Meeting.

d) The right to a share of the bank's profit (dividend)

According to the bank's Articles of Association, ordinary shares carry the right to a share of profit (dividend) and preferred shares carry the preferential right to a share of profit (dividend). The distribution of profit and dividend pay-out is decided by the General Meeting according to operating results determined based on the bank's annual financial statements. The amount of dividend is derived from the nominal value of the shares. Dividends are paid out in euros.

e) The right to information about the bank

A shareholder has the right to request information and explanations at the General Meeting regarding the agenda of the General Meeting. This right corresponds to the obligation of the Management Board to provide the requested information and explanations at the General Meeting or, subject to statutory requirements, in writing within 15 days of the date of the General Meeting. A shareholder is also entitled to inspect documents entered into the collection of documents or the register of financial statements and the minutes of general meetings at the bank's head office, to ask for copies of such documents, or to have them sent, and has the right to inspect the minutes of Supervisory Board meetings.

f) The right to request the convening of an extraordinary General Meeting

A motion to convene a General Meeting to discuss proposed issues may be filed by any shareholder(s) holding shares with a nominal value of at least 5 per cent of the share capital of the bank.

g) The right to a secure shareholding registration system

Book-entry shares of the bank are registered with the Centrálny depozitár cenných papierov SR, a.s. (the "Central Depository") in accordance with the conditions laid down by the applicable legal regulations, the Operating Rules and other binding documents of the Central Depository.

h) The right to transfer shares

Ordinary shares are admitted to trading on the regulated market. They are freely transferable. Preference shares are not admitted to trading on the regulated market. The transferability of preferred shares is subject to the prior written agreement of the Management Board in accordance with the terms and conditions stipulated in the bank's Articles of Association and pursuant to effective legal regulations.

The authority of the General Meeting includes:

a. amendments to the Articles of Association;
b. decisions to increase or decrease the share capital and to authorize the Management Board to increase the share capital;
c. approval and removal of an auditor;
d. election and removal of Supervisory Board members, except for members who are elected and removed by bank employees;
e. approval of annual separate financial statements and extraordinary separate financial statements, decisions on profit distribution or loss settlement and on determining directors' fees;
f. decisions on other issues conferred by law or the Articles of Association to the authority of the General Meeting.

In the event of an amendment to the Articles of Association, the bank must comply with the applicable legislation and its Articles of Association. Where an amendment to the Articles of Association is on the agenda of the General Meeting, an invitation to, and notice of the General Meeting, must, in addition to legal requirements, specify at least the nature of the proposed amendment(s). Any draft amendment to the bank's Articles of Association is available for inspection

at the bank's head office, or a copy can be sent to shareholders upon request. The General Meeting decides on an amendment to the Articles of Association by a two thirds majority of the votes of the shareholders present. To be valid, the Articles of Association require approval by the National Bank of Slovakia, or the European Central Bank, subject to the bank's written application filed along with the amendment to the Articles of Association and the full wording of the Articles of Association before and after such an amendment.

In 2023, the Annual General Meeting was held on March 30, 2023. Shareholders holding ordinary shares representing a total of 65,060 votes, which accounted for 91.52 per cent of the voting rights, took part in voting at the General Meeting. The General Meeting approved the Annual Separate Financial Statements and the Consolidated Financial Statements for 2022, the Annual Report for 2022 and the proposed profit distribution. The General Meeting also decided on the appointment of an auditor, a change in the Articles of Association, the election of a Supervisory Board member, the approval of an important business transaction, and on the repurchase of treasury shares.

Supervisory Board

The Supervisory Board is the supreme control body of the bank, which supervises the financial and business activities of the bank, the execution of powers by the Management Board and the bank's other activities. The Supervisory Board consists of nine members, six elected by the General Meeting and three by bank employees. The term of office of members of the Supervisory Board is up to five years.

The Supervisory Board meets at least three times a year. A simple majority of all members is required to adopt a resolution.

The authority of the Supervisory Board includes:

a. checking adherence to the bank's Articles of Association and generally binding legal regulations;
b. monitoring that business targets set by the bank are achieved;
c. checking that accounting records are factual;
d. reviewing the bank's annual, extraordinary and consolidated financial statements and proposed profit distribution or loss settlement and submitting its opinion to the General Meeting;
e. convening the General Meeting or submitting a motion for convening the General Meeting to the Management Board where required by the bank's interests;
f. electing and removing members of the Management Board, approving service contracts of members of the Management Board, approving conditions of compensation and other benefits of Management Board members;
g. granting approval for or filing a motion granting or withdrawing a power of attorney by the Management Board;
h. granting approval of the remuneration principles;
i. granting approval of or filing a motion appointing and removing the director of internal control and the internal audit division of the bank and determining their salary by the Management Board;
j. approving the nominated auditor;
k. granting approval to the Management Board to perform specific activities; and
l. other activities under the applicable legal regulations and the bank's Articles of Association.

There were no changes in the Supervisory Board members in 2023.

Dr. Andrii Stepanenko – Supervisory Board Member elected by the General Meeting, Chairperson of the Supervisory Board
Dr. Johann Strobl – Supervisory Board Member elected by the General Meeting, Vice-Chairperson of the Supervisory Board
Mag. Peter Lennkh – Supervisory Board Member elected by the General Meeting
Mag. Andreas Gschwenter – Supervisory Board Member elected by the General Meeting
Dr. Hannes Mösenbacher – Supervisory Board Member elected by the General Meeting
JUDr. Tomáš Borec – Supervisory Board Member elected by the General Meeting, an independent member
Ing. Peter Golha – Supervisory Board Member elected by employees
Mgr. Iveta Medveďová – Supervisory Board Member elected by employees
Ing. Iveta Uhrinová – Supervisory Board Member elected by employees, an independent member

Management Board

The Management Board is the statutory body that manages and acts on behalf of the bank. The Management Board decides on all bank affairs, unless conferred to the authority of the General Meeting or the Supervisory Board by applicable legal regulations or the Articles of Association. All members of the Management Board are authorized to act on behalf of the bank. Two members of the Management Board always jointly act and sign on behalf of the bank. The Management Board consists of seven members with office terms of up to five years.

Under the Articles of Association, the election and removal of members of the Management Board is within the authority of the Supervisory Board. The number of nominees for an election corresponds to the number of positions on the Management Board to be filled. A simple majority of the votes of all members of the Supervisory Board is required for appointment. When more than one member of the Management Board is to be elected, the first vote will be conducted en bloc for all nominated candidates. If the members of the Management Board are not elected en bloc, each candidate is voted on individually. If any of the nominated candidates are not elected, a new election with the same rules must be held to elect a member of the Management Board. Removal of a member of the Management Board requires a majority of votes of the Supervisory Board members. Removal is effective as of the date of adopting the removal decision, unless otherwise stipulated in the decision. The election of new members of the Management Board is only valid with the prior consent of the National Bank of Slovakia/the European Central Bank.

The Management Board holds meetings as necessary, at least once a month. The Management Board is quorate when the majority of its members are present. The consent of all members present is required to adopt a resolution.

The authority of the Management Board includes:
a. convening the General Meeting;
b. ensuring the development, approval of, and compliance with the bank's organizational structure;
c. ensuring the implementation of, and compliance with, the bank's governance system;
d. management and supervision of the performance of authorized banking activities;
e. adoption and regular review of general remuneration principles;
f. ensuring proper accounting is maintained by the bank;
g. ensuring the preparation and publication of the Annual Report and its submission to the General Meeting for discussion;
h. ensuring the preparation and publication of the financial statements and their submission to the General Meeting for authorization;
i. submitting the proposed profit distribution or loss settlement to the General Meeting for authorization;
j. deciding on share issuance or repurchase under an authorization granted by the General Meeting;
k. providing information concerning the principal business management objectives of the bank for the future period and the projected development of the bank's assets, funds and revenues to the Supervisory Board;
l. submitting a written report of the bank's business activities and assets compared with the anticipated development at the request of the Supervisory Board;
m. notifying the Supervisory Board immediately of all facts that could have a material effect on the development of business and the balance of the bank's assets, particularly on the bank's liquidity; and
n. other activities under the applicable legal regulations and the bank's Articles of Association.

In 2023, the members of the Management Board and the distribution of the scope of competences among individual members were as follows:

Mgr. Michal Liday – Chairperson of the Management Board and CEO
- Human Resources
- Brand Management
- Communication
- Compliance
- Legal

- Treasury (from July 1, 2023 until December 1, 2023)
- Subsidiaries (from July 1, 2023 until December 1, 2023)

Dr. Johannes Schuster – Member of the Management Board (until June 30, 2023)

Mag. (FH) Oliver Pichler – Member of the Management Board (from December 2, 2023)
- Accounting, Reporting & Taxes
- Controlling
- Treasury
- Subsidiaries

Ing. Peter Matúš – Member of the Management Board
- Distribution System & Distribution System Management
- Acquisitions, Segments & Non-credit Products
- Retail Loans

- Digital Channels
- Digital Sales & Marketing
- Experience Design & Research
- Raiffeisen Bank

Ing. Martin Kubík – Member of the Management Board
- Research & Development
- SW Solution Design & Implementation
- IT Services
- Demand Management
- Advanced Analytics & Data Governance
- Agile Transformation Manager

Mag. Bernhard Henhappel – Member of the Management Board
- Corporate Risk Management
- Retail Credit Risk Management
- Strategic Risk & Capital Management
- Work Out
- Accounting, Reporting & Taxes (from July 1, 2023 until December 1, 2023)
- Controlling (from July 1, 2023 until December 1, 2023)

Ing. Zuzana Koštialová – Member of the Management Board
- Large Corporate Clients
- Private Banking
- Capital Markets
- Corporate Centers
- Corporate Products & Support
- RBI Mid-Market Competence Center

Mgr. Natália Major – Member of the Management Board
- Processing Centers
- PPM & Central Procurement
- Security & BCM
- Cost Management
- Economic Governance
- Data Protection Officer

When appointing members to the Management Board and the Supervisory Board, the bank applies the selection and evaluation policy for each membership candidate. The policy stipulates specific requirements and individual steps in the selection and evaluation process. It stipulates the qualification criteria for a candidate or a member of the Management Board and the Supervisory Board under consideration, in particular personal criteria (concerning the reputation, expertise and experience of the person under consideration) and objective criteria (concerning governance, such as potential conflicts of interest, overall composition of the body, the collective knowledge and experience of the body as a whole, and time commitment). When selecting and evaluating the suitability of a candidate or a member of a body, the bank pays particular attention to diversity regarding age, gender, education and professional experience. The purpose of the diversity policy is to find and fill the positions in the bodies of the bank, which is a complex organism with a wide range of activities, with experienced professionals and managers in various specific areas. The bank‘s policy in this area is fully compliant with generally binding legislation.

Committees

Committees Set Up by the Supervisory Board

Audit Committee – its activities are performed by the bank's Supervisory Board.

Risk Management Committee – monitors and reviews the bank's risk management activities and procedures and risk management strategies and performs other activities in accordance with the law. Its members include designated Supervisory Board members.

Remuneration Committee – independently evaluates the remuneration rules and principles, participates in preparing remuneration decisions, and monitors the remuneration of members of the bank's bodies and individuals discharging key functions. Its members include designated Supervisory Board members.

Nomination Committee – identifies, evaluates, and recommends nominations, periodically evaluates the suitability and qualification of each member as a member of a bank body and defines the selection and evaluation criteria for a bank body member. Its members include designated Supervisory Board members.

Committees Set Up by the Management Board

Cost Management Committee – defines the cost management strategy and fulfills defined tasks related to cost management. Its members include designated members of the Management Board and designated employees.

Credit Committee – decides on credit limits. Its members include designated members of the Management Board and designated employees.

Data Governance Commission – defines the data governance strategy, policies, rules, and overall framework. Its members include designated members of the Management Board and designated employees.

End-to-End Committee Corporate – fulfills defined tasks in setting processes and fulfilling the bank's strategy in the corporate segment. Its members include designated members of the Management Board and designated employees.

Occupational Health and Safety Commission – executes powers concerning occupational health and safety. Its members include designated employees.

Operational Risk Committee – decides on measures to mitigate operational risk at the bank and ensures that approved measures and tasks align with the bank's strategic interests. Its members include designated members of the Management Board and designated employees.

Problem Loan Committee – formulates the strategy for addressing non-performing loans. Its members include designated members of the Management Board and designated employees.

Retail Problem Loan Committee – decides on a strategy for addressing non-performing retail loans. Its members include designated members of the Management Board and designated employees.

Project Commission – executes entrusted project management powers. Its members include the members of the Management Board and designated employees.

Risk Committee – fulfills defined roles in defining the framework, strategy, procedures, and rules for risk management and control. Its members include designated members of the Management Board and designated employees.

Security Council – exercises authority regarding the bank's security policy to ensure maximum security and eliminate the bank's operational risks and proposes the bank's strategic objectives. Its members include designated members of the Management Board and designated employees.

Damage Commission – focused on resolving damage caused to the bank's assets. Its members include a designated member of the Management Board and designated employees.

Assets and Liabilities Committee – formulates the bank's strategy and policy concerning management of the bank's assets and liabilities and the associated risks. Its members include the members of the Management Board and designated employees.

Investment Product Approval Committee – responsible for reviewing and adjusting new products in the investment banking segment. Its members include designated employees.

Sustainable Bonds Committee – in charge of managing activities related to the issuance and management of sustainable bonds in accordance with international standards. Its members include designated members of the Management Board and designated employees.

Contingency Committee – exercises authority in the event of an unfavorable liquidity situation in the bank. Its members include designated members of the Management Board and designated employees.

Recovery Committee – fulfills the defined tasks in the event of an unfavorable economic situation in the bank focused on resolving the situation and ensuring the recovery of the bank. Its members include designated members of the Management Board and designated employees.

Resolution Committee – exercises entrusted competences in the event of a crisis and resolution procedure. Its members include designated members of the Management Board and designated employees.

Management Methods

The bank's management methods primarily include direct management methods, methods combining direct and technical (indirect) management and project management methods.

Direct management is generally executed by setting objectives, tasks and rules and via the operational guidance of the activities of the managed organizational unit or employee.

Technical (indirect) management is performed using internal control mechanisms, leaving space for independent management and organization by an organizational unit or an employee within their scope of work and by employing progressive economic incentives in line with efficient risk management.

Project management requires the temporary allocation of specific organizational units or employees. They report temporarily to the project manager to a defined extent to achieve the project objective.

Information on management methods is provided in the bank's Articles of Association and internal regulations.

Internal Control System

Internal controls applied at the bank constitute a system covering all levels of the organizational structure. It includes direct and indirect process controls and out-of-process control. The bank's Internal Control System is currently based on the guidelines of the parent RBI Group which, together with internal manuals and procedures, constitute one of the fundamental pillars of this system. The operational model of the three lines of defense sets out appropriate responsibility for risk management and internal control.

In 2023, the bank continued to perform its activities under the established Internal Control System framework. It includes regular monitoring and validations, the results of which are presented to the competent authorities and to the Supervisory Board acting as the Audit Committee.

The bank and RBI Group systematically enhance the Internal Governance Framework, and within it the Internal Control System, in accordance with the principles of the three lines of defense, both in terms of legislative and regulatory requirements, and in order to address the latest developments in the internal and external environments.

As part of the continuous enhancement of the Internal Control System, to mitigate operational risk and the risk of non-compliance with legislative and internal work regulations, the bank promotes and continuously implements control mechanisms in its day-to-day activities and processes. The second line of defense within RBI Group in 2023 included IT Risk Management among the priority areas. The bank also continuously implements automated process tools and automated/semi-automated control activities in order to mitigate various types of risks. The bank will continue to implement the defined Internal Control System framework focusing on areas posing the biggest risk to the bank.

The Internal Control System Officer is responsible for supporting the implementation of the Internal Control System framework. Monitoring and reporting is part of the Regulatory Affairs & Controls Department under the Compliance Division. In 2023, the Internal Control System Officer also participated in working groups tasked with revising the control system in selected processes, projects and regulatory requirements. The Control System Officer fulfills the responsibilities stipulated by the bank's Management Board.

Internal controls are designed to ensure the safety and protection of assets and individuals, to guarantee the reliability and accuracy of bookkeeping, to support compliance with and communication of the strategy and goals, to enhance effectiveness and compliance with applicable regulations, and to eliminate risks to prevent losses and other damage.

Direct process control represents all ongoing control measures, procedures and mechanisms at individual bank units, which are a direct and natural part of work processes on a daily basis. A work process is not complete without these controls. Direct process control is undertaken by employees or the organizational units directly involved in the specific processes.

Indirect process control includes all ongoing control measures, procedures and mechanisms at individual bank units which are an indirect part of processes. Indirect process control is carried out by the managers of the individual bank units responsible for controlled processes and for control results, or by their authorized employees.

Out-of-process control is independent of operational and business procedures. It is conducted by a separate and independent internal control and internal audit unit as a regular review of the Internal Control System functionality and evaluation of its efficacy.

Risk Management System

As part of risk management, the bank monitors, evaluates and manages in particular the following types of risk: credit, market, liquidity and operational. These risks and the bank's overall risk profile are also subject to internal and external controls compliant with legislative and regulatory requirements, as well as the bank's internal requirements. As part of the Internal Capital Adequacy Assessment Process (ICAAP), the bank also analyzes other types of risk to which it is or might be exposed.

Credit risk, i.e. the risk that a counterparty will not be able or willing to repay the full amount owed upon maturity, is monitored regularly and the financial position or creditworthiness of each client is reviewed and assessed at least once a year. The highest exposure to any single borrower or group of related borrowers is restricted by capital exposure limits, which are consistently monitored and reported to the National Bank of Slovakia on a monthly basis. Retail borrowers are assessed using scoring models developed for individual products. Other clients are assessed using rating models.

The bank is exposed to **market risk** in connection with its activity from open positions, chiefly from transactions with interest-rate, cross-currency and equity products. To determine the market risk level of its positions, the bank applies internal procedures and models for the individual types of risk to which the bank is exposed. These limits are monitored daily.

By managing **liquidity risk**, the bank secures its solvency, the ability to duly fulfill its financial obligations on time and to manage assets and liabilities to ensure constant liquidity. Liquidity risk is closely monitored and is subject to internal limits set by the bank and the limits defined by RBI Group and the National Bank of Slovakia.

The bank calculates the amount of regulatory capital to cover **operational risk** using the standardized approach. The bank uses a set of qualitative and quantitative methods to identify and manage operational risk as regards the potential impact of operational incidents on its profit and goodwill. The bank raises awareness of operational risk using various communication forms within the bank.

The bank actively monitors new risk management legislation.

Bank's share capital and shares

The bank's share capital amounts to EUR 64,326,228 and has the following structure:

ISIN: SK1110001502
Nominal value: EUR 800
Number: 60,616 shares
Class: ordinary share
Form: registered share
Type: book-entry security
Description of rights and obligations: the right to attend, vote, and present motions at the General Meeting; the right to a share of the profit and liquidation balance; the right to preferential subscription of shares; the right to request the convening of a General Meeting; the right to inspect the documents and minutes of the bank; the obligation to pay the issue price of shares; the obligation to refund to the bank any payments made unlawfully; the obligation to pay late payment interest in the event of a breach of duty to pay the share issue price.
Transferability: no restrictions
Percentage of share capital: 75.386 per cent
Held for trading: 60,616 shares

ISIN: SK1110015510
Nominal value: EUR 4,000
Number: 2,095 shares
Class: ordinary share
Form: registered share
Type: book-entry security
Description of rights and obligations: the right to attend, vote, and present motions at the General Meeting; the right to a share of the profit and liquidation balance; the right to preferential subscription of shares; the right to request the convening of a General Meeting; the right to inspect the documents and minutes of the bank; the obligation to pay the issue price of shares; the obligation to refund to the bank any payments made unlawfully; the obligation to pay late payment interest in the event of a breach of duty to pay the share issue price.
Transferability: no restrictions
Percentage of share capital: 13.027 per cent
Held for trading: 2,095 shares

ISIN: SK1110007186, SK1110008424, SK1110010131, SK1110012103, SK1110013937, SK1110014901, SK1110016237, SK1110016591
Nominal value: EUR 4
Number: 1,863,357 shares
Class: preferred share
Form: registered share
Type: book-entry security
Description of rights and obligations: the right to attend and to present motions at the General Meeting; the priority right to a share of the profit and liquidation balance; the right to vote at the General Meeting subject to statutory conditions; the right to preferential subscription of shares; the right to request the convening of a General Meeting; the right to inspect the documents and minutes of the bank; the obligation to pay the issue price of shares; the obligation to refund to the bank any settlements unlawfully provided; the obligation to pay late payment interest in the event of a breach of duty to pay the share issue price.
Transferability: restricted
Percentage of share capital: 11.587 per cent
Held for trading: 0 shares

Pursuant to Act No. 566/2001 Coll. on securities and investment services and on the amendment to certain acts as amended, qualified participation in the bank's share capital is held by the shareholder, Raiffeisen CEE Region Holding GmbH, with its registered office at Am Stadtpark 9, 1030 Vienna, Austria, with a 78.782 per cent share and an 89.107 per cent share in the bank's share capital and voting rights, respectively.

The bank's share capital structure does not include any shares whose holders have special control rights. The bank is not aware of any agreements between securities holders that could lead to any restrictions with respect to the transferability of securities or voting rights.

The bank has not entered into any agreements that would take effect or be subject to change or termination as a result of a change in control in relation to a takeover bid.

The bank has not entered into any agreements with members of its bodies or employees under which they are entitled to compensation if their office or employment ends due to resignation, notice given by an employee, dismissal, notice given by the employer without stating a reason, or if their employment terminates as a result of a takeover bid.

Remuneration Report for Tatra banka Management Board and Supervisory Board Members in 2023 pursuant to Section 201e(2) of the Commercial Code

This Remuneration Report provides an overview of all remuneration components of individual members of the Tatra banka, a.s. Management Board and the Tatra banka, a.s. Supervisory Board (the "Company Body Members") for 2023. Total remuneration consists of a fixed component, which includes monthly remuneration, bonuses, supplementary health insurance, accident insurance and the employer's contribution to the supplementary pension insurance, and a variable component. In 2023, the Management Board consisted of eight members, with the term of office ending for one member of the Management Board on June 30, 2023 and beginning for a new member on December 2, 2023. The Supervisory Board consisted of nine members without any change compared to 2022.

Fixed remuneration component

In particular, the fixed remuneration component reflects the relevant professional experience and organizational responsibility and provides a stable source of income for Company Body Members. The fixed remuneration component does not depend on the performance of the company or the Company Body Member.

The fixed remuneration component of company Management Board members is represented by the monthly remuneration set out in the service agreement. In 2023, the annual fixed remuneration component of individual members of the company Management Board ranged from EUR 13,333.33 to EUR 300,000, other bonuses and additional health insurance ranged from EUR 0 to EUR 42,253.44, and accident insurance was in a lump sum of EUR 75.65.

The fixed remuneration component of Supervisory Board members is represented by fixed annual remuneration paid at the end of the year or at the end of the office term. The annual fixed remuneration component of each Supervisory Board member for 2023 ranged from EUR 50,000 up to EUR 60,000, in full compliance with the decision of the company General Meeting on the remuneration of the company Supervisory Board members depending on the function discharged on the company Supervisory Board and the length of office term in 2023.

Variable remuneration component

The variable remuneration component depends on performance. The amount of the variable remuneration component is based on a combination of an individual's performance and the evaluation of overall results of the company or the parent company. Financial and non-financial criteria are considered when evaluating individual performance.

The variable remuneration component of each company Management Board member is represented by an annual bonus. The variable remuneration component awarded after considering the performance, relevant targets, and performance indicators, is reasonably balanced and never exceeds the fixed remuneration component of any Management Board member.

The fixed remuneration component is determined by the following performance indicators:
- Return on equity (ROE) of the company (usual weight 50 per cent of 2/3)
- Cost income ratio (CIR) of the company (usual weight 50 per cent of 2/3)
- Return on equity (ROE) of RBI Group (usual weight 50 per cent of 1/3)
- Cost income ratio (CIR) of RBI Group (usual weight 50 per cent of 1/3)

The performance indicators are evaluated as a ratio of the achieved indicator value and the strategic indicator value for the evaluated period. The final bonus is determined as the multiple of the ratio (coefficient) and the target bonus amount.

Management Board members have been awarded no variable remuneration component for 2023 as of the date of this report. Consequently, as of the report date, the share of the fixed and variable components in total remuneration for 2023 is unknown. The maximum estimated corresponding target amount of the variable remuneration component of each Management Board member ranges from EUR 3,287,67 to EUR 80,000.

Tatra banka has specific criteria in place for the application of malus and clawback, under which in specific circumstances it is obliged to reduce or withhold the remuneration granted, or to recover the remuneration already paid. As of the date of this Report, there have been no circumstances that would give rise to the obligation to recover the variable component of the total remuneration.

The variable remuneration component of each Supervisory Board member for 2023 was EUR 0. The share of the fixed and variable components in the total remuneration for 2023 was 100 per cent.

Company Body Members received no remuneration from any company under a special law.* Company Body Members were provided no shares or share options in relation to the office. The company awards no Company Body Member the variable remuneration component in the form of shares.

Annual overview of fixed, variable remuneration components for 2020, 2021, 2022, and 2023

The total of the fixed and variable remuneration components of the company Management Board members for 2020 ranged from EUR 144,398.65 to EUR 277,066.65.

The total of the fixed and variable remuneration components of the company Management Board members for 2021 ranged from EUR 167,802.65 to EUR 313,276.65.

The total of the fixed and variable components of the company Management Board members for 2022 ranged from EUR 80,722.15 to EUR 369,706.15.

The total of the fixed and estimated variable remuneration components of the company Management Board members for 2023 ranged from EUR 17,130.08 to EUR 380,075.65.

Pursuant to Section 768r(2) of the Commercial Code (transitional provisions to amendments effective from July 1, 2019), the management board of a public company limited by shares is obliged to submit a remuneration report pursuant to Section 201e to the General Meeting for discussion for the first time for the accounting period starting after July 1, 2019. Accordingly, no information on remuneration for the periods preceding January 1, 2020 is provided in the report.

The ratio of remuneration of Company Body Members to the remuneration of other Tatra banka employees was 1.88 per cent in 2023.

Section 201a(3) of the Commercial Code was not applied to 2023.

The requested company statement pursuant to Section 201e(3) of the Commercial Code is irrelevant since no shareholders' proposals were put forward at the General Meeting in 2023.

Risk Management and Rules Concerning General Prudential Requirements

Well-organized and consolidated risk management plays a vital role in sustainable, bank efficient operation. This role is perceived very responsibly in Tatra banka, also in the context of its systemic importance for the whole banking sector. The bank has consistently fulfilled the requirements of European directives implementing the regulations known as Basel III, with the actual implementation being subject to the applicable regulations in Slovakia. During the process of negotiating and approving the respective local legislative norms, the Bank actively participates in the activities of the Slovak Banking Association and its individual committees and working groups. The bank plays an equally important role in multilateral meetings with regulatory authorities and other organizations.

The concept, methodology and documentation of risk management and Basel III activities are prepared in close cooperation with the RBI Group while respecting the local specificities of Tatra banka and the banking environment as a whole.

The relevant methodological concepts and procedural techniques are integrated into the management process in various areas of the bank, are regularly updated in line with legislative and internal changes and are meticulously reviewed by internal audit.

Risk management and Basel III activities are aimed at ensuring the most accurate evaluation, quality management and mitigation or elimination of credit, market and operational risk as well as other risks to which the bank is exposed.

Achieving this goal mainly depends on:
- identifying risks resulting from bank products and processes;
- ensuring the best possible collection and storage of relevant and potentially relevant data;
- developing a reliable methodology for measuring individual types of risk;
- ensuring effective and high-quality processes for prudent management of individual risk types and predicting their development;
- using efficient instruments to mitigate risk exposure;
- ensuring high-quality and secure IT systems for process automation, data collection and analysis; and
- undertaking calculations and providing outputs.

These processes, in conjunction with changes in the economic environment, are a key element for ensuring the long-term stability of the bank's risk profile and its capital requirements, as well as its return on equity.

Pursuant to legislative requirements, the bank regularly publishes details about its activities, working procedures and results, which ensures transparency vis-à-vis regulators, business partners and clients regarding risk management.

Credit Risk

Since January 1, 2008, the bank has applied a standardized approach to quantifying risk-weighted assets and regulatory capital requirements for credit risk, which constitute the most significant bank risk; the bank's goal was to switch to the internal ratings-based (IRB) approach as soon as possible. This is based on the use of internal rating models and in-house estimates of risk parameters for the management, quantification and reporting of individual types of credit-related risks in line with its implementation plan.

Since January 1, 2009, the bank has calculated capital requirements for a large part of its non-retail portfolio (i.e. for sovereigns, institutions, corporations, project financing, insurers, investments in funds and purchased receivables) using the approved IRB approach.

In December 2013, the bank was granted authorization to apply the IRB approach to small and medium business clients as well. Based on the approved IRB approach, the Bank is authorized to quantify capital adequacy for the aforementioned organizations through its own estimates of the projected likelihood of the counterparty defaulting, making the quantification of credit risk much more risk-sensitive, and additionally, the capital requirement corresponds much more realistically to the assumed risk. During turbulent economic times, this approach enabled the bank to reflect the effects of a period of economic decline on its portfolio in its capital requirements.

Based on its implementation plan, the bank was granted authorization to apply the IRB approach from April 1, 2010 for the retail part of its portfolio as well, which allows the bank to calculate the risk profile of this portfolio based on its own estimates of all significant risk parameters, mainly regarding the likelihood of retail clients' defaults and their exposures, losses in the event of default and credit conversion factors for off-balance sheet exposures, subsequently using these estimates for comprehensive portfolio risk management.

Since February 2023, the bank has also been applying the IRB approach to the Raiffeisen Bank branch portfolio.

In relation to the application of the IRB approach, the bank and the RBI group work continuously on rating models to maximize their predictive strength. Each significant change is also reviewed by the supervisory authorities.

The basic principles of managing the credit risk of non-retail clients are set out in the RBI Group Credit Manual, which is obligatory for the whole group. The management of non-retail credit risk by the bank is detailed in Tatra banka's Credit Policy, which is approved by the Supervisory Board annually. The Credit Policy defines the targeted and restricted sectors for financing as well as the sectors excluded from financing, the minimum requirements for a client credit transaction (rating, value of collateral, required margin), and the target structure of the loan portfolio together with its key parameters for the forthcoming year.

With respect to its retail portfolio, the bank continues to focus on regular scorecard and risk management model development and update. The aim of building the risk management infrastructure is to develop a reliable solution allowing a flexible response to external changes. A fundamental part of this is to define targets for individual components of credit risk management, and also for employees themselves. This is a comprehensive process involving consistent preparation and subsequent application of credit risk principles, credit policy and guidelines and effective management tools.

Market Risk

In 2023, the bank continued to apply a prudent approach to security investments with the assistance of the implemented limits that ensure protection against the risk of an issuer being downgraded, and a conservative approach to the assessment of bank counterparties and the limits applicable to those counterparties. The established limits and the stress tests performed by the bank ensured sufficient protection against the adverse effects of market fluctuations.
Careful monitoring of all types of market risk remains a high priority. The methods and models used to monitor market risk remain subject to strict supervision, externally and internally, and the

parameters affecting the outputs are regularly re-assessed and approved by the bank's committees to reflect, as accurately as possible, the current situation on the financial and capital markets. The limits protecting the bank against market turbulence are subject to review and are set prudently and conservatively in order to limit losses in the event of negative developments. One of the important aspects of market risk management at the bank is the promotion of new, innovative products while remaining highly prudent.

Liquidity risk is closely monitored and is subject to internal limits set by the bank and limits defined by the RBI Group and Basel III. The bank is compliant with the required Liquidity Coverage Ratio and Net Stable Funding Ratio.

Operational Risk

The bank calculates the amount of regulatory capital required to cover operational risk using the standardized approach. The bank uses a set of qualitative and quantitative methods to identify and manage operational risk as regards the potential impact of operational incidents on its profit and goodwill. The bank raises awareness of operational risk using various communication forms within the bank.

Pillar 2 and Economic Capital

The bank has implemented and continuously modifies and supplements its methodology and procedural techniques for the internal determination of capital adequacy (Pillar 2). As part of this process, all relevant banking risks is are regularly evaluated in line with the risk profile and then quantified and evaluated in the context of the risk level the bank is willing to take and the projected capital formation and subsequent reporting to bank management. The bank‘s risk profile and the related processes are subject to a detailed annual review by the supervisory authorities (ECB and NBS) under the Supervisory Review and Evaluation Process (SREP).

Based on the above, in line with its risk profile, the bank covered the identified risks by its internal capital with a sufficient reserve in 2023.

The process of capital allocation is an integral part of this, as it is closely linked with the budgeting process. As part of this process, by using an approved allocation key, individual commercial units of the bank are assigned an expected RORAC (Return on Risk-Adjusted Capital) performance indicator. This indicator measures the rate of return in relation to anticipated risk from individual transactions, portfolios and business units to meet the targets set by the shareholder, while maintaining an acceptable risk level. As a prerequisite for the bank's healthy growth, the risk-adjusted view of the bank's performance will remain a priority in the forthcoming period.

Capital Adequacy Forecasting and Stress Testing

Given the more advanced risk measurement methods and constant changes in the economic environment, an important aspect of capital adequacy management is the consistent prediction of its development, including stress testing of readiness for unforeseeable adverse events. In 2023, the bank applied stress testing of capital adequacy for credit risk using internal estimates of risk parameters in relation to potential changes to the estimated risk parameters, e.g. depending on changes in the macroeconomic environment, the migration of clients and receivables between rating levels, a fall in collateral values, economic recession, and other changes in the bank's material sub-portfolios, making substantial use of the stress scenarios set by the National Bank of Slovakia.

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Client In The Spotlight

Retail Banking

Corporate Banking

Digital Banking

Retail Banking

(in EUR ths)	12/2023	12/2022	12/2021	12/2020	12/2019	12/2018	12/2017
Net interest income	280 755	224 278	181 279	195 489	203 671	207 492	194 809
Net fees and commission income	129 525	121 384	110 926	94 405	89 433	95 128	100 718
Net provisioning	(31 200)	(26 752)	(15 933)	(35 480)	(17 823)	(33 006)	(22 576)
Other operating income	1 927	874	432	(15 632)	(11 719)	(11 535)	(12 707)
Operating expenses	(210 376)	(188 736)	(176 816)	(178 577)	(184 384)	(176 956)	(172 756)
Profit before income taxes	**170 631**	**131 048**	**99 888**	**60 205**	**79 178**	**81 123**	**87 488**
Cost/Income ratio	51,28 %	54,60 %	60,51 %	61,60 %	62,91 %	58,47 %	58,46 %

Note: Private individuals, small business clients, micro companies, private banking clients and employees

Private Individuals

In 2023, Tatra banka reported positive results according to several indicators and again introduced many useful new products that contribute to its mission to turn innovation into a unique client experience. This is also evidenced by the highest satisfaction score in the private individuals segment, as well as by the number of canceled accounts, which decreased by 11 per cent. In terms of acquisition of new clients, 2023 was the best ever year in terms of both the total number and the share of new accounts opened through digital channels without visiting a branch. The popularity and quality of digital channels is also demonstrated by the fact that products sold digitally have the highest share in total sales.

The growing trend in digital sales was also visible in the premium segment. For premium banking clients, Tatra banka also launched unique investment certificates and covered bonds, which were issued in a record volume of EUR 97.8 million, helping clients to mitigate the impact of inflation on their savings. During 2023, comprehensive analysis and preparation of a new method of serving premium clients took place aiming to increase satisfaction.

In the student segment, Tatra banka had the best acquisition year and maintains its highest market share according to the Statistics Office and agency surveys. The level of satisfaction in this segment has been high for a long time and in 2023 it reached its highest ever Net Promoter Score. Popular digital channels also undoubtedly contribute to the satisfaction of young clients and their use is growing every year. To constantly push the boundaries further, Tatra banka also brought the first augmented reality (AR) performance to Slovakia – a duet sung by rapper Porsche Boy and digital influencer Bejby Blue, the face of our student campaigns since 2020.

Consumer Loans

Consumer loans were spared from the steep price rise experienced by mortgage loans. This strengthened their concessional nature for solving client needs accentuated by the inflationary rise in prices. Tatra banka introduced a unique benefit allowing clients to get a non-purpose consumer loan with interest decreasing every year. In addition to advantageous offers, clients also appreciate the accessibility of all types of loans in the digital environment, which has become the most preferred form of obtaining offers.

Tatra banka also offers tailored solutions in sustainability in the form of **Loans for the blue planet**TB (**Úvery pre modrú planétu**TB). The bank also joined the state program to support the renovation of houses and offers favorable loans to clients who submitted proposals through any of the calls.

Housing Loans

Reduced demand on the housing market significantly affected 2023. This is caused by both the extreme rise in interest rates in 2022 and continuing high inflation. Due to the ever-present expectation of an ECB key interest rate hike, the average rates on the market remained above 3 to 4 per cent. Despite the gradual easing of real estate prices, fewer and fewer clients could afford a new loan due to high interest rates and higher costs of living. Additional limiting factors included legislative changes, in particular the age and DTI (debt to income) limits, which further reduced the prospects of getting a loan or reduced the possible loan amount for some clients.

The second half of the year was shaped by legislative changes connected with preferential rules for early repayment of mortgage loans. According to the new rules, clients can repay up to a total of 30 per cent of the principal early in one or several monthly installments in one calendar year.

Another legislative change affecting clients was the extension of the current tax bonus scheme to cover young people and the addition of a new tax bonus to compensate for the increased housing loan installment paid after the change in the fixed-rate period. Upon the fulfillment of the conditions laid down by the law, clients will also have the possibility to apply for a contribution to the increased installment through the Office of Labor, Social Affairs and Family. All these changes were a major challenge for banks, since they had to be implemented in a very short time.

While addressing these legislative changes, Tatra banka also focused on continuous automation and improvements in mortgage loan processing operations and introduced new features and benefits in the **Mortgage (Hypotéka)**TB product. A new feature in the world of digitalization was particularly important. At the end of the year, Tatra banka was the first bank in Slovakia to introduce online tracking of mortgage loan application status. Clients can now track and trace the status and processing of their mortgage loan application, like tracking parcels from online shops. From the moment a consultation with a branch employee or through the **DIALOG** Live service is created, clients are provided with a detailed overview in their **Tatra banka** app of what is happening with their loan application. Clients will receive a notification if cooperation is needed from them or if their application has been assessed or suspended. They can also request to be contacted by the bank directly in the app.

Payment Cards

In 2023, Tatra banka again reported an increase in the total volume and number of transactions made by payment cards issued by the bank. The transaction volume was 13 per cent and the transaction number was 20 per cent higher than in 2022.The number of cashless card payments increased by 21 per cent compared to 2022, and the volume of cashless payments was 17 per cent higher.The portfolio of credit cards issued by Tatra banka grew by 8,800. The market share in the limits drawn on the Slovak banking market has increased by 5.3 per cent, and Tatra banka's share is more than 40 per cent.

As part of the digital transformation of banking services, Tatra banka also made a very popular service – online management of credit and debit cards – available to legal entities. All bank clients can manage their limits, overdrafts, and payment of sums owed directly in the **Tatra banka** app or via **Internet** banking[TB]. At the end of the year, the bank also managed to make this feature available to all debit cards for children. Parents now see these debit cards in the list of their cards and can change their limits, display the PIN and block the card.

Another new feature is the possibility to view data about payment cards more easily and more safely in the **Tatra banka** app or via **Internet** banking[TB]. This feature also contributes to the comfort of full clients without the need to use or own a physical plastic card.

