ANNUAL REPORT 2023

Consolidated

VÚB BANKA
Intesa Sanpaolo Group

FOR ALL THAT COUNTS

www.vub.sk

Contents

General information about the bank

Business name:	Všeobecná úverová banka, a.s.
Registered office:	Mlynské nivy 1, 829 90 Bratislava
Company ID:	31 320 155
Date of establishment:	April 1,1992
Founder:	National Property Fund of the Slovak Republic, Bratislava
Capital in EUR:	EUR 510,819,063.81
Contact person:	Ing. Milan Danči
Phone no.:	+421 904 755 502
E-mail:	mdanci@vub.sk
Website:	www.vub.sk
Scope of business:	bank services, see Annex Scope of business

The branch of the parent company included in the separate financial statements:

Business name Company reg. no.	Address	Other country	Legal form of entity	Main activity
Všeobecná úverová banka a.s., pobočka Praha				
48550019	Purkyňova 2121/3, 110 00 Praha 1	CZ	Branch of the parent company abroad	Commercial and investmentbanking services in Czech Republic

The entities included in the consolidated financial statements:

Business name Company reg. number	Address	Share	Consolidation method	Main activity
Subsidiaries				
VÚB Operating Leasing, a.s.				
54108128	Mlynské nivy 1 820 05 Bratislava	100%	Full method	Operating leasing
VÚB Generali dôchodková správcovská spoločnosť, a.s.				
35903058	Mlynské nivy 1 820 04 Bratislava	55,26%	Full method	Pension fund administration
Joint ventures				
Monilogi s.r.o.				
54508673	Mlynské Nivy 1 821 09 Bratislava	30%	Net equity method	Cash processing
Associates				
Slovak Banking Credit Bureau, s.r.o.				
35869810	Mlynské nivy 14 821 09 Bratislava	33,33%	Net equity method	Credit database administration

Selected indicators

(in thousand €)

	Separate financial statements prepared in accordance with IFRS as adopted by the EU			Consolidated financial statements prepared in accordance with IFRS as adopted by the EU		
	2023	2022	2021	2023	2022	2021
Loans and advances to customers	18 471 650	17 504 728	16 256 447	18 464 494	17 497 930	16 659 876
Due to customers (including lease liabilities)	16 039 273	15 427 835	13 973 238	16 038 978	15 427 185	13 971 898
Equity	2 118 416	1 841 062	1 709 722	2 144 524	1 870 095	1 734 924
Balance sheet total	24 326 231	22 805 330	22 861 219	24 386 101	22 873 363	23 242 855
Profit before provisions, impairment and tax	404 295	249 736	194 586	411 934	274 190	205 163
Profit before tax	341 620	185 635	130 155	342 480	212 969	143 881
Income tax expense	(77 426)	(44 543)	(29 169)	(78 735)	(43 219)	(30 542)
Net profit for the year	264 194	141 092	100 986	263 745	169 522	113 339

Commercial indicators	2023	2022	2021
ATMs	554	563	581
EFT POS Terminals	14 524	13 800	12 008
Payment cards	1 015 464	1 001 800	992 605
of which credit cards	97 770	98 050	101 528
Mortgage loans (gross, thousands of €, VUB Bank only)	9 311 918	8 965 879	8 613 915
Consumer loans (gross, thousands of €, VUB Bank only)	1 605 652	1 295 640	1 275 947
Number of employees (VUB Group)	3 312	3 358	3 412
Number of branches in Slovakia (VUB Bank)	167	170	179

Key ratios of VUB Group	2023	2022	2021
Return on assets	1,08%	0,74%	0,49%
Cost-Income Ratio (without bank levy)	39,5%	46,3%	53,01%
Tier 1 capital ratio	17,25%	16,68%	17,24%
Total capital ratio	19,79%	19,21%	19,51%

Rating (status as at 31 December 2023)	
Moody's	
Long-term deposits	A2
Short-term deposits	P-1
Baseline credit assessment	baa2
Negative outlook	

Overview of received bank loans and other loans - consolidate

in EUR '000	Short-term	Long-term
Bank loans (including multinational institutions)	-	780 595
Subordinated debt	-	300 487

For the year 2023, the bank records operating costs related to research and development activities in the amount of approximately €2.0 mil and does not record any subsidies received from public sources.

Address by the Chairman of the VUB Supervisory Board

Dear Shareholder, Clients and Business Partners, Employees

VUB had in 2023 a very good year. In terms of financial results, in fact, the Group has had the best year ever, with net income reaching €263.7 million, up nearly 56% over the previous year. In part, this excellent result was enabled by external factors such as an increase in market interest rates and resilient macroeconomic backdrop and thus business growth. More importantly though, it was also delivered thanks to further improvements in operation efficiency and prudent approach to risk, which are critical to set VUB's performance apart from peers and competitors. Notably, VUB's cost-to-income ratio has decreased to 39.5%, its best ever.

VUB's superior performance on the market has also been noted by outside observers. The Global Finance magazine has yet again recognized VUB as the Best Bank in Slovakia. This was the third year in row of such a recognition, which underscores the fact that VUB's leadership on the Slovak market is consistent and well established. On behalf of Supervisory Board, I would like to thank the management and employees for these excellent achievements.

Importantly, VUB's solid financial performance allowed the Group to further strengthen its position in corporate and social responsibility. VUB's leadership in CSR in Slovakia has in 2023 been recognized, for example, by Euromoney magazine. VUB also has remained focused on becoming an ESG leader Slovakia - in its own operations, in financing the transformative green economy projects, and in promoting the sustainable societal transition and stimulating dialogue between key third parties in Slovakia who hold systemic change in terms of sustainability and environmental protection in their hands. You will find a detailed overview of activities in this area in the forthcoming 2023 ESG report. Many of them are delivered by VUB Foundation, which in December 2023 celebrated its 20th anniversary. Let me just take this opportunity to congratulate VUB Foundation and thank for promulgating the mission of improving people's lives, protecting nature and developing art in Slovakia.

Looking ahead to 2024, I realize it will be difficult to sustain the financial performance of the past year. The challenge comes from the uncertain macroeconomic outlook but even more so from the regulatory burden, notably the new special tax on the banking sector. The tax will take away 30% of the banking sector pre-tax profit, which means that from January 2024, the effective tax rate of the banking sector in Slovakia will be a punitive 45% of expected profit.

Against this backdrop, clearly, the previously set targets for growth will have to be reviewed and focus reaffirmed on further work to strengthen efficiency and effectiveness. Still, I remain convinced that with the continued trust of clients and business partners, VUB will continue to deliver. And I attest that Intesa Sanpaolo remains committed to help VUB in any respect.

Ignacio Jaquotot,
Chairman of the Supervisory Board

Address by the Chairman of the VUB Management Board

Dear Shareholder, Clients and Business Partners,

Considering that the year 2023 was rather specific from the point of view of the macroeconomic environment for banking business, it makes sense to briefly evaluate it first. High inflation had a negative effect on economic growth and thus also on the demand for loans. It also had a negative impact on the household saving rate, which resulted in a decrease in the volume of deposits in the banking sector. High inflation, however, also led key global central banks, including the European Central Bank (ECB), to raise interest rates.

Official interest rates by the ECB have been raised during 2023 by two percentage points. This increase brought the key ECB deposit rate to all-time high of 4.00%, in an unprecedented turnaround from -0.50% rate prevailing until July 2022. The resulting repricing of assets alongside placement of excess liquidity at the ECB enabled interest revenues of the sector to almost double in 2023. Increase in rates lifted also funding costs of the banks, but nonetheless allowed the net interest income of the sector to increase by 27% over a year ago.

Consumers in Slovakia have hitherto adjusted their spending to inflation rather little, choosing instead to use up past savings to maintain their real spending. As a result, the saving rate fell to all-time low, which negatively affected the retail deposit base. Banks in search of liquidity were thus obliged instead to focus on cash-rich segments of the corporate market. High interest rates besides continued to sap demand for mortgages and subsequently put cold water also on the residential property market. New housing starts have been put on the backburner and an abrupt downtrend was observed in the commercial real estate market. All these factors have had implications for the commercial side of our results.

Let me start with the mortgage market, which accounts for more than half of VUB's loan portfolio. Compared to the drama of 2022, when demand for mortgages surged in its first half in anticipation of the turnaround of interest rates and then froze in its latter half, the year 2023 was a lot more stable. With the refinancing part of the mortgage market all but gone, the volumes of new business were driven be genuine demand for new homes and thus notably softer than previously. Our outstanding mortgage portfolio grew in 2023 by 2.1%. This was down from 3.8% yoy in 2022 and 10% in 2021, resp., yet more akin to the market growth than previously. As a result, our share of mortgage-type loans has held much better than in the previous year. In December 2023, we commanded 21.8% of the market, compared to 22.0% in 2022 and 23.4% in 2021, resp.

In the other important loan market in the household segment, consumer loans, we grew volumes by a stronger 5.7% pace in 2023. The competitors nonetheless grew even faster, which cost us a loss of market share, from 22.9% a year ago to 22.4%, resp. This loss of market share though was partly due to the sale of unsecured loans worth €15.4 million. In lending to sole traders, we were able to hold onto our position, commanding 37.5% of segment total. Overall, in retail loans, our share in December 2023 stood at 20.9%, compared to 21.2% a year ago.

In the corporate loan market, our overall position was broadly stable. Importantly, we continued to improve our position in the key corporate segment, nonfinancial enterprises, from 19.9% share in 2022 to 20.9% in 2023, resp. We grew volumes of loans to both large companies as well as to small and medium-sized enterprises, by 2.7% and 4.8% resp. A separate but very dynamic growth has been posted by our Czech branch, whose corporate loan book grew in 2023 by strong 37.3%. As for the leasing part of our corporate business, in 2023, we mainly focused on the harmonization with bank products and processes alongside the fulfillment of business plans. Delivery of the latter exceeded expectations, especially in corporate leasing, that is, financing other than passenger cars. Financed volume of passenger cars increased by almost 6%, while volume of all other leased assets increased by over 9%, resp. The other, complementary part of our leasing operations, operating leasing run by our subsidiary company VUB Operating Leasing was in 2023 going through the expected process of alignment with a strategic partner.

Finally, the range of our services to corporate clients also includes factoring services. VUB has once again confirmed its leading role on the Slovak factoring market. To be sure, our assigned receivables fell, by 4.1 percent. The market, however, fell even more, by 6.7%, resp. From among the banks and factoring companies within the Association of Factoring Companies, VUB Factoring thus improved its market share to 38.2% from 37.1% at the end of 2022.

Turning to the deposits side of our commercial activities, I am pleased to say that we have maintained positive increment of volumes, despite the adverse developments in the retail market, mentioned above. Indeed, we have succeeded in growing volumes of primary deposits, by 10%, faster than 3.3% in the previous year and faster than the market too. As a result, we have improved our share of the primary deposit market, from 18.7% to 19.6%, and our loan-to-deposit ratio improved too. This is very important given the challenges in liquidity management in the Slovak banking sector, whose primary deposit base is short relative to the volume of loans extended to households and domestic companies. In this respect, I appreciate the efforts and success of our Treasury team to fund the Group outside the domestic market, especially via covered bonds. Indeed, during 2023, in April and August, VUB was able to issue under not easy market conditions two €500 million covered bond issues at reasonable prices. Note that VUB is currently the largest issuer of covered bonds among banks in Central and Eastern European countries with a strong and diversified investor base.

Coming back to the deposit market, I am pleased to say that we succeeded to grow household deposits after all, by 3.7% , outgrowing competitors and increase our share of total household bank deposits in Slovakia to 17.2%, from 17.0% in December 2022. Given the limited opportunities to grow retail deposits, I am even more pleased with VUB's ability to attract significant volumes of corporate deposits, particularly from nonfinancial companies. Indeed, we have increased their volume by 26.7% over a year ago, which pushed our share of the nonfinancial deposit market to 23.8%, from an already sizable 22.2% share in December 2022.