Insurance Products

Among the year's highlights were the change of the bank's status from a tied financial agent to an independent financial agent. Thanks to this change, the bank and insurance company Allianz – Slovenská poisťovňa, a.s. were able to resume cooperation and launch two new insurance portfolio products together. As a first step, the bank introduced a product called My Business (Moje podnikanie) designed for SME segment clients and, as a second step, an insurance product for children called My Crayon Plus (Moja Farbička Plus).

In innovations, Tatra banka introduced the signing of insurance policies electronically. Thanks to this change, which was implemented at the beginning of 2023, the process of sending signed contractual documentation directly to the insurance company is faster and more efficient. The bank also made a separate folder called Insurance Products (Poistné produkty) available to its clients in the **Tatra banka** app. In the folder, clients can find an overview and detailed information about their insurance policies mediated by Tatra banka. They can also use unique features, such as contacting the assistance service directly, reporting an insured event and generating a travel insurance confirmation.

Raiffeisen Bank

In 2023, Raiffeisen Bank reaffirmed its highest customer satisfaction score among Slovak banks, measured by NPS (Net Promoter Score). When it comes to ambitions in acquisitions, the bank continued to successfully reach new clients both in the traditional way, through the branch network, and online. The bank mainly targeted clients who were considering changing their bank in order to offer them useful and simple products at fair prices. During the year, the bank also made Apple Pay available to its clients, thus adding another convenient cell phone payment method for Raiffeisen Bank clients.

Private Clients

In 2023, private banking of Tatra banka reached a significant milestone when it exceeded EUR 3 billion in the volume of managed assets, thereby confirming the leadership position in its segment in Slovakia.

In 2023, several primary emissions took place in investment certificates, which reached more than EUR 95.6 million in volume. The volume of managed investment certificates exceeded EUR 500 million. The volume of ESG-compliant products increased by EUR 100 million. Rising interest rates again increased client interest in term deposits.

Through continued activities in acquisitions and the concentration of existing client resources, the volume of assets under the management of private banking increased by more than EUR 198 million.

In personnel, the bank focused on the education and stabilization of the private banking team. New colleagues will deal primarily with acquisitions and the accumulation of assets under the management of private banking.

Euromoney and PWM/The Banker recognized Tatra banka's private banking as the best in Slovakia in 2023.

Small Corporate Clients

In 2023, the small corporate client segment was also affected by extraordinary circumstances. The ongoing conflict in Ukraine, the energy crisis and record-high inflation had a significant impact on the business of corporate clients. However, in these challenging times, Tatra banka also stood by its clients and provided them with solutions and benefits tailored to the stage of their business. The bank introduced several new products for clients and continued in the development of internal applications. This allowed the bank to automate many processes that help to make lending processes faster and more efficient.

The most important innovation introduced on the Slovak market was the **Online Business Loan (Online podnikateľský úver)** designed for both clients and non-clients. An entrepreneur, self-employed person or executive manager of a limited liability company can quickly and easily calculate a non-binding loan offer using the simple form available on the website or in the app. If the client or non-client is a self-employed person, the entire loan process – from the application to the drawing of the loan – can be done in the **Tatra banka** app.

Online management of payment cards was another major new feature that was made available to entrepreneurs in the **Tatra banka** app and in **Internet** banking[TB]. This feature allows entrepreneurs and executive managers of companies to easily modify limits online on their debit or credit cards or permit overdrafts where their cards can be used.

Small and medium-sized enterprises (SMEs) particularly appreciate partnerships with companies providing solutions to facilitate invoicing or online business. Premium API[TB] allows them to easily link their account with invoicing software, ERP software, as well as with their online shops. The bank managed to more than double the number of clients who use such links.

Long-term support for entrepreneurs and useful innovations for the development and start of their business also positively reflected in an increase in active clients by 7 per cent, as well as in the positive growth of the volume of newly granted loans in the small corporate clients segment by 14 per cent.

Corporate Banking

(in EUR ths)	12/2023	12/2022	12/2021	12/2020	12/2019	12/2018	12/2017
Net interest income	144 691	98 201	71 416	69 296	67 301	66 054	64 914
Net fees and commission income	36 842	36 898	31 024	32 473	28 277	30 357	29 429
Net provisioning	5 748	(14 826)	(7 804)	(28 753	(370)	8 177	8 030
Other operating income	0	0	(1)	(7 214)	20 948	(5 890)	(4 732)
Operating expenses	(41 150)	(36 230)	(34 321)	(38 736)	(45 639)	(43 699)	(50 220)
Profit before income taxes	**146 131**	**84 043**	**60 314**	**27 066**	**70 517**	**54 999**	**47 421**
Cost/Income ratio	22,67 %	26,82 %	33,50 %	38,06 %	47,)75 %	45,33 %	53,23 %

Note: Large and medium-sized corporate customers

Large Corporate Clients

In terms of financial results, 2023 was the most successful period in history for the large corporate client segment. Despite negative influences on the business environment resulting from the instability caused by the ongoing geopolitical crisis and high energy prices, the segment was able to exceed its yearly plan in both assets and liabilities. The segment succeeded in maintaining its dominant market position in the management of corporate deposits, which, combined with the rising ECB key interest rate, led to a significant increase in interest income on liabilities compared to previous years. The quality of the loan portfolio was maintained, since the development of risk costs was significantly more positive than projected. The result is a massive increase in total income created mainly by interest income on assets and fees.

Given the significant drop in investment sentiment in corporate clients, supported by rising interest rates, the demand for new financing cooled during the second half of 2023. Despite this, the segment was able to make several interesting transactions and keep its position as market leader in terms of volume in both granted and drawn loans for large corporate clients. These mainly included refinancing of existing investment loans, as well as new investments in energy, retail, health care, automotive, and real estate. Several transactions included ESG elements. In this way, the segment once again contributed to the fulfilment of commitments in permanent sustainability stemming from the bank's approved ESG strategy.

Positive feedback was also welcomed that resulted from the continuous increase in the number of service and loan documents signed digitally. A professional approach to clients, the right products, and efficient digitalization contributed to an above-average client satisfaction index in the large corporate client segment for 2023.

Corporate Centers

The medium-sized corporate client segment reported an extremely successful year both in terms of economic results and digitalization. Incomes grew by up to 50 per cent year-on-year, largely due to an increase in the volume of client deposits, the development of market interest rates, and an increase in the number of clients.

New loans were used predominantly to finance client investments, especially in agriculture, the food industry, and real estate. Compared to the previous year, client demand for financing of new real estate projects slowed significantly, which is understandable given the developments on the real estate market. After several months of pilot testing, a new product was launched at the end of the year. This product allows the bank to grant loans of up to EUR one million within several days.

In the field of digitalization, the launch of digital signing of loan contracts can be seen as the greatest success. The share of client service requests handled digitally also continues to grow. At present, service and loan documents signed digitally account for more than half of all documents.

Corporate Products

Weaker economic growth and a sharp rise in interest rates affected 2023. EURIBOR reference rates, which link the overwhelming majority of corporate loans, reported unprecedented growth with a profound impact on bank clients. The majority of loans became significantly more expensive, affecting the demand for new loans and investments.

Despite these challenges, the bank achieved positive results in project financing. The volume of loans drawn increased by EUR 100 million year-on-year and gradually moved closer to EUR 1.7 billion. This growth shows that the bank is able to respond to changing conditions and client needs in this segment in a flexible manner.

In factoring and receivables financing, the bank reported a year-on-year decrease in the volume of loans drawn. The decrease is connected with the completion of several large transactions. There are several transactions at a well-advanced stage, which should also have a positive impact on uptake in the first quarter of 2024.

Agri-financing and the financing of renewable energy sources had a positive year in 2023. Demand for these loans was partially influenced by the implementation of EU-funded projects. Good results were also achieved in the financing of agricultural land, where the bank offers very attractive conditions. This contributed to year-on-year growth, especially in the second half of the year.

For bank guarantees, 2023 was one of the most successful years in history. The volume grew by more than 10 per cent. Interestingly, clients submit more than 70 per cent of applications digitally through **Business** banking[TB]. At the same time, almost 30 per cent of guarantees are issued digitally, and the bank plans to focus on significant growth in this share in 2024.

Tatra banka continued in the development of the **Business** banking[TB] portal for corporate clients, which has undergone significant redesign. Clients were given the opportunity to make term deposits, while more than 50 per cent of deposits were made this way in the last quarter.

The bank made significant progress in digital signing in 2023. Following a successful pilot operation, the bank launched digital signing of loan documentation and in November also the possibility to sign documents in **Internet** banking[TB] with a qualified electronic signature. Today, around half of service documentation and approximately 15 per cent of loan documentation is signed digitally.

Capital Market Products

Diverse developments could be seen on the global financial markets in 2023. The economic development at the beginning of the year was largely affected by geopolitical turbulence, especially the continuing war in Ukraine, tense relations between world powers, and the resulting uncertainty about the future development. Central banks were forced to keep interest rates at high levels to be able to face inflation pressures. These were related, on one hand, to the enormous growth in energy prices in the previous period and, on the other hand, to the disruption in long-term functioning supplier-consumer relations, which, as a result, disturbed the fragile supply-demand balance.

Given the interconnectedness of the global economy, these events had a significant impact on Slovakia, with inflation reaching double-digit numbers in the first half of the year. It was the high interest rates that significantly influenced the behavior of clients, as well as the product mix on the financial markets. While in previous years clients were trading in interest derivatives (interest rate swaps, interest rate caps) to hedge against the risk of interest rate growth, this year clients did not perceive the interest rate risk as a threat. Consequently, interest in interest risk hedging was minimal in 2023. On the other hand, this gap was compensated by deposit products, which in previous years created a marginal part of the total number of transactions made by the bank's corporate and institutional clients. The number grew significantly in 2023 and the average volume of deposits capitalized on term deposits exceeded EUR 2 billion. In mid-2023, within the framework of digital transformation, the bank made a functionality available allowing trading in individual term deposits digitally directly through **Business** banking[TB] and, by the end of the year, the share of deposit transactions digitally traded by corporate and institutional clients had already reached almost 50 per cent of the total number of deposit transactions.

Simple foreign exchange conversions and also to a small degree foreign exchange forwards used by clients to eliminate the foreign exchange risk remain the main product. The total volume of foreign exchange transactions grew by more than 25 per cent compared to the previous year, which was in this respect the record year since the introduction of the euro.

In 2023, Tatra banka again successfully issued its own emission of covered bonds for institutional investors totaling EUR 500 million. For the fourth time in a row, the bank, together with parent company Raiffeisen Bank International, defended its prestigious top position among primary dealers trading in Slovak government bonds. Additionally, due to this, Tatra banka was given the opportunity to participate in both syndicated emissions of government bonds totaling EUR 5.5 billion. Thus, the bank has already participated directly in three emissions of Slovak government bonds, which is an extraordinary success achieved through long-term intensive group efforts in this area.

ESG and digitalization continued to resonate in Tatra banka in 2023. Both these areas have long been key topics for the bank and consequently, as well as within Capital Markets, the priority is to develop services and products in these areas to confirm the bank's position as innovation leader on the Slovak banking market, with a strong emphasis on ESG criteria.

Digital Banking

Tatra banka has been a leader in digital banking for a long time. The development of digital sales and services is embedded in its strategy aimed at providing clients with the widest possible scope of services online from the comfort of their home and without the need to visit a branch.

For several years now, almost all transactions in the bank have been executed electronically. Less than 1 per cent of transactions are executed manually. In 2023, over 58 million domestic payments were made via client apps, namely **Internet** banking™, the **Tatra banka** mobile app, and **Tatra banka VIAMO**.

Internet Banking

Tatra banka's Internet banking is a stable, award-winning, and well-designed electronic channel serving clients in personal finance, as well SMEs. Tatra banka also launched several new products in 2023 for easier finance management and payment systems.

The bank offered clients the possibility to set their login with a verified e-mail, making logging in significantly easier. It also allowed clients to select the method of authorization of payment orders according to the payment amount. Consequently, clients no longer have to confirm all their payments using the Card&Reader, but the system itself requests the required method of authorization. For holders of corporate debit and credit cards, the bank made card management available and implemented the possibility to sign selected document types using an advanced electronic signature.

In personal finance management, Tatra banka launched a new unique product called **Spending** plan™. This is a forecast of recurring payments for the next month, allowing clients to plan their spending better and avoid any unwanted overdraft on their account.

Within the TatraPay internet payment service (credit transfer to a contract merchant's account), the number of transactions increased by 43 per cent and the value of transactions grew by 33 per cent year-on-year. In total, more than 6,4 million payments with a value exceeding EUR 296 million were made using TatraPay.

Mobile Applications

Mobile banking underwent several changes in 2023 and contributed to the attainment of the bank's objectives.

The **Tatra banka** application surpassed two important milestones – 600,000 users logged in per month and 20 million logins per month. The app maintained its high user satisfaction rating with an NPS of more than 75 points. It also defended its first place in the Slovak-wide Smart Bank 2023 survey and was again named as the best mobile banking app in Slovakia.

In terms of new features, the app contributed to an increase in sales through digital channels – introducing the sale of supplementary pension savings and online business loans for the self-employed and SMEs. App features, such as online management of cards for the self-employed and single-person companies, display of mortgage loan application status and the display of insurance products agreed in the bank, led to an improvement in the possibilities for serving clients directly via digital channels, without the need to call **DIALOG** Live or visit a bank branch. The innovative **Spending** plan™ service was also implemented in the app, as well as in **Internet** banking™. Almost 30,000 app users have activated the service so far.

The new generation of the **Čítačka**TB app introduced several, long-awaited features to improve user satisfaction, primarily the possibility to activate the app without using other channels, simply with face biometry and a scanned ID card. Also a new, more secure method of authorizing various transactions was launched in the app, with individual channels gradually starting to use this method.

The **Tatra banka VIAMO** app brought in the possibility of greater interaction between VIAMO service users through GIFs and short messages when they make and request payments. Upcoming changes resulting from a change in the VIAMO service owner are expected next year.

A new product in mobile banking is an app for children, which, at present, is being tested internally by bank employees and will be published during 2024.

Chatbot ADAM

In 2023, Chatbot **Adam**TB also played an important role in the Tatra banka digital environment. It handled almost 35,000 client conversations per month, almost 23 per cent more than in 2022. It helps to significantly reduce the workload of the contact center, as it handles around 40 per cent of conversations compared to incoming calls to **DIALOG** Live.

Chatbot **Adam**TB advises and assists clients in solving issues and service requests in many areas. Clients can find it directly in the Tatra banka mobile app, on the bank's website, as well as on the **Internet** bankingTB login screen.

Open Banking

In 2023, Tatra banka continued in the development of its open banking strategy. The option to connect some Czech banks was added in the Premium APITB accounts service. The option to enter payments from accounts in other Slovak banks was added in the Premium APITB payments service. The bank also managed to extend the ecosystem of partners who make the service available. Today, more than 6,700 accounts are connected in the service, i.e. an increase by 219 per cent year-on-year.

In 2023, Tatra banka was one of the first banks in the world to launch a new innovative service for corporate clients, **Identity**TB. This service allows easy and safe client verification using face biometry. Companies are thus offered the possibility to simplify the registration process and completion of data in connection with the provision of their services, fully replacing the manual registration process. Since the launch of the **Identity**TB service in March 2023, more than 30,000 people have been checked for our partners.

Acceptance of Payment Cards

In payment card acceptance, Tatra banka maintained its position in 2023 as the leader on the Slovak market. Tatra banka's business partners generated a turnover of EUR 5.934 billion on payment terminals with a total of more than 219.4 million transactions. This year, 30.4 million transactions totaling EUR 1.025 billion were made using the **CardPay** and **ComfortPay** payment gateways. The trend of growing payment transactions over the internet witnessed in previous years continues, as evidenced by a 14.3 per cent increase in the number of transactions compared to 2022.

Within the improvement of services for merchants accepting card payments, Tatra banka launched another new product. It extended the **Obchodnícky portál**TB service with an app that makes it even easier for merchants to access basic data and statistics of card transactions. In the **Tatra banka POS** app for accepting payments using a cell phone, the bank offered the possibility to integrate the software with the merchant's system to allow them to use one device both for registering their goods and accepting payments.

At the end of 2023, Tatra banka had 26,415 active payment terminals in total, almost all of which support contactless payments. The share of contactless transactions on Tatra banka's POS terminals was more than 96 per cent in 2023.

Alternative payment methods (watch, cell phone) comprised about 31 per cent of all payments on POS terminals.

ATMs

At the end of 2023, Tatra banka operated 361 ATMs. Of those, 115 were cash dispensers and 246 were recycling ATM 2.0s. Throughout the year, cash dispensers were replaced with recycling ATMs, with 41 new recycling additions into the network. During 2023, the bank worked on a project to allow Raiffeisen Bank clients to use Tatra banka ATMs with the same range of services as they are used to in Raiffeisen Bank's automatic safes.

In total, more than 12.77 million cash withdrawals were made from Tatra banka's ATMs, amounting to more than EUR 4.85 billion, which represents a 4,1 per cent year-on-year increase in the amount of cash withdrawn. More than 3.74 million deposits were made, amounting to more than EUR 3.39 billion, which represents an almost 16.6 per cent year-on-year increase in the volume of deposits.

During the year, clients also showed increasing interest in cash withdrawals with a cell phone. Clients thus made more than 1.58 million withdrawals exceeding a total of EUR 187.8 million. The number of withdrawals with a cell phone accounted for 12.4 per cent of the total withdrawals from Tatra banka's ATMs.

In 2024, Tatra banka plans to continue with the replacement of cash dispensing ATMs with more modern recycling ATM 2.0s.

DIALOG Live and Raiffeisen Bank Infoline

DIALOG Live and Raiffeisen Infoline contact centers played an indispensable role in the multi-channel client service in 2023. The total number of contacts is growing together with the growing number of clients. When servicing clients remotely, client security remains a top priority for the bank.

A new feature is simplified client verification using the **Čítačka**TB app, as well as **Čítačka**RB, in which an ongoing call can be confirmed directly in the app without the need to enter a code. A unique feature is sending information about the employee who is calling and their identification code to both the **Tatra banka** and Raiffeisen Bank apps. In this way, clients are given the opportunity to make sure that a genuine bank employee is calling.

Consolidated financial statements

Independent Auditor's Report

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Tatra banka, a.s.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Supervisory Board and Board of Directors of Tatra banka, a.s. and the Audit Committee:

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud	Summary of the auditor's response to the risks
Impairment allowances for loans and advances to customers	
Refer to Notes e) 2. and 20 of the consolidated financial statements At 31 December 2023, the gross carrying amount of loans and advances to customers (hereinafter the "loans") amounted to EUR 14 351 million, for which impairment allowances for loans and advances to customers (hereinafter the "impairment allowances") were recognised totalling EUR 246 million. For the purpose of estimating expected losses, individual loans are classified into one of three impairment stages, or a Purchased or Originated Credit-Impaired ("POCI") category in accordance with the requirements of IFRS 9 Financial Instruments.	Based on our assessment of the risk and understanding of the industry, we assessed the amount of the impairment allowances, applied methodology and assumptions used to calculate the impairment allowances. We tested the design and operating effectiveness of selected key controls management of the Group has implemented for the impairment assessment and impairment allowance recognition. With the assistance of our IT specialists, we tested IT controls relating to access rights and change management of the relevant IT applications.

Impairment allowances are determined using statistical models for impairment Stages 1 and 2. Impairment allowances for impaired loans (Stage 3) are calculated for portfolio- and individually-assessed exposures differently: • Impairment allowances for portfolio-assessed exposures are based on statistical models, primarily based on the Group's historical data. • Impairment allowances for individually-assessed exposures are determined by estimating probability-weighted discounted future cash flows for each exposure for different scenarios relating to future loan repayments. Group management uses its professional judgment when determining when to recognise an expected loss and in what amount. The most significant judgments when quantifying impairment allowances relate to: • Early identification of exposures with a significant increase in credit risk (Stage 2) and credit-impaired exposures (Stage 3); • Assumptions used in statistical models of expected credit losses, such as default probabilities, loss given default and macroeconomic factors considered in the forward-looking information; • Future cash flows for different scenarios relating to future loan repayments; • Probabilities assigned to each future loan repayment scenario for significant exposures; • Loan collateral valuation. The determination of the loan impairment allowance amount is considered to be a key audit matter due to the high level of judgment that management of the Group had to make, particularly in relation to the early identification of exposures with a significant increase in credit risk (Stage 2) and the quantification of impairment allowances for individually-assessed exposures. Given the current geopolitical and macroeconomic situation, the above estimates involve a higher degree of uncertainty and subjectivity of management's judgments.	Identification of exposures with a significant increase in credit risk and impaired loans We tested system-based and manual controls over the timely classification of loans to the relevant stage. In cooperation with our specialists, we assessed the appropriateness of the Group's methodology and the assumptions for the classification of exposures to individual impairment stages. We assessed the correctness of the classification to individual impairment stages on a sample of the loans. Assumptions used for portfolio-assessed exposures We assessed the model methodology and internal validation report in cooperation with our specialists. We assessed whether the modelling assumptions, such as the probability of default and loss given default, took into consideration relevant material risks, and whether they were appropriate in the light of historical and forward-looking information, the current economic environment and the position of customers. We assessed the adequacy of the risk parameters used in the calculation of impairment allowances. Due to the high volatility of economic scenarios caused by the current geopolitical and macroeconomic situation, we assessed whether the macroeconomic and other parameters used in the ECL statistical models fairly reflect the expected degree of defaults and recoverability of loans in the future. We assessed the additional management adjustments related to the estimation of expected losses beyond statistical models. We recalculated the key input parameters of the models using historical data on loan migration, defaulted loans and their recoverability. Assumptions used for individually-assessed exposures On a sample of individually significant exposures: • We evaluated the appropriateness of the allowance creation methodology and its application. • Based on available external and internal information, we formed an independent opinion on the required amount of impairment allowances. • We verified the accuracy of the input data used when taking into account specific risk factors. • We verified the accuracy of loan collateral valuation. Inclusion of information on future developments in the calculation of expected credit losses In cooperation with our specialists, we assessed the macroeconomic scenarios used by management of the Group to estimate adjustments to the probability of default and loss given default (model inputs) in light of expected future economic developments and assessed the appropriateness of the applied approach. The final conclusion was supported by an analysis conducted at the overall portfolio level to identify anomalies in the classification of loans into different impairment stages and other anomalies in the impairment allowance amount calculated by the Group.

Other Matter

The consolidated financial statements of Tatra banka, a.s. for the year ended 31 December 2022 were audited by another auditor who expressed an unqualified opinion on the consolidated financial statements on 17 February 2023.

This is a translation of the original auditor's report issued in the Slovak language to the accompanying financial statements translated into the English language.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted in the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 International Standards on Auditing 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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

The statutory body is responsible for information disclosed in the consolidated annual report prepared under the requirements of the Act on Accounting No. 431/2002 Coll. as amended (the "Act on Accounting"). Our opinion on the consolidated financial statements stated above does not apply to other information in the annual report.

In connection with the audit of consolidated financial statements, our responsibility is to gain an understanding of the information disclosed in the annual report and consider whether such information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit of the consolidated financial statements, or otherwise appears to be materially misstated.

This is a translation of the original auditor's report issued in the Slovak language to the accompanying financial statements translated into the English language.

As at the issuance date of the auditor's report on the audit of consolidated financial statements, the annual report was not available to us.

When we obtain the annual report, we will assess whether the Group's annual report includes information whose disclosure is required under the Act on Accounting, and based on procedures performed during the audit of the consolidated financial statements, we will express an opinion on whether:

- Information disclosed in the annual report prepared for 2023 is consistent with the consolidated financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

Furthermore, we will disclose whether material misstatements were identified in the annual report based on our understanding of the Group and its position, obtained in the audit of the consolidated financial statements.

Other reporting obligations as required by 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

Appointment of the Auditor

We were appointed as the statutory auditor by the Bank's General Meeting on 30 March 2023. The length of our total uninterrupted engagement including previous renewals of the engagement (extensions of the period for which we were appointed) and our reappointments as the statutory auditors is 1 year.

Consistency with the Additional Report to the Audit Committee

Our audit opinion expressed herein is consistent with the additional report prepared for the Bank's Audit Committee, which we issued on the same date as the date of this audit report.

Non-Audit Services

We did not provide the Group with any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities and remained independent of the Bank when conducting the audit.

Other than statutory audit services and services disclosed in the annual report or consolidated financial statements, we provided no other services to the Bank and its controlled undertakings.

Presentation of the Consolidated Financial Statements in Compliance with the Requirements of the European Single Electronic Format ("ESEF")

Management is responsible for the presentation of the consolidated financial statements for the year ended 31 December 2023 included in the Annual Financial Report that complies with the requirements of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The presentation of the consolidated financial statements for the year ended 31 December 2023 in electronic XHTML format marked up using the XBRL markup language is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the compliance of the presentation of the accompanying consolidated financial statements with the requirements of the ESEF Regulation.

After management provides us with the electronic XHTML format of the accompanying consolidated financial statements marked up using the XBRL markup language, our responsibility will be to perform an engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits and Reviews of Historical Financial Information, with the objective of obtaining reasonable assurance on the compliance of the consolidated financial statements with the requirements of the ESEF Regulation. Our updated auditor's report will either state that based on the procedures performed, the presentation of the consolidated financial statements complies, in all material respects, with the requirements.

Bratislava, 19 February 2024

Ing. Zuzana Letková, FCCA
Responsible Auditor
Licence SKAu No. 865

On behalf of
Deloitte Audit s.r.o.
Licence SKAu No. 014

This is a translation of the original auditor's report issued in the Slovak language to the accompanying financial statements translated into the English language.

Consolidated Statement of Profit and Loss and Other Comprehensive Income for the Year Ended as at 31 December 2023

Prepared in Accordance with International Financial Reporting Standards as Adopted by the European Union (in thousands of EUR)

	Note	2023	2022
Interest income calculated using the effective interest rate		708 726	343 847
Other interest income		657	7 757
Interest expense		(305 060)	(30 024)
Net interest income	**(1)**	**404 323**	**321 580**
Dividend income	(1)	40	40
Net interest income and dividend income	**(1)**	**404 363**	**321 620**
Fee and commission income		232 100	218 274
Fee and commission expense		(65 133)	(60 361)
Net fee and commission income	**(2)**	**166 967**	**157 913**
Net profit/(loss) from derecognition of financial assets and liabilities not measured at fair value through profit or loss	(3)	(3 822)	223
Net profit/(loss) from financial instruments held for trading and exchange rate differences	(4)	40 803	39 045
Net profit/(loss) from non-trading financial instruments mandatorily measured at fair value through profit or loss	(5)	1 586	446
Other operating profit/(loss)	(6)	2 958	1 114
General administrative expenses	(7)	(273 394)	(244 067)
Contribution to the Resolution Fund and the Deposit Guarantee Fund	(8)	(7 343)	(11 228)
Net modification profit/(loss)	(9)	(218)	(6)
(Creation)/release of provisions	(10)	451	10 297
Impairment allowances for financial assets and provisions for commitments and guarantees provided	(11)	(29 597)	(44 283)
Impairment allowances for non-financial assets	(12)	(1 872)	(4 171)
Profit/(loss) from non-current assets held for sale	(13)	-	4 867
Profit before income tax		**300 882**	**231 770**
Income tax	(14)	(63 722)	(44 995)
Profit after tax		**237 160**	**186 775**

	Note	2023	2022
Other comprehensive income after income tax:			
Items which can be reclassified to profit or loss			
Debt instruments measured at fair value through other comprehensive income		6 853	(15 139)
Income tax related to items that can be reclassified to profit or loss		(1 461)	3 131
Items that can be reclassified to profit or loss		**5 392**	**(12 008)**
Items that will not be reclassified to profit or loss			
Equity instruments measured at fair value through other comprehensive income		17	18
Income tax related to items that will not be reclassified to profit or loss		(4)	(4)
Items that will not be reclassified to profit or loss		**13**	**14**
Other comprehensive income after income tax		**5 405**	**(11 994)**
Comprehensive income after tax		**242 565**	**174 781**
Basic and diluted earnings per ordinary share (face value EUR 800) in EUR	**(15)**	**3 023**	**2 178**
Basic and diluted earnings per ordinary share (face value EUR 4 000) in EUR	**(15)**	**15 115**	**10 890**
Basic and diluted earnings per preference share (face value EUR 4) in EUR	**(15)**	**15.1**	**10.9**

Consolidated Statement of Financial Position for the Year Ended as at 31 December 2023

Prepared in Accordance with International Financial Reporting Standards as Adopted by the European Union (in thousands of EUR)

	Note	2023	2022
Assets			
Cash and other demand deposits	(16)	251 002	226 348
Cash balances at central banks	(16)	3 954 534	4 435 285
Financial assets held for trading	(17)	28 982	47 246
Non-trading financial assets mandatorily measured at fair value through profit or loss	(18)	37 231	33 136
Financial assets measured at fair value through other comprehensive income	(19)	103 690	186 047
Financial assets measured at amortised cost	(20)	17 553 173	16 519 573
Receivables from hedging derivatives	(21)	48 344	26 363
Non-current tangible assets and right-of-use assets	(22)	90 491	92 815
Non-current intangible assets	(22)	66 969	64 747
Current tax asset	(23)	66	434
Deferred tax asset	(24)	44 200	46 702
Other assets	(25)	52 465	45 588
Non-current assets held for sale	(26)	-	531
Total assets		**22 231 147**	**21 724 815**
Equity and liabilities			
Financial liabilities held for trading	(27)	22 458	53 705
Financial liabilities measured at amortised cost	(28)	20 253 582	19 873 984
Liabilities from hedging derivatives	(29)	196 582	196 315
Provisions	(30)	62 059	60 002
Current tax liability	(31)	14 788	7 516
Other liabilities	(32)	59 345	48 843
Total liabilities		**20 608 814**	**20 240 365**
Equity (excluding current year profit)	(33)	1 385 173	1 297 675
Profit after tax		237 160	186 775
Total equity		**1 622 333**	**1 484 450**
Total equity and liabilities		**22 231 147**	**21 724 815**

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2023

Prepared in Accordance with International Financial Reporting Standards as Adopted by the European Union (in thousands of EUR)

	Share capital	Share capital – treasury shares	Share premium	Share premium – treasury shares	Reserve and other funds	Fair value reserve for financial instruments at fair value through other comprehensive income	Retained earnings	AT1 capital*	Profit after tax	Total
Equity as at 31 December 2022	**64 326**	**(136)**	**298 447**	**(2 271)**	**15 366**	**(8 877)**	**830 820**	**100 000**	**186 775**	**1 484 450**
Effect of the implementation of amendments to IAS 12**	-	-	-	-	-	-	175	-	-	175
Equity as at 1 January 2023	**64 326**	**(136)**	**298 447**	**(2 271)**	**15 366**	**(8 877)**	**830 995**	**100 000**	**186 775**	**1 484 625**
Total profit after tax										
Profit after tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**237 160**	**237 160**
Other comprehensive income										
Debt instruments measured at fair value through other comprehensive income	-	-	-	-	-	5 391	-	-	-	5 391
Equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	13	-	-	-	13
Other comprehensive income net of income tax	**-**	**-**	**-**	**-**	**-**	**5 404**	**-**	**-**	**-**	**5 404**
Total profit after tax	**-**	**-**	**-**	**-**	**-**	**5 404**	**-**	**-**	**237 160**	**242 564**
Transactions with owners recognised directly in equity										
Contributions and distributions										
Distribution of profit, of which:	-	-	-	-	310	-	80 193	-	(186 775)	(106 272)
transfer to retained earnings	-	-	-	-	*310*	-	*178 999*	-	*(179 308)*	-
dividend paid – ordinary shares	-	-	-	-	-	-	*(87 584)*	-	-	*(87 584)*
dividend paid – preference shares	-	-	-	-	-	-	*(11 222)*	-	-	*(11 222)*
*AT1 revenue payment****	-	-	-	-	-	-	-	-	*(7 467)*	*(7 467)*
Sale of treasury shares	-	445	-	7 732	-	-	-	-	-	8 177
Profit from the sale of ordinary and preference shares	-	-	207	-	-	-	-	-	-	207
Repurchase of preference shares	-	(373)	-	(6 596)	-	-	-	-	-	(6 969)
Total transactions with owners	**-**	**72**	**207**	**1 136**	**310**	**-**	**80 193**	**-**	**(186 775)**	**(104 857)**
Equity as at 31 December 2023	**64 326**	**(64)**	**298 654**	**(1 135)**	**15 676**	**(3 473)**	**911 188**	**100 000**	**237 160**	**1 622 332**

* *For more information on AT1 capital, see Note 33 "Equity".*

** *II. PRINCIPAL ACCOUNTING POLICIES (t) Taxation and deferred tax.*

*** *Payment of proceeds from AT1 Investment Certificate (Distribution of the parent company's profit for 2022 and payment of dividends).*

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022

Prepared in Accordance with International Financial Reporting Standards as Adopted by the European Union (in thousands of EUR)

	Share capital	Share capital – treasury shares	Share premium	Share premium – treasury shares	Reserve and other funds	Fair value reserve for financial instruments at fair value through other comprehensive income	Retained earnings	AT1 capital	Profit after tax	Total
Equity as at 1 January 2022	**64 326**	**(21)**	**298 414**	**(336)**	**15 366**	**3 117**	**789 886**	**100 000**	**162 054**	**1 432 806**
Total profit after tax										
Profit after tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**186 775**	**186 775**
Other comprehensive income										
Debt instruments measured at fair value through other comprehensive income	-	-	-	-	-	(12 008)	-	-	-	(12 008)
Equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	14	-	-	-	14
Other comprehensive income net of income tax	**-**	**-**	**-**	**-**	**-**	**(11 994)**	**-**	**-**	**-**	**(11 994)**
Total profit after tax	**-**	**-**	**-**	**-**	**-**	**(11 994)**	**-**	**-**	**186 775**	**174 781**
Transactions with owners recognised directly in equity										
Contributions and distributions										
Distribution of profit, of which:	-	-	-	-	-	-	40 934	-	(162 054)	(121 120)
transfer to retained earnings	-	-	-	-	-	-	*155 961*	-	*(155 961)*	-
dividend paid – ordinary shares	-	-	-	-	-	-	*(101 802)*	-	-	*(101 802)*
dividend paid – preference shares	-	-	-	-	-	-	*(13 225)*	-	-	*(13 225)*
AT1 revenue payment	-	-	-	-	-	-	-	-	*(6 093)*	*(6 093)*
Sale of treasury shares	-	513	-	8 505	-	-	-	-	-	9 018
Profit from the sale of ordinary and preference shares	-	-	33	-	-	-	-	-	-	33
Repurchase of preference shares	-	(628)	-	(10 440)	-	-	-	-	-	(11 068)
Total transactions with owners	**-**	**(115)**	**33**	**(1 935)**	**-**	**-**	**40 934**	**-**	**(162 054)**	**(123 137)**
Equity as at 31 December 2022	**64 326**	**(136)**	**298 447**	**(2 271)**	**15 366**	**(8 877)**	**830 820**	**100 000**	**186 775**	**1 484 450**

Consolidated 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 (in thousands of EUR)

	Note	2023	2022
Cash flows from operating activities			
Profit before tax		***300 882***	***231 771***
Adjustments for non-cash transactions		***(359 007)***	***(274 442)***
Interest expense	(1)	305 060	30 024
Interest income	(1)	(709 383)	(351 604)
Dividend income	(1)	(40)	(40)
Impairment allowances, provisions for losses and other provisions, net	(10-12)	5 537	3 612
(Profit)/loss from the sale and other disposal of non-current assets	(6)	450	14
(Profit)/loss from the sale of non-current assets held for sale	(13)	-	14 726
Unrealised (profit)/loss from financial derivatives and securities held for trading	(4)	447	(26 274)
Unrealised (profit)/loss from non-trading financial assets mandatorily measured at fair value through profit or loss	(5)	(1 586)	(5 220)
Net profit/(loss) from financial instruments held for trading – fair value remeasurement – for fair value hedging	(4)	348	(14)
Net (profit)/loss from the sale of securities measured at fair value through other comprehensive income	(3)	323	(222)
Net (profit)/loss from the sale of securities at amortised cost	(3)	3 500	-
Depreciation and amortisation	(7)	35 807	35 120
Transfers to tangible assets		186	1 182
(Profit)/loss from foreign exchange and other transactions with cash and cash equivalents	(4)	344	24 254

	Note	2023	2022
Cash flows used in operating activities before changes in working capital, interest received and paid and income tax paid		***(58 125)***	***(42 671)***
(Increase)/decrease in operating assets			
Obligatory reserve with the National Bank of Slovakia	(16)	480 751	(367 499)
Loans and advances to banks and customers	(20)	(362 835)	(1 387 930)
Financial assets held for trading	(17)	17 832	48 950
Non-trading financial assets mandatorily measured at fair value through profit or loss	(18)	(2 290)	(10 810)
Other assets	(25)	(6 772)	22 921
Increase/(decrease) in operating liabilities:			
Deposits from customers and current bank accounts	(28)	232 549	1 962 298
Financial liabilities held for trading	(27)	(31 263)	11 689
Other liabilities	(32)	10 504	11 215
Cash (used in)/earned from operations before interest paid received and income tax paid		***280 351***	***248 163***
Interest paid	(1)	(166 133)	(26 055)
Interest received (except for debt securities at amortised cost)	(1)	667 890	321 335
Income tax paid	(14)	(54 869)	(56 954)
Cash flows from operating activities, net		**727 239**	**486 489**
Cash flows from investment activities			
Purchase of debt securities at amortised cost	(20)	(974 893)	(711 492)
Increase in cash flows from debt securities at amortised cost	(20)	372 668	90 183
Purchase of debt securities measured at fair value through other comprehensive income	(19)	(2 071)	(24 428)
Increase in cash flows from debt securities measured at fair value through other comprehensive income	(19)	92 055	163 034
Interest received from debt securities at amortised cost	(20)	45 124	15 844
Proceeds from the sale or disposal of non-current tangible and intangible assets	(22)	128	677
Purchase of non-current tangible and intangible assets	(22)	(37 914)	(36 283)
Dividends received	(1)	40	40
Cash flows from investment activities, net		**(504 863)**	**(502 425)**

	Note	2023	2022
Cash flows from financing activities			
(Repurchase) of preference shares	(33)	(6 968)	(11 067)
Sale of preference shares	(33)	8 383	9 051
Loans received	(28)	38 810	25 662
Loans paid	(28)	(894 743)	(176 615)
Subordinated debt	(28)	459	481
Received debt security liabilities	(28)	835 694	361 698
Repayment of debt security liabilities	(28)	(60 000)	-
Repayment of lease liabilities	(28)	(12 891)	(13 098)
Dividends paid	(33)	(106 273)	(121 121)
Cash flows from financing activities, net		**(197 529)**	**74 991**
Effects of exchange rate changes on cash and cash equivalents and other effects	(16)	(195)	(239)
Change in cash and cash equivalents		**24 654**	**58 816**
Cash and cash equivalents, beginning of the year*	(16)	226 348	167 532
Cash and cash equivalents, end of the year*	**(16)**	**251 002**	**226 348**

** Cash and cash equivalents include bank overdrafts payable on demand (nostro accounts)*

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2023

I. GENERAL INFORMATION

Scope of activities

The Tatra banka consolidated group (hereinafter the "Group") consists of the parent company, Tatra banka, a.s., Bratislava (hereinafter the "Bank" or the "Parent Company") in the legal form of a joint-stock company with its registered office at Hodžovo námestie 3, Bratislava, Slovak Republic, and 6 subsidiaries. The Bank was established on 17 September 1990 in the Slovak Republic and incorporated with the Business Register on 1 November 1990. The identification number of the Parent Company is 00 686 930; the tax identification number is 202 040 8522.

The Group offers a wide range of banking and financial services. Its core activities include receipt of deposits, provision of loans, domestic and cross-border money transfers, provision of investment services and investment activities. The valid list of all of the Group's activities is stated in the Business Register of the Parent Company, its subsidiaries and associates.

The Parent Company's shareholders as a percentage of voting rights:

	2023	2022
Raiffeisen CEE Region Holding GmbH, Vienna	89.11 %	89.11 %
Other	10.89 %	10.89 %
Total	**100.00 %**	**100.00 %**

The Parent company's Shareholders as a percentage of subscribed share capital:

	2023	2022
Raiffeisen CEE Region Holding GmbH, Vienna	78.78 %	78.78 %
Other	21.22 %	21.22 %
Total	**100.00 %**	**100.00 %**

The Parent company's Shareholders as absolute shares of subscribed share capital:

	2023	2022
Raiffeisen CEE Region Holding GmbH, Vienna	50 678	50 678
Other	13 648	13 648
Total	**64 326**	**64 326**

The Parent Company performs its activities in the Slovak Republic through its 77 branches, corporate centres and corporate centre sub-agencies and 56 branches of the Organisational Unit of Raiffeisen Bank. In addition, the Group has 7 Tatra Leasing branches.

The Parent Company's ordinary shares are publicly traded on the Bratislava Stock Exchange.

The members of the statutory and supervisory bodies of the Parent Company (Group) as at 31 December 2023:

Supervisory Board	
Chairman:	Andrii STEPANENKO
Vice-chairman:	Johann STROBL
Members:	Peter LENNKH
	Peter GOLHA
	Tomáš BOREC
	Iveta MEDVEĎOVÁ
	Iveta UHRINOVÁ
	Hannes MÖSENBACHER
	Andreas GSCHWENTER

Board of Directors	
Chairman::	Michal LIDAY
Members:	Zuzana KOŠTIALOVÁ
	Peter MATÚŠ
	Natália MAJOR
	Bernhard HENHAPPEL
	Oliver PICHLER
	Martin KUBÍK

Changes in the Supervisory Board of the Parent Company (Group) in 2023:

There were no changes in the structure of the Group's Supervisory Board during 2023.

Changes in the Board of Directors of the Parent Company (Group) in 2023:

Johannes Schuster – termination of the office of Member of the Board of Directors as at 30 June 2023.
Oliver Pichler – appointed to office of Member of the Board of Directors as at 2 December 2023.

Business name of the ultimate parent company:
Raiffeisen Bank International AG, Vienna, Austria

Business name of the ultimate parent company preparing the consolidated financial statements:
Raiffeisen Bank International AG, Vienna, Austria

Business name of the immediate parent company:
Raiffeisen CEE Region Holding GmbH, Vienna

The Raiffeisen Bank International AG Group (the "RBI Group") represents the parent company, Raiffeisen Bank International, and its subsidiaries and associates owned directly or indirectly through its subsidiaries.

Raiffeisen Bank International AG prepares consolidated financial statements. The consolidated financial statements of the RBI Group are deposited with the register court, Handelsgericht Wien, at Marxergasse 1a, 1030 Vienna, Austria. The shares of Raiffeisen Bank International AG are listed on the Vienna Stock Exchange.

Definition of the consolidated group:

As at 31 December 2023, the Group consisted of the Parent Company and the following companies (hereinafter the "consolidated companies"):

Company	Direct share	Group's share in %	Indirect share through a company	Company ID	Core business activity	Consolidation method	Registered office
Tatra Asset Management, správ. spol., a.s.	100 %	100 %	n/a	35 742 968	Asset management	Full consolidation method	Bratislava
Doplnková dôchodková spoločnosť Tatra banky, a.s.	100 %	100 %	n/a	36 291 111	Supplementary pension scheme	Full consolidation method	Bratislava
Tatra-Leasing, s.r.o.	100 %	100 %	n/a	31 326 552	Lease	Full consolidation method	Bratislava
Eurolease RE Leasing, s.r.o.	-	100 %	Tatra-Leasing, s.r.o.	45 985 812	Mediation activities	Full consolidation method	Bratislava
Rent PO, s.r.o.	-	100 %	Tatra-Leasing, s.r.o.	35 823 267	Lease	Full consolidation method	Bratislava
Tatra Leasing Broker, s.r.o.	11.3 %	100 %	Tatra-Leasing, s.r.o.	44 426 682	Lease	Full consolidation method	Bratislava

As at 31 December 2022, the Group consisted of the Parent Company and the following companies:

Company	Direct share	Group's share in %	Indirect share through a company	Company ID	Core business activity	Consolidation method	Registered office
Tatra Asset Management, správ. spol., a.s.	100%	100 %	n/a	35 742 968	Asset management	Full consolidation method	Bratislava
Doplnková dôchodková spoločnosť Tatra banky, a.s.	100%	100 %	n/a	36 291 111	Supplementary pension scheme	Full consolidation method	Bratislava
Tatra-Leasing, s.r.o.	100%	100 %	n/a	31 326 552	Lease	Full consolidation method	Bratislava
Eurolease RE Leasing, s.r.o.	-	100 %	Tatra-Leasing, s.r.o.	45 985 812	Mediation activities	Full consolidation method	Bratislava
Rent GRJ, s.r.o.	-	100 %	Tatra-Leasing, s.r.o.	36 804 738	Lease	Full consolidation method	Bratislava
Rent PO, s.r.o.	-	100 %	Tatra-Leasing, s.r.o.	35 823 267	Lease	Full consolidation method	Bratislava
Tatra Leasing Broker, s.r.o.	11.3%	100 %	Tatra-Leasing, s.r.o.	44 426 682	Lease	Full consolidation method	Bratislava

Changes in the Group during 2023

As at the effective date, 2 March 2023, Rent PO, s.r.o. and Rent GRJ, s.r.o. merged. Rent PO, s.r.o. became the legal successor.

Distribution of the Parent Company's profit for 2022 and payment of dividends

Dividends – ordinary shares	87 584
Dividends – preference shares	11 497
Payment of proceeds from AT1 Investment Certificate *	7 467
Contribution to retained earnings of previous years	87 291
Total	**193 839**

** Proceeds from AT1 Investment Certificate will be paid in accordance with the issue conditions of the instrument.*

A dividend per ordinary share with a face value of EUR 800 amounted to EUR 1 232.
A dividend per ordinary share with a face value of EUR 4 000 amounted to EUR 6 160.
A dividend per preference share with a face value of EUR 4 amounted to EUR 6.17.

The separate and consolidated financial statements for 2022, the Annual Report for 2022, the distribution of profit, retained earnings and the determination of royalties to the members of the Supervisory Board for 2022 were approved by the Parent Company's General Meeting held on 30 March 2023. Dividends for which no entitlement arose as at the date of the General Meeting amounted to EUR 275 thousand and were recognised in retained earnings of previous years.

Regulatory requirements

The Group is subject to the regulatory requirements of the National Bank of Slovakia, which include limits and other restrictions pertaining to minimum capital adequacy requirements, provisioning to cover credit risk, liquidity, interest rates and foreign exchange position of the Group.

Impact of the situation in Ukraine

Given the minimum amount of exposure to entities from Russia, Belarus and Ukraine (gross carrying amount of exposures to entities from Russia, Belarus and Ukraine as at 31 December 2023 was EUR 1 134 thousand; as at 31 December 2022: EUR 874 thousand), the Group does not expect a materially negative impact on its economic results.

The Russian invasion of Ukraine only affects the Group indirectly, via changes caused to the macroeconomic environment. These include a sharp increase in energy prices and energy security concerns, high inflation, tightening of monetary policy, higher interest rates and slower economic growth. The effect of these changes to the macroeconomic environment on the Slovak banking sector is complex and multi-layered. While higher inflation and higher interest rates have led to a nominal growth of income, inflationary pressures and slower economic growth are increasing operating expenses and risk costs.

The Group's provisioning methodology reflects forward-looking information in the calculation of provisions in a number of ways. In addition to macroeconomic scenarios, the model is designed to capture the different stages of the credit cycle and various deformation effects, eg supply-side pressures and the impact of the war between Russia and Ukraine. The model incorporates a "special risk factor" approach designed to take into consideration the war between Russia and Ukraine and its economic impact which is primarily reflected in the sanctions imposed on Russia, an extreme oil and energy price increase, high inflation, a substantial increase in interest rates and general high volatility and uncertainty.

Climate change

The Group considers ESG (Environmental, Social, Governance) principles to be important with respect to the long-term positive effects of responsible financing. Therefore, the Group takes into consideration the impacts of its business on the economy, environment and society. It takes into account environmental and social impacts related to products and services. It is up to banks to decide whether they support sustainable or unsustainable projects. There are challenges and risks on the road to sustainability. One of which is the transition from a linear to a circular economy. The Group sees an important role in helping its clients achieve their sustainable goals, either by financing their sustainable investments, or by providing relevant and timely information required to set their ESG strategy. Sustainable assets are crucial for the Group with respect to its carbon footprint, as the overall carbon footprint of financial institutions also comprises indirect emissions, primarily emissions from investments, including loans.

To help its clients reduce their carbon footprint and contribute to their transformation to sustainable business, the Group must be able to assess transactions and projects based on clear ESG criteria. In 2020, the Group's parent company proposed and implemented a harmonised definition of sustainability for loan products as binding rules for the Group's parent company group. These rules are defined for retail and corporate clients. They set uniform attributes and conditions for environmental and social financing. This ESG strategy includes sectoral policies related to sectors with the greatest environmental or social impact. Their aim is to help clients from these sectors to transform their operations towards sustainability and thus contribute to optimisation of the Group's financed emissions. Such policies are in place for coal, oil and gas extraction and trading, steel production and trading, and the real estate and construction sectors. With respect to social impacts, the sectoral policies have been implemented for tobacco and tobacco product production and trading, and financing of gambling. Restrictions on the financing of sensitive areas as regards Group values, such as nuclear power, are also an important part of business policy. Group decarbonisation objectives will continue to impact policies implemented in other sectors.

The Group has implemented an accounting policy for ESG-linked financial instruments in accordance with the opinions published by IFRS working groups.

ESG (Environment, Social, Governance) stands for sustainability and social responsibility. With all ESG-linked instruments, it is also necessary to examine whether they meet the SPPI test and, based on the result, to include the instrument in the relevant portfolio. The SPPI test is met if:

- The conditions change the cash flow only minimally ("de minimis" condition); or
- The contractual terms are set in such a way that the instrument meets the definition of a basic loan agreement and the following applies:
  - Contractual cash flows before and after the event/change (reset point) represent repayments of a principal and interest and therefore meet the SPPI test.
  - The contingent event is specific to the borrower and specified in the contract.
  - The contractual terms do not represent an investment or exposure to a separate asset or cash flows that are not exclusively interest and principal payments and therefore do not meet the SPPI test.

In the event that the contingent event is not specific to the borrower or does not meet the de minimis condition, the financial asset does not need to meet the SPPI test. The Group provides ESG loans which meet the contractual terms of the basic lending arrangement as stated above, meet the SPPI test and are measured at amortised cost.

II. PRINCIPAL ACCOUNTING POLICIES

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

a) Statement of compliance

The consolidated financial statements of the Group (the "financial statements") for 2023 and comparatives for 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") in Commission Regulation (EC) No 1126/2008, as amended, including valid interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Group has applied a number of amendments to the IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatory for the reporting period beginning on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or the amounts reported in these financial statements.

- **IFRS 17 "Insurance Contracts"** issued by the IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while applied. Amendments to IFRS 17 "Insurance Contracts" issued by the IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. The amendments issued on 25 June 2020 also introduce simplifications and clarifications of requirements in the standard and provide additional reliefs when applying IFRS 17 for the first time.

- **Amendments to IFRS 17 "Insurance Contracts" – Initial Application of IFRS 17 and IFRS 9 – Comparative Information** issued by the IASB on 9 December 2021. This is a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time.

- **Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure of Accounting Policies** issued by the IASB on 12 February 2021. Amendments require entities to disclose their material accounting policy information rather than their significant accounting policies and provide guidance and examples to help preparers in deciding which accounting policies to disclose in their financial statements.

- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates** issued by the IASB on 12 February 2021. These amendments focus on accounting estimates and provide guidance on how to distinguish between accounting policies and accounting estimates.

- **Amendments to IAS 12 "Income Taxes" – Deferred Tax related to Assets and Liabilities** arising from a Single Transaction issued by the IASB on 6 May 2021. Under these amendments, the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences arise on the initial recognition that result in the recognition of equal deferred tax assets and liabilities.

- **Amendments to IAS 12 "Income Taxes" – International Tax Reform – Pillar Two Model Rules** issued by the IASB on 23 May 2023. The amendments introduced a temporary exception to accounting for deferred taxes arising from jurisdictions implementing global tax rules and disclosure requirements regarding company exposure to income taxes arising from the reform, particularly before legislation implementing the rules comes into effect.

New and revised IFRS Accounting Standards in issue and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following revised IFRS Accounting Standards that have been issued by the IASB and adopted by the EU but are not yet effective:

- **Amendments to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback** issued by the IASB on 22 September 2022. Amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

- **Amendments to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current** issued by the IASB on 23 January 2020 and **Amendments to IAS 1 "Presentation of Financial Statements" – Non-current Liabilities with Covenants** issued by the IASB on 31 October 2022. Amendments issued in January 2020 provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place as at the reporting date. Amendments issued in October 2022 clarify how conditions with which an entity must comply within twelve months of the reporting period affect the classification of a liability and set the effective date for both amendments to annual periods beginning on or after 1 January 2024.

New and revised IFRS Accounting Standards in issue but not adopted by the EU

At present, IFRS Accounting Standards as adopted by the EU do not significantly differ from IFRS adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to the existing standards, which were not adopted by the EU as at date of authorisation of these financial statements:

- **Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" – Supplier Finance Arrangements** issued by the IASB on 25 May 2023. Amendments add disclosure requirements, and 'signposts' within existing disclosure requirements to provide qualitative and quantitative information about supplier finance arrangements.

- **Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" – Lack of Exchangeability** issued by the IASB on 15 August 2023. Amendments contain guidance specifying when a currency is exchangeable and how to determine the exchange rate when it is not.

- **IFRS 14 "Regulatory Deferral Accounts"** issued by the IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS and currently recognise regulatory deferral accounts in accordance with their previous GAAP to continue to do so upon transition to IFRS.

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by the IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

The Group does not expect that the adoption of the above standards will have a material impact on the financial statements of the Group in future periods.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated. According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements if applied as at the balance sheet date.

Purpose of preparation

The purpose of preparing these consolidated financial statements in the Slovak Republic is to comply with Act on Accounting No. 431/2002 Coll., as amended. The Group prepares its separate and consolidated financial statements and annual report under special regulation – Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the Application of International Accounting Standards (IFRS). Separate and consolidated financial statements prepared in compliance with IFRS as at 31 December 2023, dated 19 February 2024 will be available in the Financial Statements Register in accordance with Act No. 431/2002 Coll. on Accounting, as amended. The financial statements are intended for general use and information; they are not intended for the purposes of any specific user or consideration of any specific transactions. Accordingly, the user should not rely exclusively on these financial statements when making decisions.

Basis of preparing the financial statements

The financial statements are prepared on the accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur and reported in the financial statements of the periods to which they relate and on the going concern assumption.

The reporting currency used in the financial statements is the euro ("EUR") with accuracy to EUR thousands, unless otherwise indicated.

Significant accounting judgements

The presentation of financial statements in conformity with IFRS requires the preparation of estimates and assumptions that affect the recognised amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and their recognised amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and future changes in the economic conditions, business strategies, regulatory requirements, accounting rules, or other factors could subsequently result in a change in estimates which could have a material impact on the reported financial position and results of operations.

The effect of a change in accounting estimates shall be recognised prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or the period of the change and future periods, if the change affects both. Significant areas of judgement include the following:

- The creation of impairment allowances for expected credit losses and identified future contingent liabilities involves many uncertainties concerning the outcomes of the risks mentioned above and requires the Group's management to make many subjective assessments when estimating the amount of losses. Measurement of impairment allowances for expected credit losses for financial assets measured at amortised cost and at fair value through other comprehensive income is an area which requires application of complex models and significant judgements regarding such future economic conditions and credit behaviour. Considering the current economic conditions, the result of estimates may differ from the impairment allowances for financial assets recognised as at 31 December 2023. The item is reported in Note 11 "*(Creation)/release of provisions for expected losses from commitments and guarantees provided"*.

- The income tax rules and regulations have recently experienced significant changes; there is a limited historical precedent and/or interpretation judgement with respect to the extensive and complex issues affecting the banking sector. Furthermore, the tax authorities have broad powers as regards the interpretation of tax laws and regulations during the tax audit of a taxpayer. As a result, there is a higher degree of uncertainty as to the final outcome of any potential audit conducted by the tax authorities. Since many areas of the Slovak tax law have not been sufficiently validated yet in practice, there is uncertainty as to how they will be applied by the tax authorities. The extent of this uncertainty cannot be quantified and disappears only when legal precedents or official interpretations of the competent authorities become available. The item is recognised in Note 14 "*Income tax*".

- Provisions for litigation take into account a significant degree of judgment in the expected future development of the respective litigation based on the facts available at the time of their creation. However, the actual outcome of the respective litigation may ultimately differ significantly from the expected state as a result of the development of the litigation itself. The item "*(Creation)/ release of provisions for litigation*" is recognised in Note 10 "*(Creation)/release of provisions"*.

b) Consolidation principles

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (see Note I. GENERAL INFORMATION) prepared for the year ended 31 December 2023.

IFRS 12 requires disclosures about significant judgments and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates, and in unconsolidated structured entities. Based on the prepared analysis, the Group does not have an investment in consolidated or unconsolidated structured entities.

Associates are those entities in which the Bank has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Bank has joint control, whereby the Bank has a right to the net assets of the arrangement rather than a right to the assets and liability for the obligations concerning the arrangement.

I. Business combinations
The acquisition method is applied to business combinations where the Group acquires control. The consideration provided on acquisition is generally measured at fair value, as are the net assets acquired. Recognised goodwill is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. The related acquisition costs (transaction costs) are expensed as incurred, except if related to the issue of debt and equity securities.

The consideration provided does not include amounts related to the settlement of any relationships existing before business combination. Such amounts are recognised in profit or loss.

Any contingent consideration is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, the contingent consideration is not remeasured and its settlement is recognised in equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

II. Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its participation in the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained until the date on which control ceases.

III. Non-controlling interests
Non-controlling interests are measured at the proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interests in a subsidiary that do not result in a loss of control are recognised in equity.

IV. Loss of control
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related non-controlling interests and other equity items. Any gain or loss arising on the loss of control is recognised in profit or loss. Any non-controlling interest retained in a former subsidiary is measured at fair value at the date when control is lost.

V. Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised gains on transactions with entities recognised using the equity method are eliminated against the investments in such entities, up to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent of no evidence of impairment of the investment.

VI. Method of consolidation
The Bank assessed its shares in and control over its subsidiaries, joint ventures and associates with respect to IFRS 10, IFRS 11 and IFRS 12. Subsidiaries are consolidated using the full consolidation method.

c) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into euro and recognised in the financial statements at the exchange rate declared by the European Central Bank (ECB) valid as at the reporting date. Revenues and expenses denominated in foreign currencies are recognised in euro in the underlying accounting system of the Group and are recognised in the financial statements at the actual exchange rate of the European Central Bank valid as at the date of the transaction.

Exchange rate gains/(losses) from foreign exchange transactions, including unrealised gains and losses from financial assets revaluations to fair value, are included in the statement of comprehensive income item "*Net profit/(loss) from financial instruments held for trading and exchange rate differences*".

Exchange rate gains/(losses) from equity financial instruments measured at fair value through other comprehensive income are recognised in "*Other comprehensive income*".

The unrealised gain or loss from fixed term transactions is recognised only in EUR where fair value is calculated by the standard mathematical formula based on the anticipated forward exchange rate, which takes into account the European Central Bank spot rate and interest rates effective as at the reporting date and is recognised in the statement of financial position item "Receivables from hedging derivatives" for a receivable, or in "*Liabilities from hedging derivatives*" for a liability, and in the statement of comprehensive income item "*Net profit/(loss) from financial instruments held for trading and exchange rate differences*".

Off-balance sheet transactions denominated in foreign currency are translated into euro in the Group's off-balance sheet using the ECB exchange rate valid as at the reporting date.

d) Cash, cash balances at central banks and other demand deposits

Cash, cash balances at central banks and other demand deposits consist of cash and balances on current accounts in the National Bank of Slovakia, including the compulsory minimum reserves in the National Bank of Slovakia. Other demand deposits (cash equivalents) include current deposits due to banks payable on demand.

The compulsory minimum reserve in the National Bank of Slovakia is a required deposit with restricted drawing to be held by all commercial banks licensed in the Slovak Republic. The interest rate is determined by the European Central Bank on a regular basis after the end of each period determined by the European Central Bank. The amount of the reserve depends on the amount of deposits received by the Bank. The Bank's ability to draw the reserve is limited in accordance with the applicable legislation. Therefore, it is not included in "*Cash and cash equivalents*" for the purpose of preparing the statement of cash flows (see the consolidated statement of cash flows).

e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

On initial recognition financial assets and financial liabilities are measured at fair value including transaction costs attributable to the acquisition or issue of a financial instrument. An exception from this rule is the measurement of financial instruments measured at fair value through profit or loss where transaction costs are not included in the cost.

The transaction price is the best estimate of the fair value of a financial instrument upon acquisition. However, if the transaction price differs from the fair value and:

- The fair value of the financial instrument is derived from a quoted price in an active market, or is the result of a valuation technique using observable market data only, the Group measures the financial instrument at fair value and recognises a profit or loss incurred on the first day;
- In all other cases, the financial instrument is measured at fair value, and the difference between the fair value and the transaction price is retained and only recognised through profit or loss if it results from a change in a factor, such as the time that market participants take into consideration when determining the price of a financial instrument.

The Group has applied an approach to the classification and measurement of financial assets that takes into account the business model in which the assets are managed as well as the characteristics of their cash flows.

The Group classifies financial instruments into four categories of financial assets and two categories of financial liabilities:

1. Financial assets measured at amortised cost (AC),
2. Financial assets measured at fair value through other comprehensive income (FVOCI),
3. Financial assets mandatorily measured at fair value through profit or loss (FVTPL),
4. Financial assets measured at fair value through profit or loss (FVTPL),
5. Financial liabilities measured at amortised cost (AC), and
6. Financial liabilities measured at fair value through profit or loss (FVTPL).

Financial assets are measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.

Occasional or insignificant sales, pre-maturity sales or sales which do not constitute a change in the business model are not contrary to the intention to hold the financial assets to maturity to collect contractual cash flows.

A debt financial asset acquired under a business model whose objective is both collecting the contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding is measured at fair value through other comprehensive income (FVOCI).

On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This decision is made on an investment–by–investment basis for each investment and takes into account strategic interests. Profits and losses from revaluation are not recognised in profit or loss. After derecognition of the investment, the final profit or loss is recognised in retained earnings.

All other financial assets, i.e. financial assets that do not meet the criteria for classification as subsequently measured at either amortised cost or FVOCI, are classified as subsequently measured at fair value, with changes in fair value recognised through the statement of comprehensive income.

In addition to the above accounting principles, the Group has the option at initial recognition to irrevocably designate a financial asset as FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency, i.e. an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. Based on the business model and cash flow circumstances, a financial asset is classified into one of these categories upon initial recognition.

Financial assets held for trading and those that are managed and whose performance is measured based on fair value will be measured at FVTPL.

Analysis of contractual cash flow characteristics

Once the Group determines that the business model of a specific portfolio is to hold the financial assets to collect the contractual cash flows (or by both collecting contractual cash flows and selling financial assets), it must assess whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding. For this purpose, interest is defined as a consideration for the time value of money, the credit risk associated with the principal during a particular period of time and for other basic lending risks and costs, as well as a profit margin. This assessment will be carried out on an instrument-by-instrument basis on initial recognition of the financial asset.

When assessing whether the contractual cash flows are solely the payments of principal and interest, the Group will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The Group will consider:
- Prepayment, extension terms;
- Leverage features;
- If a claim is limited to specified assets or cash flows;
- Contractually-linked instruments; and
- Interest rate.

Modification of time value of money and the benchmark test

The time value of money is the element of interest that provides consideration for the passage of time. It does not take into account other risks (credit, liquidity, etc.) or costs (administrative, etc.) associated with holding a financial asset.

In some cases, the time value of money element may be modified (imperfect). This is the case, for example, if a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate. In this case, the entity must assess the modification to determine whether the contractual cash flows still represent solely the payments of principal and interest, i.e. the modification term does not significantly alter the cash flows from a "perfect" benchmark instrument.

1. Financial assets measured at amortised cost (AC)

The main components of the portfolio of financial assets measured at amortised cost are:
- Loans and advances in "*hold-to-collect*" business model; and
- Debt securities in "*hold-to-collect*" business model.

Loans and advances

Loans and advances are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are measured at amortised cost using the effective interest method, less impairment allowances. The effective interest rate is described in detail in (r) "*Recognition of income and expenses: Interest, fees and commissions of an interest-rate nature*" section.

Loans are recognised by the Group in the statement of financial position when providing funds to the debtor. During this exercise, the Group creates potential liabilities that are associated with credit risk. The Group recognises potential off-balance sheet liabilities and creates provisions for such liabilities that represent the level of risk of issued guarantees, letters of credit and undrawn credit limits as at the reporting date.

Debt securities

Financial assets held in this portfolio are managed to realise cash flows by collecting contractual payments over the lifetime of the instrument. When determining whether cash flows will be realised by collecting the financial assets' contractual cash flows, the Group considered the frequency, value and timing of sales in prior periods, the reasons for such sales, and expectations regarding future sales. The business model was not only determined based on sales, as information about past sales and expectations regarding future sales was also taken into consideration so as to provide sufficient evidence that the Group manages financial assets with the objective of realising cash flows in accordance with the defined "hold-to-collect" business model. The portfolio primarily includes securities issued by the government and other highly-rated securities.

Debt securities at amortised cost are measured using the effective interest rate less impairment. Interest income, discounts and premiums on debt securities at amortised cost are recognised in the statement of comprehensive income under "*Interest income calculated using the effective interest rate*".

2. Financial assets measured at fair value through other comprehensive income (FVOCI)

The Group has two portfolios of financial assets measured at fair value through other comprehensive income. These portfolios are:

- Equity instruments not held for trading; and
- Debt securities meeting the SPPI test in the "*hold to collect and sell*" business model.

Equity instruments

On initial recognition, the Group used an irrevocable option and included shares and ownership interests meeting the definition of equity instruments in line with IFRS in the portfolio of financial assets measured at fair value through other comprehensive income. These are primarily shares in privately-owned companies for which there is no active market, or in companies where participation is mandatory (S.W.I.F.T. s. c., D. Trust Certifikačná Autorita, a. s., Slovak Banking Credit Bureau, s.r.o., Monilogi s.r.o).

Dividends on financial assets at fair value through other comprehensive income are recognised in the statement of comprehensive income under "*Net interest income and dividend income*". Fair value gains or losses on equity securities measured at FVOCI are never reclassified to profit or loss. They are not subject to impairment and as a result, no impairment is recognised in profit or loss. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

Debt securities

Debt securities included in the portfolio of financial assets measured at fair value through other comprehensive income are initially measured at fair value net of transaction costs. Unrealised gains and losses arising from changes in fair value are recognised in "*Revaluation reserve from financial instruments measured at fair value through other comprehensive income*" within the Group's equity until the moment of disposal or impairment of the given debt security. In the event of the disposal of a debt security, the cumulative gains and losses recognised in "*Revaluation reserve from financial instruments measured at fair value through other comprehensive income*" are reclassified to the statement of comprehensive income under "*Net profit/(loss) from derecognition of financial assets and liabilities not measured at fair value through profit or loss*".

Impairment of financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, credit receivables and financial guarantees

The calculation of expected credit losses requires the use of accounting estimates which may differ from the actual results. For the purposes of calculation, management also considers the Group's accounting policies.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments – assets measured at amortised cost and at fair value through other comprehensive income (FVOCI) and with the exposure arising from loan commitments, lease receivables and financial guarantee contracts. The Group recognises an impairment allowance for such losses as at each reporting date.

Measurement of expected credit losses

The measurement of expected credit losses reflects a probability-weighted amount of loss that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort as at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the impairment allowance for expected credit loss for financial assets measured at amortised cost and at fair value through other comprehensive income is the area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Significant judgements are:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses;
- Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

The estimation of credit exposure for risk management purposes is complex and requires the use of models. The assessment of credit risk of a portfolio of assets entails further estimations as to the probability of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using probability of default (PD), exposure at default (EAD) and loss given default (LGD). This is the predominant approach used for the purposes of measuring expected credit losses under IFRS 9.

IFRS 9 prescribes a three-stage model for impairment of financial assets based on the changes in credit quality since the initial recognition. This model requires that a financial instrument which is not impaired on initial recognition is classified as Stage 1 and has its credit risk continuously monitored. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2, but is not deemed to be impaired. If the financial instrument is impaired, the financial instrument is then moved to Stage 3.

Financial instruments in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible in the next 12 months. Instruments in Stages 2 or 3 have their expected credit losses measured based on expected credit losses on a lifetime basis. According to IFRS 9, when measuring expected credit losses it is necessary to consider forward-looking information. Purchased or originated impaired financial assets are financial assets that are impaired on initial recognition. Such loans are initially recognised at fair value and their expected credit loss is measured as a cumulative change over the full lifetime of a loan (Stage 3). When determining the fair value of an impaired financial asset, the Group takes into account all expected losses, including estimated losses based on information about the customer/issuer gained from the market, macroeconomic indicators and scenarios estimating future developments.

A financial instrument is considered impaired if one or more of the following events representing a default of the customer/issuer have occurred:

- Significant financial difficulties of the borrower/issuer;
- A breach of contract, such as a default or past due event;
- The borrower has been contractually granted a concession due to financial difficulties;
- It is probable that the borrower will enter bankruptcy or restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase of an asset at a deep discount that reflects an incurred credit loss.

If the fair value of the impaired asset was recognised at a lower amount than the cash flows from the impaired asset, the Group recognises a profit.

Expected credit losses are recognised in the statement of comprehensive income, line "*Impairment allowances for financial assets and provisions for commitments and guarantees provided*". If the reason for the recognition of an impairment allowance/provision no longer applies, or the amount of the impairment allowance/provision is unreasonable, surplus impairment allowances/provisions will be released through the same line of the statement of comprehensive income.

Significant increase in credit risk

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

Quantitative criteria

The Group uses quantitative criteria as the primary indicator of a significant increase in credit risk for all material portfolios. For quantitative staging, the Group compares the lifetime PD curve at the measurement date with the forward lifetime PD curve at the date of initial recognition. For the estimation of the lifetime PD curve at the date of initial recognition, assumptions are made about the structure of the PD curve. For highly-rated financial instruments (i.e. instrument with higher than average rating of the portfolio), it is assumed that the PD curve will deteriorate over time. For low-rated financial instruments, it is assumed that the PD curve will improve over time. The degree of improvement or deterioration will depend on the level of the initial rating.

The Group applies an increase in PD as a criterium for SICR determination for all portfolios with officially validated Lifetime PD models. Currently, these are the following: mortgages and home equity loans, non-purpose consumer loans, credit cards for private individuals (PI), and PI overdrafts. A significance trigger (a threshold value) is defined during the model development as it is evaluated for each of these portfolios separately. It corresponds to a predefined quantile of the distribution of logit differences of cumulative PDs (current and at origination), assessed on a worsening portfolio. Currently, the 90th percentile is used for all portfolios.

Qualitative criteria

The Group uses qualitative criteria as a secondary indicator of a significant increase in credit risk for all material portfolios. The transfer to Stage 2 takes place when the criteria below are met.

For sovereign, bank, corporate and project finance portfolios, if the borrower meets one or more of the following criteria:

- External market indicators
- Changes in contract terms
- Changes to management approach
- Expert judgement

Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life. Changes in market indicators of credit risk include, but are not limited to the credit spread, the credit default swap prices for the borrower, the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost, and other market information related to the borrower (such as changes in the price of a borrower's debt and equity instruments).

Expected changes in the contractual terms including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument.

The assessment of a significant increase in credit risk incorporates forward-looking information and is performed on a quarterly basis at a deal level for all non-retail portfolios held by the Group.
For retail portfolios, if the borrower meets one or both of the criteria enlisted below:

- Forbearance
- Expert judgement

The assessment of a significant increase in credit risk incorporates forward-looking information and is performed on a monthly basis at a deal level for all portfolios held by the Group.

Backstop

A backstop is applied if the financial instrument is considered to have experienced a significant increase in credit risk when a borrower is more than 30 days past due on its contractual payments. In some limited cases, the presumption that financial assets which are more than 30 days past due should be in Stage 2 is rebutted. Rebuttance can be performed only due to technical reasons (such as failed or incorrect IT processes for past due data calculation), and only in rare situations when correction of input data cannot be successfully remedied in the original IT system.

The Group has not used the low credit risk exemption for any lending business; however, it selectively uses the exemption for debt securities due to low credit risk.

Definition of default and impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria.

When the borrower is more than 90 days past due on its contractual payments, no attempt is made to rebut the presumption that financial assets which are more than 90 days past due should be in Stage 3.

The borrower meets unlikeliness to pay criteria, which indicates that the borrower is in significant financial difficulty. These are the cases where:

- The borrower is in long-term forbearance,
- The borrower is deceased,
- The borrower is insolvent,
- The borrower is in breach of significant financial covenants,
- An active market for that financial asset has disappeared because of financial difficulties,
- Significant concessions have been made by the lender relating to the borrower's financial difficulty,
- It is probable that the borrower will enter bankruptcy,
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The above criteria have been applied to all financial instruments measured at amortised cost and debt instruments at fair value through other comprehensive income held by the Group and are consistent with the definition of default used for internal credit risk management purposes.

Explanation of inputs, assumptions and estimation techniques

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition, or whether an asset is considered to be impaired. Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Expected credit losses are the discounted product of the probability of default (PD), loss given default (LGD), exposure at default (EAD) and discount factor (D).

Probability of default

The probability of default represents the probability of a borrower defaulting on its financial obligation over the next 12 months or over the remaining lifetime of the obligation. As a rule, the lifetime probability of default is calculated using the regulatory 12 month probability of default, stripped of any margin of conservatism, as a starting point. Thereafter, various statistical methods are used to generate an estimate of how the default profile will develop from the point of initial recognition throughout the lifetime of the loan or portfolio of loans. This probability of default is calculated separately for each product type based on the longest possible history of data for the product concerned available in the Group's internal database. Subsequently, various statistical methods are used to estimate the development of the default profile since the initial recognition over the lifetime of the loan or the loan portfolio, in particular: survival rating level analysis, interpolation of 12-month probability of default to loan lifetime and, in the event of insufficient data for the above mentioned models, benchmark values (constants) were recommended by a group methodology that differs depending on the product type.

In limited cases, where some inputs are not fully available, grouping, averaging and benchmarking of inputs are used for the calculation.

Loss given default

Loss given default represents the Group's expectation of the extent of loss on a defaulted exposure. Loss given default varies by type of counterparty and product. Loss given default is expressed as a percentage loss per unit of exposure at the time of default. Loss given default is calculated by counting the yield collected over the collection cycle from the moment of the loan default, the resulting percentage loss given default being expressed as an add-up to 100 % to the weighted average of all yields over the observation period of the number of defaulted loans for that product type. In a simplified methodology, the Group does not use the loan-level yields, but yields are counted by date of default.

Exposure at default

Exposure at default is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. Where relevant, early repayment/refinance assumptions are also considered in the calculation.

For revolving products, the exposure at default is predicted by adding a credit conversion factor to the current drawn balance, which allows for the expected drawdown of the remaining limit by the time of default.

Discount factor

As a rule, for balance sheet exposure which is not leasing or purchased or originated credit-impaired asset (POCI), the discount rate used in the expected credit loss calculation is the effective interest rate or an approximation thereof.

The expected credit loss is the product of Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and by the probability of non-default prior to the considered time period. The latter is expressed by the survivorship function S. This calculates future values of expected credit losses, which are then discounted back to the reporting date and summed. The calculated values of expected credit losses are then weighted by a forward looking scenario.

Different models have been used to estimate the Stage 3 provisions of outstanding lending amounts and these can be split into the following categories:

- Sovereign, corporate customers, project finance, financial institutions, local and regional governments, insurance companies and collective investment undertakings – Stage 3 provisions are calculated by workout managers who discount expected cash flows by the appropriate effective interest rate.
- Retail mortgages – Stage 3 provisions are generated by calculating the statistically derived best estimate of expected loss net of indirect costs.

Forward-looking information

Both the assessment of a significant increase in credit risk and the calculation of expected credit losses incorporate forward-looking information. The Group has performed historical analysis and identified key economic variables impacting credit risk and expected credit losses for each portfolio.

Expert judgment is applied in this process. Forecasts of economic variables (base economic scenario) are provided by Raiffeisen Research on a quarterly basis and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach is used, which means that economic variables tend to achieve either a long run average rate, or a long run average growth rate until maturity. The impact of economic variables on the probability of default, loss given default and exposure at default is determined using statistical regression to understand the impact that changes in these variables have had historically on default rates and on the components of loss given default and exposure at default.

In addition to the base economic scenario, Raiffeisen Research also provides a best case and worst case scenario. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking into account the range of possible outcomes that each chosen scenario is representative of. The following weights for individual economic scenarios are used in retail: 25% (upside/optimistic), 50% (base), 25% (downside/pessimistic).

The Group considers these forecasts representing its best estimate of the possible outcomes to cover any potential non-linearities and asymmetries in the Group's different portfolios.

Economic scenarios used as at 31 December 2023 include the following key indicators for the Slovak Republic for the years ended 31 December 2024 to 2026:

	(%)	2024	2025	2026
Unemployment rate	Baseline	5.43	5.35	5.30
	Downside	7.76	6.64	6.59
	Upside	4.93	5.07	5.02
Interest rates	Baseline	3.48	3.10	2.75
	Downside	4.37	3.60	3.25
	Upside	2.34	2.47	2.12
GDP growth	Baseline	1.49	2.11	2.06
	Downside	-0.58	0.96	0.91
	Upside	2.88	2.88	2.84
Real estate price index	Baseline	3.02	3.11	3.20
	Downside	2.83	2.83	2.82
	Upside	3.16	3.33	3.51

Economic scenarios used as at 31 December 2022 include the following key indicators for the Slovak Republic for the years ended 31 December 2023 to 2025:

	(%)	2023	2024	2025
Unemployment rate	Baseline	6.11	5.84	5.71
	Downside	8.72	7.29	7.16
	Upside	3.96	4.38	4.25
Interest rates	Baseline	2.60	2.15	1.78
	Downside	3.50	2.65	2.27
	Upside	2.12	1.88	1.51
GDP growth	Baseline	1.71	2.47	2.50
	Downside	-1.13	0.90	0.92
	Upside	3.25	3.33	3.35
Real estate price index	Baseline	2.88	2.97	3.06
	Downside	2.67	2.65	2.63
	Upside	3.10	3.31	3.54

Non-standard conditions may give rise to a situation where a specific risk factor occurs (or a number of risk factors or a combination thereof) with a potential impact on a certain portion of the Group's credit portfolio, eg certain economic industries. If such a risk factor occurs suddenly, over a short period of time, or the factor is of a temporary nature, such a factor may not be (partially or fully) reflected in the credit quality rating of the counterparty.

In such a case, the Group may apply corrections of potentially incomplete information as regards the portfolio's credit quality (forward-looking information principle) as Post-Model Adjustments (PMA).