The review of our standing in deposits clearly would not be complete without evaluating alternative products in which households store their savings and financial wealth. For VUB Group, of particular interest are markets of mutual funds and pension markets, in which we are active. Both of them had a very good year, given the respective market conditions. Let me start with mutual funds asset management, in which we operate with the strong support from Eurizon Capital ('Eurizon'), the leading European asset management company of Intesa Sanpaolo. Throughout 2023, we continued to focus on product portfolio enhancement of local as well as LUX funds. Besides ESG, in 2023, we also devoted many resources to support investment saving schemes as one of the key drivers for building a long-term capital base in financial markets. Eurizon Asset Management Slovakia increased its assets under management to €1.7bn and increased its client base to almost 170 ths clients. Aggregate AUM market share of SK and LUX funds (net of duplications) reached level of 20% at the end of 2023, which placed Eurizon at the first position among asset management companies on the Slovak market.

In the pension market we are active through VUB Generali pension company, our joint venture with the partner Generali Slovensko, in which we now hold majority control of 55.26% of shares. We have been very successful in the continued growth of the client base. VUB Generali has accumulated total volume of funds under management of € 2.75 billion in 2023, which means growth by almost 25% over a year ago in a very successful year for the company. Its market share increased significantly by 1.32 percentage points to 20.16%. Importantly, the number of clients in our pension saving schemes increased by more than 22 thousand to total exceeding 365 thousand clients as of end-2023. I am particularly pleased to state that VUB Generali managed the most profitable fund of the entire 2nd pension pillar sector in 2023 – the Index fund with a return of 19.59%, which demonstrates our commitment and ability to bring best value possible to our clients.

Turning now to the financial performance, profitability, clearly, improved a lot thanks to the increase in interest rates. Net interest income increased by 53.6%, allowing for the operating income of VUB Group to increase by 33.3% over a year ago, to € 680.5 million. Note that besides favourable market conditions, our NII improved comparatively better than in the sector thanks also to the foresight of our Asset Liability Management team. They positioned the Bank at the beginning of 2023 in such a respect toward interest rate risk that hugely benefited from the sharp rise of euro interest rates. Other factors lifting the bank's profitability were increases in volumes of corporate loans, financial advisory and transactions business, as well as further improvements in operational efficiency. We have kept operating costs under control, having increased them by 13.6% over a year ago. Our cost-to-income ratio on consolidated basis thus decreased to 39.5% from 46.3% a year ago. Helpful to the net financial result also had been a better-than-expected development of asset quality, with the ratio of nonperforming loans hovering around the lowest level ever, allowing us to create less loan loss provisions than forecast. Adjusted for impairments, provisions, and taxes, the Group thus booked net profit of €263.7 million, 55.6% higher than a year ago.

Looking ahead, the operating environment for banking industry in Slovakia will worsen. On the one hand, the economic growth of the country will remain roughly the same as in 2023 but with inflation much lower. This could allow for some relief in credit markets and potentially revive demand for loans in some segments such as mortgages. On the other hand, however, the regulatory burden on banks in Slovakia will worsen dramatically, due in particularly to a new tax on banks introduced from January 2024. It amounts to 30% of gross profit. Together with regular income tax of 21%, the new effective tax rate of the banking sector will increase to 45%, the highest in the region and probably in Europe too. Clearly, with such a punitive tax regime, the space for growth of assets and investment in the sector will be impacted negatively. Worsening also applies to other businesses VUB Group operates in, such as the pension market. Contributions of pension savers in the private pension scheme, including VUB Generali, namely will be cut from 5.5% of gross wage to 4.0%, as part of the government's effort to prop up the state-run pension scheme instead.

In conclusion, I would like to outline our vision for further development. It mainly concerns financing the green transformation of the economy, continued investments in digitalization, modernization of our branch network and infrastructure, small and medium enterprises, small business and, of course, improvement of services for clients. It is also thanks to them that we are the best bank in Slovakia for the third time in a row according to the prestigious Global Finance magazine, and for the second time we also won the prize for sustainable financing from this magazine. I would therefore like to thank our employees for their commitment, hard work and results of the past year. I would also like to thank the clients and business partners of VÚB for the trust they show in the bank, and the shareholders for their support. I wish us all the best in 2024.

Jozef Kausich,
CEO and Chairman of the Management Board

VUB Management Board Report on the business activities of the Company

Development of the External Environment

External Environment

Last year the global and Slovak economy showed a surprising resistance to the increase of interest rates, when none of the world's largest economies experienced a recession after the revisions of the GDP numbers until the third quarter. The labor markets were particularly tight and unemployment rates remained close to their long-term minimums. At the same time, both in the USA and in Europe during 2023, central banks reached the peak of their key interest rates. From zero or even negative figures at the beginning of 2022, as a result, short-term interbank rates rose to over 5.3 percent in the United States and to 4 percent in the euro area. The last time interest rates grew this much was in the early 1980s.

Although industrial production and foreign trade declined slightly during the year, this trend in most developed countries was more than offset by growing service sector. The labor markets in particular remained exceptionally resilient, which helped households maintain their incomes and, with falling inflation, also consumption to a large extent. Spending by households and companies was also supported by accumulated savings from generous budgetary and monetary stimuli and from not shopping during the pandemic. That is, in part, by factors that originally helped to cause high inflation and the necessity to fight it.

In Europe, the higher-than-expected flexibility of industry, as well as services and agriculture, in relation to the change in the energy mix related to the Russian war against Ukraine, helped significantly. The good news was also that the problems of regional banks in the USA or Credit Suisse in Switzerland fortunately did not spill over into the crisis of the entire financial sector, as they did during the Financial crisis in 2008. Central banks helped to prevent the spread of this contagion with their activity.

According to the estimates of our parent bank Intesa Sanpaolo, the world economy grew at a rate of more than three percent last year, even though the eurozone slowed down its GDP growth to 0.4%. Slovakia probably recorded growth of around 1.1% last year, when the progress of our economy was hampered mainly by falling real household consumption due to high inflation. Slovakia's industry and exports were also helped by the drop in market energy prices and the easing of bottlenecks in supply chains, which catalyzed particularly the production of local automakers. According to the first official figures, the economy was also helped by the drawing of EU funds from the 2014-20 program period, but not as much as in the similar year of 2015. The local labor market remained tight as the employment rate increased to a historically high level of more than 77% in the age group 20–64-year-olds. However, the financial wealth of households only stopped its decline due to the persistent low savings rate, when real wages last year only gradually started to grow from their big inflationary slump in 2022 (they still fell on average for the whole year).

The continued growth of interest rates on mortgages up to over 4.5% last year significantly crippled not only new housing loans, but also the real estate market as such, when the average offered price of a square meter of houses and apartments fell from July 2022 to September 2023 by roughly 12% according to the figures of the Slovak National Bank. This was the biggest drop in residential real estate prices since 2009.

In addition, the public sector continues its expansionary fiscal policy, when the public finance deficit reached up to 6% of GDP last year and may end up even higher this year. The Fitch agency thus downgraded Slovakia's credit rating from A to A-, and it is quite possible that S&P and Moody's will take a similar step during this year. However, the bond markets did not further increase the country's risk premium when it increased by only 4 basis points year-on-year to 109 points by the end of the year.

Financial Sector

Further rise in interest rates to long-term highs last year on the one hand significantly slowed the demand for new credit, not only from households but also from companies, on the other hand, it helped banks to increase their net interest income, as the cost of deposits at the financial houses mostly grew with a certain delay. Even with the decelerated business, the banks were able to earn significantly more than the year before. The net profit of the Slovak banking sector increased by 46% compared to 2022. From this year onwards, the net profitability of Slovak banks will be significantly reduced by the new bank levy of up to 30% of the annual gross profit.

According to the data of the Slovak National Bank, the annual growth of loans to households decelerated to 4.4% in 2023, which was already significantly lower than the growth of nominal GDP (possibly around 8.5% in the final quarter). Household indebtedness, one of the highest in the region of Central and Eastern Europe, thus decreased slightly in relation to the annual production in the economy. It was mainly the growth of consumer loans that partially compensated for almost-stagnant housing loans, as demand for mortgages remained muted. Loans to companies also slowed down their growth during the year, when the demand for liquidity decreased with the drop in inflation, but medium-term loans (from 1 to 5 years) continued to grow rapidly thanks to still decent investment activity.

On the deposit side, the development of liabilities in banks stabilized and even improved in the later part of 2023 despite the continued low saving rate of households: growth dynamics of household deposits thus increased from negative figures in 2022 to +3.4% in 2023, partially thanks to attractive rates on term deposits, especially in the maturity of up to 2 years. In the case of companies, the growth of deposits to nonfinancials reached up to 17.9%, due also to decent profitability of the corporate sector.

Growth of total primary deposits in 2023 reached 5.4%, overtaking the growth of gross loans, which stood at 3.4%, resp. As a result, the gap between primary deposits and gross loans narrowed, to 7.9 billion euro from 9.0 billion in 2022. Clearly though, the loan-to-deposit ratio (LTD) still remained uncomfortably high at 110.5% and the shortfall in financing had to be covered by the increased issuance of (already significantly more expensive) bonds. The adjusted LTD (loans to deposits and issued bonds) decreased, to 93% from 98% a year ago to, resp.

Outlook for 2024

The global as well as the Slovak economy will face multitude of risks in 2024. The main one is that of the delayed negative impact of increased interest rates, which tends to manifest itself in the economy even a year and a half after the last rate hike by the central banks. The base effect of last year's drawdown of EU funds from the 2014-20 programming period can also exert a downward pressure on the local economy. On the contrary, household consumption should help, since the government has reduced inflation (probably somewhere to 3%) by freezing the regulated energy prices from January onwards, and the average wage should grow at least twice as fast. Good news is also the supply chains, which no longer feel the same tensions as after the pandemic.

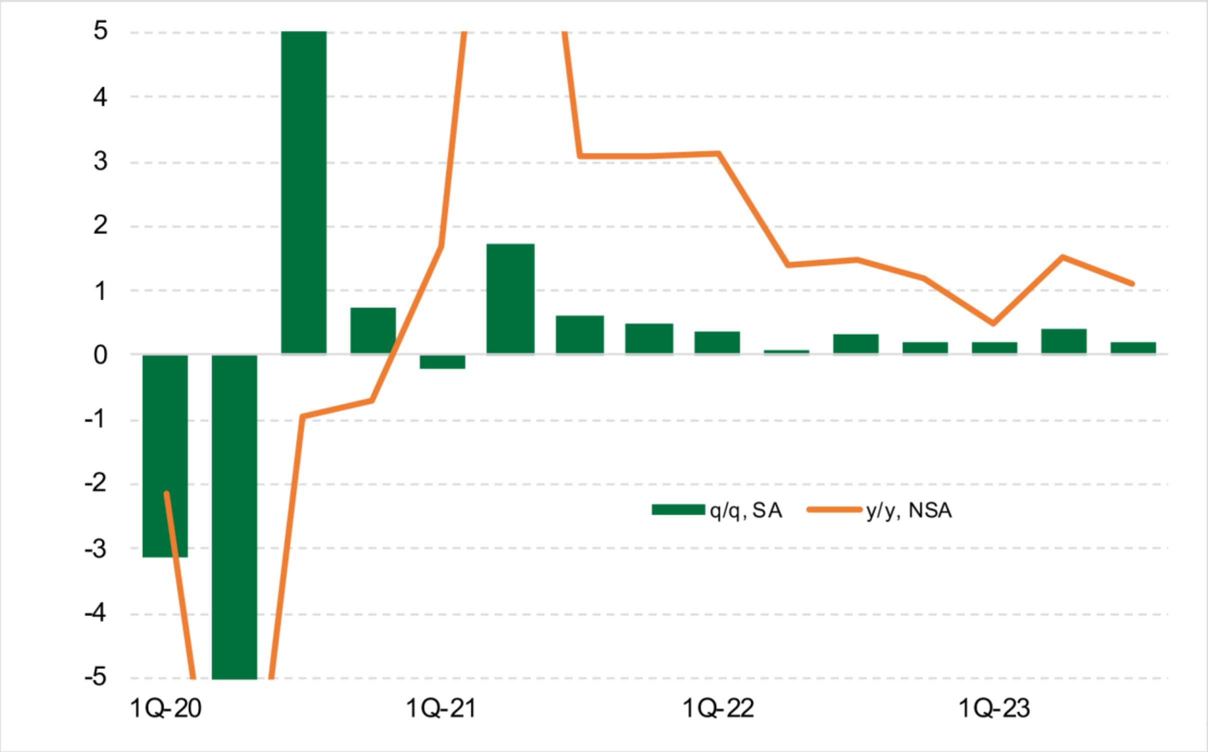
The risks for the future stem also from the geopolitical situation, apart from the ongoing Russian war against Ukraine, especially from Israel's war against Hamas terrorists, which has the potential to spill over in the Middle East region. Another threat is the industrial competition from China. The American presidential election, moreover, brings the possibility of a turnaround in US foreign policy.