Since December 2021, the Group has applied PMA at the level of economic industries, ie the Industry Module, to reflect the impact of specific risk factors on the most sensitive industries. The application of this method resulted in quantification of additional credit impairment of the portfolio (expected loss or impairment allowance), which is subsequently allocated to individual clients from a set of identified industries.

As at 31 December 2023, the Group applied two quantification approaches:

- "General Industry Based Approach" – based on an assessment of specific risk factors, the first step requires the identification of a high-risk industry portfolio. Subsequently, the amount of additional impairment allowances is calculated based on a simulation of the deterioration of credit rating of the counterparties (rating deterioration of clients in the identified industries by 3 grades). The simulation results in a calculation of the need for additional impairment allowances, which are subsequently allocated to individual clients from the identified industries. This approach was also applied as at 31 December 2022.
- "Specific Industry Based Approach" – method implemented in June 2023. Due to increased uncertainty and risk in the Commercial Real Estate (CRE) portfolio, RBI performed stress testing of clients classified in the CRE segment. Based on the stress testing results, the need for additional impairment allowances was calculated as an amount representing the potential amount of losses under the stress scenario conditions.

Sensitivity analysis

The assumptions affecting the expected credit loss allowance are as follows:

- Corporate portfolios
  - Gross domestic product;
  - Unemployment rate;
  - Long term government bond rate;
  - Inflation rate.

- Retail portfolios
  - Gross domestic product;
  - Unemployment rate;
  - Real estate prices.

Write-offs

The Group writes off the loans and advances provided to clients if, on the basis of an in-depth analysis, it proves that there is no real expectation of another recovery or the chance of another recovery is minimal. The usual, but not the only write-off indicators are the following: (i) the debtor does not carry out any activity, no repayment has been made over the past two years and there is no collateral or (ii) the debtor is in bankruptcy, all the assets being monetised and the proceeds realised; (iii) the court has decided (e.g. legal restructuring, debt elimination, etc.) to write off part of the receivable, or (iv) the Group sells the claim, and others. In the event of ongoing litigation or other actions that might eventually lead to a recovery, the Group usually writes off the receivables into the off-balance sheet.

Loans are written off on the basis of a valid decision of a court, Board of Directors, or another body of the Group (i.e. Problem Loan Committee and Executive Committee), in line with an internal directive on waiving their enforcement against booked impairment allowance. If the amount of the written-off receivable is higher than the impairment allowance created, further impairment allowance is created up to the amount of the written-off receivable and subsequently is derecognised from the statement of comprehensive income. The written-off receivables for which the right to recovery have not expired are recorded in the off-balance sheet. As at 31 December 2023, written-off receivables for which the right to recovery have not expired were in the amount of EUR 8 338 thousand (as at 31 December 2022: EUR 33 228 thousand).

After the write-off, the Group does not carry out active enforcement, only with respect to write-offs to the off-balance sheet does it continue to conduct litigation in order to achieve a recovery in the future. If the Group, after writing off the loans and advances provided to the client, collects additional amounts from the client or obtains control over the collateral that is higher than originally estimated, the yield is recognised in the statement of comprehensive income under "*Impairment allowances for financial assets and provisions for commitments and guarantees provided*".

Loan collateral

In terms of handling collateral, the Group places great emphasis on valuation and revaluation of individual items of collateral, determining the value of pledged collateral for secured loans, determining collateral acceptability to mitigate credit risk, and collateral enforcement, should the client be in default.

The Group mainly accepts the following types of collateral:
- Financial collateral
- Guarantees
- Real estate
- Chattel
- Receivables
- Life insurance

In terms of legal instruments, the Group uses:
- Pledges
- Assignments of receivable intended to serve as security
- Transfers of title intended to serve as security
- Blockages of cash
- Contracts for purchase of securities
- Agreements on liability replacement

The methodology of collateral valuation and the frequency of such revaluation depend on the type of collateral and the minimum requirements pursuant to the effective legislative standards implemented in the Group's internal regulations. The method of determining the value of collateral is specific for each type of collateral, and the Group respects a degree of prudence.

The value of pledged collateral is determined on a case-by-case basis for each type of collateral depending on the type of collateral and transaction, and individual risk characteristics. The value of pledged collateral is obtained by discounting the initial value of collateral obtained in valuation and revaluation. Factors based on which discounting factors are determined relate mainly to the enforceability of collateral if the counterparty defaults (e.g. type, location and condition of real estate), potential default of the security provider (e.g. credit quality and maturity of financial collateral), and other factors (the Group's business strategy and orientation). The discounting factors applied are subject to regular revaluation.

The claim value of collateral is derived from the value of pledged collateral up to the amount of the current amount receivable. If the value of pledged collateral is lower than the balance of the receivable, the Group will determine the claim value of collateral up to the amount of the value of pledged collateral.

The claim value of collateral contains a number of uncertainties and risks. The amounts that may be recovered in the course of liquidating the collateral for bad debts could differ from the estimated amounts, and the difference could be material.

The Group's decision on the enforcement of collateral is individual and depends on factors such as the current condition and value of the collateral, the current amount receivable, the promptness of the satisfaction of the receivable, collection-related costs etc. The relevant competent body of the Group decides which security instrument will be used in specific cases.

The Group mainly uses the following forms of enforcement of collateral:
- Voluntary auction
- Foreclosure procedure
- Realisation of the collateral for the Group's receivable in a bankruptcy procedure
- Sale of receivables

3. Financial assets mandatorily measured at fair value through profit or loss (FVTPL)

When the Group determines that a specific portfolio business model is to hold financial assets in order to collect contractual cash flows (or both: to collect contractual cash flows and to sell financial assets) and assumes that for the financial assets in question, the contractual cash flows do not constitute purely principal and interest payments, the Group recognises those financial assets under "*Financial assets mandatorily measured at fair value through profit or loss*". Primary as well as subsequent valuation of the listed financial assets is at fair value.

4. Financial assets measured at fair value through profit or loss (FVTPL)

Financial assets held for trading

The Group has acquired financial assets held for trading to utilise short-term price fluctuations in order to generate profits. In this category, the Group recognises securities - debt securities, treasury bills and shares. Debt securities and treasury bills are recognised by the Group in the statement of financial position line "*Financial assets held for trading*". All purchases and sales of trading securities are recognised as at the settlement date.

Financial assets held for trading are initially measured at fair value and subsequently remeasured to their present fair value. The Group discloses unrealised gains and losses on the fair value remeasurement of such assets and net interest income in the statement of comprehensive income line "*Net profit/(loss) from financial instruments held for trading and exchange rate differences*".

Derivative financial instruments

In this category, the Group discloses derivative financial instruments – interest rate swaps, currency swaps, index swaps, currency forwards, interest rate options, currency options, share index options, currency, interest rate and index futures and commodity derivatives.

All purchases and sales that require delivery within the time frame established by regulation or market convention ("regular way") are recognised as spot transactions. Transactions that do not meet the "standard way" settlement criteria are treated as financial derivatives.

The Group records unrealised gains and losses from the revaluation of derivative instruments to their fair values and net interest income in the statement of comprehensive income line "*Net profit/(loss) from financial instruments held for trading and exchange rate differences*".

Embedded derivatives

An embedded derivative is a component of a hybrid contract which also includes a non-derivative host contract. As a result of such a contract, some of the cash flows of such combined instrument change in the same way as for the derivative itself. If a hybrid contract contains a host contract which is an asset and falls within the scope of IFRS 9, the whole contract is treated as a single instrument from an accounting perspective, with the embedded derivative not separated, i.e. the Group analyses the cash flows of the whole asset and the business model, from which the asset was acquired.

If a hybrid contract contains a host contract which is not within the scope of IFRS 9, embedded derivatives are separated and recognised as separate derivatives unless there is a close relationship between the risks and economic characteristics of the derivative and the risks and economic characteristics of the host contract and if the embedded derivative recognised separately meets the definition of a derivative and if the primary contract is not accounted for at fair value, the changes in which are recognised in the statement of comprehensive income. If an embedded derivative is separated, the host contract is recognised in accordance with other standards.

5. Hedging derivatives

Within implementation of IFRS 9, the Group has decided to continue using the original accounting under IAS 39 in the reporting of hedging derivatives. Hedging derivatives are derivatives designed in the Group's strategy to hedge certain risks and which meet all classification criteria for hedging derivatives under international accounting standards.

Preparation of hedge documentation is required for hedge recognition. Formal hedge documentation is prepared at the inception date of the hedge and contains the following:

- Risk management objectives and strategy and how hedges fit into the Group's risk management;
- Type of hedges;
- Nature of hedged risks;
- Identification of the hedged item;
- Identification of the hedging instrument;
- Testing hedge effectiveness (description of testing method, retrospectively and prospectively).

To ensure that a hedge is effective, the change in the fair values or cash flows of the hedging and hedged instruments must be offsetting with the result being in the range 80 % – 125 %.

Retrospective testing shows whether the hedge was effective from the inception until to the current day. Prospective testing shows whether the effectiveness is expected in the future. The ineffective portion of a hedge is recognised in Note 4 under "*Net profit/(loss) from hedge accounting*".

The ineffectiveness of a hedging relationship may arise, for example, due to:

- The volatility of a short-term interest rate of the hedging derivative;
- Time discrepancy between the hedging derivative and hedged item;
- Using different discount curves.

The hedge is discontinued by:

- Voluntary termination;
- Sale, termination, exercise of the hedged instrument;
- The hedge ceased to meet the qualifying criteria.

Fair value hedges

Changes in the fair value of hedging derivatives which are regarded as fair-value hedges are recognised in the statement of comprehensive income together with any changes in the fair value of hedged assets or liabilities to which a hedge risk can be attributed. Hedge accounting is discontinued if the Group cancels the hedging relationship, the derivative instrument expires or is sold, terminated, or exercised, or when the hedging relationship no longer meets the criteria for fair-value hedge accounting.

The positive fair value of a hedging derivative is recognised in the statement of financial position, line "*Receivables from hedging derivatives*". The negative fair value of a hedging derivative is recognised in the statement of financial position, line "*Liabilities from hedging derivatives*". Any change in the fair value of a hedging derivative and a hedged instrument relating to the hedged risk is recognised in the statement of comprehensive income, line "*Net profit/(loss) from financial instruments held for trading and exchange rate differences*". Interest income and expenses related to the hedging derivative are recognised together with interest expenses related to the hedged instruments in the statement of comprehensive income as "*Net interest income and dividend income*" depending on the hedged item type.

Reclassifications in the statement of financial position:

The Group made a reclassification of "Change in the fair value of hedged items in interest rate risk hedging" item in the statement of financial position. This was only a change as regards presentation and has no impact on the balance sheet amount or the statement of profit and loss and other comprehensive income. The comparable period as at 31 December 2022 is adjusted as follows:

Reclassification	*2022 (before reclassification)*	*Reclassi-fication*	*2022 (after reclassification)*
Financial assets measured at amortised cost	**16 406 267**	**(7 874)**	**16 398 393**
Of which: Change in the fair value of hedged items in interest rate risk hedging – Loans and advances to customers	-	(7 874)	(7 874)
Receivables from hedging derivatives	**18 489**	**7 874**	**26 363**
Of which: Change in the fair value of hedged items in interest rate risk hedging – Loans and advances to customers	(7 874)	7 874	-
Financial liabilities measured at amortised cost	**19 945 223**	**(117 106)**	**19 828 117**
Of which: Change in the fair value of hedged items in interest rate risk hedging – Deposits from customers	-	(117 106)	117 106
Liabilities from hedging derivatives	**79 209**	**117 106**	**196 315**
Of which: Change in the fair value of hedged items in interest rate risk hedging – Deposits from customers	(117 106)	117 106	-

Cash flow hedges

The Group uses derivative financial instruments – interest rate swaps to hedge the risk of the variability of future cash flows associated with floating rate assets, which could result in unexpected losses in the event of changes in interest rates on the interbank market. The structure of such derivatives is strictly adjusted to the structure of a secured loan, as a result of which the Group is not exposed to the risk of changes in interest rates and the risk of cash flows. The efficiency of such hedging transactions is regularly monitored and the hedges were efficient during the respective period.

The positive fair value of a hedging derivative is recognised in the statement of financial position, line "*Receivables from hedging derivatives*". The negative fair value of a hedging derivative is recognised in the statement of financial position, line "*Liabilities from hedging derivatives*". Only a change in the fair value of a hedging derivative is recognised in the statement of other comprehensive income, line "*Cash flow hedges*". Interest income and expenses related to the hedging derivative are recognised together with interest income related to the hedged instruments in the statement of comprehensive income as "*Net interest income and dividend income*".

Macro hedges

In macro hedges, the Group used the so-called carve-out to IAS 39 adopted by the European Union, which enables hedging of the interest rate risk of core deposits. The Group uses macro hedges for a dynamically changing portfolio of fixed loans and deposits, where it can periodically add hedging and hedging items. In this way, the Group hedges its interest rate risk, with the hedged items (designated part of the portfolio) being remeasured at fair value associated with movements in the risk-free interest rate (or benchmark rate). The fair value of the hedged portfolio of loans and deposits is recognised in Note "*Receivables from hedging derivatives*". The change in the fair value of the hedged portfolio of loans and deposits related to the hedged risk is recognised in the statement of comprehensive income in "*Net profit/(loss) from financial instruments held for trading and exchange rate differences*".

The positive fair value of the hedging derivative is presented in the statement of financial position in "*Receivables from hedging derivatives*". The negative fair value of the hedging derivative is recognised in the statement of financial position in "*Payables from hedging derivatives*". The change in the fair value of the hedging derivative and the hedged instrument attributable to the hedged risk is recognised in the statement of comprehensive income in "*Net profit/(loss) from financial instruments held for trading and exchange rate differences*". Interest income and expense from the hedging derivative are presented together with the interest expense and income of the hedged instrument in the statement of comprehensive income in "*Net interest income and dividend income*" depending on the type of a hedging item.

6. Financial liabilities measured at amortised cost (AC)

All liabilities of the Group, except for financial liabilities held for trading and hedging derivative financial liabilities, are measured at amortised cost. Subordinated debt is recognised under Financial liabilities measured at amortised cost.

Subordinated debt refers to the Group's external funds and, in the event of bankruptcy, composition or Group's liquidation, the entitlement to its repayment is subordinated to liabilities to other creditors. Interest expense paid on the received subordinated debt is recognised through the statement of comprehensive income in "*Interest expense*".

Subordinated debt is a financial liability initially measured at fair value, net of transaction costs. It is subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The Group issues debt securities as part of financial liabilities measured at amortised cost.

7. Financial liabilities measured at fair value through profit or loss (FVTPL)

The Group, within financial liabilities recognised at fair value through profit or loss, recognises short-sell debt securities ("short selling") and the negative fair value of derivatives from the portfolio of financial liabilities held for trading and securities issued by the Group, which the Group hedges and are remeasured to fair value due to the hedged risk.

f) Derecognition of financial instruments

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor substantially retains all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group substantially retains all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the financial assets are modified resulting in a significant change in cash flows (see "*Modification of financial instruments*"), the original asset is derecognised and a new financial asset is recognised.

The Group derecognises financial liabilities only when the Group's obligations are discharged or cancelled, or when they expire.

If debt instruments are exchanged between the borrower and the creditor with significantly different terms, the Group derecognises the original financial liability and recognises a new financial liability. The Group proceeds similarly if there is a fundamental change in the terms of the existing financial liability or part of it.

g) Modification of financial instruments

Modification under IFRS 9 represents a change in the contractual cash flows of the loan/asset on the basis of a change in the contractual terms. If the modification meets the following qualitative or quantitative criteria (substantial modification), it leads to derecognition of the original loan or other asset and recognition of a new one.

The Group defines qualitative criteria as follows:
- Change in loan currency,
- Changes that cause the SPPI test to fail,
- Change in the type of a financial asset (eg loan for a debt security).

The Group defines the quantitative criteria as follows:
- Extending maturity by more than 50% and over 2 years (cumulative), and/or
- Change in the amortised cost (NPV before and after change using the original effective interest rate) of more than 10% or less than 10%, but more than EUR 100 000.

In the event that a modification does not result in the obligation to derecognise the loan/asset, the Group is required to recognise gains or losses on modifications. Gain or loss is equal to the difference between NPV from the new (modified) cash flow and current book value recorded in Note 9 "*Net modification profit/(loss)*".

h) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. Fair value of derivative instruments is also subject to credit loss allowances.

- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally-accepted pricing models based on discounted cash flow analysis.

- *Level 1* – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- *Level 2* – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

- *Level 3* – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs – fixed credit markup/deduction, available financial statements, etc.).

Insofar as market prices are available (which is mainly the case for securities traded on the stock exchange and active markets), the Group classifies the respective financial instrument based on an observable market price into Level 1. If the security is not traded on the stock exchange or the NBS benchmark for the security is not disclosed, the Group measures the security at fair value derived from inputs other than quoted prices.

An analysis of the amount of financial instruments recognised at fair value divided according to their fair value measurement levels is disclosed as "*Fair value of financial instruments*".

With respect to the definition of the fair value of financial instruments not remeasured to fair value, the Group applies the net present value method using the prime interest rates of individual currencies disclosed by central banks, which approximate market rates adjusted for an average mark-up for systematic risk.

Transfers between valuation levels

If the security is measured at fair value derived from quoted prices – Level 1 and the security is removed from trading on the stock exchange as well as from the NBS benchmark, the Group transfers such security to Level 2.

If at the initial recognition, the security was measured primarily at a theoretical price – Level 2, the Group changes the security's grouping from Level 2 to Level 1 by making the first deal on the stock exchange and disclosing its price. If the security is not traded in the following days and the security's price is not disclosed, such security will be transferred back to Level 2.

i) Sale and repurchase agreements – repo transactions

Debt securities sold under sale and repurchase agreements ("repo transactions") are recorded as assets in the statement of financial position, line "*Financial assets measured at amortised cost*", and the counterparty liabilities are included in "*Financial liabilities measured at amortised cost*".

Debt securities purchased under agreements to purchase and resell ("reverse repos") are recorded as assets in the statement of financial position, line "*Financial assets measured at amortised cost*".

The difference between the sale and repurchase price is treated as interest and accrued evenly over the life of the repo agreement using the effective interest rate.

j) Non-current tangible and intangible assets

Non-current tangible and intangible assets are stated at historical cost less accumulated depreciation/amortisation together with accumulated impairment losses. Non-current assets are depreciated using the straight–line method based on the estimated useful life. Tangible assets in progress, land, and artwork are not depreciated.

The estimated useful economic lives (in years) are set out below:

Machinery and equipment, computers, vehicles	Up to 6
Software	Up to 17
Fixtures, fittings and equipment	6 – 10
Energy machinery and equipment	10 – 15
Optical network	30
Buildings and structures	Up to 40

k) Goodwill

Goodwill represents the excess of the cost over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity as at the acquisition date. Goodwill is initially recognised at cost and subsequently adjusted for accumulated impairment losses. Goodwill is tested once or several times a year if events or changes in circumstances indicate that its value has been impaired pursuant to IAS 36 – Impairment of Assets. Impairment of goodwill cannot be reversed in the following reporting periods.

l) Impairment of tangible and intangible assets

At each reporting date, the Group 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 in order to determine the extent of any impairment loss.

The recoverable amount is the higher of the fair value less costs to sell and the present value of future cash flows expected to derive from the asset. If any of the amounts above 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 shall be reduced to equal the recoverable amount. The impairment loss shall be recognised directly through the statement of comprehensive income.

m) Leases

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 of time in exchange for consideration. The Parent Company leases premises for banking activities under standard lease agreements with a defined rent. These agreements do not include variable lease payments. For such contracts, the new model requires the lessee to recognise a right-of-use asset presented in Note 22 "*Non-current tangible assets and right-of-use assets*" and a lease liability presented in Note 28 "*Financial liabilities measured at amortised cost*". The right-of-use asset is depreciated and the liability accrues interest. This results in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals. When determining the amount of a lease liability, the Group takes into consideration all liabilities, including options to extend or shorten the contract. The exercising of an option always depends on the specific situation. The new Standard introduces a number of limited scope exceptions for lessees which include:

- Leases with a lease term of 12 months or less and containing no purchase options, and
- Leases where the underlying asset has a low value ('small-ticket' leases).

The Group applies both exceptions. Lease payments for short-term leases of 12 months or less are recognised in the statement of comprehensive income in the period for which they are paid. The same accounting policy is applied for the lease of low-cost assets. The Group considers low-cost assets to be assets with a cost not exceeding EUR 5 000.

The Group as a lessor

The Group as a lessor initially assesses whether the lease takes the form of a finance lease or an operating lease.

For the classification of a lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards of ownership of the asset. If substantially all the risks and rewards are transferred, the lease is classified as a finance lease. Otherwise, the lease is classified as an operating lease. One indicator of a finance lease is a lease term that lasts for almost the entire useful life of the asset.

The Group recognises lease payments under operating leases on a straight-line basis over the lease term in Note 6 "*Other operating profit/(loss)*" under "*Income from non-banking operations*".

The Group as a lessee

The Group leases real estate and other similar assets (branch business premises, parking spaces, data centre, etc.) as part of a longer-term lease.

Information on leased assets is stated in Note 22 "*Non-current tangible assets and right-of-use assets*" under "*Land and buildings – Right-of-use assets*". Information on leases where the Group is a lessee is presented in Note 43 "*Lease and lessee*" (IFRS 16).

n) Non-current assets held for sale

When the carrying amount is recovered through a sale transaction rather than through continuous use, non-current assets are classified as held for sale. This condition is considered to be met only if the sale is highly probable and the assets (or assets for disposal) are readily available for sale and, in addition, management has undertaken to perform the sale. The sales transaction must be completed within twelve months.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less selling costs and are reported under "*Non-current assets held for sale*".

o) Provisions

The amount of provisions is recognised as an expense and liability when the Group has legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and a reasonable estimate of the amount of the resulting loss can be made, provisions for liabilities are recognised as an expense or a liability. Any loss resulting from the recognition of a provision is recognised in the statement of comprehensive income for the period.

p) Provision for employee benefits

The Parent Company has a long-term employee benefit program comprising a lump-sum retirement benefit. As at 31 December 2023, the Parent Company had 3 349 employees included in the program (31 December 2022: 3 324 employees).

The method of calculating the liability applies actuarial calculations, based on employee's age, number of years worked, employee turnover, mortality tables, and discount rates.

The employee benefit costs are assessed using the projected unit credit method with actuarial valuation at the reporting date, measured as the present value of the estimated future cash outflows discounted by interest approximating yield on investment grade fixed income securities. Gains and losses from the post-employment defined benefit obligation are charged to the statement of comprehensive income in the current year in "*General administrative expenses*". Discount from the liability in this provision is recognised in the current period in the statement of comprehensive income under "*Interest expense*". The provision for employee benefits is recognised in the statement of financial position as "*Provisions*".

The Group also has a defined contribution plan for employees. All company contributions are included in personnel expenses in Note 7 "*General administrative expenses*".

q) Accrued interest

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.

r) Recognition of income and expenses

Income represents an increase in economic benefits during the reporting period in the form of an asset appreciation or a reduction in liabilities resulting in equity increase and are other than those relating to shareholder contributions.

Expense represents a decrease in economic benefits during the reporting period in the form of decrease or impairment of assets, impairment or rise of liability resulting in equity decrease and are other than those relating to the distribution of profit to shareholders.

The Group assesses each contract and product terms and conditions on an individual basis when recognising income and expense:

- Service or other fulfilment for which the reward is received or paid;
- The period in which the income or expense are to be recognised;
- Correct income and expense amount to be recognised depending on product terms and conditions or contract;
- Correct recognition of all discounts and rebates related to received or provided service;
- Significant financial component, if any;
- Non-financial services;
- Client rewards;
- Uncertain income.

1) Interest and interest-related charges and fees

Paid interest-related fees and commissions are transaction costs. Transaction costs represent incremental expenses that are part of an effective interest rate which can be directly added to acquisition, issue or disposal of financial assets or liabilities. Incremental expense would not arise without acquisition, issue or disposal of the financial instruments.

Received interest-related fees and commissions are initial fees related to the acquisition/provision of financial instrument including compensation for activities such as for the assessment of debtor financial status, assessment and evidence of guarantees and other hedging measurements, preparation and processing of documents and closing of transaction.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period.

Interest income and expenses, and interest-related charges arising on all interest-bearing instruments except for "*Financial assets held for trading*" are accrued in the statement of comprehensive income using the effective interest method.

Interest income from "*Financial assets held for trading*" is recognised in the statement of comprehensive income in Note 1 "*Net interest income and dividend income*".

Interest income/(expense) from securities includes revenues from coupons with fixed and floating rates, and amortised discount or premium.

If the Group is a contractual party with deferred payment for received or provided services, income or expense are recognised individually in interest income or expense in the amount related to the service price.

2) Fee and commission income/expense

Fees and commissions are recognised as expense or income depending on whether the service is provided on a one-off basis or for a specified period. If a service is received or provided during a specified period, fees and commissions are recognised during that period on an accrual basis as earned. Fees paid and received for a one-time service are recognised immediately. These are fees that are not attributable to the acquisition or issue of financial instruments, but rather are fees the Group collects or pays for the provision of a specific service. Unaccrued fees include current account maintenance services, execution of payment orders, loan management, provision of information, carrying out instructions to buy and sell securities for customers, management of customer security portfolios, etc. This category also includes commissions received for mediation of insurance for customers. Accrued fees include fees for guarantees. Fees and commissions are recognised in the statement of comprehensive income in Note 2 as "*Net fee and commission income*" from financial assets and liabilities not measured at fair value.

The Group applies IFRS 15 to customer contracts if:
- The parties have agreed to the contract;
- It is possible to identify the rights of each party regarding the provision of services;
- It is possible to identify payment terms;
- The contract has a commercial substance;
- It is probable that the Group will receive consideration for the service provided.

In the contract, the Group identifies each obligation to deliver a service or several various services. Each such delivery of a different service is assessed and reported separately by the Group. Revenue is recognised when the service is delivered, i.e. the Group has fulfilled its obligation and the customer has the opportunity to benefit from the delivered service. Revenue is recognised on a one-off basis if it is a one-off service or sequentially if the service is delivered sequentially. A transaction price is set for each service delivery. If the Group receives a consideration from the client but a portion or full amount is expected to be returned, the revenue is not recognised and the consideration received is recognised as a liability. If the transaction price provides the client or the Group with a significant element of financing the delivery of the service, the financing component and the price of the service are recognised separately.

3) Dividend income

Dividend income is recognised in the statement of comprehensive income when the dividend is approved to the Group in Note 1 "*Net interest income and dividend income*".

4) Income to be partially returned

Received income, part of which the Group promised to return, is recognised as liability that is measured as at each financial statement date on contractual and probability basis.

s) Basic and diluted earnings per share

The Group reports earnings per share attributable to the holders of each class of share. The Group calculated earnings per share as profits attributable to each class of shares divided by the weighted average number of each class of shares outstanding during the reporting period.

The profit attributable to each class of shares is determined based on the face value of each class of shares in relation to the percentage of the total face value of all shares.

t) Taxation and deferred tax

The Group calculates income tax in accordance with the provisions of the relevant legislation of the Slovak Republic, based on taxable profit. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax liability is calculated using the tax rates that have been enacted or substantively enacted by the reporting date.

The Group analyses impacts resulting from the implementation of global minimum tax rules (Pillar II). Global tax rules (Pillar II) apply to entities that are part of a multi-national group of companies that reported a consolidated profit of EUR 750 000 thousand or more in at least two reporting periods of the four preceding reporting periods. Given the high tax burden, the Group does not expect any negative financial impact from the implementation of these rules. The Group has applied an exemption from IAS 12 and does not recognise or disclose information on deferred tax assets and liabilities related to income tax under Pillar II.

The Amendment to the Act on the Special Levy on Regulated Entities became effective on 1 January 2024 laying down the obligation for banks to pay the special levy as of 2024. The levy will be paid via prepayments on a monthly basis, at a coefficient of 0.025, which represents a rate of 30 % p.a. of the profit/loss adjusted to comply with Slovak Accounting Standards and by a coefficient reflecting the share of income from banking operations in total income. The special levy of regulated entities is a tax-deductible expense. The levy rate will be gradually reduced by 5 % p.a. over the 2025 – 2027 period, and will be 4.356 % as of 2028.

The Group recognises deferred income tax using the balance sheet method when temporary differences arise between the tax values of assets or liabilities and their carrying amounts for the purposes of financial reporting. The Group analysed the impact of the introduction of the special bank levy on deferred taxes. Based on the analysis, the Group identified two areas where the special bank levy has an impact on deferred tax, namely:

- Lease liabilities and lease receivables that comprise a temporary difference when calculating the special levy;
- Remeasurement of securities from the portfolio measured at fair value through other comprehensive income. Profit/(loss) on the sale of securities is subsequently included in the base for the special levy calculation.

The Group assessed the impact of the above two areas on deferred tax and given the immateriality of such an impact as at 31 December 2023, the Group did not recognise a deferred tax adjustment due to the bank levy.

For other items of deferred tax, the Group applied the expected tax rate for the following years, ie 21 %. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally-enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

On 1 January 2023, the Group implemented Amendments to IAS 12 "*Income Taxes*" and began recognising deferred tax on transactions that upon initial recognition give rise to equal amounts of taxable and deductible temporary differences. Lease transactions (right-of-use and lease liability) meet this condition at the Group. The Group calculated the impact of introduction of this change as at 1 January 2023 and recognised the full amount (EUR 175 thousand) in retained earnings from previous years.

The Group recognises the due corporate income tax in the statement of financial position line "*Current tax asset*" or "*Current tax liability*" and the deferred tax in "*Deferred tax asset*" or "*Deferred tax liability*".

The Group pays various local taxes and value added tax (VAT). Various non-deductible local taxes are recognised in the statement of comprehensive income line "*General administrative expenses*" and VAT on the acquisition of non-current tangible and intangible assets is included in the cost of non-current tangible and intangible assets.

III. SEGMENT REPORTING

When reporting by segment, the Group applies IFRS 8 – Operating Segments. The accounting principles related to the reported segments are consistent with the Group's accounting principles.

The basis for classifying by segment is an internal principle for the Parent Company's management that is customer oriented. It also reflects the segmentation principle of the majority shareholder (Raiffeisen Bank International AG). The segmentation applied by the Parent Company is as follows:

- Corporate clients
- Financial institutions and public sector
- Retail customers
- Investment Banking and Treasury
- Equity investments and others

Corporate clients include all resident and non-resident companies, including state-owned companies. In terms of products, corporate clients were mainly provided with investment and operating loans in the form of instalment credits or overdraft facilities, factoring and documentary financing, project financing of commercial real estate projects, office premises, construction of shopping centres etc.

Financial institutions and public sector include:

Banks/Multinationals, which include all local and international banks and their majority-owned subsidiaries in the country and institutions such as the World Bank, EBRD, EIB, IMF, and KfW. In terms of products on the side of assets, exposures to banks mainly included nostro accounts and term deposits made. On the side of liabilities, they included mainly loro accounts, term deposits received and loans received from banks.

Brokers & Asset Management Companies, which include foundations, all broker houses, mutual fund companies, leasing companies, investment banks, and other similar entities. Insurance companies include, for example, pension funds. These entities are mainly provided with investment and operating loans.

Public Sector, which includes all government entities, ministries, municipalities, and similar institutions. Corporations that are owned by the public sector (state-owned) are shown under the corporate clients segment. Banks that belong to the government are defined as financial institutions. Securities of the Slovak Republic are disclosed in the Investment Banking and Treasury segment. Embassies and trade representatives are shown in this segment.

Retail Customers consist of Individuals (Consumers), which include all consumer customers, from low-income to high-income. The retail customers segment also includes micro businesses. For private banking, individuals are defined locally, with special treatment to individually manage their assets. In terms of products, retail customers – micro businesses and sole traders – are mainly provided with operating loans called BusinessÚver^{TB} Expres, BusinessÚver^{TB} Hypo and BusinessÚver^{TB} Variant, company credit cards (VISA Standard/Visa Gold) and other products.

Retail Customers – Households are mainly provided with mortgage loans, equity home loans, hypotéka[TB], Bezúčelový úver[TB] Classic, Bezúčelový úver[TB] Garant, private credit cards (Visa Standard /Visa Gold/Visa Platinum) and other products. Retail customers place their financial funds mainly in current accounts and term deposits.

Treasury and Investment Banking consist of business transactions conducted on the Parent Company's own account and risk originated from managing market risk positions like FX-dealing, securities and derivatives trading, money market trading, liquidity management and funding, strategic placement positioning (investment portfolio), interest rate gapping (maturity transformation).

Equity investments and others represent transactions with subsidiaries (eg dividend income), settlement from MREL debt securities, and costs of subordinated debt.

Segment reporting is based on the schemes of contribution margins that are calculated as a basis for the management of the Parent Company. In these schemes, revenues and expenses are allocated under the principles of causality, i.e. revenues and expenses are allocated to individual segments based on their place of origin.

"*General administrative expenses*" consist of direct and indirect expenses. Direct expenses (personnel expenses and other administrative expenses) are allocated per individual segment and indirect expenses are allocated in line with the approved ratios.

"*Special levy of selected financial institutions*" was allocated to individual segments according to the daily balances of all liabilities and to all segments.

The structure of items presented in Note III "Segment reporting" is consistent with similar items of the statement of comprehensive income.

Geographically, operating profit was primarily generated by the provision of banking services in the Slovak Republic. Some assets and liabilities are placed outside the Slovak Republic. The summary of the most significant exposures of total assets and liabilities to customers in foreign countries is included in "*Foreign assets and liabilities*". The Group decided not to report the total amount of revenues from foreign entities owing to their immateriality.

The Parent Company's management monitors interest income of individual segments on a net basis.

The consolidated statement of comprehensive income and other indicators by segment as at 31 December 2023:

	Corporate customers	Financial institution and public sector	Retail customers	Investment banking and treasury	Total reportable segments	Equity investments and non-reportable segments	Total
Net interest income and dividend income	150 649	5 415	291 935	(87 622)	**360 377**	43 986	**404 363**
Net fee and commission income	28 881	10 557	128 507	(542)	**167 403**	(436)	**166 967**
From payment transfers business	*15 068*	*2 213*	*73 606*	*(33)*	***90 854***	*(296)*	***90 558***
From credit processing business	*8 152*	*45*	*8 912*	*-*	***17 109***	*50*	***17 159***
From securities business	*425*	*5 367*	*11 879*	*(509)*	***17 162***	*(185)*	***16 977***
From activities regarding investment and pension fund management	*45*	*2 742*	*28 926*	*-*	***31 713***	*78*	***31 791***
From activities regarding mediation for third parties	*10*	*(211)*	*8 295*	*-*	***8 094***	*279*	***8 373***
From guarantee business	*5 148*	*402*	*278*	*-*	***5 828***	*8*	***5 836***
For other banking services	*33*	*(1)*	*(3 389)*	*-*	***(3 357)***	*(370)*	***(3 727)***
Net profit/(loss) from derecognition of financial assets and liabilities not measured at fair value through profit or loss	1	-	-	(3 823)	**(3 822)**	-	**(3 822)**
Net profit/(loss) from financial instruments held for trading and exchange rate differences	8 476	452	23 589	9 263	**41 780**	(977)	**40 803**
Net profit/(loss) from non-trading financial instruments mandatorily measured at fair value through profit or loss	-	(617)	1 927	-	**1 310**	276	**1 586**
Other operating profit/(loss)	-	-	-	-	**-**	2 958	**2 958**
General administrative expenses	(41 489)	(3 769)	(212 968)	(3 573)	**(261 799)**	(11 595)	**(273 394)**
Contribution to the Resolution Fund and the Deposit Guarantee Fund	(2 102)	(412)	(6 933)	(2 034)	**(11 481)**	4 138	**(7 343)**
Net modification profit/(loss)	-	-	-	-	**-**	(218)	**(218)**
(Creation)/release of provisions	-	-	-	-	**-**	451	**451**
Impairment allowances for financial assets and provisions for commitments and guarantees provided	4 079	(137)	(33 084)	(455)	**(29 597)**	-	**(29 597)**
Impairment allowances for non-financial assets	-	-	-	-	**-**	(1 872)	**(1 872)**
Profit before income tax	**148 495**	**11 489**	**192 973**	**(88 786)**	**264 171**	**36 711**	**300 882**
Income tax	-	-	-	-	**-**	(63 722)	**(63 722)**
Profit after tax	**148 495**	**11 489**	**192 973**	**(88 786)**	**264 171**	**(27 011)**	**237 160**
Total assets	**5 124 885**	**662 395**	**8 365 789**	**7 515 219**	**21 668 288**	**562 859**	**22 231 147**
Total equity and liabilities	**4 291 696**	**835 160**	**10 193 120**	**3 890 218**	**19 210 194**	**3 020 953**	**22 231 147**

The consolidated statement of comprehensive income and other indicators by segment as at 31 December 2022:

	Corporate customers	Financial institution and public sector	Retail customers	Investment banking and treasury	Total reportable segments	Equity investments and non-reportable segments	Total
Net interest income and dividend income	96 919	3 658	234 922	(14 507)	**320 992**	628	**321 620**
Net fee and commission income	28 526	9 994	119 480	(407)	**157 593**	320	**157 913**
From payment transfers business	*15 658*	*2 407*	*61 659*	*(45)*	***79 679***	*(108)*	***79 571***
From credit processing business	*7 701*	*98*	*12 855*	*-*	***20 654***	*13*	***20 667***
From securities business	*191*	*4 267*	*10 907*	*(362)*	***15 003***	*37*	***15 040***
From activities regarding investment and pension fund management	*298*	*2 949*	*28 050*	*-*	***31 297***	*331*	***31 628***
From activities regarding mediation for third parties	*18*	*-*	*6 481*	*-*	***6 499***	*38*	***6 537***
From guarantee business	*4 669*	*278*	*303*	*-*	***5 250***	*9*	***5 259***
For other banking services	*(9)*	*(5)*	*(775)*	*-*	***(789)***	*-*	***(789)***
Net profit/(loss) from derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	-	223	**223**	-	**223**
Net profit/(loss) from financial instruments held for trading and exchange rate differences	8 670	484	22 624	4 880	**36 658**	2 387	**39 045**
Net profit/(loss) from non-trading financial instruments mandatorily measured at fair value through profit or loss	-	(55)	874	95	**914**	(468)	**446**
Other operating profit/(loss)	-	-	-	-	**-**	1 114	**1 114**
General administrative expenses	(37 061)	(3 055)	(191 204)	(2 664)	**(233 984)**	(10 083)	**(244 067)**
Contribution to the Resolution Fund and the Deposit Guarantee Fund	(1 624)	(339)	(6 397)	(1 883)	**(10 243)**	(985)	**(11 228)**
Net modification profit/(loss)	-	-	-	-	**-**	(6)	**(6)**
(Creation)/release of provisions	-	-	-	-	**-**	10 297	**10 297**
Impairment allowances for financial assets and provisions for commitments and guarantees provided	(15 677)	(63)	(24 038)	(799)	**(40 577)**	(3 706)	**(44 283)**
Impairment allowances for non-financial assets	-	-	-	-	**-**	(4 171)	**(4 171)**
Net profit from non-current assets held for sale	-	-	-	-	**-**	4 867	4 867
Profit before income tax	**79 753**	**10 624**	**156 261**	**(15 062)**	**231 576**	**194**	**231 770**
Income tax	-	-	-	-	-	(44 995)	(44 995)
Profit after tax	**79 753**	**10 624**	**156 261**	**(15 062)**	**231 576**	**(44 801)**	**186 775**
Total assets	**4 660 577**	**574 469**	**8 614 090**	**7 399 521**	**21 248 657**	**476 158**	**21 724 815**
Total equity and liabilities	**3 558 075**	**1 483 327**	**10 024 614**	**4 162 632**	**19 228 648**	**2 496 167**	**21 724 815**

IV. OTHER NOTES

1. Net interest and dividend income

	2023	*2022*
Interest income calculated using the effective interest rate:	**708 726**	**343 847**
From loans and advances to banks measured at amortised cost	141 975	19 669
From loans and advances to customers measured at amortised cost	490 683	293 841
From finance lease	13 978	10 947
From debt securities measured at amortised cost	51 339	18 555
From debt securities measured at fair value through other comprehensive income	809	1 764
From derivatives – hedge accounting, interest rate risk	9 942	(929)
Other interest income:	**657**	**7 757**
From debt securities held for trading	482	139
From derivates held from trading	106	476
From financial liabilities	2	7 068
From other interest income	67	74
Interest expense:	**(305 060)**	**(30 024)**
On deposits from banks	(95 594)	(533)
On deposits from customers	(95 128)	(8 942)
On subordinated debts	(7 601)	(3 324)
On liabilities from debt securities issued by the Bank measured at amortised cost	(58 266)	(9 055)
On derivatives – hedge accounting, interest rate risk	(46 595)	1 073
On liabilities from debt securities designated as measured at fair value through other comprehensive income	(78)	(72)
On loans and deposits measured at amortised cost (including negative interest)	(12)	(8 156)
On lease liabilities	(691)	(551)
On other interest expense	(1 095)	(464)
Net interest income	**404 323**	**321 580**
Dividend income:	**40**	**40**
From dividends from financial assets measured at fair value through other comprehensive income	40	40
Net interest and dividend income	**404 363**	**321 620**

An increase in interest income during 2023 primarily resulted from increased interest income from loans to banks and customers in relation to the increase in interest rates on the financial market. This also resulted in increased costs, ie interest expense on deposits from banks and customers.

2. Net fee and commission income

	2023	2022
Total fee and commission income:	**232 100**	**218 274**
Fee and commission income related to IFRS 15	**226 262**	**213 013**
From payment transfers business	144 776	132 445
From credit processing business	19 118	22 575
From securities business	18 714	16 779
From activities regarding investment and pension fund management	31 855	31 656
From activities regarding mediation for third parties	8 584	6 877
From other banking services	3 215	2 681
Other fee and commission income	**5 838**	**5 261**
From guarantee business	5 838	5 261
Total fee and commission expenses:	**(65 133)**	**(60 361)**
From payment transfers business	(54 218)	(52 874)
From credit processing business	(1 959)	(1 908)
From securities business	(1 737)	(1 739)
From activities regarding investment and pension fund management	(64)	(28)
From activities regarding mediation for third parties	(211)	(340)
From other banking services	(6 942)	(3 470)
From guarantees business	(2)	(2)
Net fee and commission income	**166 967**	**157 913**

3. Net profit/(loss) from derecognition of financial assets and liabilities not measured at fair value through profit or loss

	2023	2022
Net profit/(loss) from derecognition of financial assets and liabilities measured at amortised cost:	**(3 499)**	**-**
Profit/(loss) from loans and advances sold	1	-
Profit/(loss) from debt securities sold	(3 500)	-
Net profit/(loss) from derecognition of financial assets measured at fair value through other comprehensive income:	**(323)**	**223**
Profit/(loss) from debt securities sold	(323)	223
Total	**(3 822)**	**223**

4. Net profit/(loss) from financial instruments held for trading and exchange rate differences

	2023	*2022*
Interest rate contracts – securities:	**2 469**	**1 604**
Revaluation to fair value	(199)	(127)
Profit/(loss) from securities sold	2 668	1 731
Interest rate transactions – loans and advances to customers:	**-**	**(354)**
Revaluation to fair value	-	(354)
Interest rate contracts – derivatives:	**(546)**	**3 141**
Realised profit/(loss) from derivatives	-	(1)
Revaluation to fair value	(546)	3 142
Net profit/(loss) from hedge accounting:	**(349)**	**15**
Revaluation to fair value of hedging instruments - Interest rate derivatives	36 816	(161 512)
Revaluation to fair value of hedging instruments - Debt securities	38 873	(18 090)
Revaluation to fair value of hedging instruments - Liabilities from debt securities	(28 846)	74 112
Revaluation to fair value of hedging instruments - Loans to customers	25 411	(7 874)
Revaluation to fair value of hedging instruments - Deposits from customers	(72 603)	113 379
Currency contracts:	**9 925**	**7 275**
Realised profit/(loss) from derivatives	9 662	6 164
Revaluation to fair value of derivatives	263	1 111
Foreign exchange differences	**29 304**	**27 364**
Total	**40 803**	**39 045**

5. Net profit/(loss) from non-trading financial instruments mandatorily measured at fair value through profit or loss

	2023	*2022*
Interest rate contracts – securities:	**1 310**	**914**
Revaluation to fair value	1 310	914
Loans and advances	**276**	**(468)**
Revaluation to fair value	276	(468)
Total	**1 586**	**446**

6. Other operating profit/(loss)

	2023	*2022*
Income from non-banking operations	4 252	3 487
Other operating income	2 237	2 252
Net loss from disposal of non-current tangible and intangible assets	(206)	(418)
Other operating expenses	(3 325)	(4 207)
Total	**2 958**	**1 114**

7. General administrative expenses

	2023	*2022*
Personnel costs:	**(160 535)**	**(140 718)**
Wages and salaries	(113 042)	(100 162)
Social security costs	(40 843)	(36 052)
Other social expenses	(5 783)	(5 570)
(Creation)/release of provisions for employee benefits	(867)	1 066
Other administrative expenses:	**(77 052)**	**(68 229)**
Costs of premises	(10 322)	(10 931)
Costs of information technology	(26 856)	(24 232)
Communication costs	(2 260)	(2 170)
Legal and consultancy costs*	(11 485)	(11 241)
Advertising and entertainment expenses	(16 007)	(12 749)
Consumption of stationeries	(501)	(540)
Transport and processing of cash	(675)	(750)
Travel costs	(1 490)	(1 246)
Education of employees	(2 391)	(1 999)
Other taxes and charges	(253)	(340)
Other expenses	(4 812)	(2 031)
Depreciation and amortisation of non-current tangible and intangible assets:	**(35 807)**	**(35 120)**
Non-current tangible assets and right-of-use assets	(22 003)	(21 717)
of which: right-of-use assets	*(11 093)*	*(11 167)*
Non-current intangible assets	(13 804)	(13 403)
Total	**(273 394)**	**(244 067)**

* *"Legal and consultancy costs" include the fee for the statutory audit in the amount of EUR 306 thousand (2022: EUR 319 thousand), of which other audit-related assurance services in the amount of EUR 38 thousand (2022: EUR 46 thousand) that were related to audit procedures related to NBS prudential returns and FINREP and COREP returns, agreed upon procedures under Act No. 566/2001 Coll. on Securities and Investment Services, the preparation of the Extended Report for the NBS, other assurance audit services in the amount of EUR 139 thousand (2022: EUR 73 thousand) related to the review of interim financial statements of the Parent Company, and other non-audit services in the amount of EUR 11 thousand (2022: EUR 0 thousand).*

8. Contribution to the Resolution fund and the Deposit Guarantee fund

	2023	2022
Contribution to the Resolution fund and the Deposit Guarantee fund		
Contribution to the Resolution fund*	(5 959)	(6 202)
Contribution to the Deposit Guarantee fund	(1 384)	(5 026)
Total	**(7 343)**	**(11 228)**

** The Resolution Fund represents an annual contribution for banks within the EU that are members of the Banking Union, the amount of which depends on the size and risk profile of the Group as defined in the Bank Recovery and Resolution Directive 2016/59/EU.*

9. Net modification profit/(loss)

	2023	2022
Financial assets at amortised cost:	**(218)**	**(6)**
Net modification profit/(loss) – Stage 1	(112)	(1)
Net modification profit/(loss) – Stage 2	(101)	(6)
Net modification profit/(loss) – Stage 3	(5)	1
Total	**(218)**	**(6)**

10. (Creation)/release of provisions

	2023	2022
(Creation)/release of provisions for:	**451**	**10 297**
(Creation)/release of provisions for litigations	451	10 297
Total	**451**	**10 297**

During 2022, based on expectations, the Group released a significant portion of the provision for litigation in the amount of EUR 9 909 thousand.

11. Impairment allowances for financial assets and provisions for commitments and guarantees provided

	2023	*2022*
Provisions for commitments and guarantees provided (Stage 1):	**(1 067)**	**(847)**
(Creation)/release	(1 067)	(847)
Provisions for commitments and guarantees provided (Stage 2):	**3 010**	**(1 937)**
(Creation)/release	3 010	(1 937)
Provisions for commitments and guarantees provided (Stage 3):	**194**	**311**
(Creation)/release	194	311
Total	**2 137**	**(2 473)**

	2023	*2022*
Impairment allowances for financial assets without increase in credit risk since initial recognition (Stage 1):	**(18 040)**	**(17 010)**
(Creation)/release	(18 040)	(17 010)
Impairment allowances for financial assets with significant increase in credit risk since initial recognition, but not credit impaired (Stage 2):	**5 508**	**(16 971)**
(Creation)/release	5 508	(16 971)
Impairment allowances for financial assets, credit impaired (Stage 3):	**(19 038)**	**(7 465)**
(Creation)/release	(19 038)	(7 465)
Impairment allowances for financial assets (POCI):	**(164)**	**(364)**
(Creation)/release	(164)	(364)
Total	**(31 734)**	**(41 810)**

Detailed information on impairment allowances for expected credit losses is disclosed in Note 19 "*Financial assets measured at fair value through other comprehensive income*" and in Note 20 "*Financial liabilities measured at amortised cost*".

12. Impairment allowances for non-financial assets

Movement in impairment allowances for non-financial assets:

	2023	*2022*
(Creation)/release of impairment allowances for non-current tangible assets	(318)	902
(Creation)/release of impairment allowances for non-current intangible assets	(1 658)	(4 652)
(Creation)/release of impairment allowances for other assets	104	(421)
Total	**(1 872)**	**(4 171)**

13. Net profit/(loss) on non-current assets held for sale

	2023	*2022*
Net profit/(loss) on assets held for sale	-	4 867
Total	**-**	**4 867**

14. Income tax

	2023	*2022*
Current tax expense	(62 509)	(51 134)
Deferred tax (expense)/income	(1 213)	6 139
Total	**(63 722)**	**(44 995)**

Slovak legal entities are obliged to report taxable income and remit corporate income taxes thereon to the respective tax authorities. In 2023, the corporate income tax rate amounted to 21 % (2022: 21 %).

Pre-tax profit tax differs from the theoretical tax that would arise using the applicable income tax rate as follows:

	2023	*2022*
Profit before tax	**300 882**	**231 771**
Theoretical tax calculated using the tax rate of 21 % (2022: 21 %)	63 185	48 672
Non-taxable income	(35)	(1 018)
Tax non-deductible expense	1 969	2 836
Impairment allowances and provisions, net	(1 312)	(4 857)
Additional tax of prior periods	(105)	(638)
Income tax expense	**63 722**	**44 995**
Effective tax for the reporting period	**21.18 %**	**19.41 %**

Deferred tax assets and liabilities as at 31 December 2023 and as at 31 December 2022 relate to the following items:

	Book value	*Tax value*	*Permanent difference*	*Temporary difference*	*2023*	*2022*
Deferred tax assets						
Financial assets measured at amortised cost	17 553 173	17 773 069	103 785	116 111	24 383	25 088
Financial assets measured at fair value through other comprehensive income	103 690	108 164	-	4 474	940	2 405
Financial liabilities measured at amortised cost	20 253 582	20 260 518	-	6 936	1 457	2 640
Non-current tangible assets and right-of-use assets	157 460	170 356	-	12 896	2 708	4 036
Other assets	52 465	58 422	1 022	4 935	1 035	712
Provisions	62 059	909	32 176	28 974	6 085	5 287
Other liabilities	59 346	20 771	2 423	36 152	7 592	6 542
Total					**44 200**	**46 710**
Net deferred tax asset/(liability)					**44 200**	**46 710**

The Group regularly tests the recognition of loan receivables upon their write-off for tax purposes and based on the results, it adjusts the percentage of the estimate of tax deductibility of impairment allowances for credit losses. Accordingly, as at 31 December 2023 the Group did not recognise a deferred tax asset in the amount of EUR 23 011 thousand (31 December 2022: EUR 22 425 thousand) with regard to part of the impairment allowances for expected credit losses and provisions for commitments and guarantees provided.

15. Basic and diluted earnings per share

2023	*Ordinary shares Face value EUR 800*	*Ordinary shares Face value EUR 4 000*	*Preference shares Face value EUR 4*
Comprehensive income after tax in the reporting period attributable to:	183 229	31 664	27 672
Weighted average number of shares outstanding during the period	60 616	2 095	1 830 871
Basic and diluted earnings per share	**3 023**	**15 115**	**15.1**

2022	*Ordinary shares Face value EUR 800*	*Ordinary shares Face value EUR 4 000*	*Preference shares Face value EUR 4*
Comprehensive income after tax in the reporting period attributable to:	132 148	22 837	19 943
Weighted average number of shares outstanding during the period	60 616	2 095	1 829 528
Basic and diluted earnings per share	**2 178**	**10 890**	**10.9**

Information on the method of calculation of earnings per share is stated in Note II. Principal Accounting Policies (s).

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

	2023	2022
Cash on hand	223 137	213 268
Cash balances at central banks	3 954 534	4 435 285
Other demand deposits	27 865	13 080
Total	**4 205 536**	**4 661 633**

The obligatory minimum reserve is recognised as interest-bearing deposits under the regulations of the National Bank of Slovakia and are part of the item "*Cash balances at central banks*". The amount of the reserve depends on the amount of deposits received by the Group. The Parent Company's ability to use the reserve is limited in accordance with the applicable legislation. Therefore, it is not included in "*Cash and cash equivalents*" for the purpose of preparing the statement of cash flows (see the "*Consolidated statement of cash flows*").

17. Financial assets held for trading

	2023	2022
Positive fair value of financial derivatives held for trading	**24 405**	**42 892**
Interest rate contracts	19 894	36 910
Currency contracts	4 511	5 982
Debt securities	**4 577**	**4 354**
Government bonds	4 577	4 354
Total	**28 982**	**47 246**

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

	2023	2022
Equity securities, debt securities and other securities with variable yield	**15 449**	**13 919**
Equity securities	6 079	5 033
Debt securities	5 484	4 897
Mutual fund certificates*	3 886	3 989
Loans and advances to customers	**21 782**	**19 217**
Loans and advances provided to corporate clients	21 782	19 217
Total	**37 231**	**33 136**

** The Group held equity securities (mutual fund certificates) for which the option of measurement at fair value through other comprehensive income (FVOCI) could not be used because these securities have a defined maturity and do not meet the definition of an equity instrument under IAS 32. As at 31 December 2023, the value of the above mutual fund certificates was EUR 831 thousand (31 December 2022: EUR 894 thousand).*

19. Financial assets at fair value through other comprehensive income

	2023	*2022*
Debt securities	**101 503**	**185 938**
Government bonds	-	53 496
Bonds issued by a bank sector	64 213	74 792
Bonds issued by other sectors	37 290	57 650
Equity instruments	**2 187**	**109**
Equity securities	2 187	109
Total	**103 690**	**186 047**

During 2023, the Group harmonised the recognition of an investment in Monilogi s. r. o. with its parent company. In 2023, the investment is included in the *Financial assets measured at fair value through other comprehensive income* portfolio. In 2022, the investment was recognised in Note 25 "*Other assets*".

Classification of debt securities measured at fair value through other comprehensive income as at 31 December 2023:

	Gross carrying amount	*Impairment allowances*	*Net carrying amount*
Debt securities	**101 565**	**(62)**	**101 503**
Government bonds	-	-	-
Bonds issued by a bank sector	64 242	(29)	64 213
Bonds issued by other sectors	37 323	(33)	37 290
Total	**101 565**	**(62)**	**101 503**

Classification of debt securities measured at fair value through other comprehensive income as at 31 December 2022:

	Gross carrying amount	*Impairment allowances*	*Net carrying amount*
Debt securities	**186 108**	**(170)**	**185 938**
Government bonds	53 517	(21)	53 496
Bonds issued by a bank sector	74 804	(12)	74 792
Bonds issued by other sectors	57 787	(137)	57 650
Total	**186 108**	**(170)**	**185 938**

20. Financial assets at amortised cost

Classification of financial assets measured at amortised cost as at 31 December 2023:

	Gross carrying amount	*Impairment allowances*	*Net carrying amount*
Loans and advances to banks	**194 778**	**-**	**194 778**
Money-market business	142 126	-	142 126
Reverse repo transactions	52 652	-	52 652
Loans and advances to customers	**14 351 046**	**(246 276)**	**14 104 770**
Overdraft loans and current account overdrafts	928 442	(20 492)	907 950
Receivables from credit cards	119 871	(5 308)	114 563
Factoring and loans covered by bills of exchange	101 314	(721)	100 593
Mortgage and housing loans	5 485 079	(33 402)	5 451 677
Home Equity Loans	1 119 413	(8 572)	1 110 841
Consumer loans	1 288 592	(88 646)	1 199 946
Finance lease receivables	386 358	(13 540)	372 818
Investment, operating and other loans	4 921 977	(75 595)	4 846 382
Change in the fair value of hedged items in interest rate risk hedging – Loans and advances to customers	**17 537**	**-**	**17 537**
Debt securities	**3 237 466**	**(1 378)**	**3 236 088**
Government bonds	3 054 737	(1 233)	3 053 504
Bonds issued by a bank sector	163 144	(55)	163 089
Bonds issued by other sectors	19 585	(90)	19 495
Total	**17 800 827**	**(247 654)**	**17 553 173**

Classification of financial assets measured at amortised cost as at 31 December 2022:

	Gross carrying amount	*Impairment allowances*	*Net carrying amount*
Loans and advances to banks	**195 011**	**-**	**195 011**
Money-market business	149 782	-	149 782
Reverse repo transactions	45 224	-	45 224
Other loans and advances to banks	5	-	5
Loans and advances to customers	**13 981 867**	**(245 058)**	**13 736 809**
Overdraft loans and current account overdrafts	1 032 361	(19 501)	1 012 860
Receivables from credit cards	109 190	(4 503)	104 687
Factoring and loans covered by bills of exchange	66 670	(599)	66 071
Mortgage and housing loans	5 423 611	(35 717)	5 387 894
Home Equity Loans	1 136 710	(8 238)	1 128 472
Consumer loans	1 145 585	(71 511)	1 074 074
Finance lease receivables	356 179	(12 490)	343 689
Investment, operating and other loans	4 711 561	(92 499)	4 619 062
Change in the fair value of hedged items in interest rate risk hedging – Loans and advances to customers*	**(7 874)**	**-**	**(7 874)**
Debt securities	**2 596 512**	**(885)**	**2 595 627**
Government bonds	2 400 053	(797)	2 399 256
Bonds issued by a bank sector	176 830	(30)	176 800
Bonds issued by other sectors	19 629	(58)	19 571
Total	**16 765 516**	**(245 943)**	**16 519 573**

** Information on the reclassification of "Change in the fair value of hedged items in interest rate risk hedging – Loans and advances to customers" item is described in detail in (e) Financial instruments: Reclassifications in the statement of financial position.*

As at 31 December 2023, the total amount of syndicated loans managed by the Group was in the amount of EUR 1 396 167 thousand (31 December 2022: EUR 1 454 711 thousand). The Group's share amounted to EUR 501 882 thousand (31 December 2022: EUR 495 576 thousand). Syndicated loans are included in "*Investment, operating and other loans*".

Classification of financial assets measured at amortised cost by customer group as at 31 December 2023:

	Gross carrying amount	*Impairment allowances*	*Net carrying amount*
Banks	357 922	(55)	357 867
Public sector	3 058 883	(1 234)	3 057 649
Corporate clients	5 970 043	(80 455)	5 889 588
Retail clients	8 413 979	(165 910)	8 248 069
Total	**17 800 827**	**(247 654)**	**17 553 173**

Classification of financial assets measured at amortised cost by customer group as at 31 December 2022:

	Gross carrying amount	*Impairment allowances*	*Net carrying amount*
Banks	371 841	(30)	371 811
Public sector	2 405 005	(798)	2 404 207
Corporate clients	5 804 599	(93 749)	5 710 850
Retail clients	8 184 071	(151 366)	8 032 705
Total	**16 765 516**	**(245 943)**	**16 519 573**

An overview of the quality of financial assets measured at amortised cost is stated in Note 41 "*Risk report*".

Movements in impairment allowances for losses from financial assets measured at amortised cost as at 31 December 2023:

	As at 1 January 2023	*Creation/ (Release)**	*Usage*	*Transfers, FX differences*	*As at 31 December 2023*
Impairment allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**40 789**	**18 145**	**-**	**-**	**58 934**
Banks	-	-	-	-	-
Corporate clients	23 707	4 566	-	-	28 273
Retail clients	16 247	13 202	-	-	29 449
Debt securities	835	377	-	-	1 212
Impairment allowances for financial assets with significant increase in credit risk since initial recognition, but not credit impaired (Stage 2)	**61 253**	**(5 972)**	**-**	**-**	**55 281**
Banks	-	-	-	-	-
Corporate clients	18 682	(1 173)	-	-	17 509
Retail clients	42 521	(4 915)	-	-	37 606
Debt securities	50	116	-	-	166
Specific impairment allowances for individually and collectively assessed items (Stage 3)	**138 579**	**17 754**	**(28 364)**	**199**	**128 168**
Banks	-	-	-	-	-
Corporate clients	47 384	(5 319)	(11 794)	83	30 354
Retail clients	91 195	23 073	(16 570)	116	97 814
Debt securities	-	-	-	-	-
Impairment allowances for financial assets recognised as impaired on initial recognition (POCI)	**5 322**	**1 037**	**(512)**	**(576)**	**5 271**
Banks	-	-	-	-	-
Corporate clients	3 919	1 268	(404)	(553)	4 230
Retail clients	1 403	(231)	(108)	(23)	1 041
Debt securities	-	-	-	-	-
Total	**245 943**	**30 964**	**(28 876)**	**(377)**	**247 654**

** The amount of creation/(release) of the impairment allowances for losses from financial assets measured at amortised cost includes the impact of unwinding in the amount of EUR 251 thousand.*

Movements in impairment allowances for losses from financial assets measured at amortised cost as at 31 December 2022:

	As at 1 January 2022	*Creation/ (Release)**	*Usage*	*Transfers, FX differences*	*As at 31 December 2022*
IImpairment allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**24 066**	**16 723**	**-**	**-**	**40 789**
Banks	-	-	-	-	-
Corporate clients	16 101	7 606	-	-	23 707
Retail clients	7 898	8 349	-	-	16 247
Debt securities	67	768	-	-	835
Impairment allowances for financial assets with significant increase in credit risk since initial recognition, but not credit impaired (Stage 2)	**45 110**	**16 143**	**-**	**-**	**61 253**
Banks	-	-	-	-	-
Corporate clients	14 637	4 045	-	-	18 682
Retail clients	30 473	12 048	-	-	42 521
Debt securities	-	50	-	-	50
Specific impairment allowances for individually and collectively assessed items (Stage 3)	**165 850**	**608**	**(28 063)**	**184**	**138 579**
Banks	-	-	-	-	-
Corporate clients	56 774	(1 311)	(8 133)	54	47 384
Retail clients	109 076	1 919	(19 930)	130	91 195
Debt securities	-	-	-	-	-
Impairment allowances for financial assets recognised as impaired on initial recognition (POCI)	**3 798**	**1 980**	**(472)**	**16**	**5 322**
Banks	-	-	-	-	-
Corporate clients	3 087	1 173	(347)	6	3 919
Retail clients	711	807	(125)	10	1 403
Debt securities	-	-	-	-	-
Total	**238 824**	**35 454**	**(28 535)**	**200**	**245 943**

** The amount of creation/(release) of the impairment allowances for losses from financial assets measured at amortised cost includes the impact of unwinding in the amount of EUR 164 thousand.*

The following table represents the carrying amount of transfers between the impairment stages for financial assets measured at amortised cost and contingent liabilities and other off-balance sheet items as at 31 December 2023:

	From Stage 2 to Stage 1	*From Stage 1 to Stage 2*	*From Stage 3 to Stage 2*	*From Stage 2 to Stage 3*	*From Stage 3 to Stage 1*	*From Stage 1 to Stage 3*
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**980 748**	**666 204**	**4 184**	**64 870**	**2 911**	**19 196**
Corporate clients	262 229	229 582	707	25 187	676	373
Retail clients	718 519	436 622	3 477	39 683	2 235	18 823
Debt securities	**-**	**23 961**	**-**	**-**	**-**	**-**
Commitments and financial guarantees provided	**662 218**	**72 206**	**1**	**246**	**102**	**14**
Banks	-	3 250	-	-	-	-
Corporate clients	629 257	58 827	-	206	93	-
Retail clients	32 961	10 129	1	40	9	14
Total	**1 642 966**	**762 371**	**4 185**	**65 116**	**3 013**	**19 210**

The transfer of corporate client exposures from Stage 2 to Stage 1 is due to improved macroeconomic scenarios during 2023 (compared to 2022). The transfer of retail client exposures from Stage 1 to Stage 2 was due to the implementation of the holistic ESG flag for exposures secured by real estate with a possible threat by one of physical risks. The increase in the significant impairment of credit risk (SICR) parameter from 70 % to 90% is the main reason for the transfer of retail client exposures from Stage 2 to Stage 1.

The following table presents the decreases in the impairment allowance from the stages for financial assets measured at amortised cost and contingent liabilities and other off-balance sheet items as at 31 December 2023:

	From Stage 2 to Stage 1	*From Stage 1 to Stage 2*	*From Stage 3 to Stage 2*	*From Stage 2 to Stage 3*	*From Stage 3 to Stage 1*	*From Stage 1 to Stage 3*
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**(21 534)**	**(2 978)**	**(1 360)**	**(5 603)**	**(1 278)**	**(433)**
Corporate clients	(4 430)	(1 645)	(64)	(1 852)	(52)	(4)
Retail clients	(17 104)	(1 333)	(1 296)	(3 751)	(1 226)	(429)
Debt securities	**-**	**(3)**	**-**	**-**	**-**	**-**
Commitments and financial guarantees provided	**(2 387)**	**(187)**	**-**	**(1)**	**(2)**	**-**
Banks	-	-	-	-	-	-
Corporate clients	(2 117)	(174)	-	-	-	-
Retail clients	(270)	(13)	-	(1)	(2)	-
Total	**(23 921)**	**(3 168)**	**(1 360)**	**(5 604)**	**(1 280)**	**(433)**

The following table presents the increases in the impairment allowance from the stages for financial assets measured at amortised cost and contingent liabilities and other off-balance sheet items as at 31 December 2023:

	From Stage 2 to Stage 1	*From Stage 1 to Stage 2*	*From Stage 3 to Stage 2*	*From Stage 2 to Stage 3*	*From Stage 3 to Stage 1*	*From Stage 1 to Stage 3*
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**5 591**	**18 420**	**207**	**20 282**	**22**	**8 935**
Corporate clients	1 624	5 547	36	4 429	-	52
Retail clients	3 967	12 873	171	15 853	22	8 883
Debt securities	**-**	**124**	**-**	**-**	**-**	**-**
Commitments and financial guarantees provided	**1 286**	**310**	**-**	**27**	**-**	**11**
Banks	-	-	-	-	-	-
Corporate clients	1 233	200	-	-	-	-
Retail clients	53	110	-	27	-	11
Total	**6 877**	**18 854**	**207**	**20 309**	**22**	**8 946**

The following table presents the carrying amount of transfers between the impairment stages for financial assets measured at amortised cost and contingent liabilities and other off-balance sheet items at 31 December 2022:

	From Stage 2 to Stage 1	*From Stage 1 to Stage 2*	*From Stage 3 to Stage 2*	*From Stage 2 to Stage 3*	*From Stage 3 to Stage 1*	*From Stage 1 to Stage 3*
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**1 716 157**	**947 383**	**6 308**	**45 531**	**3 178**	**20 932**
Corporate clients	202 617	293 844	59	7 546	158	4 666
Retail clients	1 513 540	653 539	6 249	37 985	3 020	16 266
Debt securities	**-**	**36 503**	**-**	**-**	**-**	**-**
Commitments and financial guarantees provided	**191 002**	**681 724**	**111**	**175**	**106**	**480**
Banks	-	-	-	-	-	-
Corporate clients	112 679	614 561	9	43	-	432
Retail clients	78 323	67 163	102	132	106	48
Total	**1 907 159**	**1 665 610**	**6 419**	**45 706**	**3 284**	**21 412**

The following table presents the decreases in the impairment allowance from the stages for financial assets measured at amortised cost and contingent liabilities and other off-balance sheet items as at 31 December 2022:

	From Stage 2 to Stage 1	*From Stage 1 to Stage 2*	*From Stage 3 to Stage 2*	*From Stage 2 to Stage 3*	*From Stage 3 to Stage 1*	*From Stage 1 to Stage 3*
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**(18 681)**	**(4 865)**	**(4 052)**	**(3 247)**	**(1 624)**	**(173)**
Corporate clients	(3 743)	(2 693)	(47)	(1 093)	(57)	(13)
Retail clients	(14 938)	(2 172)	(4 005)	(2 154)	(1 567)	(160)
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
Commitments and financial guarantees provided	**(772)**	**(1 382)**	**(72)**	**(1)**	**(73)**	**-**
Banks	-	-	-	-	-	-
Corporate clients	(421)	(1 332)	-	-	-	-
Retail clients	(351)	(50)	(72)	(1)	(73)	-
Total	**(19 453)**	**(6 247)**	**(4 124)**	**(3 248)**	**(1 697)**	**(173)**

The following table presents the increases in the impairment allowance from the stages for financial assets measured at amortised cost and contingent liabilities and other off-balance sheet items as at 31 December 2022:

	From Stage 2 to Stage 1	*From Stage 1 to Stage 2*	*From Stage 3 to Stage 2*	*From Stage 2 to Stage 3*	*From Stage 3 to Stage 1*	*From Stage 1 to Stage 3*
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**5 592**	**25 682**	**245**	**17 836**	**17**	**9 635**
Corporate clients	2 280	6 533	12	2 574	-	2 004
Retail clients	3 312	19 149	233	15 262	17	7 631
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
Commitments and financial guarantees provided	**681**	**2 644**	**1**	**26**	**-**	**420**
Banks	-	-	-	-	-	-
Corporate clients	648	2 259	-	-	-	403
Retail clients	33	385	1	26	-	17
Total	**6 273**	**28 326**	**246**	**17 862**	**17**	**10 055**

Balance of finance lease receivables as at 31 December 2023 and 31 December 2022:

	2023	*2022*
Gross investment	**434 081**	**383 117**
Less than 3 months	43 729	38 081
3 months to 1 year	90 079	86 809
1 to 5 years	240 149	220 753
More than 5 years	60 124	37 474
Unrealised finance income	**47 723**	**26 938**
Less than 3 months	3 944	2 728
3 months to 1 year	10 379	6 728
1 to 5 years	25 934	14 758
More than 5 years	7 466	2 724
Net investment	**386 358**	**356 179**
Less than 3 months	39 785	35 353
3 months to 1 year	79 700	80 081
1 to 5 years	214 215	205 995
More than 5 years	52 658	34 750

Assets leased under finance lease:

	2023	*2022*
Lease of vehicles	196 320	185 839
Lease of real estate	70 521	55 532
Lease of movable assets	119 517	114 808
Total	**386 358**	**356 179**

21. Receivables from hedging derivatives

	2023	2022
Positive fair value of financial derivatives for fair value hedging of interest rate risk	**48 344**	**26 363**
Interest–rate contracts	48 344	26 363
Total	**48 344**	**26 363**

A detailed overview of receivables from hedging derivatives is shown in Note 38 "*Fair value hedges relating to hedging transactions*".

22. Non-current tangible and intangible assets and right-of-use assets

Movements in non-current tangible assets for own use as at 31 December 2023:

	Land and buildings - operating lease*	Land and buildings - Right-of-use of assets	Land and buildings	Machinery & equipment	Other non-current assets	Vehicles	Assets under construction	Total
Cost								
1 January 2023	**1 409**	**80 882**	**31 331**	**51 139**	**17 582**	**4 475**	**5 400**	**192 218**
Additions	-	-	-	-	-	-	20 935	20 935
Disposals	(375)	(6 264)	(3 591)	(9 634)	(1 640)	(502)	-	(22 006)
Transfer from own use to non-current assets held for sale**	-	-	2 218	-	-	-	-	2 218
Transfer from tangible assets under construction	514	8 010	4 117	6 683	1 152	997	(21 473)	-
31 December 2023	**1 548**	**82 628**	**34 075**	**48 188**	**17 094**	**4 970**	**4 862**	**193 365**
Accumulated depreciation								
1 January 2023	**(227)**	**(35 749)**	**(16 645)**	**(36 310)**	**(8 422)**	**(2 050)**	**-**	**(99 403)**
Depreciation charges	(295)	(11 093)	(2 245)	(6 166)	(1 688)	(516)	-	(22 003)
Disposals	102	5 820	2 919	9 623	1 547	526	-	20 537
Transfer from own use to non-current assets held for sale*	-	-	(1 687)	-	-	-	-	(1 687)
Impairment allowance	(49)	-	(269)	-	-	-	-	(318)
31 December 2023	**(469)**	**(41 022)**	**(17 927)**	**(32 853)**	**(8 563)**	**(2 040)**	**-**	**(102 874)**
Carrying amount as at 1 January 2023	**1 182**	**45 133**	**14 686**	**14 829**	**9 160**	**2 425**	**5 400**	**92 815**
Carrying amount as at 31 December 2023	**1 079**	**41 606**	**16 148**	**15 335**	**8 531**	**2 930**	**4 862**	**90 491**

* *An analysis of the maturity of cash flows from lease liabilities is included in Note 43 "Leases as a lessee (IFRS 16)"*
** *See Note 26 "Non-current assets held for sale".*

Movements in non-current tangible assets for own use as at 31 December 2022:

	*Land and buildings - operating lease**	*Land and buildings - Right-of-use of assets*	*Land and buildings*	*Machinery & equipment*	*Other non-current assets*	*Vehicles*	*Assets under construction*	*Total*
Cost								
1 January 2022	**2 120**	**74 836**	**35 195**	**57 785**	**16 119**	**4 751**	**4 079**	**194 885**
Additions	-	-	-	-	-	-	19 055	19 055
Disposals	(711)	(2 921)	(5 294)	(8 862)	(2 047)	(1 127)	-	(20 962)
Transfer from own use to non-current assets held for sale*	-	-	(603)	-	(157)	-	-	(760)
Transfer from tangible assets under construction	-	8 967	2 033	2 216	3 667	851	(17 734)	-
31 December 2022	**1 409**	**80 882**	**31 331**	**51 139**	**17 582**	**4 475**	**5 400**	**192 218**
Accumulated depreciation								
1 January 2022	**(710)**	**(26 613)**	**(21 089)**	**(42 007)**	**(5 802)**	**(2 412)**	**-**	**(98 633)**
Depreciation charges	(324)	(11 167)	(2 337)	(3 086)	(4 294)	(509)	-	(21 717)
Disposals	807	2 031	5 570	8 783	1 612	871	-	19 674
Transfer from own use to non-current assets held for sale*	-	-	309	-	62	-	-	371
Impairment allowance	-	-	902	-	-	-	-	902
31 December 2022	**(227)**	**(35 749)**	**(16 645)**	**(36 310)**	**(8 422)**	**(2 050)**	**-**	**(99 403)**
Carrying amount as at 1 January 2022	**1 410**	**48 223**	**14 106**	**15 778**	**10 317**	**2 339**	**4 079**	**96 252**
Carrying amount as at 31 December 2022	**1 182**	**45 133**	**14 686**	**14 829**	**9 160**	**2 425**	**5 400**	**92 815**

** See Note 26 "Non-current assets held for sale".*

Movements in intangible assets as at 31 December 2023:

	Software	*Goodwill*	*Other intangible assets*	*Intangible assets under construction*	*Total*
Cost					
1 January 2023	**134 150**	**12 876**	**4 367**	**9 953**	**161 346**
Additions	-	-	-	17 510	17 510
Disposals	(9 547)	-	-	-	(9 547)
Transfer from intangible assets under construction	14 676	-	-	(14 676)	-
31 December 2023	**139 279**	**12 876**	**4 367**	**12 787**	**169 309**
Accumulated amortisation					
1 January 2023	**(93 235)**	**-**	**(3 364)**	**-**	**(96 599)**
Amortisation charges	(12 801)	-	(1 003)	-	(13 804)
Disposals	9 721	-	-	-	9 721
Impairment allowance	(211)	-	-	(1 447)	(1 658)
31 December 2023	**(96 526)**	**-**	**(4 367)**	**(1 447)**	**(102 340)**
Carrying amount as at 1 January 2023	**40 915**	**12 876**	**1 003**	**9 953**	**64 747**
Carrying amount as at 31 December 2023	**42 753**	**12 876**	**-**	**11 340**	**66 969**

Movements in intangible assets as at 31 December 2022:

	Software	*Goodwill*	*Other intangible assets*	*Intangible assets under construction*	*Total*
Cost					
1 January 2022	**180 867**	**12 876**	**4 367**	**5 158**	**203 268**
Additions	-	-	-	17 228	17 228
Disposals	(59 150)	-	-	-	(59 150)
Transfer from intangible assets under construction	12 433	-	-	(12 433)	-
31 December 2022	**134 150**	**12 876**	**4 367**	**9 953**	**161 346**
Accumulated amortisation					
1 January 2022	**(136 943)**	**-**	**(554)**	**-**	**(137 497)**
Amortisation charges	(12 039)	-	(1 364)	-	(13 403)
Disposals	58 953	-	-	-	58 953
Impairment allowance	(3 206)	-	(1 446)	-	(4 652)
31 December 2022	**(93 235)**	**-**	**(3 364)**	**-**	**(96 599)**
Carrying amount as at 1 January 2022	**43 924**	**12 876**	**3 813**	**5 158**	**65 771**
Carrying amount as at 31 December 2022	**40 915**	**12 876**	**1 003**	**9 953**	**64 747**

Development of goodwill in the periods:

	2023	*2022*
As at 1 January	12 875	12 875
Additions	-	-
Impairment allowance	-	-
Carrying amount	**12 875**	**12 875**

Goodwill of EUR 9 021 thousand arose on the acquisition of Doplnková dôchodková spoločnosť Tatra banky, a.s. in 2006, and goodwill of EUR 3 199 thousand arose on the acquisition of a 51.5% ownership interest in Tatra-Leasing s.r.o. in 2015.

Goodwill in Doplnková dôchodková spoločnosť Tatra banky, a.s. arose from the business combination, mainly from expected future income from pension fund management as well as expected synergies from the integration of the company into the Group structure. These benefits are not reported separately as the resulting future economic benefits cannot be reliably measured separately.

In 2021, the Group acquired a 100% share in IMPULS-LEASING Slovakia s.r.o. Goodwill in the amount of EUR 655 thousand arose on the acquisition.

The Group assessed the recoverable amount of goodwill at the balance sheet date and did not identify any impairment.

Insurance coverage

The Parent Company concluded an insurance contract for assets and business disruption (International Insurance Program) under which its buildings are covered up to EUR 31 223 thousand, operational-commercial facilities up to EUR 7 335 thousand, business disruption up to EUR 2 000 thousand, loss of assets up to EUR 2 500 thousand, insurance of electronics (local amendment to the fronting contract), under which the Parent Company's ATMs and cash dispensers (cashomats) are covered up to EUR 4 086 thousand, and liability insurance – damage to third party assets, life and health, expenses for an insured person's defence with an insured amount of EUR 10 000 thousand. Vehicles are insured under a motor hull insurance contract up to a maximum risk of EUR 4 658 thousand.