Globally, the decline in inflation should continue, and in Europe consumer price growth may reach the targeted two percent level by the summer (in the United States probably only next year). This will create the conditions for the beginning of the reduction of today's restrictive interest rates of central banks: both in the euro area as well as in the USA. The ECB could reduce interest rates in July and then in the fall by a total of 50 basis points, the American Federal Reserve only in September and in the final quarter of the year by a total of half a percentage point, too. However, long-term interest rates, including the yields of benchmark government bonds, do not have to fall much, as the expectations of these short-term rates' reductions are already priced in them today. Longer-term commercial interest rates could thus remain roughly stable, which could also bring about a stabilization in the real estate market. Refixations of mortgage rates will gradually continue, but we do not anticipate any serious problems with their default rates.

All in all, there is still hope that the global economy can handle the so-called soft landing. This is also the basic scenario of most official institutions, including the International Monetary Fund, but also of our colleagues at the parent bank Intesa Sanpaolo. In the current forecast, they assume that global GDP growth will slow down, but will remain clearly positive (at 2.8%). Importantly, in their view, none of the world's key economies will report negative growth for the whole of 2024. This also applies to Germany, our most important trading partner, where they expect difficulties to continue, but still, in 2024 real GDP growth should turn out positive (0.2%).

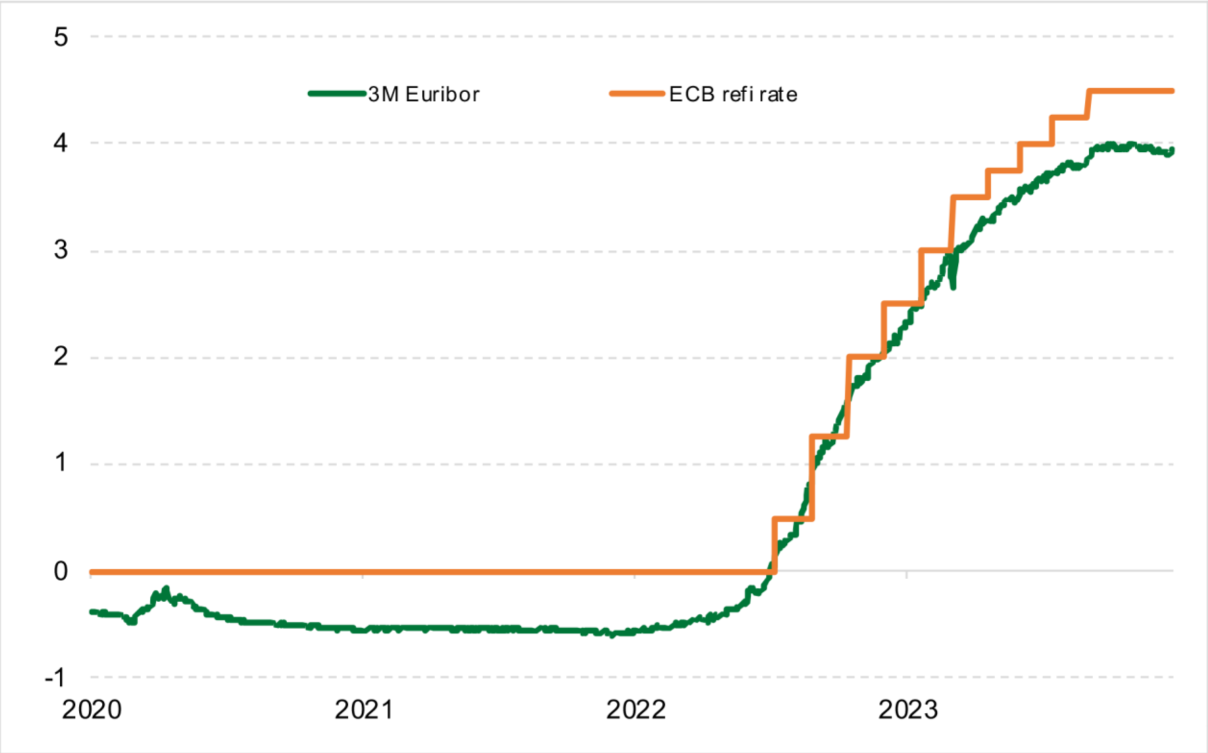
Taking into consideration all these factors, we expect the continuation of a slower growth of the Slovak economy somewhere above the level of 1%, when the output will be helped especially by the growth of household consumption supported by a high deficit of public finances. However, this is not sustainable in the long term, and the government will have to come up with real austerity measures that will influence the economy negatively in the future.

Real GDP growth in y/y and q/q terms



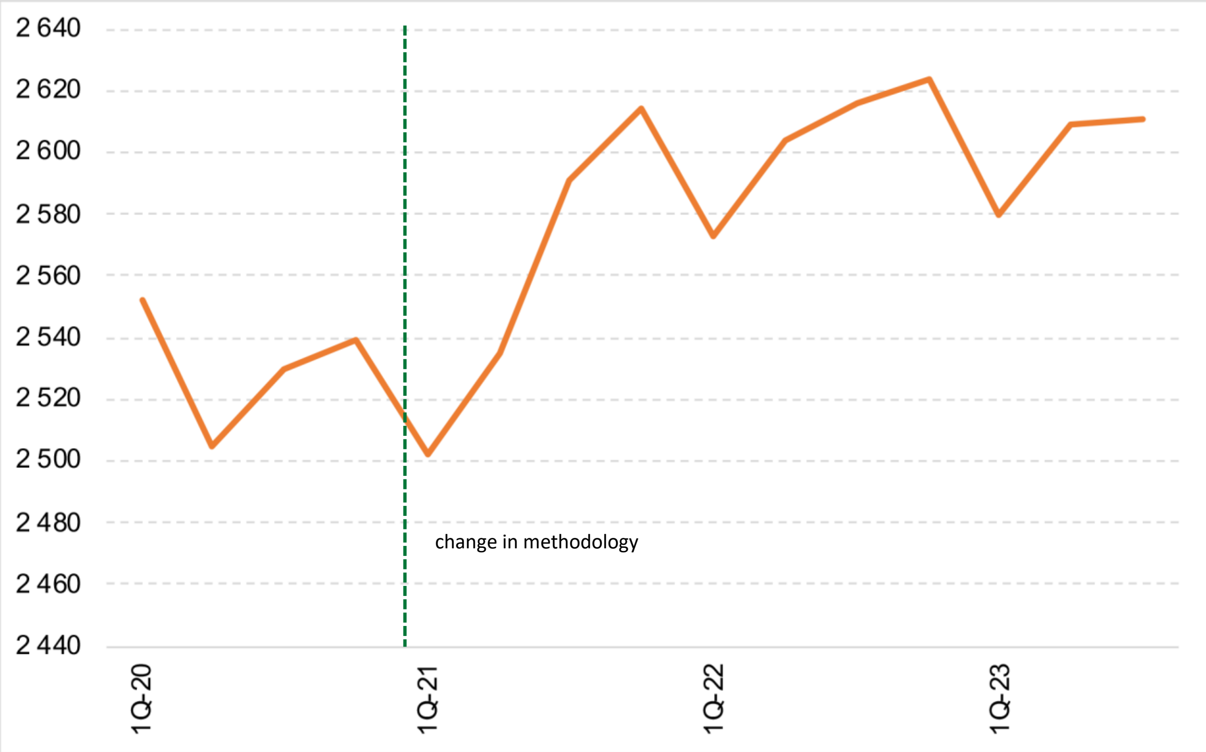
Source: Eurostat, VUB

3M Euribor and ECB's Refi Rate



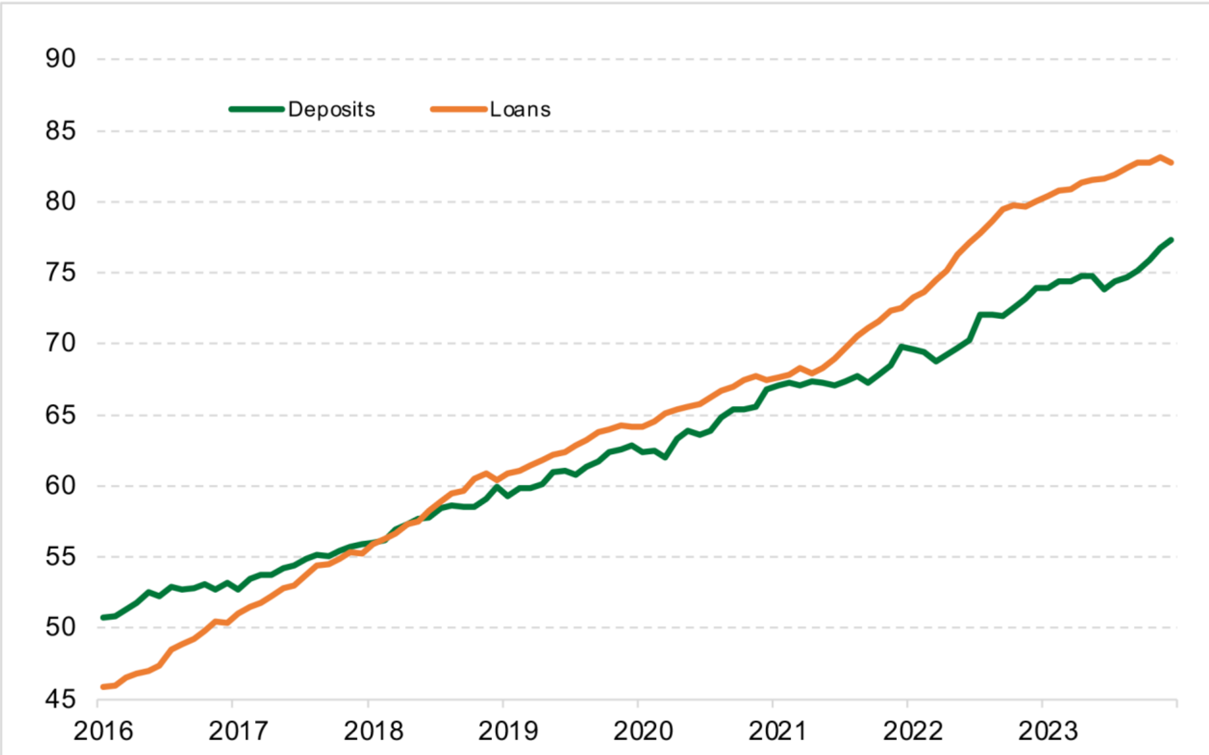
Source: Bloomberg, VÚB
Note: For non-trading intervals carry over last value

Employment: number of workers in thousands



Source: SO SR, Macrobond, VÚB

Development of bank volumes (EUR bn)



Source: NBS, VÚB

Slovak government's 10Y bond yield, generic index

Source: Bloomberg, VÚB

VUB's 2023 Commercial Performance

In the year 2023 the economy was mostly affected by steep hike of interest rates following the hight inflation pressure. However, the global and Slovak economy showed a surprising resistance to this. Slovak economy recorded GDP growth by 1.1 %.