23. Current tax asset

	2023	2022
Tax asset – current	66	434
Total	**66**	**434**

24. Deferred tax asset

	2023	2022
Tax asset – deferred	44 200	46 702
Total	**44 200**	**46 702**

Net deferred income tax asset resulted mainly from temporary deductible differences described in Note 14 "*Income tax*".

25. Other assets

	2023	2022
Prepayments and other deferrals	25 271	31 203
Inventories	1 005	891
Lease-related advances	24 388	11 471
Other assets	1 801	2 023
Total	**52 465**	**45 588**

26. Non-current assets held for sale

	2023	2022
Non-current assets held for sale	-	531
Total	**-**	**531**

During 2023, the Group reclassified real estate from non-current assets held for sale back to own use in the amount of EUR 531 thousand.

27. Financial liabilities held for trading

	2023	2022
Negative fair value of financial derivatives held for trading	**22 458**	**48 989**
Interest rate contracts	18 711	35 076
Currency contracts	3 747	13 913
Liabilities from debt securities held for trading	**-**	**4 716**
Total	**22 458**	**53 705**

28. Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost by product group are as follows:

	2023	2022
Deposits from banks	**2 549 688**	**3 324 862**
Current accounts and interbank settlement	4 200	3 211
Money-market business	608	11 842
Loans received	2 408 569	3 173 957
Subordinated debt	136 311	135 852
Deposits from customers	**15 694 256**	**15 447 584**
Current accounts and settlement	12 277 206	12 828 664
Time deposits	3 416 659	2 618 351
Savings deposits	253	310
Loans received	138	259
Change in the fair value of hedged items in interest rate risk hedging – Deposits from customers*	**(44 503)**	**(117 106)**
Liabilities from debt securities	**1 998 383**	**1 161 538**
Debt securities issued – covered bonds	933 859	432 074
Debt securities issued – other bonds	1 064 524	729 464
Other financial liabilities	**55 758**	**57 106**
of which: Lease liabilities	*43 682*	*46 955*
Total	**20 253 582**	**19 873 984**

** Information on the reclassification of "Change in the fair value of hedged items in interest rate risk hedging – Deposits from customers" item is described in detail in (e) Financial instruments: Reclassifications in the statement of financial position.*

Classification of deposits measured at amortised cost by customer segment as at 31 December 2023 and 31 December 2022:

	2023	*2022*
Banks	2 549 688	3 324 862
Public sector	500 099	457 329
Corporate clients	5 560 237	5 442 726
Retail clients	9 633 920	9 547 529
Total	**18 243 944**	**18 772 446**

Under the TLTRO programme (targeted longer-term refinancing operations), the Parent Company received 4 loans from the central bank in the amount of EUR 3 137 000 thousand. As at 31 December 2023, outstanding borrowings included in the balance sheet under the third series of the targeted longer-term refinancing operations (TLTRO-III) programme due to the central bank amount to EUR 2 285 200 thousand. As collateral for the received deals, the Parent Company provided purchased securities and an issued covered bond collateralised by provided mortgage loans, housing mortgage loans and non-purpose loans pledged by real estate in the total amount of EUR 2 935 068 thousand.

As at 31 December 2023 and 31 December 2022, the Parent Company analysed whether it expected to meet the lending targets based on its current lending volumes and projections and believes that it has reasonable certainty that it will meet these targets. In 2023, the Parent Company made an early payment of the TLTRO operations in the amount of EUR 440 000 thousand (2022: EUR 10 000 thousand).

Based on an analysis of the observable conditions of comparably collateralised refinancing sources available on the market, the Parent Company concludes that the conditions for the TLTRO III direct government programmes do not constitute a significant market advantage. TLTRO III financial liabilities are recognised and measured as financial instruments in accordance with IFRS 9, as TLTRO instruments are understood as a separate market organised by the central bank in the context of its money market policy.

Loans received and subordinated debts by type of counterparty is as follows:

Type of loan	*Currency*	*Type of loan by maturity*	*Interest rate*	*Start of loan drawing*	*Contractual maturity*	*2023*	*2022*
Loans received from banks:							
– central bank	-	-	-	-	-	-	431 201
– central bank	-	-	-	-	-	-	443 256
– central bank	EUR	Long-term	4.0 %	March 2021	March 2024	2 247 052	2 173 290
– central bank	EUR	Long-term	4.0 %	December 2021	December 2024	38 148	36 908
– commercial bank	EUR	Long-term	2.0 %	January 2022	January 2027	14 324	19 068
– commercial bank	EUR	Long-term	4.58 %	June 2021	November 2028	36 346	14 754
– bank for reconstruction and development	EUR	Long-term	4.518 %	May 2014	May 2030	59 922	55 480
– commercial bank	EUR	Long-term	4.3 %	March 2023	January 2028	12 777	-
Subordinated debt from banks:							
– commercial banks	EUR	Long-term	3M EURIBOR + 2.4 %	November 2019	November 2029	136 311	135 852
Total						**2 544 880**	**3 309 809**

The Group issued covered mortgage bonds with the following conditions:

Name	*Interest rate*	*Currency*	*Number of bonds issued*	*Bonds unit face value in currency*	*Issue date*	*Maturity date*	*Frequency of coupon payment*	*2023*	*2022*
Covered bonds									
HZL 068	5.00 %	EUR	1 000	10 000	14.10.2011	14.10.2031	annually	10 044	10 037
HZL 083	1.11 %	EUR	500	100 000	29.4.2015	29.4.2025	annually	48 571	47 131
HZL 086	0.75 %	EUR	-	100 000	15.2.2016	15.2.2023	annually	-	60 387
HZL 088	1.00 %	EUR	500	100 000	16.11.2016	16.11.2026	annually	47 161	45 232
HZL 089	0.90 %	EUR	280	100 000	10.2.2017	10.2.2024	annually	28 099	27 384
TATSK FVHDG	0.13 %	EUR	2 500	100 000	1.7.2019	1.7.2026	annually	233 742	223 213
TATSK KD4	0.125 %	EUR	200	100 000	5.3.2021	5.3.2025	annually	28 836	18 690
TATSK KD5	3.375 %	EUR	5 000	100 000	31.1.2023	31.1.2026	annually	513 831	-
TB KD6	0.00 %	EUR	25 000	1 000	3.11.2023	3.11.2025	no coupon	23 575	-
Uncovered bonds									
TB FLOAT1	6M EUR EURIBOR	EUR	1 000	100 000	26.10.2020	26.10.2027	semi-annually	103 181	103 328
TB FIX1	0.50 %	EUR	250	100 000	26.10.2020	26.10.2027	annually	24 684	24 597
TB FVHDG GREEN	0.50 %	EUR	3 000	100 000	23.4.2021	23.4.2028	annually	273 517	258 709
TB FIX2	3.20 %	EUR	70 981	1 000	10.10.2022	9.10.2026	annually	71 414	71 388
TB GREEN	5.50 %	EUR	2 000	100 000	25.10.2022	25.10.2025	annually	201 918	201 880
TB FIX3	3.60 %	EUR	50 000	1 000	28.10.2022	28.10.2025	annually	50 302	50 295
TB GREEN FVHDG2	7.50 %	USD	200	100 000	10.11.2022	10.11.2029	semi-annually	18 618	19 267
TB GREEN2	5.95 %	EUR	3 000	100 000	17.2.2023	17.2.2026	annually	314 819	-
TB ZERO	0.00 %	EUR	7 000	1 000	26.5.2023	11.5.2026	no coupon	6 071	-
Total issued bonds								**1 998 383**	**1 161 538**

In addition to the above covered bonds, the Parent Company issued a covered bond (face value of EUR 970 000 thousand, book value of EUR 903 129 thousand), which was not sold but pledged as collateral within the TLTRO programme. The above covered bonds are included in the off-balance sheet accounts.

The Parent Company issues covered bonds as one of the financing sources on the capital markets. For the purposes of meeting the requirements for eligible liabilities, the Parent Company also issued unsecured non-subordinated bonds.

The bond-related rights are governed by generally-binding legal regulations and relevant documentation (securities prospectus, issue or final terms), which the issuer publishes on its website.

All bonds issued by the Parent Company are book-entry, bearer and freely transferable. They are traded on the Bratislava Stock Exchange.

29. Liabilities from hedging derivatives

	2023	*2022*
Negative fair value of financial derivatives for fair value hedging of interest rate risk	**196 582**	**196 315**
Interest rate contracts	196 582	196 315
Total	**196 582**	**196 315**

A detailed overview of liabilities from hedging derivatives is shown in Note 38 "*Fair value hedges related to hedging transactions*".

30. Provisions

Movements in provisions for contingent liabilities as at 31 December 2023:

	As at 1 January 2023	*Creation/ (Release)*	*Usage*	*As at 31 December 2023*
Provisions for guarantees and loan commitments without increase in credit risk since initial recognition (Stage 1)	7 099	1 067	-	8 166
Provisions for guarantees and loan commitments with significant increase in credit risk since initial recognition (Stage 2)	4 804	(3 010)	-	1 794
Specific provision for guarantees and loan commitments – for individually and collectively measured items (Stage 3)	567	(194)	-	373
Litigation (Note 42)	22 362	753	(549)	22 566
Provisions for employee benefits	4 489	1 111	(41)	5 559
Employee provisions	20 377	12 053	(9 048)	23 382
Other provisions	304	(85)	-	219
Total	**60 002**	**11 695**	**(9 638)**	**62 059**

Movements in provisions for contingent liabilities as at 31 December 2022:

	As at 1 January 2022	*Creation/ (Release)*	*Usage*	*As at 31 December 2022*
Provisions for guarantees and loan commitments without increase in credit risk since initial recognition (Stage 1)	6 252	847	-	7 099
Provisions for guarantees and loan commitments with significant increase in credit risk since initial recognition (Stage 2)	2 867	1 937	-	4 804
Specific provision for guarantees and loan commitments – for individually and collectively measured items (Stage 3)	878	(311)	-	567
Litigation (Note 42)	33 681	(10 046)	(1 273)	22 362
Provisions for employee benefits	5 377	(869)	(19)	4 489
Employee provisions	19 796	8 247	(7 666)	20 377
Other provisions	9 535	(9 231)	-	304
Total	**78 386**	**(9 426)**	**(8 958)**	**60 002**

Key assumptions used in the actuarial calculation of provisions for employee benefits:

Annual discount rate	4.05 %
Future actual annual rate of salary increases	2.00 %
Annual employee turnover	3.00 % – 8.50 %
Retirement age	According to the applicable legislation

Long-term provisions for employee benefits are calculated using the valid mortality tables issued by the Statistical Office of the Slovak Republic.

The Group does not have pension arrangements separate from the state pension system of the Slovak Republic. Pursuant to the Slovak legal regulations, an employer is obliged to pay contributions to social security, sickness insurance, health insurance, accident insurance, unemployment insurance, and contributions to a guarantee fund set as a percentage of the assessment base. These expenses are recognised in the statement of comprehensive income in the period in which an employee was entitled to a salary.

31. Current tax liability

	2023	*2022*
Current tax liability	14 788	7 516
Total	**14 788**	**7 516**

32. Other liabilities

	2023	*2022*
Unbilled liabilities and other	37 051	37 027
Other liabilities to the state budget	1 507	303
Social fund payables	1 933	1 727
Liabilities to employees	9 563	7 430
Other liabilities	9 292	2 356
Total	**59 346**	**48 843**

33. Equity

Equity, except for the profit for the current year, consists of:

	2023	*2022*
Share capital – ordinary shares	56 873	56 873
Share capital – preference shares	7 453	7 453
Treasury shares	(1 199)	(2 407)
Share premium	298 654	298 447
Reserve and other funds	15 676	15 366
Revaluation reserve from financial instruments measured at fair value through other comprehensive income	(3 473)	(8 877)
Retained earnings (excluding profit after tax for the current year)	911 188	830 820
AT1 capital	100 000	100 000
Total	**1 385 172**	**1 297 675**

The type, form, nature, number and par value of equity shares and preference shares issued by the Parent company:

Type	*Ordinary shares*	*Ordinary shares*	*Preference shares*
Form	Registered	Registered	Registered
Nature	Book-entry	Book-entry	Book-entry
Number	60 616 pcs	2 095 pcs	1 863 357 pcs
Par value 1 pc	800 EUR	4 000 EUR	4 EUR
ISIN	SK1110001502	SK1110015510	SK1110007186
	series 01-05		SK1110008424
			SK1110010131
			SK1110012103
			SK1110013937
			SK1110014901
			SK1110016237
			SK1110016591

Movements in ordinary and preference shares during 2023:

Number of shares	*1 Jan 2023*	*Purchase/sale*	*31 Dec 2023*
Ordinary shares: EUR 800	60 616	-	60 616
Ordinary shares: EUR 4 000	2 095	-	2 095
Preference shares	1 829 267	18 159	1 847 426

Description of rights:

Each holder of an ordinary share is the Parent Company's shareholder. Each shareholder enjoys their fundamental shareholder rights resulting from the Commercial Code and from the Parent Company's Articles of Association, mainly:

- The right to a share of the Parent Company's profit (dividend), based on the proportion of the total face value of their shares to the total face value of all shareholders;
- The right to attend the General Meeting, vote at the General Meeting, ask for information thereon and explanations regarding the Parent Company's issues and/or issues concerning the controlled entities and related to the agenda of the General Meeting, make motions at the General Meeting; and
- The right to a share of the liquidation balance.

Each holder of preference shares has similar rights as holders of ordinary shares; the only difference is that the preference shares are not equipped with the right to vote at a General Meeting, except for cases in which the law assigns a voting right to such shares. A preferential right to dividends is attached to preference shares and solely consists of the right to a dividend amounting to a fixed multiple of the dividend awarded at the distribution of profit to shareholders holding the ordinary shares according to the formula:
DPA = 1.001 x DKA800/200 = 1.001 x DKA4000/1000 (DPA – preferential dividend per preference share at a face value of EUR 4, DKA800 – dividend per ordinary share at a face value of EUR 800, and DKA4000 – dividend per ordinary share at a face value of EUR 4 000).

A voting right exercisable at the General Meeting is determined by the face value of the share, where one vote is assigned to each share at a face value of EUR 800 and five voting rights are assigned to each ordinary share at a face value of EUR 4 000. If the law requires voting by the preference shareholders, their voting is conducted separately and each preference share at a face value of EUR 4 is assigned one vote.

Ordinary shares are publicly tradable on stock markets, preference shares are not publicly tradable. The Parent Company creates a share premium fund from ordinary and preference share premiums.

Reserve fund and other funds: In 1992, the Parent Company established a reserve fund at 10% of the share capital, which is intended to cover losses. The reserve fund was replenished annually with 10% of net profit, up to 20% of the Parent Company's share capital, but not less than the minimum reserve fund stipulated by the applicable law. The Parent Company created a special-purpose reserve fund in accordance with the Methodological Instruction of the Ministry of Finance of 1990 from exchange rate differences of foreign capital resulting from devaluation. Its use is intended to cover the losses from banking transactions.

In August 2018, the Parent Company issued subordinated AT1 capital investment certificates in the amount of EUR 100 000 thousand with the interest rate of 12M EURIBOR + 6.50% meeting the requirements for Tier 1 capital of the Group.

The AT1 capital investment certificate is a perpetual instrument without the obligation to deliver cash. The Group may, at its discretion, repay the certificate no earlier than 5 years after issue. Early repayment must be approved by the Supervisory Board of the Parent Company and the regulator. AT1 capital investment certificates comply with the definition of an equity instrument in accordance with IAS 32.

34. Valuable items received for custody and management

	2023	2022
Valuable items received for custody	**18 118**	**19 802**
Merchandise and warehouse trust receipts	13 258	16 273
Gold	4 860	3 529
Total	**18 118**	**19 802**

The Group recognises valuable items received for custody and management at fair values. Valuable items received for custody and management are not owned by the Group. As a result, they are not part of its assets.

In addition to the amounts in the table above, in accordance with the Parent Company's function of a depositary for Tatra Asset Management, správ. spol., a.s. ("TAM"), as at 31 December 2023, the Parent Company recognised deposited securities managed in TAM mutual funds in the amount of EUR 1 473 079 thousand (as at 31 December 2022: EUR 1 466 073 thousand) in the off-balance sheet accounts. In addition, through Tatra Asset Management, správ. spol., a. s., the Group manages 31 open-end mutual funds with a net asset value of EUR 2 466 706 thousand (31 December 2022: EUR 2 578 696 thousand) and through Doplnková dôchodková spoločnosť Tatra banky, a.s. it manages 6 supplementary pension funds with a net asset value of EUR 1 140 573 thousand (31 December 2022: EUR 965 210 thousand.)

35. Sale and repurchase agreements

	2023	2022
Reverse repo deals (creditor)		
Loans and advances to banks	52 652	45 224
Total	**52 652**	**45 224**

As part of the reverse repo deals, the Group received government debt securities as collateral at fair value of EUR 43 880 thousand.

36. Assets pledged as collateral

Liabilities secured by the Group's assets:

	2023	2022
Deposits from banks measured at amortised cost – Received loans from the National Bank of Slovakia	2 285 200	3 084 655
Liabilities from debt securities	933 859	432 074
Financial liabilities held for trading – Negative fair value of financial derivatives held for trading	5 533	777
Liabilities from borrowed securities	-	4 715
Total	**3 224 592**	**3 522 221**

Collateral attributable to the aforementioned liabilities comprised the following assets recognised in the statement of financial position:

	2023	2022
Other demand deposits	1 334	1 831
Loans and advances to banks measured at amortised cost	127 820	-
Loans and advances to customers measured at amortised cost	2 922 626	2 674 859
Debt securities held for trading	4 577	4 354
Debt securities measured at fair value through other comprehensive income	95 175	130 540
Debt securities measured at amortised cost	1 533 274	1 989 446
Total	**4 684 806**	**4 801 030**

Other pledged assets without a liability:

	2023	2022
Debt securities measured at amortised cost	931 261	64 656
Total	931 261	64 656

As at 31 December 2023, the Parent Company determined the volume of mortgage loans usable as collateral for future issues of covered bonds in the amount of EUR 1 816 144 thousand (31 December 2022: EUR 2 281 128 thousand).

The Group opened margin accounts as collateral for its derivative transactions. The amount of cash deposited by the Group in margin accounts depends on the volume and risk exposures of the deals made. The amount of cash deposited in margin accounts equals the amount of assets pledged as collateral and is recognised under "*Financial assets measured at amortised cost*".

Due to the received TLTRO loan, the Group pledged government bonds and bonds issued by the banking sector held in the portfolio of securities measured at amortised cost in the amount of EUR 1 602 701 thousand in favour of the NBS (31 December 2022: EUR 2 046 152 thousand). The Group does not have the possibility to draw an intraday loan for the pledged securities (31 December 2022: the Group did not have the possibility to draw). With the exception of the TLTRO loan, the Group did not draw any other financing from the central bank as at 31 December 2023 (31 December 2022: also no drawing).

The Parent Company has determined the amount of highly liquid assets usable as collateral in the monetary policy operations of the European Central Bank, except for deposits with central banks and other banks for the following financial assets:

	2023 Face value	*2023 Carrying amount*
Government bonds	3 037 097	3 049 972
Bonds issued by other sectors	284 685	280 363
Total	**3 321 782**	**3 330 335**

37. Offsetting financial assets and liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's statement of financial position or are subject to an enforceable/unenforceable master netting arrangement or a similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's statement of financial position or not.

The following table provides an overview of framework agreements for offsetting the assets and liabilities as at 31 December 2023:

	Asset/Liability in the statement of financial position	*Value not offset in the statement of financial position: Financial instrument*	*Net value*
Assets:			
Positive fair value of financial derivates held for trading	72 197	72 063	134
Total assets	**72 197**	**72 063**	**134**
Liabilities:			
Negative fair value of financial derivates held for trading	204 062	72 063	131 999
Total liabilities	**204 062**	**72 063**	**131 999**

The following table provides an overview of framework agreements for offsetting assets and liabilities as at 31 December 2022:

	Asset/Liability in the statement of financial position	*Value not offset in the statement of financial position: Financial instrument*	*Net value*
Assets:			
Positive fair value of financial derivates held for trading	69 040	68 976	64
Total assets	**69 040**	**68 976**	**64**
Liabilities:			
Negative fair value of financial derivates held for trading	211 950	68 976	142 974
Total liabilities	**211 950**	**68 976**	**142 974**

38. Fair value hedges relating to hedging transactions

The Group uses interest rate swaps to hedge the interest rate risk related to issued debt securities – mortgage bonds and debentures from the debt securities portfolio and debt securities from the portfolio of financial assets measured at fair value through other comprehensive income. Changes in fair values of these interest rate swaps as a result of interest rate changes offset, to a large extent, changes in the fair values of issued mortgage bonds and debentures caused by changes in risk-free interest rates. Hedging was effective during the reporting period.

As at 31 December 2023, in relation to the above hedging instruments, the Group recognised a net profit in the amount of EUR 36 816 thousand. As at 31 December 2022, in relation to the hedging instruments, the Group recognised a net loss in the amount of EUR 161 512 thousand. As at 31 December 2023, the net loss from hedged items related to the hedged risk amounted to EUR 37 165 thousand. As at 31 December 2022, the Group recognised a net profit of EUR 161 527 thousand. Both items are recognised in Note 4 "*Net profit/(loss) from financial instruments held for trading and exchange rate differences*".

The following tables provide an overview of receivables and payables from hedging transactions as at 31 December 2023:

The table below shows the periods when cash flow hedges are expected:

	Up to 3 Months	*More than 3 months, up to 1 year*	*More than 1 year, up to 5 years*	*More than 5 years*
Financial derivatives for fair value hedging	-	128 000	2 392 891	1 795 360
Total interest rate transactions	**-**	**128 000**	**2 392 891**	**1 795 360**

Effects of hedge accounting on the financial position and performance – hedging instruments:

	Face value of the hedging instrument	*Assets – Fair value of the hedging instrument*	*Liabilities – Fair value of the hedging instrument*	*Changes in fair value used for calculating hedge ineffectiveness*
Interest rate risk	1 384 460	10 648	91 636	(10 376)
Micro financial derivatives for fair value hedging	**1 384 460**	**10 648**	**91 636**	**(10 376)**
Interest rate risk	2 931 792	37 696	104 947	47 192
Portfolio financial derivatives for fair value hedging	**2 931 792**	**37 696**	**104 947**	**47 192**

Effects of hedge accounting on the financial position and performance – hedged items:

	Assets – Carrying amount of the hedged item	*Liabilities – Carrying amount of the hedged item*	*Carrying amount of the hedging instrument*	*Accumulated amount of fair value hedge adjustments included in the carrying amount*	*Changes in fair value used for calculating hedge ineffectiveness*
Debt securities	688 901	-	686 460	22 430	38 873
Loans and advances	1 300 000	-	1 300 000	17 536	25 411
Deposits from customers	-	1 631 792	1 631 792	(44 503)	(72 603)
Debt securities issued	-	649 708	698 000	(46 177)	(28 846)
Hedged financial instruments	**1 988 901**	**2 281 500**	**4 316 252**	**(50 714)**	**(37 165)**

The following tables provide an overview of receivables and payables from hedging transactions as at 31 December 2022:

The table below shows the periods when cash flow hedges are expected:

	Up to 3 Months	*More than 3 months, up to 1 year*	*More than 1 year, up to 5 years*	*More than 5 years*
Financial derivatives for fair value hedging	24 805	-	1 543 000	823 751
Total interest rate transactions	**24 805**	**-**	**1 543 000**	**823 751**

Effects of hedge accounting on the financial position and performance – hedging instruments:

	Face value of the hedging instrument	*Assets – Fair value of the hedging instrument*	*Liabilities – Fair value of the hedging instrument*	*Changes in fair value used for calculating hedge ineffectiveness*
Interest rate risk	949 556	19 349	78 651	(56 007)
Micro financial derivatives for fair value hedging	**949 556**	**19 349**	**78 651**	**(56 007)**
Interest rate risk	1 442 000	7 014	117 664	(105 505)
Portfolio financial derivatives for fair value hedging	**1 442 000**	**7 014**	**117 664**	**(105 505)**

Effects of hedge accounting on the financial position and performance – hedged items:

	Assets – Carrying amount of the hedged item	*Liabilities – Carrying amount of the hedged item*	*Carrying amount of the hedging instrument*	*Accumulated amount of fair value hedge adjustments included in the carrying amount*	*Changes in fair value used for calculating hedge ineffectiveness*
Debt securities	216 683	-	251 556	(14 372)	(18 090)
Loans and advances	653 375	-	653 375	(7 874)	(7 874)
Deposits from customers	-	788 625	788 625	(117 106)	113 379
Debt securities issued	-	620 935	698 000	(75 032)	74 112
Hedged financial instruments	**870 058**	**1 409 560**	**2 391 556**	**(214 384)**	**161 526**

39. Derivative financial instruments

The total volume of unsettled derivative financial instruments as at 31 December 2023 is as follows:

	Face values by maturity				*Fair values*	
	Up to 1 year	*From 1 to 5 years*	*More than 5 years*	*Total*	*Positive (Note 17 and Note 21)*	*Negative (Note 27 and Note 29)*
a) Interest rate contracts for hedging	**128 000**	**2 392 891**	**1 795 360**	**4 316 251**	**48 344**	**(196 582)**
OTC products:						
Interest rate swaps	128 000	2 392 891	1 795 360	4 316 251	48 344	(196 582)
b) Interest-rate contracts for trading	**449 147**	**719 635**	**75 750**	**1 244 532**	**19 895**	**(18 711)**
OTC products:						
Interest rate swaps	420 000	594 516	75 750	1 090 266	18 258	(17 924)
Interest rate options-buy	132	74 222	-	74 354	1 637	-
Interest rate options-sell	56	50 897	-	50 953	-	(787)
Stock exchange products:						
Interest rate futures	28 959	-	-	28 959	-	-
c) Currency contracts for trading	**607 954**	**-**	**-**	**607 954**	**4 510**	**(3 747)**
OTC products:						
Currency swaps	494 631	-	-	494 631	3 754	(3 114)
Currency-interest rate swaps	-	-	-	-	-	-
Currency forwards	62 151	-	-	62 151	212	(101)
Currency options-buy	24 562	-	-	24 562	543	-
Currency options-sell	26 610	-	-	26 610	1	(532)
Total	**1 185 101**	**3 112 526**	**1 871 110**	**6 168 737**	**72 749**	**(219 040)**

The total volume of unsettled derivative financial instruments as at 31 December 2022 was as follows:

	Face values by maturity				*Fair values*	
	Up to 1 year	*From 1 to 5 years*	*More than 5 years*	*Total*	*Positive (Note 17 and Note 21)*	*Negative (Note 27 and Note 29)*
a) Interest rate contracts for hedging	**24 805**	**1 543 000**	**823 751**	**2 391 556**	**26 363**	**(196 315)**
OTC products:						
Interest rate swaps	24 805	1 543 000	823 751	2 391 556	26 363	(196 315)
b) Interest rate contracts for trading	**78 904**	**1 035 267**	**148 720**	**1 262 891**	**36 909**	**(35 076)**
OTC products:						
Interest rate swaps	76 998	925 405	122 697	1 125 100	32 708	(32 568)
Interest rate options-buy	1 575	59 397	21 709	82 681	4 201	-
Interest rate options-sell	331	50 465	4 314	55 110	-	(2 508)
Stock exchange products:						
Interest rate futures	-	-	-	-	-	-
c) Currency contracts for trading	**605 706**	**52**	**-**	**605 758**	**5 983**	**(13 913)**
OTC products:						
Currency swaps	453 550	-	-	453 550	5 557	(13 019)
Currency-interest rate swaps	36 959	-	-	36 959	-	(39)
Currency forwards	43 985	52	-	44 037	207	(655)
Currency options-buy	29 676	-	-	29 676	219	-
Currency options-sell	41 536	-	-	41 536	-	(200)
Total	**709 415**	**2 578 319**	**972 471**	**4 260 205**	**69 255**	**(245 304)**

40. Fair value of financial instruments

Financial instruments at fair value

The fair value of financial instruments is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where market prices are available (in this case, in particular, for securities and derivatives traded on a stock exchange and on functioning markets), the fair value estimate is based on market prices. All other financial instruments were valued on the basis of internal valuation models, including present value or option price models, or an external expert opinion was used.

The following table shows a summary of financial instruments recognised at fair value divided into Levels 1 to 3 based on fair value measurements as at 31 December 2023:

Financial assets at fair value	*Level 1**	*Level 2***	*Level 3****	*Total*
Financial assets held for trading	**4 577**	**24 405**	**-**	**28 982**
Positive fair value of derivative financial instruments held for trading	-	24 405	-	24 405
Debt securities	4 577	-	-	4 577
Non-trading financial assets mandatorily measured at fair value through profit or loss	**-**	**11 563**	**25 668**	**37 231**
Equity securities	-	6 079	-	6 079
Debt securities	-	5 484	-	5 484
Mutual fund certificates	-	-	3 886	3 886
Loans provided to customers	-	-	21 782	21 782
Financial assets measured at fair value through other comprehensive income	**42 848**	**58 655**	**2 187**	**103 690**
Equity instruments	-	-	2 187	2 187
Debt securities	42 848	58 655	-	101 503
Receivables from hedging derivatives	**-**	**48 344**	**-**	**48 344**
Positive fair value of derivative financial instruments for fair value hedging	-	48 344	-	48 344
Total	**47 425**	**142 967**	**27 855**	**218 247**

Financial liabilities at fair value	*Level 1**	*Level 2***	*Level 3****	*Total*
Financial liabilities held for trading	**-**	**22 458**	**-**	**22 458**
Negative fair value of derivative financial instruments for trading	-	22 458	-	22 458
Debt securities and other fixed income securities	**-**	**-**	**-**	**-**
Liabilities from hedging derivatives	**-**	**196 582**	**-**	**196 582**
Negative fair value of derivative financial instruments for fair value hedging	-	196 582	-	196 582
Total	**-**	**219 040**	**-**	**219 040**

* *Level 1 – derived from listed prices on active markets.*
** *Level 2 – derived on the basis of active markets other than prices for identical assets or liabilities.*
*** *Level 3 – inputs for assets or liabilities, which are not based on observable market data (unobservable inputs).*

The following table shows a summary of financial instruments recognised at fair value divided into Levels 1 to 3 based on fair value measurements as at 31 December 2022:

Financial assets at fair value	*Level 1**	*Level 2***	*Level 3****	*Total*
Financial assets held for trading	**4 354**	**42 892**	**-**	**47 246**
Positive fair value of derivative financial instruments for trading	-	42 892	-	42 892
Debt securities	4 354	-	-	4 354
Loans provided to customers				
Non-trading financial assets mandatorily measured at fair value through profit or loss	**-**	**9 930**	**23 206**	**33 136**
Equity securities	-	5 033		5 033
Debt securities	-	4 897	-	4 897
Mutual fund certificates	-	-	3 989	3 989
Loans provided to customers	-	-	19 217	19 217
Financial assets measured at fair value through other comprehensive income	**129 136**	**56 802**	**109**	**186 047**
Equity instruments	-	-	109	109
Debt securities	129 136	56 802	-	185 938
Receivables from hedging derivatives	**-**	**26 363**	**-**	**26 363**
Positive fair value of derivative financial instruments for fair value hedging	-	26 363	-	26 363
Total	**133 490**	**135 987**	**23 315**	**292 792**

Financial liabilities at fair value	*Level 1**	*Level 2***	*Level 3****	*Total*
Financial liabilities held for trading	**4 716**	**48 989**	**-**	**53 705**
Negative fair value of derivative financial instruments for trading	-	48 989	-	48 989
Debt securities and other fixed income securities	4 716	-	-	4 716
Liabilities from hedging derivatives	**-**	**196 315**	**-**	**196 315**
Negative fair value of derivative financial instruments for fair value hedging	-	196 315	-	196 315
Total	**4 716**	**245 304**	**-**	**250 020**

* *Level 1 – derived from listed prices on active markets.*
** *Level 2 – derived on the basis of active markets other than prices for identical assets or liabilities.*
*** *Level 3 – inputs for assets or liabilities, which are not based on observable market data (unobservable inputs).*

Movements between Level 1 and Level 2

During 2023, there were no movements in bonds measured at fair value that were transferred from Level 1 to Level 2 based on a change in the bond price source.

Movements in Level 3 financial instruments at fair value

If there is at least one significant parameter of the measurement that is not observable on the market, this instrument is assigned to Level 3 measured at fair value. The following table shows changes in the financial instruments at fair value whose valuation models are based on unobservable inputs:

	As at 31 December 2022	*Increase/ Decrease*	*Revaluation: Profit/loss*	*Revaluation: Other comprehensive income*	*As at 31 December 2023*
Mutual fund certificates	3 989	584	(687)	-	3 886
Equity securities	109	2 061	-	17	2 187
Loans and advances	19 217	2 290	275	-	21 782
Total	**23 315**	**4 935**	**(412)**	**17**	**27 855**

Qualitative information on financial instruments for Level 3 measurements:

Financial instrument	*Valuation method*	*Fair value*	*Significant unobser-vable inputs*	*Range of unobser-vable vstupov*	*Positive sensitivity**	*Negative sensitivity**
Mutual fund certificates	Net asset value	3 887	Deduction	20 – 50 %	389	(389)
Equity securities	Market value	2 187	-	-	219	(219)
Loans and advances		21 782	credit and liquid markup	0 – 10 %	2 178	(1 089)
Total		**27 855**			**2 786**	**(1 697)**

** Equity investments measured at net asset value – price deterioration between -10% and +10*

Financial instruments recognised at amortised cost

For the purposes of valuation of non-impaired receivables to banks and customers, the Group uniformly implemented an approach applicable to the whole Group. For valuation of retail and corporate portfolios the method of discounting future cash flows until maturity is used.

For the retail portfolio, future cash flows are discounted by a rate that takes into consideration the actual market situation and specific risk factors of the respective retail sub-portfolios. For the corporate portfolio, future cash flows are discounted by a rate that takes into consideration the actual market situation and risk specific factors of the respective transactions.

The calculation of fair values of the respective transactions comprises of two essential steps:

1. Determination of future cash flows at the level of individual transactions representing the loan receivable;
2. Calculation of the respective discount rate that takes into consideration factors such as:
   - Market rates
   - Client's credit quality
   - Liquidity
   - Administration expenses

For the discounted future cash flows method, components of the discount factor taking into consideration a credit quality, level of liquidity costs and market rates change during the lifetime of the transaction (depending on the current situation at the time of the respective cash flows), while for example administrative costs are constant all the time at a level given by calibration at the beginning of the transaction.

As regards debt securities measured at amortised cost and liabilities from debt securities measured at amortised cost, if market prices are available, the Group classifies the securities to Level 1. If the security is not traded on the stock exchange or the NBS benchmark for the security is not disclosed, the Group measures the security at fair value derived from inputs other than quoted prices and classifies the security to Level 2.

For valuation of the defaulted portfolio, the Group recognises as fair value the net value of the respective exposures, which represents the gross amount less any impairment allowances.

Fixed interest liabilities to banks or customers were remeasured to fair values, which were different than their carrying amount in the statement of financial position, provided that their remaining maturity exceeded one year. Floating interest liabilities were taken into account only if the interest extension period was longer than 1 year. Only then the discounting on the basis of the anticipated interest rate in line with market rates will have a significant impact.

The Group used the income approach to calculate the fair value of its liabilities to banks and customers. Within the income approach, it applied the present value technique. The Group used the discounted rate calculated by the discount rate adjustment technique to discount future contractual cash flows.

	Fair value as at 2023	***Carrying amount as at 2023***	***Fair value as at 2022***	***Carrying amount as at 2022***
Assets				
Financial assets measured at amortised cost	**16 980 454**	**17 535 636**	**15 807 933**	**16 527 447**
Loans and advances to banks	**194 778**	**194 778**	**195 011**	**195 011**
of which Level 1	-	-	-	-
of which Level 2	-	-	-	-
of which Level 3	*194 778*	*194 778*	*195 011*	*195 011*
Loans and advances to customers	**13 670 257**	**14 104 770**	**13 253 250**	**13 736 809**
of which Level 1	-	-	-	-
of which Level 2	-	-	-	-
of which Level 3	*13 670 257*	*14 104 770*	*13 253 250*	*13 736 809*
Debt securities	**3 115 419**	**3 236 088**	**2 359 672**	**2 595 627**
of which Level 1	*2 694 038*	*2 821 814*	*2 187 705*	*2 418 797*
of which Level 2	*421 381*	*414 274*	*171 967*	*176 830*
of which Level 3	-	-	-	-

	Fair value as at 2023	*Carrying amount as at 2023*	*Fair value as at 2022*	*Carrying amount as at 2022*
Liabilities				
Financial liabilities measured at amortised cost	**20 215 986**	**20 298 085**	**19 823 336**	**19 991 090**
Deposits from banks	**2 549 877**	**2 549 688**	**3 324 892**	**3 324 857**
of which Level 1	-	-	-	-
of which Level 2	-	-	-	-
of which Level 3	*2 549 877*	*2 549 688*	*3 324 892*	*3 324 857*
Deposits from customers	**15 626 687**	**15 694 257**	**15 314 649**	**15 447 589**
of which Level 1	-	-	-	-
of which Level 2	-	-	-	-
of which Level 3	*15 626 687*	*15 694 257*	*15 314 649*	*15 447 589*
Liabilities from debt securities	**1 983 665**	**1 998 383**	**1 126 689**	**1 161 538**
of which Level 1	-	-	-	-
of which Level 2	*1 983 665*	*1 998 383*	*1 126 689*	*1 161 538*
of which Level 3	-	-	-	-
Other financial liabilities	**55 757**	**55 757**	**57 106**	**57 106**
of which Level 1	-	-	-	-
of which Level 2	-	-	-	-
of which Level 3	*55 757*	*55 757*	*57 106*	*57 106*

41. Risk report

Credit risk

The Group bears a credit risk, i.e. the risk that the counterparty will not be able to fully repay the amounts owed at their maturity. The Group classifies loan exposure borne by the Group by setting limits of risk accepted with respect to one debtor, or a group of debtors, and with respect to individual countries. The aforementioned risks are monitored on a regular basis and reviewed at least annually. Exposure to one debtor, including banks and securities dealers, is also limited by partial limits set for balance sheet and off-balance sheet exposures, and by daily limits of exposure in relation to items traded, such as forward foreign currency contracts. The actual exposure is compared to set limits on a daily basis.

The loan exposure is managed based on regular analyses of the ability of debtors and potential debtors to repay the principal amount and interest and using potential adjustments to such loan limits. Credit risks are also partially managed by collaterals and guarantees received from private individuals or legal entities.

Retail debtors are assessed by the Group using the scoring models developed for individual products, or an individual client. Credit risk in the retail loan portfolio is managed using the following main tools: credit scoring, which is a tool used by the Group to estimate the expected loss by estimating the probability of loan default for private individuals and retail legal entities; and an important tool in credit quality management is the system of credit underwriting by risk assessment specialists, whose goal is to optimise revenues from the portfolio in relation to the risk borne by the Group. The regular monitoring of the existing loan portfolio quality and trends in the portfolio together with appropriate strategies to secure the quality of the existing portfolio are also a very important component that contributes to retaining the entire portfolio quality and the targeted level of risk costs of the Group.

When collecting receivables, the Group uses a very broad scale of tools and collection strategies depending on the type and amount of receivables. The Group uses both internal and external sources to collect receivables. In the event of an unsuccessful collection of receivables from clients, the receivables are subsequently forwarded to external agencies specialising in the enforcement of receivables via the courts. Receivables with higher amounts and specific receivables are dealt with by an in-house expert team in co-operation with the legal department and other professional units of the Group.

As part of credit risk monitoring and management, the Group also closely observes the area of exposure and residual risks.

Exposure risk represents the risk resulting from the concentration of the Group's transactions with an entity, a group of economically-related parties, state, geographical area, industry sector, collateral provider, etc. The risk is closely related to both exposures in the Banking Book and exposures in the Trading Book. To manage exposure risk effectively, the Group focuses on quality portfolio management and its adequate diversification while adhering to set exposure limits (large assets exposure and others). The Group also develops methods for exposure risk quantification.

Residual risk represents the risk stemming from the insufficient enforceability of rights arising to the Group from security received against credit risk. The Group eliminates this risk in particular by means of consistently observing legal and operational requirements, conservative valuation and revaluation methods, and by applying appropriate discounts depending on the type and quality of the received collateral.

The Group also bears a credit risk in trading with OTC derivatives. This risk is monitored on a daily basis and mitigated by collateral contracts which allow the Group to request additional collateral from the counterparty to ensure at least the current value of the derivative transactions with the counterparty. For counterparties that are not financial institutions, the Group requires, in addition to the current value, a potential future value of derivatives within the 10-day horizon. In the event of failure to provide the relevant collateral, the Group has the right to terminate all derivative transactions with the counterparty prematurely, offsetting the individual losses and gains, and the potential resulting loss to the client is realised against the collateral provided by the client.

The table below shows the maximum amount of credit risk regardless of received collateral:

	2023	*2022*
Credit risk related to balance sheet assets:		
Cash and other demand deposits	251 002	226 348
Cash balances at central banks	3 954 534	4 435 285
Financial assets held for trading	28 982	47 246
Non-trading financial assets mandatorily measured at fair value through profit or loss	37 231	33 136
Financial assets at fair value through other comprehensive income	103 690	186 047
Financial assets at amortised cost	17 553 173	16 527 447
Receivables from hedging derivatives	48 344	18 489
Other assets	25 271	31 203
Total	**22 002 227**	**21 505 201**

	2023	*2022*
Credit risk related to off-balance sheet items:		
Contingent liabilities from guarantees and letters of credit	721 384	605 215
Irrevocable loan commitments/ “stand-by facility”	983 002	1 224 549
Revocable loan commitments/ “stand-by facility”	2 314 319	2 142 983
Total	**4 018 705**	**3 972 747**

The table below shows a summary of the quality of the financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as at 31 December 2023:

	Total carrying amount	*Carrying amount – Stage 1 **	*Carrying amount – Stage 2 ***	*Carrying amount – Stage 3 ****	*Carrying amount – POCI *****	*Impairment allowances Stage 1*	*Impairment allowances – Stage 2*	*Impairment allowances – Stage 3*	*Impairment allowances – POCI*	*Net carrying amount*
Financial assets measured at amortised cost	**17 800 827**	**16 071 488**	**1 495 262**	**224 537**	**9 540**	**58 934**	**55 281**	**128 168**	**5 271**	**17 553 173**
Loans and advances to banks	194 778	194 778	-	-	-	-	-	-	-	194 778
Loans and advances to customers	14 351 046	12 650 974	1 465 995	224 537	9 540	57 722	55 115	128 168	5 271	14 104 770
Public sector	*4 156*	*4 029*	*127*	*-*	*-*	*10*	*1*	*-*	*-*	*4 145*
Corporate clients	*5 950 448*	*5 224 208*	*656 704*	*63 148*	*6 388*	*28 263*	*17 508*	*30 354*	*4 230*	*5 870 093*
Retail clients	*8 396 442*	*7 422 737*	*809 164*	*161 389*	*3 152*	*29 449*	*37 606*	*97 814*	*1 041*	*8 230 532*
Debt securities	3 237 466	3 208 199	29 267	-	-	1 212	166	-	-	3 236 088
Banks	*163 144*	*151 099*	*12 045*	*-*	*-*	*35*	*20*	*-*	*-*	*163 089*
Public sector	*3 054 737*	*3 049 668*	*5 069*	*-*	*-*	*1 144*	*89*	*-*	*-*	*3 053 504*
Corporate clients	*19 585*	*7 432*	*12 153*	*-*	*-*	*33*	*57*	*-*	*-*	*19 495*
Change in fair value of hedged items in interest rate risk hedging	17 537	17 537	-	-	-	-	-	-	-	17 537
Financial assets measured at fair value through other comprehensive income	**101 565**	**94 718**	**6 847**	**-**	**-**	**47**	**15**	**-**	**-**	**101 503**
Debt securities	101 565	94 718	6 847	-	-	47	15	-	-	101 503
Banks	*64 242*	*57 395*	*6 847*	*-*	*-*	*14*	*15*	*-*	*-*	*64 213*
Public sector	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Corporate clients	*37 323*	*37 323*	*-*	*-*	*-*	*33*	*-*	*-*	*-*	*37 290*
Contingent liabilities and other off-balance sheet items	**4 018 705**	**3 696 316**	**320 428**	**1 961**	**-**	**8 166**	**1 794**	**373**	**-**	**4 008 372**

* *Stage 1 – without significant increase in credit risk since initital recognition.*
** *Stage 2 – with significant increase in credit risk since initital recognition, but not credit impaired.*
*** *Stage 3 – credit impaired*
**** *POCI – recognised as impaired on initial recognition*

The table below shows a summary of the quality of the financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as at 31 December 2022:

	Total carrying amount	*Carrying amount – Stage 1 **	*Carrying amount – Stage 2 ***	*Carrying amount – Stage 3 ****	*Carrying amount – POCI *****	*Impairment allowances Stage 1*	*Impairment allowances – Stage 2*	*Impairment allowances – Stage 3*	*Impairment allowances – POCI*	*Net carrying amount*
Financial assets measured at amortised cost	**16 765 513**	**14 205 859**	**2 326 711**	**223 219**	**9 724**	**40 786**	**61 253**	**138 579**	**5 322**	**16 519 573**
Loans and advances to banks	195 011	195 011	-	-	-	-	-	-	-	195 011
Loans and advances to customers	13 981 864	11 434 378	2 314 543	223 219	9 724	39 951	61 203	138 579	5 322	13 736 809
Public sector	*4 995*	*4 743*	*226*	*26*	*-*	*16*	*2*	*26*	*-*	*4 951*
Corporate clients	*5 784 924*	*4 665 339*	*1 041 545*	*72 854*	*5 186*	*23 688*	*18 680*	*47 358*	*3 919*	*5 691 279*
Retail clients	*8 191 945*	*6 764 296*	*1 272 772*	*150 339*	*4 538*	*16 247*	*42 521*	*91 195*	*1 403*	*8 040 579*
Debt securities	2 596 512	2 584 344	12 168	-	-	835	50	-	-	2 595 627
Banks	*176 830*	*176 830*	*-*	*-*	*-*	*30*	*-*	*-*	*-*	*176 800*
Public sector	*2 400 053*	*2 400 053*	*-*	*-*	*-*	*797*	*-*	*-*	*-*	*2 399 256*
Corporate clients	*19 629*	*7 461*	*12 168*	*-*	*-*	*8*	*50*	*-*	*-*	*19 571*
Change in fair value of hedged items in interest rate risk hedging	(7 874)	(7 874)	-	-	-	-	-	-	-	(7 874)
Financial assets measured at fair value through other comprehensive income*****	**186 108**	**161 086**	**25 022**	**-**	**-**	**106**	**64**	**-**	**-**	**185 938**
Debt securities	186 108	161 086	25 022	-	-	106	64	-	-	185 938
Banks	*74 804*	*74 804*	*-*	*-*	*-*	*12*	*-*	*-*	*-*	*74 792*
Public sector	*53 517*	*53 517*	*-*	*-*	*-*	*21*	*-*	*-*	*-*	*53 496*
Corporate clients	*57 787*	*32 765*	*25 022*	*-*	*-*	*73*	*64*	*-*	*-*	*57 650*
Contingent liabilities and other off-balance sheet items	**3 972 747**	**2 906 206**	**1 063 435**	**3 106**	**-**	**7 099**	**4 804**	**567**	**-**	**3 960 277**

* *Stage 1 – without a significant increase in credit risk since the initial recognition.*
** *Stage 2 – with a significant increase in credit risk since the initial recognition, but not credit impaired.*
*** *Stage 3 – credit impaired.*
**** *POCI – recognised as impaired upon the initial recognition.*
***** *Equity investments are not included.*

The summary below represents net carrying amount of overdue financial assets measured at amortised cost and overdue financial assets measured at fair value through other comprehensive income by overdue days as at 31 December 2023:

	Stage 1 ≤ 30 days	*Stage 1 > 30 days ≤ 90 days*	*Stage 1 > 90 days*	*Stage 2 ≤ 30 days*	*Stage 2 > 30 days ≤ 90 days*	*Stage 2 ≤ 90 days*	*Stage 3 ≤ 30 days*	*Stage 3 > 30 days ≤ 90 days*	*Stage 3 > 90 days*	*POCI ≤ 30 days*	*POCI > 30 days ≤ 90 days*	*POCI > 90 days*
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**184 891**	**1 950**	**87**	**92 680**	**26 297**	**951**	**26 183**	**10 892**	**40 090**	**451**	**126**	**320**
Public sector	-	-	-	-	-	-	-	-	-	-	-	-
Corporate clients	110 855	35	-	42 956	7 733	4	19 645	593	7 427	68	-	197
Retail clients	74 036	1 915	87	49 724	18 564	947	6 538	10 299	32 663	383	126	123
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Banks	-	-	-	-	-	-	-	-	-	-	-	-
Public sector	-	-	-	-	-	-	-	-	-	-	-	-
Corporate clients	-	-	-	-	-	-	-	-	-	-	-	-
Total	**184 891**	**1 950**	**87**	**92 680**	**26 297**	**951**	**26 183**	**10 892**	**40 090**	**451**	**126**	**320**

The summary below represents net carrying amount of overdue financial assets measured at amortised cost and overdue financial assets measured at fair value through other comprehensive income by overdue days as at 31 December 2022:

	Stage 1 ≤ 30 days	*Stage 1 > 30 days ≤ 90 days*	*Stage 1 > 90 days*	*Stage 2 ≤ 30 days*	*Stage 2 > 30 days ≤ 90 days*	*Stage 2 ≤ 90 days*	*Stage 3 ≤ 30 days*	*Stage 3 > 30 days ≤ 90 days*	*Stage 3 > 90 days*	*POCI ≤ 30 days*	*POCI > 30 days ≤ 90 days*	*POCI > 90 days*
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**118 010**	**1 123**	**81**	**111 788**	**13 810**	**1 719**	**9 139**	**11 197**	**36 890**	**596**	**263**	**1 194**
Public sector	-	-	-	-	-	-	-	-	-	-	-	-
Corporate clients	81 802	13	-	54 010	2 044	165	2 129	347	7 801	149	15	682
Retail clients	36 208	1 110	81	57 778	11 766	1 554	7 010	10 850	29 089	447	248	512
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Banks	-	-	-	-	-	-	-	-	-	-	-	-
Public sector	-	-	-	-	-	-	-	-	-	-	-	-
Corporate clients	-	-	-	-	-	-	-	-	-	-	-	-
Total	**118 010**	**1 123**	**81**	**111 788**	**13 810**	**1 719**	**9 139**	**11 197**	**36 890**	**596**	**263**	**1 194**

The following summary represents an analysis of the impaired portfolio of financial assets and portfolio of assets recognised as impaired upon the initial recognition measured at amortised cost and financial assets measured at fair value through other comprehensive income as at 31 December 2023:

	Gross carrying amount (stage 3)	*Impairment allowances (stage 3)*	*Recoverable value of received collateral*
Banks	-	-	-
Corporate clients	69 472	34 582	29 493
Retail clients	164 605	98 857	51 596
Total	**234 077**	**133 439**	**81 089**

The following summary represents an analysis of the impaired portfolio of financial assets and portfolio of assets recognised as impaired upon the initial recognition measured at amortised cost and financial assets measured at fair value through other comprehensive income as at 31 December 2022:

	Gross carrying amount (stage 3)	*Impairment allowances (stage 3)*	*Recoverable value of received collateral*
Banks	-	-	-
Corporate clients	78 065	51 300	22 836
Retail clients	154 878	92 601	50 865
Total	**232 943**	**143 901**	**73 701**

The summary of individual types of received collateral for financial assets at recoverable value is provided as follows:

	2023	*2022*
Collateralisation of issued loans		
Cash and cash equivalents	11 327	30 127
Guarantees	309 654	247 797
Securities	49 871	50 795
Real estate	7 866 536	7 374 322
Movables	483 486	473 867
Receivables and other collateral	139 640	163 112
Total	**8 860 514**	**8 340 020**

The summary of individual types of received collateral for contingent liabilities and other off-balance sheet items at recoverable value is provided as follows:

	2023	*2022*
Collateralisation of contingent liabilities and other off-balance sheet items		
Cash and cash equivalents	49 329	42 361
Guarantees	131 734	115 263
Securities	5 809	10 717
Real estate	285 898	298 585
Movables	1 016	333
Receivables and other collaterals	113 552	117 299
Total	**587 338**	**584 558**

The summary below represents the quality of the portfolio of financial assets measured at amortised cost that are non-impaired (Stage 1 and 2) and non-overdue in accordance with the internal rating:

	2023		2022	
	Stage 1	***Stage 2***	***Stage 1***	***Stage 2***
Loans and advances to banks	**194 778**	**-**	**195 011**	**-**
Minimum risk	-	-	1 130	-
Excellent credit rating	-	-	193 881	-
Very good credit rating	194 778	-	-	-
Good credit rating	-	-	-	-
Standard credit rating	-	-	-	-
Ordinary credit rating	-	-	-	-
Sub-standard credit rating	-	-	-	-
Significantly sub-standard credit rating	-	-	-	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	-	-
Loans and advances to customers	**12 495 984**	**1 354 349**	**11 326 948**	**2 193 513**
of which Public sector:	***4 029***	***127***	***4 743***	***226***
Minimum risk	-	-	-	-
Excellent credit rating	-	-	7	5
Very good credit rating	3 087	12	2 174	39
Good credit rating	15	71	1 778	38
Standard credit rating	168	-	34	-
Ordinary credit rating	500	-	9	90
Sub-standard credit rating	259	34	741	54
Significantly sub-standard credit rating	-	10	-	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	-	-

	2023		2022	
	Stage 1	***Stage 2***	***Stage 1***	***Stage 2***
of which corporate clients without project financing:	***3 529 185***	***567 098***	***3 149 206***	***865 461***
Minimum risk	8 520	7	9 198	11
Excellent credit rating	54 738	1 095	189 278	141 616
Very good credit rating	775 299	6 994	458 337	27 832
Good credit rating	805 812	72 642	847 719	80 298
Standard credit rating	1 155 095	85 445	917 601	85 407
Ordinary credit rating	574 904	108 318	529 309	198 176
Sub-standard credit rating	144 206	224 855	189 577	118 597
Significantly sub-standard credit rating	10 029	16 464	8 095	189 706
Doubtful/high risk of default	582	51 278	32	23 818
Defaulted	-	-	60	-
With no assigned rating	-	-	-	-
of which corporate clients - project financing:	***1 595 959***	***52 614***	***1 439 413***	***126 435***
Excellent project financing profile rating	824 293	4 430	717 954	-
Good project financing profile rating	771 666	18 052	721 459	66 414
Acceptable project financing profile rating	-	8 408	-	47 615
Weak project financing profile rating	-	21 724	-	12 406
Defaulted	-	-	-	-
of which retail clients	***7 366 811***	***734 510***	***6 733 586***	***1 201 391***
Excellent credit rating	-	-	-	-
Very good credit rating	1 744 885	85 333	1 650 328	38 805
Good credit rating	4 287 268	284 850	3 974 903	572 203
Ordinary credit rating	1 041 019	150 182	880 841	299 027
Sub-standard credit rating	217 764	214 145	142 682	271 643
Defaulted	-	-	-	-
With no assigned rating	75 875	-	84 832	19 713

	2023		2022	
	Stage 1	*Stage 2*	*Stage 1*	*Stage 2*
Debt securities	**3 208 199**	**29 267**	**2 584 344**	**12 168**
Minimum risk	-	-	101 864	-
Excellent credit rating	237 204	5 069	2 116 969	-
Very good credit rating	2 850 681	12 045	306 137	12 168
Good credit rating	120 314	12 153	59 374	-
Standard credit rating	-	-	-	-
Ordinary credit rating	-	-	-	-
Sub-standard credit rating	-	-	-	-
Significantly sub-standard credit rating	-	-	-	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	-	-
Financial assets measured at amortised cost	**15 898 961**	**1 383 616**	**14 106 303**	**2 205 681**

The summary below represents the quality of the portfolio of contingent liabilities and other off-balance sheet items that are non-impaired (Stage 1 and 2) in accordance with the internal rating:

	2023		2022	
	Stage 1	*Stage 2*	*Stage 1*	*Stage 2*
Contingent liabilities and other off-balance sheet items to banks	**133 537**	**3 250**	**115 532**	**125**
Minimum risk	-	-	-	-
Excellent credit rating	160	-	96 618	120
Very good credit rating	132 929	3 250	18 806	5
Good credit rating	448	-	-	-
Standard credit rating	-	-	-	-
Ordinary credit rating	-	-	-	-
Sub-standard credit rating	-	-	-	-
Significantly sub-standard credit rating	-	-	-	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	108	-
Contingent liabilities and other off-balance sheet items to customers	**3 562 778**	**317 179**	**2 790 673**	**1 063 311**
of which public sector:	***2 173***	***275***	***1 655***	***399***
Minimum risk	-	-	-	17
Excellent credit rating	-	17	49	141
Very good credit rating	1 365	258	1 167	241
Good credit rating	808	-	-	-
Standard credit rating	-	-	266	-
Ordinary credit rating	-	-	-	-
Sub-standard credit rating	-	-	173	-
Significantly sub-standard credit rating	-	-	-	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	-	-

	2023		2022	
	Stage 1	***Stage 2***	***Stage 1***	***Stage 2***
of which corporate clients without project financing:	***2 538 690***	***203 836***	***1 584 625***	***877 734***
Minimum risk	7 787	19	4 611	1 667
Excellent credit rating	87 618	1 435	211 755	40 255
Very good credit rating	954 084	27 483	438 918	241 844
Good credit rating	624 500	40 461	417 516	211 310
Standard credit rating	491 425	24 317	230 157	169 433
Ordinary credit rating	299 450	61 854	230 165	143 733
Sub-standard credit rating	70 953	28 388	49 622	52 318
Significantly sub-standard credit rating	2 849	3 061	1 843	12 840
Doubtful/high risk of default	24	10 552	37	4 330
Defaulted	-	-	-	-
With no assigned rating	-	6 266	1	4
of which corporate clients – project financing	***305 437***	***1 873***	***431 748***	***6 758***
Excellent project financing profile rating	136 037	-	230 097	-
Good project financing profile rating	169 400	1 863	201 651	6 037
Acceptable project financing profile rating	-	-	-	711
Weak project financing profile rating	-	10	-	10
Defaulted	-	-	-	-
of which retail clients:	***716 478***	***111 195***	***772 645***	***178 420***
Excellent credit rating	-	-	-	-
Very good credit rating	60 620	-	59 398	4 178
Good credit rating	528 030	86 772	532 403	119 029
Standard credit rating	57 058	14 608	51 799	29 653
Sub-standard credit rating	8 329	6 587	4 984	8 043
Defaulted	-	-	-	-
With no assigned rating	62 441	3 228	124 061	17 517
Contingent liabilities and other off-balance sheet items	**3 696 315**	**320 429**	**2 906 205**	**1 063 436**

The summary below represents the quality of the portfolio of financial assets measured at fair value through other comprehensive income that are non-impaired (Stage 1 and 2) and non-overdue in accordance with the internal rating:

	2023		*2022*	
	Stage 1	***Stage 2***	***Stage 1***	***Stage 2***
Debt securities	**94 718**	**6 847**	**161 086**	**25 022**
Minimum risk	-	-	-	-
Excellent credit rating	8 725	-	118 434	-
Very good credit rating	85 993	6 847	42 652	-
Good credit rating	-	-	-	-
Standard credit rating	-	-	-	-
Ordinary credit rating	-	-	-	25 022
Sub-standard credit rating	-	-	-	-
Significantly sub-standard credit rating	-	-	-	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	-	-
Financial assets at fair value through other comprehensive income*	**94 718**	**6 847**	**161 086**	**25 022**

** Equity investments are not included*

The scoring system of the Group's corporate clients (applied to the entire RBI Group) is based on a client's economic rating and complies with the rules of the Internal Rating Based Approach (IRB). The rating range has 28 grades from 1A to 10A for corporate clients, and 5 grades for project financing from 6.1 to 6.5.

The table below represents details of the rating scale:

Institution Rating Scale	**10-Grade Rating Scale**	**28-Grade Rating Scale**			**Description**
A1	0.5	1A	1B	1C	Minimum risk
A2	1.0	2A	2B	2C	Excellent credit rating
A3	1.5	3A	3B	3C	Very good credit rating
B1	2.0	4A	4B	4C	Good credit rating
B2	2.5	5A	5B	5C	Standard credit rating
B3	3.0	6A	6B	6C	Ordinary credit rating
B4	3.5	7A	7B	7C	Sub-standard credit rating
B5	4.0	8A	8B	8C	Significantly sub-standard credit rating
C	4.5	9A	9B	9C	Doubtful/high risk of default
D	5.0	10A			Defaulted

The summary below represents the net carrying amount of loans and advances to banks and loans and advances to customers by industry concentration risk:

	2023	*2022*
A. Agriculture, forestry and fisheries	321 913	260 234
B. Mining and quarrying	4 258	17 762
C. Industrial production	828 872	794 248
D. Supply of electricity, gas, steam and air-conditioning	326 900	492 543
E. Water supply	80 470	63 184
F. Construction	606 442	548 264
G. Wholesale and retail trade	928 671	874 782
H. Transport and storage	412 839	424 205
I. Accommodation and catering services	67 444	67 855
J. Information and communication	302 438	300 212
K. Financial and insurance activities	444 097	434 356
L. Real estate activities	1 439 642	1 429 338
M. Professional, scientific and technical activities	427 489	250 989
N. Administrative and support services	188 103	189 515
O. Public administration and defence, compulsory social security	5 185	6 516
P. Education	13 647	13 958
Q. Health and social assistance	150 050	138 257
R. Arts, entertainment and recreation	48 771	30 394
S. Other service activities	30 245	26 830
T. Activities of households, private households with domestic staff	7 672 072	7 568 378
Total	**14 299 548**	**13 931 820**

The structure of the Group's credit risk exposure to the Slovak Republic (entities controlled by the Slovak Republic, guarantees issued by the Slovak Republic, and similar exposures) is as follows:

	2023	*2022*
Government bonds with no coupons	-	75 543
Loans and advances to banks	3 954 543	4 435 295
Loans and advances to customers	193 499	279 505
Debt securities	2 647 142	2 197 753
Total	**6 795 184**	**6 988 096**

The following summary presents the change in the amount of impairment allowances for expected credit losses and advances measured at amortised cost as at 31 December 2023:

	Impairment allowances – stage 1	*Impairment allowances – stage 2*	*Impairment allowances – stage 3*	*Impairment allowances - POCI*	*Total*
As at 1 January 2023	**39 951**	**61 203**	**138 579**	**5 322**	**245 055**
Net changes due to credit risk change	2 469	(3 158)	31 333	1 572	32 216
Increase due to origin or acquisition	25 097	12 572	-	-	37 669
Decrease due to derecognition	(9 795)	(15 502)	(13 580)	(535)	(39 412)
Write-off	-	-	(28 363)	(512)	(28 875)
Unwinding	-	-	203	48	251
Foreign exchange differences	-	-	(4)	(624)	(628)
As at 31 December 2023	**57 722**	**55 115**	**128 168**	**5 271**	**246 276**

The following summary presents the change in the amount of impairment allowances for expected credit losses and advances measured at amortised cost as at 31 December 2022:

	Impairment allowances – stage 1	*Impairment allowances – stage 2*	*Impairment allowances – stage 3*	*Impairment allowances - POCI*	*Total*
As at 1 January 2022	**23 999**	**45 110**	**165 850**	**3 798**	**238 757**
Net changes due to credit risk change	(570)	18 806	18 737	3 334	40 307
Increase due to origin or acquisition	24 065	10 509	-	-	34 574
Decrease due to derecognition	(7 543)	(13 222)	(18 129)	(1 354)	(40 248)
Write-off	-	-	(28 063)	(472)	(28 535)
Unwinding	-	-	148	16	164
Foreign exchange differences	-	-	36	-	36
As at 31 December 2022	**39 951**	**61 203**	**138 579**	**5 322**	**245 055**

Sensitivity analysis of impairment allowances

The retail loan portfolio's sensitivity to the change of probability of default (PD) was tested by a 10 % increase/decrease in the PD scenario. In the event of a 10% increase/decrease in PD, the impact on ECL of the retail loan portfolio would be +/- 2.3 %.
The retail loan portfolio's sensitivity to the change in the loss given default (LGD) was tested by a 10 % increase/decrease in the LGD scenario. If the LGD increases by 10 %, the impact on ECL of the retail loan portfolio would be +7.4 %. If the LGD decreases by 10 %, the impact on the ECL of the retail loan portfolio would be -9.8 %.

The corporate loan portfolio's sensitivity (Stage 1 and Stage 2) to the change of probability of default (PD) was tested by a 10 % increase/decrease in the PD scenario. In the event of a 10 % increase/decrease in PD, the impact on ECL of the corporate loan portfolio would be +/- 10 %.
The corporate loan portfolio's sensitivity (Stage 1 and Stage 2) to the change in the loss given default (LGD) was tested by a 10 % increase/decrease in the LGD scenario. In the event of a 10 % increase/decrease in LGD, the impact on ECL of the corporate loan portfolio would be +/- 10 %.

Non-performing exposures (NPE)

Non-performing exposures (NPE) are defined in the technical standard governing the reporting of forborne exposures and non-performing exposures, as issued by the EBA (European Banking Authority). Non-performing exposures include both defaulted (NPL) and non-defaulted exposures.

Based on changes (implementation of IFRS 9), in line with the EBA standard definition (FINREP ANNEX III REV1/FINREP ANNEX V), cash balances at central banks and other demand deposits and government and corporate bonds purchased to the Banking Book of the Group are part of the share of non-performing exposures, resulting in a decrease of the indicator.

The table below represents the summary of non-performing exposures as at 31 December 2023:

	Gross carrying amount	*Share of non-performing exposures*	*% coverage of non-performing exposures*
Loans and advances to banks	**-**	**-**	**-**
Loans and advances to customers	**232 507**	**1.62 %**	**57.38 %**
Public sector	-	-	-
Corporate clients	69 521	1.17 %	49.74 %
Retail clients	162 986	1.94 %	60.63 %
Debt securities	**901**	**0.03 %**	**100.00 %**
Total	**233 408**	**1.07 %**	**57.54 %**

The table below represents the summary of non-performing exposures as at 31 December 2022:

	Gross carrying amount	*Share of non-performing exposures*	*% coverage of non-performing exposures*
Loans and advances to banks	**-**	**-**	**-**
Loans and advances to customers	**231 280**	**1.65 %**	**62.17 %**
Public sector	-	-	-
Corporate clients	77 963	1.35 %	65.63 %
Retail clients	153 317	1.87 %	60.39 %
Debt securities	**901**	**0.03 %**	**100.00 %**
Total	**232 181**	**1.08 %**	**62.32 %**

Forborne exposures

This section applies exclusively to non-default exposures based on Article 178 CRR. In the business sphere, when credit conditions change for the benefit of the client, the Group differentiates between modified loans and forborne loans based on valid definitions in the technical standard (ITS) governing the reporting of forborne exposures and non-performing exposures, as issued by the EBA (European Banking Authority).

A key aspect when deciding whether a loan is forborne is in the business sector the client's financial situation at the time of the change in maturity or loan terms. If, on the basis of the client's creditworthiness (taking into account the internal early warning system), it can be assumed that the client has financial difficulties at the time of changing loan terms, and if the change is treated as easing of conditions, such loans are flagged as forborne exposures. If such a change is made to a loan or such a loan becomes overdue for more than 30 days and was previously considered to be defaulted but is subsequently considered as non-defaulted (under Article 178 CRR), the loan is considered to be a default exposure (NPE) regardless of whether there is a reason for default under Article 178 CRR. Such monitoring is performed over a two-year period after the loan is no longer considered to be defaulted. The decision as to whether the loan is classified as defaulted and/or forborne is not a reason for the creation of a specific impairment allowance.

Under IFRS 9, non-defaulted forborne exposures are automatically transferred to Stage 2 and are therefore subject to lifetime expected credit losses. The transfer back to Stage 1 is only possible after all of the exit criteria have been met (including a trial period in the retail segment) and, at the same time, criteria for the classification to Stage 2 are not met (quantitative or qualitative).

The Group may adjust the terms and conditions of repayment of its loan receivables if the client's financial situation is poor and the client would not be able to repay its obligations to the Group in real time.

For overdrafts, where an agreement on repayments of outstanding debt due is concluded – the contract is not prolonged, it is only transformed into an instalment loan after the expiry of the final maturity of the loan or after being declared as immediately due.

For instalment loans, repayment schedules are changed due to the client's inability to pay within the agreed deadlines. For retail loans, there is a possibility to apply for loan restructuring in the form of a temporary reduction of repayments, mostly for a period of 12 months, with subsequent changes to the original loan (extension of the maturity, change of the instalment amount) so as not to reduce the cash flows after termination of the credit relationship (i.e. there is no impairment).

The summary below represents the analysis of forborne exposures as at 31 December 2023:

	Gross carrying amount	*Impairment credit losses*	*Net carrying value*
Loans and advances to banks	**-**	**-**	**-**
Loans and advances to customers	**119 591**	**(36 852)**	**82 739**
Public sector	-	-	-
Corporate clients	82 758	(23 565)	59 193
Retail clients	36 833	(13 287)	23 546
Total	**119 591**	**(36 852)**	**82 739**

The summary below represents the analysis of forborne exposures as at 31 December 2022:

	Gross carrying amount	*Impairment credit losses*	*Net carrying value*
Loans and advances to banks	**-**	**-**	
Loans and advances to customers	**162 984**	**(41 297)**	**121 687**
Public sector	-	-	-
Corporate clients	124 605	(28 956)	95 649
Retail clients	38 379	(12 341)	26 038
Total	**162 984**	**(41 297)**	**121 687**

Default loan portfolio (NPL)

There is no definition of defaulted loans in the methodology of International Financial Reporting Standards. The Group also uses impaired loans as the equivalent for non-performing loans.

To determine the client's default, the Group mainly uses the following indicators, also depending on the client's segment: permanent delay in the repayment of a material portion of a receivable of more than 90 days, declaration of immediate maturity, bankruptcy or insolvency, a portion of the loan receivables from the client written off, legal restructuring, suspended interest on receivables, sale of the receivables from the client resulting in a loss or an anticipated loss from a deal. With respect to retail portfolio, the Group applies a limit of EUR 10, which must be exceeded by the amount of a receivable. With respect to retail portfolio, the Group applies a limit set at an absolute materiality threshold of EUR 100 and a relative materiality threshold of 1 % of the gross carrying amount of all client credit exposures, which must be exceeded by the amount of a receivable. In the corporate portfolio, the Group applies a limit that depends on the default type. In the event of a permanent default of more than 90 days, the limit is set at EUR 500 and simultaneously 1 % of the gross carrying value, in restructuring the limit of a change in the net present value is set at 1 %, and for other types the receivable is assessed with no limit application.

The summary below represents the analysis of the defaulted loan portfolio (balance sheet items) and the impairment off-balance sheet portfolio analysis (guarantees and irrevocable loan commitments) as at 31 December 2023:

	Defaulted loans (Gross carrying amount)	*Impairment allowances for defaulted loans*	*Defaulted loans (Net book value)*	*Recoverable value of received collateral for defaulted loans*
Loans and advances	**232 427**	**133 396**	**99 031**	**80 173**
Banks	-	-	-	-
Corporate clients	69 521	34 582	34 939	29 537
Retail clients	162 906	98 814	64 092	50 636
Contingent liabilities and other off-balance sheet items	**1 960**	**376**	**1 584**	**663**
Corporate clients	1 592	244	1 348	467
Retail clients	368	132	236	196
Total	**234 387**	**133 772**	**100 615**	**80 836**

The summary below represents the analysis of the defaulted loan portfolio (balance sheet items) and the impairment off-balance sheet portfolio analysis (guarantees and irrevocable loan commitments) as at 31 December 2022:

	Defaulted loans (Gross carrying amount)	*Impairment allowances for defaulted loans*	*Defaulted loans (Net book value)*	*Recoverable value of received collateral for defaulted loans*
Loans and advances	**231 057**	**143 782**	**87 275**	**72 903**
Banks	-	-	-	-
Corporate clients	77 963	51 198	26 765	23 158
Retail clients	153 094	92 584	60 510	49 745
Contingent liabilities and other off-balance sheet items	**3 091**	**569**	**2 522**	**586**
Corporate clients	2 642	402	2 240	397
Retail clients	449	167	282	189
Total	**234 148**	**144 351**	**89 797**	**73 489**

Concentration risk by geographic regions

Structure of assets and liabilities related to entities outside the Slovak Republic:

	2023	*2022*
Assets	**1 553 290**	**1 413 893**
Of which Austria	*363 669*	*387 830*
Of which Czech Republic	*324 769*	*236 723*
Of which United States of America	*12 839*	*10 722*
Of which Poland	*171 046*	*171 468*
Of which Netherlands	*37 403*	*43 933*
Of which Great Britain	*2 022*	*28 102*
Of which Germany	*110 977*	*78 073*
Of which Spain	*165*	*12 541*
Of which Bulgaria	*81 021*	*61 904*
Of which Hungary	*83 894*	*88 296*
Of which other countries (mainly EU countries)	*365 485*	*294 301*

Liabilities	**2 593 599**	**1 919 098**
Of which Austria	*1 774 273*	*1 008 848*
Of which Hungary	*68 192*	*57 424*
Of which Luxembourg	*60 567*	*56 641*
Of which Czech Republic	*110 831*	*255 023*
Of which Germany	*50 101*	*49 902*
Of which Ukraine	*198 811*	*178 975*
Of which Romania	*1 689*	*2 347*
Of which other countries (mainly EU countries)	*329 135*	*309 938*

Market risk

The Group is exposed to market risks. Market risks result from open positions from transactions with interest rate, currency, commodity and equity products that are subject to general and specific market changes. To assess the approximate level of market risk associated with the Group's positions, and the expected maximum amount of potential losses, the Group uses internal reports and models for individual types of risk faced by the Group. The Group uses a system of limits, the aim of which is to ensure that the level of risks the Group is exposed to at any time does not exceed the level of risks the Group is willing and able to accept. These limits are monitored on a daily basis.

For the risk management purposes, market risk is regarded as the risk of potential losses the Group may incur due to unfavourable developments in market rates and prices. To manage market risk, the Group uses a system of limits imposed on individual positions and portfolios.

As to the structure of trades, the Group primarily faces the following market risks:
- Currency risk;
- Interest rate risk.

Market risks to which the Group faces insignificant exposure (face value does not exceed 0.1 % of the Group's balance):
- Equity price risk;
- Commodity risk.

Currency risk

Currency risk represents the potential for loss resulting from unfavourable movements in foreign currency exchange rates. The Group manages this risk by determining and monitoring open position limits.

The currency position of the Group is monitored separately for each currency, as well as the group limit for specific currencies if monitoring is necessary, e.g. in the event of market turbulences. Limits for these positions are set in line with the RBI Group standards. Data on the Group's currency positions and on the compliance with the limits set by RBI are reported on a weekly basis.

In addition to the limit on an open foreign exchange position, the Group also sets gamma and vega limits on an option position for each currency pair subject to trading. The gamma limit sets the maximum allowable rate of change in the foreign exchange position from option contracts due to a change in the underlying exchange rate. The vega limit sets the maximum allowable rate of change in the value of options due to a change in the volatility of the underlying currency pair.

Positions from client option trades to currency pairs, where no gamma and vega limits on trading have been specified by the Group, are closed at the market, so as to ensure that the Group has no open position for this currency pair.

In addition, the Group has set a stop-loss limit for the overall foreign exchange position.

Items in foreign currencies

The financial statements consist of the following assets and liabilities denominated in foreign currencies:

	2023	*2022*
Assets	**147 295**	**158 338**
Of which: USD	*38 330*	*37 788*
Of which: CZK	*97 970*	*84 912*
Of which: other currencies (PLN, HUF, GBP and other)	*10 995*	*35 638*
Liabilities	**568 680**	**554 170**
Of which: USD	*361 492*	*388 633*
Of which: CZK	*92 816*	*65 413*
Of which: other currencies (PLN, HUF, GBP and other)	*114 372*	*100 124*

The Group's net foreign exchange (FX) position of assets, liabilities and equity as at 31 December 2023 and 31 December 2022 was as follows:

	Net FX position as at 31 December 2023	*Net FX position as at 31 December 2022*
USD	(323 162)	(350 845)
CZK	5 154	19 499
Other (GBP, CHF, PLN, HUF and other)	(103 377)	(64 486)
Total net FX balance sheet position	**(421 385)**	**(395 832)**
USD	327 481	354 115
CZK	(5 053)	(18 210)
Other (GBP, CHF, PLN, HUF and other)	109 824	60 298
Total net FX off-balance sheet position*	**432 252**	**396 203**
Total net FX position	**10 867**	**371**

** Net foreign exchange (FX) off-balance sheet position includes spot transactions and FX derivatives (except for option contracts). Option contracts are reported as "option delta equivalents". The same approach is used to calculate the capital requirement.*

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk.

The Group controls and manages its interest rate risk for all trades, and for the Banking Book and the Trading Book separately. Interest rate risk is monitored and assessed on a daily basis. Interest rate risk in the Banking Book in terms of change in the Group's income is monitored and evaluated monthly, always as at the end of the month. Interest rate risk in the Banking Book in terms of changes in the economic value is monitored and evaluated on a daily basis.

To monitor interest rate risk, the Group uses the gap analysis method (interest GAP), method of market value sensitivity to yield curve shift by defined number of basis points (basis point value – BPV), method of interest yield sensitivity to yield curve shift by defined number of basis points and stop-loss limit to interest rate sensitive instruments.

The internal interest rate risk limits applicable in the Banking Book are set in the form of limits on open positions in each time band of the interest gap for each currency that is included in the Banking Book (mainly EUR and USD). The Group's limit on the interest rate risk of the Banking Book is set in the form of limits on the sensitivity of the overall position to the yield curve shifts (BPV) in the Banking Book, with a limit on the position concentration in one time basket and one currency.

The interest rate risk limits applicable in the Trading Book are set in the form of limits related to the sensitivity of the overall position to yield curve shifts (BPV). The limits are set for individual currencies included in the Trading Book. The loss resulting from interest rate variations is limited to stop-loss limit.
Market Risk Management regularly submits information on the actual amount of credit risk in individual currencies and information on the use of the Banking Book's credit risk limits to the Assets and Liabilities Committee (ALCO).

In the event of exceeding the set limit, the interest rate positions are closed by using both traditional and derivative financial instruments.

The following table represents the carrying amount of non-derivative financial instruments and the face value of derivative financial instruments with a floating interest rate as at 31 December 2023 and 31 December 2022:

	Non-derivative assets (2023)	***Non-derivative liabilities (2023)***	***Derivatives (2023)***	***Non-derivative assets (2022)***	***Non-derivative liabilities (2022)***	***Derivatives (2022)***
EURIBOR 1M	870 229	-	15 988	774 859	-	20 382
EURIBOR 3M	2 646 971	215 462	4 621 022	2 452 980	156 828	2 767 950
EURIBOR 6M	295 252	103 181	869 600	362 240	103 328	815 000
PRIBOR (1M, 3M, 6M)	22 779	-	1 324	19 751	-	1 559
Other	35 739	21 132	23 891	44 036	24 178	49 556
Total	**3 870 970**	**339 775**	**5 531 825**	**3 653 866**	**284 334**	**3 654 447**

The table below provides information on balance sheet amounts, to what extent the Group is exposed to interest rate risk according to the contractual maturity date of financial instruments or, the date of remeasurement for instruments which are remeasured to market interest rates prior to maturity. Those assets and liabilities that do not have a contractual maturity date or are not interest-bearing are grouped in the "Unspecified" category.