VUB has not only achieved a very satisfactory performance in the commercial area, but also has laid a great emphasis on sustainability, environmental and social responsibility. Through the year, the interest rates have risen continuously, thus positively affecting the profitability. In retail lending we managed to keep our market share at satisfactory level of 20.9%. Also, in corporate lending, our market position remained at satisfactory level 19.3% in December 2023 (19.5% in December 2022). As far as deposits are concerned, our initiatives to strengthen the deposit base for further growth were successful and we have increased our market position by 0,5 percentage point.

Deposits

The volume of bank deposits in VUB at the end of 2023 amounted to almost EUR 16.0 billion, 4.0 % up against the previous year due to both retail deposits, but more importantly corporate deposits. On retail market, we managed to increase the amount of deposits this year, even in spite the inflation crisis. On top of that, term deposits rose significantly over the year thanks to new products introduced in cooperation with our Czech Branch. Customers' assets under management benefited from both net sales and market value development and posted substantial increase year-over-year (by almost 20% over the year), high above the market increase ((13.3%). Market share in mutual funds thus increased by 106 bps in 2023. The market share of total deposits received from clients incl. mutual funds amounted to 19.6%, which means y/y increase by 60 basis points. In corporate segment, VUB recorded an increase compared to the previous year and increase in the market share by 92 bps.

Electronic Banking

We continued to introduce improvements in Mobile banking and Internet banking, such as expansion of digital biometric onboarding also for term-deposits for non-clients. We have also introduced the possibility of setting-up investments saving account via mobile banking and added the mortgage calculator to the app.

We continued in improving also our VUB Junior Banking ap intended for clients from the age of 8 years. In 2023 we introduced new education module to increase financial knowledge among kids. The new educational module contains 48 questions in the areas of savings, security and financial terms. An interesting feature is the possibility to ask the parents for help if the child does not know or is not sure of the answer, by which we aim to strengthen the dialogue on the topic of finances between children and parents.

We have implemented new online banking and brand-new mobile banking app and added new functions such as possibility to log in via electronic ID and several other functionalities. Thanks to our dedication to innovations and constant improvement, our Mobile Banking App was voted the best in the Nay Techbox 2023's poll. As of December 2022, VUB app had almost 1.2 mil. online users.

Bank Cards

Year 2023 was second in row in which volumes of card payments overpassed volume of cash withdrawals with card issued by bank. In 2021 48.9% of total card transaction volume was done by payments. In 2022 it was 51.2% and year 2023 continues in this trend with 53.4% of card volumes done by payments.

In December 2023 almost 130,000 unique VUB clients have paid with the card using an electronic wallet token (such as Apple Pay or Google Pay). This means 39% grow in comparison to December 2022. The popularity of mobile phone or watch payments was also supported by bank. By the end of 2023 we introduced support of new electronic wallets – Xiaomi Pay, Garmin Pay and SwatchPAY! One quarter of all card payments in 2023 were done via electronic wallets. In volumes they had 20% share. 2 of 3 mobile payments were executed by Apple Pay.

In 2023, we also continued our support of charity Dobrý Anjel (Good Angel) with our co-branded card Maestro Good Angel and newly introduced card Mastercard Good Angel. At the end of year, we had 75,800 of these cards issued. The total amount of support provided in 2023 via POS transaction using both Good Angel cards amounted to € 384,820.

ATMs and EFT POS

With 554 ATMs, VUB occupied 2nd place on the market (20.0%) in terms of ATM presence also in 2023 (a decrease by 9 ATMs when compared with the previous year). This was caused by VUB decision to continue cancel non profitable ATMs. The cash volume withdrawn from ATMs remained y/y by the same level (nr. of transaction decreased by 4%). It is a consequence of clients' interest in making purchases by card payments instead of physical cash.

In 2023 we focused on adding new ATMs with a cash-in possibility. At the end of 2023 we had 129 such ATMs in production, that means an increase by 13 ATMs year-over-year. Volume of cash deposited through ATMs increased by up to 20%. During whole year more than 68% of total cash deposit transactions were executed through ATMs.

In Q4 we have extended contactless card acceptance among first 150 ATMs. Thanks to this feature the cardholder can initiate ATM transaction with different methods – either by standard plastic card or contactless or by ApplePay/GooglePay wallet application.

We were expanding the new mobile phone payment solution (SoftPos) among a new clients, mostly coming from small business segment. These merchants often have a smartphone at their disposal and so, they can accept payments anytime, anywhere. This product was upgraded with additional features which help us to meet the needs of our client.

In 2023, we installed nearly 1,800 new POS terminals, self-service terminals for parking and gas stations, including payment gates for e-shops.

Digital branch

In 2023 the Call Centre answered approximately 520k calls, it was 3% increase according to 2022. There was increase also in other interactions, 9% emails 130k, and 15 % chats (20k). We have seen a 30% increase in phishing requests. Attackers are much faster and sophisticated as in previous years, which means that solving these requests is more and more difficult. That´s why we have taken several steps to manage this situation – we have trained more agents, we set up an educational message to IVR for clients and automated some processes.

In 2023 we continue in project of universal agent – the pilot in 2022 was confirmed as successful. This was followed by organizational change, where Call center transformed into Digital branch in accordance with ISBD model. This allows us to be more flexible. Thanks to organizational change, new positions have been created, which brought us the possibility of a career path for agents and a new Control room team for better and unified management for the entire Digital branch

In this year also starts implementation of another important project named Digicall in our bank (new Internet and Mobile banking the common solution for our Group Intesa Sanpaolo). In the autumn first clients were migrated to Digicall and our task is to help them with the migration process.

From remote selling we focused in 2023 on non-life insurance, where after the success of 2022 we managed to grow again by 33%. We mainly focused on selling extended packages of credit protection insurance for loans. And our effort was successful. Our new position Digital agent senior starts to sell in 2023 also investment savings (whole Digital branch - together with one-time investments increase of 140 % in pieces) and term deposits (together with a team of virtual bankers they sold the volume of 3,5 mil EUR).

Loans

Individuals – Mortgage and Consumer Loans

In 2023, the substantial demand for mortgage loans moderated mainly because of steep hike in interest rates. In VUB, we recorded an increase in loans slightly below the market rate of growth. Total mortgages of VUB (including 'American mortgages') grew by 2.1% year-over-year. With a market share 21.81% the bank maintained a strong position on the mortgage loan market. Consumer loans increased significantly - both in VUB Group and the overall market. At the group level, the volume of consumer loans increased by 10.5 % year-over-year.

Corporate Financing

VUB bank outperformed the rest of the market in corporate loans segment. While the volume of corporate loans on the market increased by 1.8%, in the case of VUB it increased by 4.5% at the bank level (without the Prague Branch) and by 9.0% at the Group level. Thus, VUB’s market share in these loans went up to 19.34%. Real estate financing remained stable, the volume of project financing loans, on the contrary, decreased by 9% and the volume of trade financing loans went down by 32%. Leasing, previously a subsidiary of VUB Leasing, recorded the growth of 13%.

Review of VUB’s Economic and Financial Position

In 2023, we faced substantial inflation crisis with low macroeconomic growth and high interest rates. Slovakia recorded GDP growth of around 1.1%.

On the consolidated basis, VUB generated operating revenues of €680.5 million. Compared to the previous year, the results improved by over 33% mainly due to year-over-year increase of interest income, but also due to great performance in terms of fee-based business. Operating costs have increased by 16.6%, predominantly due to increase in personal expenses and reached the amount of €268.5 million at the end of 2023.

VUB Group recorded operating profit of € 411.9 million and kept its profit before tax on the more than satisfactory level of €342.5 million. Net profit of the group has increased by 55.6% and reached €263.7 million. The extraordinary year-over-year increase of profitability was caused by significantly better interest income compared to the previous year, but also thanks to rising income from fees and provisions. Cost-income ratio of VUB group amounted to 39.46%.

Regarding business development, VUB delivered a very good result with respect to net loan portfolio, which grew by 5.4%, resulting in a strong market share of 20.4%. Total assets of the whole VUB group increased by 6.6% and reached the level of €24.4 billion. Our portfolio quality remained strong and NPL ratio remained at very prudent levels. In addition, VUB also outperformed the market in terms of loan quality, when non-performing loans from banking operations at the Group level reached only 1.81% of the total gross volume of loans in VUB at the end of 2023, compared to the market level of 2.0% (market data is based on individual statements from NBS).

At the same time, the bank was able to increase its primary deposits by 4.0%, while keeping a sound liquidity position which is represented by the prudent loan-to-deposit ratio (including debt securities in issue) of 90.3%.

To bolster stability of business growth onwards, the Group's capital achieved one of the highest capital ratios on the Slovak market with a ratio 19.79%, that significantly exceeds the minimum requirements set by the central bank. This provides us with a solid base for continuous business growth.

Information on the Expected Economic and Financial Situation for 2024

In 2024, we are expecting slightly better macroeconomic growth compared to 2023 and significantly lower inflation pressure. Following the recovery, we are also expecting decrease of key rates in the second part of the year.

Our longer-term vision at VUB Bank is to become a modern agile banking leader that pioneers sustainability within the banking industry.

We are bound to enhance our universal banking model with more segment-specific propositions – with elevated focus on young and affluent segments, SB and SME. We shall be strongly supported by the Group’s strengths, resulting in elevated financial performance well above our fair share . We aspire to achieve above-fair share new disbursements in green financing through a differentiated ESG value proposition .

To unlock the step change in performance, we will enhance our innovation culture, encouraging creativity and risk-taking. At the same time, we’ll have a significant commitment to invest even more in developing our employees, revamping, and improving our IT infrastructure. In the customer experience area, we are bound to continue with improvements of both our digital channels and physical branches.

Last but not least, VUB as a responsible member of the community will continue bringing added value also outside the business sphere in line with ESG initiatives. We are strongly committed to support our employees in their community activities and eco-friendly endeavours while also supporting meaningful activities via both VUB Foundation and the “Green bank” projects, such as the environmental award ATLAS and financial and environmental education of youth.

Corporate Governance Statement

The Bank manages the company in compliance with all the principles of the Corporate Governance Code in Slovakia (hereinafter referred to as the "Code").

The Management Board and the Supervisory Board undertook to enhance corporate governance and adopted the Corporate Governance Code in Slovakia within the following specific scope:

– Company organisation - Rules of Functioning of VÚB, a. s., Rules of Competence of VÚB, a. s., Rules of Signing in VÚB, a. s.
– Relationship between the company and its shareholder - Statutes of VÚB, a. s.
– Company's approach to shareholders - Statues of VÚB, a. s.
– Disclosure of information and transparency
– Audit Committee, Remuneration Committee and Risk Management Committee

The aim of the Bank's managing bodies is to take measures in order to ensure full implementation of the Code principles.

The Corporate Governance Code in Slovakia is available on the website of the Slovak Association of Corporate Governance - SACG) (Central European Corporate Governance Association - CECGA), https://sacg.sk/

Methods of management

The Bank's management system and methods are governed by the Rules of the Intesa Sanpaolo Group, unless they are contrary to the legal regulations and provisions of the Articles of Association of the Bank. These rules define the procedures and methods of application of the instructions issued by the Intesa Sanpaolo Group in connection with the performance, management and coordination of Intesa Sanpaolo Group's activities.

The structure of the Bank's executive management is managed by the Management Board as the statutory body of the Bank, through the Chief Executive Officer, Deputy Chief Executive Officer, and Heads of Divisions who are directly accountable to the Management Board.