The interest rate gap of financial assets and liabilities as at 31 December 2023:

	Up to 3 months included	*From 3 months to 1 year included*	*From 1 to 5 years included*	*Over 5 years included*	*Unspecified*	*Total*
Assets						
Cash and other demand deposits	27 865	-	-	-	223 137	251 002
Cash balances at central banks	3 954 534	-	-	-	-	3 954 534
Financial assets held for trading	-	3	4 574	-	24 405	28 982
Non-trading financial assets mandatorily measured at fair value through profit or loss	2 279	19 503	-	-	15 449	37 231
Financial assets measured at fair value through other comprehensive income	438	11 918	89 147	-	2 187	103 690
Financial assets measured at amortised cost	5 017 375	2 662 851	6 141 447	3 563 380	168 120	17 553 173
Receivables from hedging derivatives	-	-	-	-	48 344	48 344
Other assets	-	-	-	-	52 465	52 465
Interest rate position for financial assets as at 31 December 2023	**9 002 491**	**2 694 275**	**6 235 168**	**3 563 380**	**534 107**	**22 029 421**
Liabilities						
Financial liabilities held for trading	-	-	-	-	22 458	22 458
Financial liabilities measured at amortised cost*	9 203 345	1 975 562	6 135 881	2 813 836	124 958	20 253 582
Liabilities from hedging derivatives	-	-	-	-	196 582	196 582
Provisions	-	-	-	-	62 059	62 059
Other liabilities	-	-	-	-	59 346	59 346
Interest rate position for financial liabilities as at 31 December 2023	**9 203 345**	**1 975 562**	**6 135 881**	**2 813 836**	**465 403**	**20 594 027**
Net interest rate position as at 31 December 2023	**(200 854)**	**718 713**	**99 287**	**749 544**	**68 704**	**1 435 394**

** The Group uses its own model to categorise the non-term deposits according to interest rate sensitivity, whereas these deposits are categorised for up to 10 years.*

The interest rate gap of financial assets and liabilities as at 31 December 2022:

	Up to 3 months included	*From 3 months to 1 year included*	*From 1 to 5 years included*	*Over 5 years included*	*Unspecified*	*Total*
Assets						
Cash and other demand deposits	13 080	-	-	-	213 268	226 348
Cash balances at central banks	4 435 285	-	-	-	-	4 435 285
Financial assets held for trading	-	3	4 351	-	42 892	47 246
Non-trading financial assets mandatorily measured at fair value through profit or loss	2 344	16 873	-	-	13 919	33 136
Financial assets measured at fair value through other comprehensive income	37 922	39 372	69 740	38 904	109	186 047
Financial assets measured at amortised cost	4 767 263	1 904 166	6 768 101	2 950 705	137 212	16 527 447
Receivables from hedging derivatives	-	-	-	-	18 489	18 489
Other assets	-	-	-	-	45 588	45 588
Interest rate position for financial assets as at 31 December 2022	**9 255 894**	**1 960 414**	**6 842 192**	**2 989 609**	**471 477**	**21 519 586**
Liabilities						
Financial liabilities held for trading	-	-	-	-	53 705	53 705
Financial liabilities measured at amortised cost*	6 561 278	3 118 922	7 094 696	3 074 876	141 318	19 991 090
Liabilities from hedging derivatives	-	-	-	-	79 209	79 209
Provisions	-	-	-	-	60 002	60 002
Other liabilities	-	-	-	-	48 843	48 843
Interest rate position for financial liabilities as at 31 December 2022	**6 561 278**	**3 118 922**	**7 094 696**	**3 074 876**	**383 077**	**20 232 849**
Net interest rate position as at 31 December 2022	**2 694 616**	**(1 158 508)**	**(252 504)**	**(85 267)**	**88 400**	**1 286 737**

** The Group uses its own model to categorize the non-term deposits according to interest rate sensitivity, whereas these deposits are categorised for up to 10 years.*

Equity price risk

Equity price risk arises from the Group's exposure to changes in equity investment prices. Equity price risk is determined at the Group level. Equity price risk is measured using individual exposures and by calculating and monitoring the overall equity investment position. Equity investment positions are reported at the level of the overall portfolio on a weekly basis.

Commodity risk

Commodity risk arises from the Group's exposure to changes in commodity prices. Commodity risk is determined at the Group level and is measured using positions in individual commodities. The sensitivity analysis is applied for the measurement and management of commodity risk.

Sensitivity analysis of market risks

The sensitivity analysis reflects the implications on the Group's profit/loss arising from the movements in market parameters (interest rates, exchange rates, share prices, etc.) by predetermined delta values. For monitoring and limiting of risk, the Group uses 100 basis points for interest rates, a 5 % movement in exchange rates, and 50 % movement in share prices, and 30 % movement in commodity prices.

The GAP method sorts the Group's positions into baskets and examines the Group's final position in individual baskets. This method is used in interest rate risk management. The stress scenario is similar to the sensitivity analysis; however, it takes into consideration a marginal situation on the market. It combines movements in the market parameters so that these are the least favourable for the Group.

The table below shows the Group's sensitivity to movements in exchange rates, assuming negative movements in exchange rates by 5% to the detriment of the Group.

Change in the present value of assets and liabilities of the Group following the movements in exchange rates of the selected currencies to the detriment of the Group as at 31 December 2023 (in thousands of EUR):

	Present value of exchange rate	***Exchange rate in sensitivity scenario***	***Bank's position on the respective currency***	***Economic loss of the Bank for a given scenario with an impact on equity***
PLN	4.3395	4.5565	4 794	(240)
USD	1.1050	1.1603	4 303	(215)
JPY	156.3300	164.1465	1 387	(69)
NOK	11.2405	11.8025	1 116	(56)
SEK	11.0960	10.5412	(987)	(49)
Total			**10 613**	**(629)**

Change in the present value of assets and liabilities of the Group following the movements in exchange rates of the selected currencies to the detriment of the Group as at 31 December 2022 (in thousands of EUR):

	Present value of exchange rate	*Exchange rate in sensitivity scenario*	*Bank's position on the respective currency*	*Economic loss of the Bank for a given scenario with an impact on equity*
HUF	400.8700	380.8265	(4 149)	(207)
USD	1.0666	1.1199	3 257	(163)
CZK	24.1160	25.3218	1 282	(64)
GBP	0.8869	0.8426	(1 215)	(61)
PLN	4.6808	4.9148	785	(39)
Total			**(40)**	**(534)**

The table below shows the Group's sensitivity to movements in the interest rate assuming negative movement of the yield curve to the detriment of the Group by 100 basis points.

Change in the present value of assets and liabilities of the Group following the change in the interest rate for the selected currencies as at 31 December 2023 (in thousands of EUR):

	Yield curve shift	*Group's loss from yield curve shift*
EUR	+100 BPV	(63 967)
USD	-100 BPV	(975)
Total		**(64 941)**

Change in the present value of assets and liabilities of the Group following the change in the interest rate for the selected currencies as at 31 December 2022 (in thousands of EUR):

	Yield curve shift	*Group's loss from yield curve shift*
EUR	+100 BPV	(43 707)
USD	-100 BPV	(127)
Total		**(43 834)**

As at 31 December 2023, the Group's exposure position in the Trading Book to equity price risk was nil; as at 31 December 2022, it was also nil. The Group, therefore, does not recognise this exposure position to equity price risk.

As at 31 December 2023, the Group's exposure position to commodities in the Trading Book was insignificant; as at 31 December 2022, the Group's position was also insignificant. Therefore, the Group does not recognise this exposure position to commodity risk.

In the market risk sensitivity analysis, the Group uses the negative development of exchange rates, yield curves movements, and a decrease in share prices. In the opposite scenario, the Group would recognise a profit instead of a loss in approximately the same amount.

Liquidity risk

Liquidity risk is the risk that the Group may not be able to fulfil its obligation to settle its liabilities when they fall due.

The Group wishes to maintain its solvency, i.e. its ability to meet its financial liabilities in a duly and timely manner, and to manage its assets and liabilities so as to ensure continuous liquidity. Liquidity management is the responsibility of the Assets and Liabilities Committee (ALCO), the Treasury department and Capital Markets division. At its regular meetings, the ALCO assesses the Group's liquidity and, subsequently, makes decisions based on the current state of affairs.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees, and from margin and other calls on cash settled derivatives. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Group sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Deposits from customers are one of the primary funding sources for the Group. Although the terms of the majority of the deposits permit customer withdrawals with no advance notice, the actual balances maintained by customers provide a stable source of funding.

The Market Risk Management department monitors the Group's liquidity on a daily basis and reports on its development. Information on the liquidity position is reported to the ALCO at least once a month. The Treasury department submits reports on the Group's structure of assets and liabilities at regular meetings of the ALCO, and proposes the size and structure of the portfolio of highly-liquid securities held strategically for the following period subject to monitoring. The Treasury department informs the ALCO about new investments in securities on a regular basis.

The Group monitors short-, medium- and long-term liquidity risk by developing a liquidity and crisis liquidity gap (3 scenarios: market crisis, currency crisis and combined scenario) compiled on the basis of the rules and assumptions set by the RBI parent company. Internal liquidity limits are approved by the Group's management through an annual update of the liquidity management strategy. The Group also monitors the regulatory coefficients set by the NBS and the ECB and the coefficients and limits set internally and/or by the RBI parent company.

The Group's liquidity position reflecting the current contractual remaining maturity of assets and liabilities as at 31 December 2023:

	Up to 12 months	*Over 12 months*	*Unspecified*	*Total*
Assets				
Cash and other demand deposits	251 002	-	-	251 002
Cash balances at central banks	3 954 534	-	-	3 954 534
Financial assets held for trading[3)]	3	4 574	24 405	28 982
Non-trading financial assets mandatorily measured at fair value through profit or loss	21 782	-	15 449	37 231
Financial assets measured at fair value through other comprehensive income	12 356	89 147	2 187	103 690
Financial assets measured at amortised cost	3 424 358	13 779 223	349 592	17 553 173
Receivables from hedging derivatives[3)]	-	-	48 344	48 344
Non-current tangible assets and right-of-use assets	-	-	90 491	90 491
Non-current intangible assets	-	-	66 969	66 969
Current tax asset	-	-	66	66
Deferred tax asset	-	-	44 200	44 200
Other assets	-	-	52 465	52 465
Total assets	**7 664 035**	**13 872 944**	**694 168**	**22 231 147**

	Up to 12 months	*Over 12 months*	*Unspecified*	*Total*
Liabilities				
Financial liabilities held for trading[3)]	-	-	22 458	22 458
Financial liabilities measured at amortised cost[1)]	7 002 184	13 173 110	78 288	20 253 582
Liabilities from hedging derivatives [3)]	-	-	196 582	196 582
Provisions	-	-	62 059	62 059
Current tax liability	-	-	14 788	14 788
Other liabilities	-	-	59 346	59 346
Total liabilities	**7 002 184**	**13 173 110**	**433 521**	**20 608 815**
Net balance sheet position	**661 851**	**699 834**	**260 647**	**1 622 332**
Net off-balance sheet position[2)]	**(3 315 301)**	**(128)**	**4 711 145**	**1 395 716**
Cumulative balance sheet and off-balance sheet position	**(2 653 450)**	**699 706**	**4 971 792**	**3 018 048**

1) *The amounts of current accounts and passbooks are recognised under the estimated maturity model, which calculates the distribution of such behavioural cash flows as part of liquidity. The model is based on the Geometric Brownian Motion (GBM) and is reviewed annually. The main component of the model is the historical time series of observations. During the assessment process, the performed observations are compared to the modelled observations. In the event of a larger deviation, assumptions and/or model parameters should be reviewed. Based on the results of the review, new assumptions and/or new model parameters calculated on the basis of historical observations should be used for the model.*
2) *The off-balance sheet position includes receivables and payables from spot transactions and financial derivative transactions where the underlying instrument is replaced, from future loans and borrowings, guarantees and letters of credit, and option delta equivalents.*
3) *Positive/negative fair value of financial derivatives held for trading and receivables/payables from hedging derivatives are classified as not specified in line with the National Bank of Slovakia Report on the Current and Estimated Remaining Maturity of Assets and Liabilities.*

The Group's liquidity position reflecting the current contractual remaining maturity of assets and liabilities as at 31 December 2022:

	Up to 12 months	*Over 12 months*	*Unspecified*	*Total*
Assets				
Cash and Other demand deposits	226 348	-	-	226 348
Cash balances at central banks	4 435 285	-	-	4 435 285
Financial assets held for trading[3)]	3	4 351	42 892	47 246
Non-trading financial assets mandatorily measured at fair value through profit or loss	19 217	-	13 919	33 136
Financial assets measured at fair value through other comprehensive income	77 294	108 644	109	186 047
Financial assets measured at amortised cost	3 235 064	12 997 526	294 857	16 527 447
Receivables from hedging derivatives[3)]	-	-	18 489	18 489
Non-current tangible assets and right-of-use assets	-	-	92 815	92 815
Non-current intangible assets	-	-	64 747	64 747
Current tax asset	-	-	434	434
Deferred tax asset	-	-	46 702	46 702
Other assets	-	-	45 588	45 588
Non-current assets held for sale	-	-	531	531
Total assets	**7 993 211**	**13 110 521**	**621 083**	**21 724 815**

	Up to 12 months	*Over 12 months*	*Unspecified*	*Total*
Liabilities				
Financial liabilities held for trading[3)]	-	-	53 705	53 705
Financial liabilities measured at amortised cost[1)]	4 833 367	15 067 568	90 155	19 991 090
Liabilities from hedging derivatives [3)]	-	-	79 209	79 209
Provisions	-	-	60 002	60 002
Current tax liability	-	-	7 516	7 516
Other liabilities	-	-	48 843	48 843
Total liabilities	**4 833 367**	**15 067 568**	**339 430**	**20 240 365**
Net balance sheet position	**3 159 844**	**(1 957 047)**	**281 653**	**1 484 450**
Net off-balance sheet position[2)]	**(3 371 664)**	**(127)**	**4 031 845**	**660 054**
Cumulative balance sheet and off-balance sheet position	**(211 820)**	**(1 957 174)**	**4 313 498**	**2 144 504**

1) *The amounts of current accounts and passbooks are recognised under the estimated maturity model which calculates the distribution of such behavioural cash flows as part of liquidity. The model is based on the Geometric Brownian Motion (GBM) and reviewed annually. The main component of the model is the historical time series of observations. During the assessment process, the performed observations are compared to the modelled observations. In the event of a larger deviation, assumptions and/or model parameters should be reviewed. Based on the results of the review, new assumptions and/or new model parameters calculated on the basis of historical observations should be used for the model.*
2) *The off-balance sheet position includes receivables and liabilities from spot transactions and financial derivative transactions where the underlying instrument is replaced, in particular from future loans and borrowings, guarantees and letters of credit, and option delta equivalents.*
3) *Positive/negative fair value of financial derivatives held for trading and receivables/payables from hedging derivatives are classified as not specified in line with the National Bank of Slovakia Report on the Current and Estimated Remaining Maturity of Assets and Liabilities.*

The summary below represents an analysis of the earliest possible contractual maturity of financial assets, in the worst-case scenario, as at 31 December 2023 (in non-discounted amounts):

			Remaining maturity			
	Carrying amount	*Contractual cash flows*	*Up to 3 months incl.*	*From 3 months up to 1 year incl.*	*From 1 year up to 5 year incl.*	*Over 5 years incl.*
Non-derivative financial assets:						
Cash on hand	223 137	223 137	223 137	-	-	-
Cash balances at central banks	3 954 534	3 954 534	3 954 534	-	-	-
Other demand deposits	27 865	27 865	27 865	-	-	-
Loans and advances	14 321 330	16 056 511	2 339 043	2 519 075	5 369 164	5 829 229
Debt securities	3 351 538	3 916 510	55 753	333 580	1 238 718	2 288 459
Derivative financial assets:						
Positive fair value of financial derivatives held for trading	24 405	642 385	499 670	122 256	12 025	8 434
Positive fair value of financial derivatives held for fair value hedging	48 344	207 644	23 465	28 258	96 179	59 742

The summary below represents an analysis of the earliest possible contractual maturity of financial assets, in the worst-case scenario, as at 31 December 2022 (in non-discounted amounts):

			Remaining maturity			
	Carrying amount	*Contractual cash flows*	*Up to 3 months incl.*	*From 3 months up to 1 year incl.*	*From 1 year up to 5 year incl.*	*Over 5 years incl.*
Non-derivative financial assets:						
Cash on hand	213 268	213 268	213 268	-	-	-
Cash balances at central banks	4 435 285	4 435 285	4 435 285	-	-	-
Other demand deposits	13 080	13 080	13 080	-	-	-
Loans and advances	13 951 037	14 811 899	5 136 965	2 719 153	5 403 597	1 552 184
Debt securities	2 799 838	3 058 649	154 012	409 365	1 064 093	1 431 179
Derivative financial assets:						
Positive fair value of financial derivatives held for trading	42 892	609 343	278 479	290 833	34 334	5 697
Positive fair value of financial derivatives held for fair value hedging	26 363	126 119	4 812	18 695	66 870	35 742

The summary below represents an analysis of the earliest possible contractual maturity of financial liabilities, in the worst-case scenario, as at 31 December 2023 (in non-discounted amounts):

			Remaining maturity			
	Carrying amount	*Contractual cash flows*	*Up to 3 months incl.*	*From 3 months up to 1 year incl.*	*From 1 year up to 5 year incl.*	*Over 5 years incl.*
Non-derivative financial liabilities:						
Deposits	18 243 944	18 384 282	17 422 518	584 182	231 623	145 959
Liabilities from debt securities	1 998 383	2 212 416	67 123	163 280	1 954 083	27 930
Other financial liabilities	55 758	55 758	14 238	7 701	26 651	7 168
Provisions	62 059	62 059	62 059	-	-	-
Other liabilities	59 346	59 346	59 346	-	-	-
Derivative financial liabilities:						
Negative fair value of financial derivatives held for trading	22 458	626 237	487 975	118 269	11 897	8 096
Negative fair value of financial derivatives held for fair value hedging	196 582	241 317	30 223	20 454	74 766	115 874

The summary below represents an analysis of the contractual maturity of future contingent liabilities and other off-balance sheet items, in the worst possible scenario, as at 31 December 2023 (in non-discounted amounts):

			Remaining maturity			
	Carrying amount	*Contractual cash flows*	*Up to 3 months incl.*	*From 3 months up to 1 year incl.*	*From 1 year up to 5 year incl.*	*Over 5 years incl.*
Contingent liabilities and other off-balance sheet items:						
Contingent liabilities from guarantees	702 662	702 662	702 662	-	-	-
Contingent liabilities from letters of credit	18 722	18 722	18 722	-	-	-
From irrevocable loan commitments	983 002	983 002	983 002	-	-	-

The summary below represents an analysis of the earliest possible contractual maturity of financial liabilities, in the worst-case scenario, as at 31 December 2022 (in non-discounted amounts):

				Remaining maturity		
	Carrying amount	*Contractual cash flows*	*Up to 3 months incl.*	*From 3 months up to 1 year incl.*	*From 1 year up to 5 year incl.*	*Over 5 years incl.*
Non-derivative financial liabilities:						
Financial liabilities held for trading	4 716	4 716	4 716	-	-	-
Deposits	18 772 446	18 986 101	14 913 043	678 440	3 246 080	148 538
Liabilities from debt securities	1 161 538	1 332 284	135 360	78 838	989 751	128 335
Other financial liabilities	57 106	57 106	11 667	7 420	26 589	11 430
Provisions	60 002	60 002	60 002	-	-	-
Other liabilities	48 843	48 843	48 843	-	-	-
Derivative financial liabilities:						
Negative fair value of financial derivatives held for trading	48 989	620 886	272 499	300 104	42 497	5 786
Negative fair value of financial derivatives held for fair value hedging	196 315	283 866	5 776	40 213	181 320	56 557

The summary below represents an analysis of contractual maturity of future contingent liabilities and other off-balance sheet items, in the worst possible scenario, as at 31 December 2022 (in non-discounted amounts):

				Remaining maturity		
	Carrying amount	*Contractual cash flows*	*Up to 3 months incl.*	*From 3 months up to 1 year incl.*	*From 1 year up to 5 year incl.*	*Over 5 years incl.*
Contingent liabilities and other off-balance sheet items:						
Contingent liabilities from guarantees	601 852	601 852	601 852	-	-	-
Contingent liabilities from letters of credit	3 363	3 363	3 363	-	-	-
From irrevocable loan commitments	1 224 549	1 224 549	1 224 549	-	-	-

Operational risk

Operational risk is the risk arising from inappropriate or incorrect procedures, human error, failures of the Group's systems or from external events. Operational risk includes legal risk, the risk arising primarily from a failure to enforce contracts, risk of unsuccessful legal disputes or court rulings with adverse impacts on the Group. As in the case of other types of risk, operational risk is managed by applying the standard principle including the separation of functions in risk management and controlling.

For the purposes of the capital requirement calculation to cover operational risk, the Group uses the "Standardised Approach" according to the requirements of BASEL II and the Banking Act. Under the Standardised Approach, the Group's activities and the related Gross Income are divided into eight business lines. Gross Income for each business line is represented by a general indicator serving as a representative for a range of business activities, thereby representing an operational risk rate for each business line. The capital to cover operational risk is calculated as net interest income and net interest-free income multiplied by an assigned ß factor for each business line separately. The total capital requirement equals the sum of eight partial requirements for each business line and the average for the past three years.

To identify operational risk, the Group uses a three-dimensional model compound of risk categories, business functions, and business lines (Risk Management Association methodology). Operational risk loss data collection covers the collection of all operational losses by individual risk categories of this three-dimensional model.

The Group focuses primarily on process quality improvement and operational risk mitigation actions. The essential assumption of set goals is based on operational risk awareness and the Group's operational risk culture.

The Group also uses other tools to manage operational risk such as Key Risk Indicators and Self-Assessment and operational risk scenarios, which are designated to identify, analyse and monitor areas with increased operational risk.

The Group is also active in preparing Business Continuity plans. The plans aim to minimise impacts of unexpected events on the Group's operation.

Other risks

Simultaneously, in terms of implementing an internal process of capital adequacy determination, the Group monitors and develops quantification and management methods aimed at other risks.

Basel III

In connection with the adopted new legislative rules known as Basel III (by Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, which is directly applicable in all member states of the EU with effect from 1 January 2015, and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudent supervision of credit institutions and investment firms), the Group has prepared and applies these stricter rules in capital adequacy and liquidity; the Group ensured smooth compliance with these rules while maintaining the required level of risk appetite, portfolio performance and return on capital.

The concepts, methodology, and documentation for the activities in the Basel III Project are prepared in close co-operation with Raiffeisen Bank International AG while reflecting the local specifics of the Group and the entire bank environment.

The Group's intention is to implement an advanced approach to the management, quantification, and reporting of individual risks as soon as possible. As at the reporting date, for credit risk, the Group used the standardised approach and the internal rating approach for calculating the regulatory capital requirement to cover credit risk. The general approach of internal ratings is applied by the Group for the bulk of the non-retail portfolio. For the bulk of the retail portfolio, the advanced internal ratings-based approach is applied.

The IRB approach is used for central governments and central banks, institutions, corporate entities (including project financing, insurance companies, leasing companies and financial institutions) as of 1 January 2009, as of 1 April 2010 for the retail part of the portfolio and as of 1 December 2013 for the SME portfolio. In connection with the approved IRB approach, the Group continuously reassesses the performance of its rating models and subsequently ensures the required performance of the models.

The Group modifies and supplements its methodology and process procedures for Pillar 2 (internal process of capital adequacy assessment) in the context of its risk appetite and performed business activities. As part of this process, pursuant to the approved methodology, the Group performs a risk relevance and materiality assessment, a risk quantification and an assessment with respect to the Group's capital and subsequent reporting on a regular basis. The process of capital allocation, which is closely linked with budgeting, forms an integral part.

An important aspect of the Group's capital management is a thorough prediction of capital adequacy developments and its stress testing to eliminate the effects of unforeseen events and for efficient capital planning. Information on the Group's individual risks and capital are reflected in the management of the Group and its business strategies to achieve an optimum compromise between the mitigation of individual risk types and augmentation of the market share, profit and return on capital. Major changes introduced by the Group with respect to the changing economic development included, for instance, implementing comprehensive stress testing for Pillar 1 risks as well as for other risk types identified by the Group as material or partial optimisation of parameter estimates for the calculation of the own funds requirement for the retail portion of the portfolio. At the same time, the Group actively uses the results of the stress testing in capital planning and capital management.

OTHER DISCLOSURES

42. Contingent liabilities and other off-balance sheet items

The Group reports the following contingent liabilities and other off-balance sheet items::

	2023	*2022*
Contingent liabilities:	**721 384**	**605 215**
From guarantees	342 374	282 312
From other guarantees	360 288	319 540
From letters of credit	18 722	3 363
Commitments:	**3 297 321**	**3 367 532**
From irrevocable loan commitments:	983 002	1 224 549
Up to 1 year	*464 854*	*263 915*
More than 1 year	*518 148*	*960 634*
From revocable loan commitments:	2 314 319	2 142 983
Up to 1 year	*601 176*	*1 106 437*
More than 1 year	*1 713 143*	*1 036 546*
Total	**4 018 705**	**3 972 747**

Off-balance sheet commitments from guarantees represent obligations that the Group will make payments in the event that a customer cannot fulfil its obligations to third parties.

A documentary letter of credit is an irrevocable undertaking of the issuing Group acting at the request of a customer (buyer) to make a payment to the beneficiary (seller) or to pay or accept bills of exchange drawn by the beneficiary upon the submission of the stipulated documents, provided all terms and conditions of the letter of credit are met. The documentary letters of credit are collateralised depending on the creditworthiness of the customer and on the same basis as guarantees or loans.

The primary purpose of unused credit facilities (loan commitments) is to ensure that funds are available to a customer as required. Commitments to grant loans issued by the Group represent issued loan commitments and the unused part of approved overdraft loans.

The risk associated with off-balance sheet financial commitments and contingent liabilities is assessed similarly as for loans to customers, taking into account the financial position and activities of the entity to which the Group issued the guarantee and taking into account the collateral obtained. As at 31 December 2023, the Group created provisions for these risks amounting to EUR 10 333 thousand (as at 31 December 2022: EUR 12 470 thousand), Note 30 "*Provisions*". As at 31 December 2023, other contingent liabilities amounted to EUR 420 thousand (as at 31 December 2022: EUR 105 thousand).

An overview of the quality of contingent liabilities and other off-balance sheet items is stated in Note 41 "*Risk report*".

Litigations and claims

In the ordinary course of business, the Group is subject to legal actions and complaints. Each dispute is subject to special monitoring and regular re-assessment as a part of the Group's standard procedures. In the event of significant disputes the Group cooperates with external lawyers submitting the changes in dispute to the Board of Directors on a regular basis. In 2023, the Group was not subject to any new significant dispute and some long-term disputes developed in favour of the Group. It is the policy of the Group not to disclose details of ongoing legal actions in cases where such disclosure might be prejudicial. This policy is in line with wording of IAS 37.92.

The most serious legal proceedings concerns agreed credit facilities and a contract breach allegedly committed by the Group by failing to execute payment transfer orders and renew credit facilities, which ultimately allegedly led to the termination of the customer's business activities and two related lawsuits for damages and lost profit. In the former case, the first and second instance courts rejected the claim made and the court of appeal dismissed an appeal. In the latter case, the court of first instance dismissed the action. In the Group's view, both actions are speculative.

As at 31 December 2023, the Group examined the status of legal disputes, taking into account the amount of claims made and IFRS requirements as regards the recognition of provisions and contingent liabilities in the amount of EUR 4 100 thousand (31 December 2022: EUR 3 669 thousand), which are included in the off-balance sheet accounts.

If it is probable that the Group will be required to settle a claim and a reliable estimate of the amount can be made, the Group creates provisions. The total provision for legal disputes amounts to EUR 22 566 thousand (31 December 2022: EUR 22 362 thousand), Note 30 "*Provisions*". To determine the amount of provisions, the Group uses professional judgement and relies on advice from legal counsel, taking into account all the circumstances and all available factors, including the application of publicly available information on disputes in the Slovak Republic from the past. For significant accounting estimates, see Note II.

43. Leases as a lessee (IFRS 16)

The right-of-use asset (under IFRS 16) is part of the Group's tangible assets. Its amount and movement, along with the amount and movement of accumulated depreciation of the right-of-use asset, are recognised under non-current tangible assets in "*Right-of-use assets*".

Depreciation of the right-of-use asset is included in the general administrative expenses under "*Depreciation and amortisation of non-current tangible and intangible assets*", where they are separately allocated: "*of which the right-of-use assets*".

The amount of interest expense on lease liabilities is disclosed in Note 1 "*Net interest and dividend income*", separately reported under "Interest expense: lease liability".

The following table provides an overview of lease costs under IFRS 16, which are part of the general administrative expenses under "*Other administrative expenses: Other expenses*" for which the Group applied an exception in accordance with IFRS 16.22 to 49:

	2023	***2022***
Lease costs:	**(729)**	**(708)**
Short-term lease	(69)	(57)
Lease of low-value tangible assets	(660)	(651)

The following table provides an analysis of the maturity of contractual undiscounted cash flows from lease liabilities:

	2023	***2022***
Undiscounted lease liabilities:	**46 176**	**49 611**
Less than 1 year	11 080	10 635
1 to 5 years	27 789	27 795
More than 5 years	7 307	11 181

44. Related parties

Related parties of the Bank comprise:

a) RBI – Raiffeisen Bank International, the parent company;

b) The RBI Group comprises subsidiaries and associates that are members of the parent company's (Raiffeisen Bank International) Group owned directly or indirectly via its subsidiaries, except for subsidiaries and associates owned by the Bank, which are recognised separately;

c) The statutory bodies and the Supervisory Board are persons who are members of the key management personnel of the Bank or its parent company;

d) Other related parties are close family members of the members of the Bank's management personnel – the Board of Directors and the Supervisory Board. Other related parties also include other related individuals with a relationship with the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form. In the ordinary course of business, the Group enters into a number of banking transactions with related parties. Bank transactions were carried out under normal conditions and relationships at market prices.

Assets, liabilities, commitments, issued and received guarantees as regards related parties as at 31 December 2023:

*Related parties**	*RBI*	*RBI Group*	*Statutory bodies and Supervisory Board***	*Other related parties*	*Total*
Loans and current accounts to banks and customers	148 743	67 239	1 165	3 223	**220 370**
Receivables from derivative financial transactions	71 876	-	-	-	**71 876**
Other assets	950	986	-	-	**1 936**
Deposits and current accounts from banks and customers	2 706	4 461	1 326	389	**8 882**
Liabilities from derivative financial transactions	202 115	-	-	-	**202 115**
Subordinated debt	136 311	-	-	-	**136 311**
Other liabilities	5 680	947	-	-	**6 627**
Guarantees issued	70 330	13 365	-	-	**83 695**
Loan commitments	37 000	5 536	118	1 293	**43 947**

* *Groups of related parties under the IAS 24 definition*
** *Including members of RBI Boards of Directors*

Assets, liabilities, commitments, issued and received guarantees as regards related parties as at 31 December 2022:

*Related parties**	*RBI*	*RBI Group*	*Statutory bodies and Supervisory Board***	*Other related parties*	*Total*
Loans and current accounts to banks and customers	143 052	56 958	1 369	1 946	**203 325**
Receivables from derivative financial transactions	68 848	-	-	-	**68 848**
Other assets	663	843	-	-	**1 506**
Deposits and current accounts from banks and customers	1 690	5 049	1 252	1 368	**9 359**
Liabilities from derivative financial transactions	208 586	-	-	-	**208 586**
Subordinated debt	135 852	-	-	-	**135 852**
Other liabilities	6 249	1 161	-	-	**7 410**
Guarantees issued	8 801	546	-	-	**9 347**
Loan commitments	37 000	5 541	118	1 421	**44 080**

* *Groups of related parties under the IAS 24 definition*
** *Including members of RBI Boards of Directors*

Revenues and expenses as regards related parties as at 31 December 2023:

*Related parties**	*RBI*	*RBI Group*	*Statutory bodies and Supervisory Board*	*Other related parties*	*Total*
Interest and dividend income	89 250	3 383	7	50	**92 690**
Fee and commission income	1 153	748	-	-	**1 901**
Unrealised gain/(loss) on derivative financial transactions	24 383	-	-	-	**24 383**
Operating revenues	1 302	1 541	-	-	**2 843**
Interest expense	(114 558)	(28)	(13)	(60)	**(114 659)**
Fee and commission expense	(913)	(10 197)	-	-	**(11 110)**
General administrative expense	(10 120)	(486)	(4 683)**	-	**(15 289)**
Total	**(9 503)**	**(5 039)**	**(4 689)**	**(10)**	**(19 241)**

* *Groups of related parties under the IAS 24 definition*
** *Wages and bonuses to the members of the Board of Directors, Supervisory Board and procura-holders*

Revenues and expenses as regards related parties as at 31 December 2022:

*Related parties**	*RBI*	*RBI Group*	*Statutory bodies and Supervisory Board*	*Other related parties*	*Total*
Interest and dividend income	31 471	5 410	11	62	**36 954**
Fee and commission income	805	1 050	-	-	**1 855**
Unrealised gain/(loss) on derivative financial transactions	(135 822)	-	-	-	**(135 822)**
Operating revenues	925	49	-	-	**974**
Interest expense	(33 884)	(55)	-	(7)	**(33 946)**
Fee and commission expense	(856)	(8 217)	-	-	**(9 073)**
General administrative expense	(9 858)	(461)	(5 183)**	-	**(15 502)**
Total	**(147 219)**	**(2 224)**	**(5 172)**	**55**	**(154 560)**

* *Groups of related parties under the IAS 24 definition*
** *Wages and bonuses to the members of the Board of Directors, Supervisory Board and procura-holders*

In 2023 and 2022, the following remuneration was paid to the members of the Parent Company's statutory body:

	2023	*2022*
Short-term employee benefits	3 259	3 258
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment benefits	-	-
Total	**3 259**	**3 258**

The members of statutory body own preference shares of Tatra Banka. The terms of the preference shares are described in Note 33 "*Equity*".

45. Average number of employees

The average number of Group's employees was as follows:

	2023	*2022*
Bank employees	3 482	3 463
Of which: Members of the Board of Directors	*7*	*7*
Total	**3 482**	**3 463**

46. Capital management

For capital management purposes, the Group defines regulatory capital, capital adequacy, internal capital and economic capital.

Regulatory capital is the capital defined by the capital adequacy rules under Pillar 1. When quantifying regulatory capital, the Group complies with current legislation, defining its structure and minimum amount.

Regulatory capital, referred to as own funds, consists of Tier 1 equity, additional Tier 1 capital and Tier 2 capital. Regulatory capital is used to cover credit risk from Banking Book activities, counterparty risk related to activities in the Trading Book, market risks (position risk for activities in the Trading Book, foreign exchange risk and commodity risk from all trading activities), settlement risk, CVA risk, OTC derivative and operational risk.

Capital adequacy is monitored with regard to Tier 1 regulatory capital expressed as its percentage of the total risk exposure, and with regard to Tier 1 capital expressed as its percentage of the total risk exposure and as own funds expressed as a percentage of the total risk exposure. The methodology for its quantification is regulated. Additional information on the Group's capital requirement is disclosed in Note 41 "*Risk report*", part "BASEL III".

In 2023, the Group complied with the level of capital adequacy defined for the Group.

Internal capital is the Group's own funds that the Group maintains and places internally to cover its risks. The internal capital components are made up of capital items supplemented by other additional resources available to the Group. The Group's objective is to maintain the required amount of internal capital. In 2023, the Group met this objective.

Economic capital represents the necessary capital or relates to the Minimum Capital Requirement to cover unexpected losses from risks internally defined as material and quantified by the Group. Economic capital thus ensures the financial stability of the Group at the level of reliability corresponding to the Group's credibility. The use of economic capital knowledge is important to the Group, eg for active portfolio management, valuation, controlling etc.

An additional own resources requirement, the so-called "Pillar 2 requirement" (P2R), is designed to cover risks that are not covered or are not sufficiently covered by the first pillar own funds requirement. Its value for the Parent Company was determined by bank supervision based on the SREP assessment from 1 January 2020 at 1.5 %.

The below table provides the outline of the Group's regulatory capital structure and the capital adequacy ratios:

	2023	*2022*
Original own funds (TIER 1)	**1 356 113**	**1 244 259**
Paid-up share capital	64 326	64 326
(-) Treasury shares	(64)	(136)
Share premium	298 654	298 447
(-) Share premium – treasury shares	(1 134)	(2 271)
Funds from profit and other capital reserves	15 676	15 366
Other specific items of original own funds	982 128	877 403
Other temporary adjustments to Tier 1 capital	(3 473)	(8 876)
Additional own funds (TIER 1) (AT1 capital)	**100 000**	**100 000**
(-) Items deductible from the original own funds	**(52 007)**	**(59 835)**
(-) Intangible assets	(39 132)	(46 960)
(-) Goodwill	(12 875)	(12 875)
Additional own funds (TIER 2)	**161 295**	**165 610**
Subordinated debts	135 000	135 000
IRB excess of provisions over expected losses eligible	26 295	30 610
(-) Items deductible from the original and additional own funds	**(5 697)**	**(9 329)**
(-) From the original own funds	(5 697)	(9 329)
Total own funds	**1 559 704**	**1 440 705**
Adequacy of own funds (%)	**19.39**	**18.66**
Own funds	**1 559 704**	**1 440 705**
Risk-weighted assets (RWA)	**8 042 964**	**7 721 787**
RWA from receivables recorded in the Banking Book	7 152 203	6 914 975
RWA from positions recorded in the Trading Book	14 762	9 085
RWA from operating risk – standardised approach	875 999	797 727

47. Post-balance sheet events

There were no significant events between the balance sheet date and the date of authorisation of these financial statements that would require an adjustment or additional disclosure.

48. Approval of the separate financial statements

The annual consolidated financial statements for the immediately-preceding reporting period (as at 31 December 2022) were signed and authorised for issue on 17 February 2023.

The financial statements were signed and authorised for issue on 19 February 2024 by the following bodies/ persons:

a) Statutory body

Michal Liday
Chairman of the Board of Directors
and Chief Executive Officer

Oliver Pichler
Member of the Board of Directors

b) Person responsible for the bookkeeping and the preparation of the financial statements

Ľubica Jurkovičová
Accounting, Reporting
and Tax Director

Profit for the Year 2023 and Dividend Payment

Distribution on the Profit for the Year 2023

(in EUR)

Profit after tax for the year 2023	**237 286 640**
Dividends - Ordinary shares	137 347 812
Dividends - Preferred shares	18 018 662
Distribution for Investment certificate AT1	10 851 900
Allocation to retained earnings	71 068 266

Dividend per ordinary share with the nominal value of EUR 800 is in the amount of EUR 1 932.
Dividend per ordinary share with the nominal value of EUR 4 000 is in the amount of EUR 9 660.
Dividend per preference share with the nominal value of EUR 4 is in the amount of EUR 9,67.

The payment of proceeds from the AT1 Investment certificate will be carried out in accordance with the instrument's emission conditions.

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