The separation of risk management from other banking activities within the Bank's organisational structure is ensured through the creation of independent units focusing mainly on market and credit risk management.

Activities related to the execution of investment transactions are separate from activities related to the execution of credit transactions. The organisational structure identifies the units that carry out investment transactions as well as those that carry out credit transactions. The organisational units that carry out investment transactions are not allowed to carry out credit transactions and vice versa. The scope of activities of these units are defined in detail in the Company's internal regulations.

The monitoring of risks during the performance of banking activities for persons with a special relationship to the Bank is ensured by an autonomous unit which is separate from the banking activities unit.

Protection against money laundering falls within the competence of the Management Board, which performs this task through an autonomous Bank unit.

To ensure a functional information system, the Bank uses the support of the autonomous Information Technology and Operations Division, thus creating the conditions for a fast and secure information system of the Bank.

The internal control system

The Bank's internal control system consists of three integral levels:

The statutory level is ensured by means of:

the Supervisory Board

- as the main control body of the Bank. The advisory body of the Supervisory Board is the Audit Committee whose competences are defined in the Audit Committee Charter and, in the financial reporting area, are as follows:

- to review the most important accounting issues, also in relation to complex and/or extraordinary operations;
- to analyse the annual financial statements and quarterly financial reports;
- to oversee that the establishment of accounting policies by the Bank is in line with the ISP Group standards;
- to monitor the financial reporting process and submit recommendations or proposal to ensure its reliability and integrity;
- to monitor the adequacy and functionality of the administrative-accounting system (including the related IT systems) as well as its reliability in correctly representing the management facts;
- to monitor the effectiveness of the internal quality control, risk management system and internal audit regarding the financial reporting;
- to examine the periodic reports on the administrative-financial governance activities carried out by the Reporting Officer, the flaws of the accounting processes and the status of the related corrective actions;
- to examine the periodic reporting on the results achieved in the application of the criteria and procedures aimed at the classification, assessment and management of impaired loans and to assess the need to define measures to improve such criteria and procedures

Management Board

- the main executive body of the Bank, responsible for the set-up, monitoring and implementation of an appropriate and effective system of internal controls and internal regulations, principles and procedures, as well as for compliance with external requirements.

The executive level is ensured by the managing staff in line with the Rules of Functioning of VÚB, a.s. This level consists of two levels:

- Chief Executive Officer, Deputy Chief Executive Officer, Heads of Divisions - within the business, support and control units in line with the Bank's Rules of Functioning
- Managing Directors - each manager is responsible for adherence to the internal and generally binding legal regulations, guidelines, principles and procedures applied in the Bank.

The control level is ensured by the appointed independent Internal Control and Internal Audit Department of the Bank.

Risk management

The objective of the company is to bring its risks in compliance with the limits set by the regulatory authority, the parent company and as determined internally. The credit risk is measured by means of interest gaps and interest sensitivity for each currency. The hedging derivatives serve for the elimination of the interest rate up to the level which complies with the set limits. The company carries out both micro- and macro-hedging transactions.

The purpose of the Bank's risk management principles is to identify and analyse existing risks, set the respective risk limits, and monitor risks and compliance with the limits. Along with the risk management systems, these principles are described in the following documents: Risk Management Strategy, and Guidelines for the internal capital and policies adequacy assessment system, describing risk management and measurement in VUB Bank (Credit Risk, Market Risk, Operational Risk Charter, Liquidity Policy, etc.).

The use of financial instruments suggests the Bank's exposure to the following risks:

Credit risk

The credit risk represents the risk that the client or the counterparty of a financial instrument fails to comply with its contractual obligations, resulting in the risk of financial losses for the Bank. The credit risk arises mainly from loans provided to clients, receivables from banks and financial investments. The Bank considers the current credit risk related to financial derivatives considerably lower than the exposure calculated according to loan equivalents. The credit risk arising from trading in securities is managed separately, but is reported as part of exposure to the market risk. (*See more in "Consolidate financial statements" chapter "4.1. Credit risk".)*

Market risk

Market risk is the risk of change in market prices arising, for example, from interest rates, stock prices, exchange rates and the impacts of such change on the Bank's revenues and/or on the value of the financial instruments held by the Bank. Value-at-Risk ("VaR") is the main instrument used for the measurement and control of exposure to market risk under the Bank's business portfolio. (*See more in "Consolidate financial statements" chapter "4.2. Market risk".)*

Operational risk

The definition of operational risk according to Basel II excludes strategic and reputational risk, however, it includes legal risk. Legal risk means the risk of losses resulting from the breach of laws and legal regulations, contractual obligations or obligations outside contractual terms and conditions, or from other disputes. The internal model of Intesa Sanpaolo Bank combines all principal quantitative (data on losses from previous periods) and qualitative information sources (scenario analysis). The Bank uses the traditional model for the transfer of operational risks (insurance) with the aim to mitigate the impacts of any unexpected losses. (*See more in "Consolidate financial statements" chapter "4.4. Operational risk".)*

Liquidity risk

Liquidity risk indicates the amount of funds that will have to be obtained to meet the obligations related to financial instruments. The Bank complies with the set amount in accordance with the measures of the National Bank of Slovakia. All principles and procedures related to liquidity are subject to assessment and approval by ALCO and the parent company. The key indicators that the Bank uses in the management of medium-term and long-term liquidity are based on the rules defined in the laws and the applicable European and local regulations that the Bank is required to adhere to (Single Rule Book). (*See more in "Consolidate financial statements" chapter "4.3. Liquidity risk".)*

The risk management system consists of the following parts:

- *Supervisory Board* as the shareholders' representative. The Supervisory Board is the principal control body that supervises the Management Board and the performance of the Group's business activities.
- *Management Board* which, as a statutory body, sets the executive management of the VUB Group. It is also responsible for the creation of sound business practices and strategic plans, which implies collective understanding of the nature of the business environment and related risks.

The members of the Management Board have sufficient knowledge of the areas in which the Bank carries out its activities and for which they are not necessarily responsible. All members of the Bank’s Management Board are expected to have practical experience in the field of financial markets or sufficient professional experience in the banking sector, acquired from their previous business/working activities.

The Management Board defines the structure of the VUB Group executive management.

The executive function consists of all managerial staff within the Group, whereas each manager is responsible for compliance with the internal and external guidelines, policies, procedures and laws governing the operations of banks and/or the Group.

The most important managing committees of the Bank that supervise risks are:

– Credit Risk Governance Committee
– Assets and Liabilities Management Committee
– Operational Risk Committee
– Internal Control Coordination Committee
– Credit Committee
– Problem Assets Committee
– Change Management Committee.

The Bank established a hierarchy of documents that define risk management. The Bank's Management Board approves the Risk Management Strategy. In line with this basic document, the Management Board prepared statutory documents, which describe the principles and procedures applied to individual risks, including the managing bodies to which the implementation and enforcement of these principles and procedures are delegated. Each division, when created, defines a series of procedures that describe in detail the process of implementation of functional tasks.

The Management Board has defined a management strategy covering all basic types of risks that the Bank faces in its operations.

Risk management, which is separate from banking activities, is ensured within the Bank’s organisational structure through the creation of independent units focused mainly on the area of credit, market and operational risk management, with the following responsibilities:

- independent definition and implementation of standards and criteria concerning credit transactions, investment transactions and trading of the Bank on its own account;
- independent monitoring and recording of risks to which the Bank is exposed during the execution of credit transactions, investment transactions and trading on own account;
- independent representation of the execution of the risk management function in the committees dealing with credit transactions, investment transactions and trading on own account.

Company Organization

The structure of VÚB, a. s. bodies:

a) the General Meeting;

b) the Supervisory Board;

c) the Management Board.

General Meeting

The General Meeting is the main decision-making body of VÚB, a.s. The General Meeting has the power to decide on issues that are in line with the mandatory provisions of legal regulations and VUB Articles of Association.

The sole shareholder of the company performing the duties of the general meeting called the General Meeting on March 20, 2023. At the General Meeting, the sole shareholder approved the Annual Report of VÚB, a. s., for the year 2022, Regular Individual Financial Statements of VÚB, a. s., for the year 2022 and the Consolidated Financial Statements of VÚB, a. s., for the year 2022 - both financial statements were compiled according to International Financial Reporting Standards as adopted by the EU and were presented by the bank's Board of Directors

The sole shareholder also approved Ernst & Young Slovakia, spol. s r. o., as the external auditor of VÚB, a. s. for the year 2024 and approved the remuneration of the Members of the Supervisory Board of VÚB, a.s.

The activities of the General Meeting of the Company are governed by the Articles of Association, approved by the General Meeting, and by the applicable provisions of the Commercial Code. Its competencies include:

a) decisions on amendments to the Articles of Association of VÚB, a.s.,

b) decision on the increase and decrease of the subscribed capital and decision on authorising the Management Board to increase the subscribed capital pursuant to Article 210 of the Commercial Code;

c) decision on the issuance of preference bonds or convertible bonds;

d) decision on the change of rights associated with any type of the Bank's shares and on restriction of the transferability of the Bank's shares;

e) decision on liquidation of the Bank;

f) election and removal of members of the Supervisory Board, except for the members of the Supervisory Board elected and removed by the Bank's employees;

g) approval of regular and/or extraordinary individual and/or consolidated financial statements, decision on profit distribution or settlement of losses and determination of the amount of royalties;

h) decision on the distribution of retained earnings from previous years and/or reimbursement of unpaid losses from previous years;

i) decision to use the reserve fund,

j) decision on the amount, method and place of dividend payment and the setting of the reference date for determining the persons entitled to exercise the right to dividends,

k) appointment and removal of members of the Audit Committee, except for the members of the Audit Committee who are appointed by the Supervisory Board;

l) decision on other issues that fall within the competencies of the General Meeting under the mandatory provisions of legal regulations and the Articles of Association of VÚB, a. s.;

m) adjustments to the powers of the Management Board and the Supervisory Board in relation to remuneration at VUB, a.s.;

n) approval of remuneration for members of the Supervisory Board.

Decisions on the matters referred to in points a, b, c, e, above must be adopted by a two-thirds majority of the votes of the shareholders present at the General Meeting and a notarial record must be drawn up. Decisions of the General Meeting changing the rights attached to certain types of shares and/or limiting the transferability of registered shares also the consent of a two-thirds majority of the votes of the shareholders holding such shares.

Decisions of the General Meeting on other matters falling within the decision-making power of the General Meeting requires the majority of votes of the shareholders present, unless the Commercial Code or the Articles of Association of VÚB, a. s. do not provide otherwise.

The shareholders' rights and related procedures are set out in the legal regulations and the Articles of Association of the Bank:

a) Each shareholder is entitled to attend the General Meeting, vote, request information and seek explanations concerning the matters of the Company or matters of persons or entities controlled by the Company which relate to the agenda of the General Meeting, and to submit proposals.

b) The exercise of a shareholder's voting rights may only be restricted or suspended exclusively by Act No. 513/1991 Coll. Commercial Code, as amended, or under a special legal regulation.

c) A shareholder may exercise the shareholder rights attached to book-entered shares at the General Meeting if the shareholder is entitled to exercise these rights as of the reference date specified in the invitation to the General Meeting. The reference date shall be the day set in accordance with the legal regulations.

d) A shareholder has the right to attend the General Meetings in person or through a proxy, by the authority of a written power of attorney. If VÚB, a. s. is a public joint stock company the power of attorney may be issued to a member of the Supervisory Board in accordance with the provisions specified in the Commercial Code. If the shareholder issues a power of attorney for the exercise of voting rights related to the same shares to more than one proxy at one General Meeting, the Company shall permit that the proxy who has signed the list of attending shareholders votes first. Shareholders shall comply with the reasonable formal requirements imposed by the Management Board in respect of powers of attorney and electronic means via which the Company receives notifications on appointment of a proxy, amendment to the power of attorney and dismissal of a proxy, as notified to the shareholders together with the invitation to the General Meeting and on the website of the Company.

e) The Management Board shall provide each shareholder, upon request, with complete and true information and explanations regarding the items on the agenda of the General Meeting. If the Management Board is not able to provide a shareholder with complete information at the General Meeting, or if a shareholder requests so at the General Meeting, the Management Board shall provide such information to the shareholder in writing within 15 (fifteen)days from the date when the General Meeting was held. The Management Board is obliged, upon the request made by the shareholder, to send forthwith the written information to the address given by that shareholder; otherwise, it shall make such information available at the registered office of the Company. The Management Board may refer the shareholder to the website of the Company in its written information or directly during its reply at the General Meeting. If the website does not include the requested information or includes incomplete information, the court, upon the shareholder's proposal, shall decide on the Company's obligation to provide the requested information. This right of the shareholder shall cease to exist in case the said right has not been exercised within one month from the date in which the General Meeting was held, during which the shareholder requested the Management Board or the Supervisory Board to provide this information. The shareholder's request of information may only be refused in case the disclosure of the requested information would: constitute a breach of the law; or, following a diligent consideration of the content of such information, adversely affect the Company or an entity controlled by the Company; or if the information is considered to be a part of the Company's business secrets. Requests for information regarding the Company's economic management and the status of its assets cannot be refused. The Management Board shall decide on the acceptance or refusal of a request for information during the General Meeting. If the Management Board decides to refuse the request for information, then the Supervisory Board, following a request by the shareholder, shall decide on the duty of the Management Board to disclose the requested information. Upon his own initiative or following a request by the Supervisory Board, the chairman of the General Meeting may adjourn the General Meeting for the time necessary for the Supervisory Board to make a decision. If the Supervisory Board refuses to provide the requested information, the shareholder may file a proposal to the competent court entitled to decide whether the Company is obliged to provide the requested information. This right of the shareholder shall cease to exist in case said right has not been exercised within 1 (one) month from the date on which the General Meeting was held, during which the shareholder requested the Management Board or the Supervisory Board to provide information.

f) The shareholder is entitled to a share in the Bank's profits (dividend). The General Meeting shall decide on the reference date in order to determine which persons are entitled to exercise the right to dividend(s), which shall be no earlier than 5 (five) and no later than 30 (thirty) days following the General Meeting, whereas the dividend is payable within 60 (sixty) days of the reference date.

g) The Bank shall bear the expenses and risks of payment of the dividend to the shareholders. A shareholder is not obliged to return to the Bank a dividend which has been accepted in good faith.

h) A shareholder is not entitled to demand the return of its contribution during the term of the Bank's existence, nor upon its winding-up. The shareholder has, however, the right to a share in the liquidation balance in the event of the Bank's liquidation.

VUB Supervisory Board and Management Board in general

1. Supervisory Board members are elected by the General Meeting. Management Board are elected by the Supervisory Board.
2. All members of the Management Board and Supervisory Board have timely access to all relevant information. In the course of the financial year 2023, Management Board held 26 meetings and 12 via per rollam, While the Supervisory Board held 13 meetings. Documents with detailed information are distributed well in advance – in the case of the Management Board no less than 3 working days, in the case of the Supervisory Board no less than 10 days prior to the meeting, thus ensuring all the members are able to make qualified decisions on individual matters.
3. None of the Supervisory Board members is a member of the VUB, a.s. Management Board nor holds any other top managerial position in the Bank. With the exception of members of the Supervisory Board elected by VUB employees, a Supervisory Board member may not be an employee of VUB.

The rules governing appointment and removal of members of the Bank’s Management Board and amendments to the Articles of Association of the Bank are laid down in the Articles of Association of the Bank in compliance with the Commercial Code, as amended, Act No. 483/2001 Coll. on Banks, as amended, and Rules of the Intesa Sanpaolo Group. The members of the Management Board are elected and dismissed by the Supervisory Board. The Supervisory Board also appoints the Chairman from among the members of the Management Board as well as the Vice-Chair(s) in case a Vice-Chair position is set up.

Under Article 10.8 of the Articles of Association, the number of members of the Management Board of VÚB, a. s. determined and approved by the Supervisory Board is 7 (seven), with effect from 1 January 2023 (till 31 December 2023).

Any decisions on amendments to the Articles of Association pursuant to paragraph 6.1(a) of the Articles of Association of VÚB, a. s. fall within the competence of the General Meeting. Decisions on amendments to the Articles of Association pursuant to paragraph 6.1(a) of the Articles of Association of the Bank shall be made by a two-third majority of the rights of the shareholders present at the General Meeting, and notarial record of the meeting must be drawn up.

The powers of the statutory body comply with the Articles of Association of the Bank and with the Commercial Code. The Management Board is the statutory body managing the activities of VÚB, a. s. It is competent to act on behalf of VÚB, a. s. in all matters and represent VÚB, a. s. with respect to third parties, before court and other authorities. The Management Board manages the activities of VÚB, a. s. and decides on all matters concerning VÚB, a. s., unless the legal regulations and/or the Articles of Association confer these powers to other bodies of VÚB, a. s. The statutory body of the Bank has no powers to decide on the issue or repurchase of shares. Decisions on the issue or repurchase of shares are made by the General Meeting upon the proposal of the statutory body.

No agreements are concluded with the members of the Company’s bodies or employees based on which compensation is to be provided to them, if their office or employment terminates as a result of an offer for take-over. The conditions for exercising the duties of the members of the Management Board are laid down in the Agreement on Exercising the Duties of the Member of the Management Board in compliance with the relevant provisions of the Commercial Code, Act No. 483/2001 Coll. on Banks, the Principles of Remuneration and other applicable legal regulations. The conditions of cooperation between the Bank’s employees and the Company are defined in the employment contracts concluded in accordance with the labour Code and the Collective Agreement of the Company.

Supervisory Board

Members of the Supervisory Board in 2023

Ignacio Jaquotot	Chairman of the Supervisory Board
Elena Kohútiková	Vice Chairwoman of the Supervisory Board
Marco Fabris	Member of the Supervisory Board
Luca Leoncini Bartoli	Member of the Supervisory Board
Christian Schaack	Member of the Supervisory Board
Peter Gutten	Member of the Supervisory Board, employee representative from April 5th 2023
Dana Kondrótová	Member of the Supervisory Board, employee representative from April 5th 2023
Andrea Fumačová	Member of the Supervisory Board, employee representative from April 5th 2023
Róbert Szabo	Member of the Supervisory Board, employee representative till January 24th 2023
Draginja Djurić	Member of the Supervisory Board

Upon the Management Board's proposal, the Supervisory Board:

a) reviews the annual report, the ordinary, extraordinary, individual and consolidated accounts and recommends the annual report, the ordinary, extraordinary, individual and consolidated accounts to the General Meeting for approval;

b) approves the proposed distribution of current and/or past profits;

c) approves rules for the creation and use of other funds created by VÚB, a.s.;

d) approves the draft plan for the settlement of unsettled loss and/or unsettled losses from past years;

e) approves proposed changes to the internal audit and internal control system;

f) approves the charter, annual audit plan of control activities and the annual report on the results of the activities of the Internal Audit Department;

g) reviews and approves the following matters before their submission to the General Meeting by the Management Board:

   i. proposals for changes to the Articles of Association; and

   ii. proposals for an increase or decrease in the registered share capital of VÚB, a.s. and/or for the issue of preference or convertible bonds, according to the relevant provisions of the Commercial Code;

h) elects members of VÚB, a.s., Management Board and approves the Management Board Agreement;

i) approves any proposal for an increase or decrease in the registered capital of VÚB, a.s.;

j) approves any substantial change in the nature of the business of VÚB, a.s. or the way in which the business of VÚB, a.s. is carried out, unnless already approved in the printed business and financial conditions forecasts for any relevant year;

k) approves remuneration policies for rewarding the managers who report directly to the Management Board and the Supervisory Board;

l) decides on other issues falling within the authority of the Supervisory Board under the cogent provisions of legal regulations and the Articles of Association;

m) approves the Bank Remuneration Policies;

n) approves major business transactions pursuant to Article 220ga of the Commercial Code.

The Supervisory Board is authorized to review the following:

a) a Management Board proposal regarding the termination of trading in company's securities on the stock exchange, and a decision on whether the company should cease to operate as a public joint-stock company;

b) information provided by the Management Board on the major business-related objectives for the upcoming period, and expected development in VUB assets, liabilities and revenues;

c) the report by the Management Board on the business activities and assets of the company along with the expected development.

Committees of the Supervisory Board:

Audit Committee

The Audit Committee was comprised of three members (including the Chairwoman) as of 31 December 2023. The Audit Committee held eight meetings (four of which per rollam) during the 2023 financial year. The issues discussed at the meetings mainly related to: preparation of the financial statements and observation of the special regulations; efficiency of internal control and risk management system at the Bank; compliance with regulatory requirements; the audit of the separate financial statements and the audit of the consolidated financial statements. Furthermore, the Audit Committee examines and monitors the independence of the auditor, especially services provided by the auditor according to a special regulation, recommends the appointment of an auditor for carrying out the audit of the Bank, and sets a date for an auditor to submit a statutory declaration about his independence. The Audit Committee regularly invited an external auditor to attend its meetings.

The Internal Audit Department, the rights and duties of which are defined by the Supervisory Board, excluding those defined by law, is in charge of the oversight. The Head of the Internal Audit Department may be appointed to/removed from the position upon a recommendation and prior consent issued by the Supervisory Board. Furthermore, the Supervisory Board also defines the remuneration and compensation scheme for this position. In 2023, the Chairwoman of the Audit Committee (being also the Vice Chairwoman of the Supervisory Board) and the Head of the Internal Audit and Control Department participated in the meetings of the Supervisory Board. The Chairwoman of the Audit Committee regularly informed the Supervisory Board of the most important issues discussed at the Audit Committee Meetings.

Members of the Audit Committee in 2023:

Elena Kohútiková	Chairwoman of the Audit Committee
Christian Schaack	Member of the Audit Committee
Marco Fabris	Member of the Audit Committee

Remuneration Committee

Remuneration Committee as a body was established in VÚB a.s. by the decision of the Supervisory Board of VÚB, a.s. in July 2012, (hereinafter to as “VUB” or “Bank”) in accordance with the Act on Banks and related legislation, the Bank´s Articles of association and the Parent Company´s Guidelines on Remuneration. Committee has 3 (three) members appointed and recalled by the VUB Supervisory Board. All of them must be Members of the Supervisory Board of the Bank. One Member of the Committee must be appointed as the Chairman of the Committee. The Committee meets at least once a year. It holds a fundamental position in preparation, adoption, changes and oversight of implementation of the Remuneration Policies across selected positions (according to the Act on Banks). It also provides support to the Supervisory Board and Management Board concerning the adoption and regular review of the general principles of VÚB, a.s.’ policies. The Remuneration Committee shall be constituted in such a way that it can competently and independently assess remuneration policies and procedures and the impact of remuneration on risk, capital and liquidity management.

Risk Committee

The Risk Committee was established by a decision of the Supervisory Board of VUB in September 2015. It has 3 members who are also members of the Supervisory Board. The Committee meets at least twice a year. The Risk Committee is part of the risk management scheme and performs supervisory, advisory and supportive functions primarily in the area of risk management system and strategy and its implementation monitoring.

Management Board

Management Board Members in 2023

Alexander Resch	Chairman of the Management Board and Chief Executive Officer till February 28th 2023
Jozef Kausich	Chairman of the Management Board and Chief Executive Officer from March 1st 2023
Gabriele Pace	Member of the Management Board and Deputy Chief Officer from May 24th 2023
Andrej Viceník	Member of the Management Board and Head of Corporate and SME Division
Peter Magala	Member of the Management Board and Head of Risk Management Division
Martin Techman	Member of the Management Board and Head of Retail Division
Marie Kovářová	Member of the Management Board and Chief Operating Officer
Darina Kmeťová	Member of the Management Board and Chief Financial Officer

Alexander Resch – Chairman of the Management Board and CEO of VUB bank

On 1 October 2013, Alexander Resch became CEO and Chairman of the Management Board, previously serving as a member of the Board of Directors and Chief Risk Officer in 2008-2012, as a Deputy Chairman of Consumer Finance Holding, VUB's subsidiary specializing in consumer finance. He returned to Slovakia from Albania, where he led Intesa Sanpaolo Bank Albania.

Alexander Resch has been working for Intesa Sanpaolo all his career. He started at Bankhaus Löbbecke & Co (Berlin), then the part of the Intesa Sanpaolo Group, where he was in charge of planning, controlling and risk management. He came to Slovakia in 2004 to coordinate the acquisition of TatraCredit Group instalment sale companies, which were subsequently transformed into Consumer Finance Holding, a.s.

Alexander Resch studied economics at the University of Cattolica del Sacro Cuore in Milan and has also holds an Executive MBA from the University of Minnesota - Carlson School of Management and the Vienna University of Economics and Business.

Jozef Kausich – Chairman of the Management Board and CEO of VUB bank

Jozef Kausich has been the CEO and Chairman of the Management Board of VUB bank since March 1, 2023.

Before that, he worked for five years as the chairman of the board in the Slovenian Banka Intesa Sanpaolo. Before leaving for Slovenia, he was a member of the board of directors and director of corporate banking at VÚB bank for 12 years. In addition, he was also a member of the supervisory board in the subsidiaries VÚB bank, VÚB Leasing and VÚB Factoring.

Jozef Kausich graduated from the University of Economics in Bratislava and gradually worked in several financial institutions. In Bank Austria – Creditanstalt Slovakia a.s. as the deputy head of the department of large customers, he began to focus on corporate banking and subsequently at HVB Bank Slovakia a.s. became the director of the department of corporate clients.

Gabriele Pace - Member of the Management Board and Deputy Chief Officer

On June 1, 2023, Gabriele Pace became a member of the board of directors and also the deputy general director of VÚB bank. In his position, he is primarily responsible for the control and support departments of the bank.

He has been working at VÚB Bank since the beginning of 2023, until now he held the position of advisor to the Management Board. Before coming to Slovakia, he led ISP International Value Services in Croatia, which is an innovative and international IT service provider for the digital transformation of banking. He previously served as DCEO at Banca Intesa Beograd in Serbia. From 2004, he worked at Privredna banka Zagreb in Croatia, where he was a member of the bank's board of directors and later also DCEO. He has been working in the Intesa Sanpaolo banking group since 1987, where he started as an IT analyst in New York.

Andrej Viceník– Member of the Management Board and Chief Executive Officer of Corporate Banking

Andrej Viceník has been working in VUB since 2006. He held the position of Director of Corporate Clients until 2010 and until November 2017 he ran the Small and Medium Enterprises Division.

Since December 2017, he has been a member of the Board of Directors and Chief Executive Officer of the Corporate Banking Division and Chairman of the Supervisory Board of VÚB Leasing a.s. Previously, he worked on the leading positions of the Czech Insurance Company, Zurich insurance company as well as HVB Bank Slovakia. He graduated from the Faculty of Business Management of the University of Economics in Bratislava, and over the course of his career obtained also the Executive MBA degree at Webster University.

Peter Magala – Member of the Management Board and Chief Executive Officer of Risk Management

In February 2012, the Supervisory Board of VUB appointed Peter Magala as a member of the Board of Directors and Chief Executive Officer of the Risk Management Division.

After graduating from the Faculty of Economics of the University of Economics in Bratislava, he began building his career at Deloitte & Touche in Bratislava where he worked as a senior auditor in the field of international accounting standards and statutory audits, due diligence projects and other specific projects focusing on bank clients.

Peter Magala gained his banking experience as a relationship manager at Citibank in Bratislava, where he worked from 2002 to 2004. His key clients were active in the area of consumer finance and insurance. In 2004, he landed a job in Tatrabanka/Raiffeisen International, in the segment of international IT projects in Maribor (Slovenia) as a senior business analyst in charge of accounting.

In 2006, Peter Magala started working for VUB. Firstly, as Head of Corporate Credit Control in Internal Audit, and since 2007, as Head of the Internal Control and Internal Audit of the Bank, where he is responsible for internal audit of the entire VUB Group.

Peter Magala has gained an internationally recognized qualification in Risk Management, the Financial Risk Manager (FRM), and is a member of the Certified Accountants' Association (FCCA).

Martin Techman Member of the Management Board and Chief Executive Officer of Retail Banking

Martin Techman became a member of the Board of Directors of VUB Bank and the Chief Executive Officer of the Retail Banking Division became on 1 March 2015. He came to VUB from Česká spořitelna, where he worked as a director of the distribution network.

Martin Techman is responsible for branch office and customer relationship management, bank products for natural persons and small businesses, payment cards and private banking.

He has been working in financial services and banking since 1994. He started at Multiservis, which was later acquired by GE Capital. He has worked his way up through several key positions as consumer finance manager, product development manager, third party product manager, and mortgage credit manager. Between 2004 and 2005, he held the position of the Director of Product Development and Management at VUB Bank, where he was responsible for managing retail products, a network of mortgage centres, and for external sales. Since 2005, he has worked as a Director of Business Development at Česká spořitelna and since 2011 has managed a network of branches in the Czech Republic.

Martin Techman got an MBA degree in Managerial Studies and "Senior Executive" Managers at Nottingham Trent University.

Marie Kovářová – Member of the Management Board and Chief of Operating Officer and IT

On 3 April 2020 Marie Kovářová became a Member of the Management Board of VUB, a.s., and a head of the Operation and IT.

Marie Kovářová graduated from the Charles University in Prague, Faculty of Mathematics and Physics where she also gained her PhD. Marie Kovářová worked for six years for the McKinsey, mainly in Germany.

Since 2004 she has worked in the management of Česká pojišťovna and Generali insurance company, managing the Operations, IT, Procurement and HR. She was sent to Romania for 4 years to overseethe merger of three insurance companies as a CEO. Marie Kovářová gained her experience in finance by working for Home Credit Group in China where she held the position of a COO.

Darina Kmeťová – Member of the Management Board

On April 7, 2022, Darina Kmeťová became a member of the Management Board of VUB Bank and the CFO.

Darina Kmeťová joined VUB Bank in October 2019 as the director of the planning and control department. Prior to that, she worked as a finance and controlling leader in various sectors (automotive, media, marketing and banking) of foreign companies. She has many years of experience in senior financial positions, in the field of controlling and also in managerial positions with international coverage. She studied Tax and Tax Consulting at the University of Economics in Bratislava.

Competencies of the Management Board

The Management Board is authorized to manage the activities of VÚB, a. s. and to take decisions on any matters related to VUB which, under legal regulations or the Articles of Association, have not been reserved to the authority of other VUB bodies. The Management Board is primarily responsible for the following matters:

a) manages VÚB, a.s. and exercises employer rights;

b) implements decisions taken by the General Meeting and the Supervisory Board;

c) ensures the accuracy of the books and other accounting-related records, trade books and other documentation of VÚB, a. s.;

d) after prior approval and on the recommendation of the Supervisory Board, submitts the following matters to the General Meeting for approval:

- amendments to the Articles of Association of the bank;
- proposals for increasing / decreasing registered capital and bond issues;
- proposals for issuing shares or redemption of shares;
- ordinary, extraordinary, individual or consolidated financial statements;
- proposals for distribution of current or retained profits and/or proposals for settlement of outstanding losses from the current and/or previous years; and the annual report;
- a proposal for approval or withdrawal of the auditor of VÚB, a.s. for the relevant accounting period;

e) approves and regularly examines Remuneration Policies.

The conditions for the performance of the position of a Management Board Member are defined in the Management Board Agreement in line with the relevant provisions of the Commercial Code, Act No. 483/2001 Coll. on Banks, Remuneration Policies and other relevant legislation.

Committees of the Management Board

The Credit Committee

The Credit Committee is the highest permanent decision-making committee of the Bank regarding counterparties, whose main responsibility is to adopt credit decisions in line with the issued strategic guidelines and credit policies while acting within the credit prerogatives of the Bank and in compliance with the applicable laws and Group regulations.

The Credit Risk Governance Committee

The Credit Risk Governance Committee is a permanent decision-making and advisory committee tasked with ensuring a qualified and coordinated management of credit risk and compliance with the applicable laws, ISP Group regulations and Parent Company's strategic decisions. The Committee's main responsibility is to define and update credit risk strategic guidelines and credit management policies based on the results of credit portfolio monitoring. With regard to Product Governance, the Committee analyses and assesses the issues related to the launch and monitoring of the products that imply credit risk.

The Assets and Liabilities Management Committee

The Asset and Liabilities Committee is a permanent decision-making and consultative committee focused on financial risks governance, the active value management issues, the strategic and operative management of assets and liabilities and on financial products governance. The main objective of ALCO is to protect the Bank's equity and supervise its allocation, to harmonize the assets and liabilities of the Bank taking into consideration pricing structures and maturity profiles in compliance with Parent Company guidelines, Bank's internal regulations, laws, rules, and regulations set by the competent Authorities.

The Operational Risk Committee

The Operational Risk Committee is a permanent decision-making and advisory committee whose mission is to ensure a qualified and competent management of operational risk issues (ICT/cyber risk inclusive), in compliance with the applicable laws, Group regulations and internal procedures.

Change Management Committee

The Committee represents a platform that links the business and IT strategies (and their priorities) with the operational management of business priorities in the context of IT resources and capacity planning. In urgent cases, the Committee acts as the superior and decision-making body with respect to problems and conflicts in business priorities, and it resolves conflicts concerning the allocation of resources based on business requirements.

Internal Control Coordination Committee

The aim of the Internal Control Coordination Committee is to strengthen coordination and the tools for cooperation among the various Bank´s control departments and to enable the integration of the risk management process.

The Problem Asset Committee

The Problem Asset Committee is the highest permanent decision-making committee of the Bank in terms of risky and non-performing counterparties. Its main responsibility is to take the necessary measures in order to prevent and mitigate credit losses connected with risky and deteriorated assets, while acting within the credit prerogatives of the Bank and in compliance with the applicable laws and ISP Group regulations.

The Crisis Committee

The Crisis Committee is management and coordination body that issues orders for key bank areas with the aim to prevent, mitigate and remove the impact of extraordinary events or crisis situations on business activity and the goodwill of the Bank. Crisis Committee has a right to be informed about BIA results, as well as about creation, implementation and testing of Business Continuity Plan for system and critical processes.

The members of the relevant committees established by the Bank's bodies are designated members of the Management Board and designated employees of the Bank.

The Environmental Social and Governance Committee

The Environmental Social and Governance Committee is a permanent consultative and decision-making committee of the Bank with the main goal to coordinate and steer ESG related matters and to ensure the correct implementation of the ISBD ESG strategy and respective ISP Group guidelines within the Bank.

Relations between the Company and its Shareholders

The Bank observes the provisions of the Commercial Code and other relevant valid legislation applicable to the protection of shareholders’ rights, as well as the regulation on the timely provision of all relevant information on the Company and provisions on convening and conducting its General Meetings.

The Company follows the principle of shareholders’ rights, equal access to information for all shareholders and other relevant principles pursuant to the Corporate Governance Code for Slovakia.

The Company’s Approach to Shareholders

The Bank’s corporate governance principles ensure, facilitate and protect the exercise of shareholders’ rights. The Company duly and timely performs all its duties and obligations towards shareholders in compliance with relevant legislation and the Corporate Governance Code for Slovakia. The Company enables shareholders to duly and transparently exercise their rights in compliance with relevant valid legislation.

Disclosure of Information and Transparency

1. The Bank enforces strict rules in the area of insider dealing, and continually maintains and updates a list of insiders.
2. Information about corporate governance is published on the VUB’s web site www.vub.sk in the section “About the bank”. Information for shareholders is available on the VUB’s web site www.vub.sk in the “Information for VUB shareholders” section.
3. Members of the Management Board and Supervisory Board do not have any personal interest in the business activities of the Bank. The Bank strictly observes the provisions of the Banking Act No. 483/2001 Coll. (hereinafter the ‘Banking Act’) as amended, applicable to the provision of deals to the Bank’s related parties. Under the Banking Act, the closing of such a deal requires the unanimous consent of all the Management Board members once they have been acquainted with a written analysis of the deal concerned; a person with a personal interest in the given deal is excluded from decision making. With regard to the persons who have a special relationship with the Bank, the Bank does enter into deals, which owing to their nature, purpose or risk entailed, would not be entered into with other clients under the same circumstances.
4. The Bank abides by the Corporate Governance Code for Slovakia, the rules of the Bratislava Stock Exchange and Luxemburg Stock Exchange governing disclosure of all substantial information. The fact that the company observes the mentioned regulations ensures that all the bondholders and potential bondholders have access to information on the financial standing, performance, ownership and management of the company, enabling them to take competent investment decisions. The Corporate Governance Code for Slovakia is available on The Slovak Association Corporate Governance web site: The Bank is not aware of any deviations from the Corporate Governance Code.

   http://www.bsse.sk/Portals/2/Issuers%20Guide/2018/kodex_ENG_akt.pdf.

The Bratislava Stock Exchange Rules are available on the Bratislava Stock Exchange web site www. bsse.sk and Luxemburg Stock Exchange Rules on web site www.luxse.com.

5. The Company actively supports a constructive dialogue with institutional investors.
6. The Bank enforces changes arising from Act No. 566/2001 Coll. on Securities and Investment Services, as amended (hereinafter the 'Securities Act'), at a European level, and the MiFID directive (Markets in Financial Instruments Directive), and undertakes activities directed at investor protection and strengthening client trust in the provision of investment services. The main objective of the MiFID directive is to enhance financial consumer protection in the field of investment services. The essence of the MiFID directive lies in the new categorization of clients according to their knowledge and experience in investing in order to provide clients with an adequate level of protection, in the bank's obligation to act in the best interests of the client in carrying out their orders in relation to their financial instruments (best execution), in higher requirements as regards market transparency, and management of the Bank as a securities trader, to be ensured by internal control systems and the prevention of conflict of interests. Information related to investment services is published on the VUB web site www.vub.sk in the section "Mission and values/Investor protection".
7. The Bank continues to provide payment services according to the Act on Payment services No. 492/2009 Coll, as well as EU Directive 2015/2366 of the European Parliament and of the Council of 25 November 2015, on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No. 1093/2010, and repealing Directive 2007/64/EC. The aim of this law is to provide high-level clear information about payment services for consumers to allow them to make well-informed choices and be able to shop in the EU. In the interests of transparency, the harmonized requirements are laid down in order to ensure the necessary and sufficient information to payment service users with regard to the payment service contract and payment transactions.

Non-financial statement

The Group/Bank has not prepared the Non-financial statement as required by the Non-Financial Information Legislation (non-financial indicators, including information on the impacts of the accounting entity activities on environmental, social and employment issues information regarding the respecting of human rights and information concerning the fight against bribery and corruption, or a description of the diversity policy applied in its administrative, managing and supervisory bodies) availing of the exemption introduced by the local regulation, as it is a subsidiary undertaking which information is included in the Consolidated non-financial statement presented by Intesa Sanpaolo S.p.A.

The non-financial statement of the parent company Intesa Sanpaolo S.p.A. is fully available from the second half of March 2024 on the website of the parent company:

http://www.group.intesasanpaolo.com/

Consolidated financial statements

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

Contents

Building a better working world

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Independent Auditor's Report

To the Shareholder, Supervisory Board, Management Board and to the Audit Committee of Všeobecná úverová banka, a.s.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Všeobecná úverová banka, a.s. ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 of the Group give a true and fair view of the financial position of the Group as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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. For the matter below, our description of how our audit addressed the matter is provided in that context.

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

Impairment allowances for due from customers

Due from customers valued at amortized cost less impairment as at 31 December 2023 amount to EUR 18,464,494 thousand and represent a significant portion of the Group's total assets. As disclosed in Note 11.2 (Due from customers) to the consolidated financial statements, it included the gross book value of due from customers valued at amortized cost of EUR 18,836,803 thousand and impairment allowance of EUR 372,309 thousand.

Determining the amount and the moment of recognizing impairment allowances for expected credit losses requires significant judgments and complex estimates of the management disclosed in Note 4.1.2 (Impairment losses) to the consolidated financial statements. For performing exposures and non-performing exposures below EUR 500 thousand individually, it comprises assumptions built into statistical credit loss models, such as assessment of significant increase in credit risk, definition of default, incorporation of forward-looking information, calculation of the loss given default parameter and the recovery rates. For exposures above EUR 500 thousand individually, the Group performs an individual assessment based on the detailed review and analysis of the borrower's situation and for non-performing exposures, the judgments include identification of loss events other than overdue payments and estimation of timing and amount of expected cash flows from repayments and realization of collaterals.

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

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

As part of our audit procedures, we documented our understanding of the Group's credit risk management policies. We obtained an understanding, evaluated the design and tested the operating effectiveness of the internal controls over the approval, recording and monitoring of the loans, identification of loss events and impairment triggers and the process of calculating impairment allowances for due from customers.

We reconciled a register of due from customers with accounting records to assess completeness of the recognition of due from customers, which create the basis for the calculation of impairment allowances for expected credit losses.

We involved credit risk specialists to assist us with assessment of the impairment allowances methodology, methods, results of the Bank's tests of credit risk parameters (so called "back-testing"), credit rating models and credit risk parameter models, their assumptions and implementation in the system in accordance with the IFRS 9 requirements.

We evaluated post-model adjustments for expected credit losses (so called "overlays") that were recorded to address the back-testing results and management's expectations of additional credit losses in the retail segment in the light of economic volatility.

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

We performed analytical procedures on disaggregated data on the quarterly development of the impairment allowance per portfolios, products and stages related to the development of the structure and characteristics of the credit portfolio including the impairment allowances, reflecting the quality of the loan portfolio in the light of the impairment allowances for expected credit losses for loans to customers aimed at identifying portfolios of loans to customers with understated impairment provisions.

We involved specialists in the field of IT systems to assist us with the testing of effectiveness of the control mechanisms of IT systems, in which the Group calculates the credit risk parameters and the impairment allowances for expected credit losses.

We also assessed the disclosures in Note 4.1.2 (Impairment losses) and Note 11.2 (Due from customers) regarding expected credit losses for due from customers included in the consolidated financial statements in terms of their completeness and compliance with IFRS EU requirements.

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

Management is responsible for the preparation of the consolidated financial statements that give true and fair view in accordance with IFRS EU, and for such internal control as management determines is necessary to enable the preparation of 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 ISAs and Regulation (EU) No. 537/2014 of the European Parliament and the Council will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs and Regulation (EU) No. 537/2014 of the European Parliament and the Council, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 presented information as well as whether the consolidated financial statements captures the underlying transactions and events in a manner that leads to their 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 Consolidated Annual Report

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

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

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

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

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

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

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

The 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 the 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 to obtain 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 of the ESEF Regulation, or we will describe any material non-compliance that we would identify in this respect.

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

<u>Appointment of Auditor</u>

We were appointed as the statutory auditor by the General Meeting of Shareholder of the Bank on 31 March 2022. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 3 years.

<u>Consistence with Additional Report to Audit Committee</u>

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Group, which we issued on 23 February 2024.

<u>Non-audit Services</u>

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

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

27 February 2024
Bratislava, Slovak Republic

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

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

Consolidated statement of financial position as at 31 December 2023

(In thousands of EUR)

	Note	2023	2022
Assets			
Cash and cash equivalents	7	3 802 524	3 060 496
Financial assets at fair value through profit or loss:	8		
Financial assets held for trading		56 146	60 404
Non-trading financial assets at fair value through profit or loss		4 983	3 991
Derivatives - Hedge accounting	9	183 677	352 265
Financial assets at fair value through other comprehensive income	10	1 259 385	1 427 578
of which pledged as collateral		*649 557*	*1 283 417*
Financial assets at amortized cost:	11		
Due from other banks		235 397	153 294
Due from customers		18 464 494	17 497 930
of which pledged as collateral		*49 829*	*77 233*
Fair value changes of the hedged items in portfolio hedge of interest rate risk	12	(57 405)	(126 410)
Investments in joint ventures and associates	13	719	1 885
Property and equipment	14	120 534	121 404
Intangible assets	15	183 516	198 671
Goodwill	16	29 305	29 305
Current income tax assets	17	-	441
Deferred income tax assets	17	62 056	50 446
Other assets	18	39 219	35 717
Non-current assets classified as held for sale	14	1 551	5 946
		24 386 101	22 873 363
Liabilities			
Financial liabilities at fair value through profit or loss:			
Financial liabilities held for trading	8	36 450	61 463
Derivatives - Hedge accounting	9	245 660	316 157
Financial liabilities at amortized cost:	11		
Due to banks		964 646	1 005 068
Due to customers		16 020 671	15 407 863
Lease liabilities		18 307	19 322
Subordinated debt		300 487	250 368
Debt securities in issue		4 436 314	3 784 008
Fair value changes of the hedged items in portfolio hedge of interest rate risk	12	(11 918)	(19 536)
Current income tax liabilities	17	46 839	24 231
Provisions	19	23 960	18 888
Other liabilities	20	160 161	135 436
		22 241 577	21 003 268
Equity			
Share capital	22	510 819	430 819
Share premium		13 719	13 719
Legal reserve fund		87 783	87 493
Other capital funds		8 464	8 464
Retained earnings		1 519 808	1 327 769
Equity reserves		3 931	1 831
		2 144 524	1 870 095
		24 386 101	22 873 363

The accompanying notes on pages 50 to 239 form an integral part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023

(In thousands of EUR)

	Note	2023	2022
Interest income calculated using the effective interest method		867 365	431 969
Other interest income		6 570	4 645
Interest and similar expense		(357 843)	(100 670)
Net interest income	24	516 092	335 944
Fee and commission income		211 251	197 071
Fee and commission expense		(35 282)	(34 020)
Net fee and commission income	25	175 969	163 051
Net trading result	26	10 994	10 671
Other operating income	27	6 347	40 229
Other operating expenses	28	(28 922)	(39 354)
Special levy of selected financial institutions	29	-	-
Salaries and employee benefits	30	(142 192)	(127 453)
Other administrative expenses	31	(84 788)	(76 471)
Amortisation	15	(27 868)	(18 793)
Depreciation	14	(13 698)	(13 634)
Profit before provisions impairment and tax		411 934	274 190
Net modification losses		98	14
Provisions	19, 32	(3 062)	(296)
Impairment losses	21, 33	(72 597)	(76 806)
Net loss arising from the derecognition of financial assets at amortised cost	33	7 866	13 729
		344 239	210 831
Share of the profit or loss of investments in joint ventures and associates accounted for using the equity method		(1 759)	2 138
Profit before tax		342 480	212 969
Income tax expense	34	(78 735)	(43 219)
Net profit before Minority Interest		263 745	169 750
Net profit attributable to Minority Interest		-	(228)
NET PROFIT FOR THE YEAR		263 745	169 522

(Table continues on the next page)

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023

(In thousands of EUR)

(continued)

	Note	2023	2022
Other comprehensive income for the year, after tax:	35, 36		
Items that shall not be reclassified to profit or loss in the future:			
Net revaluation gain from property and equipment		(81)	1 373
Reversal of deferred income tax on disposed property and equipment		356	-
Reversal of deferred income tax on FTA Reserve due to VUB Leasing merger into VUB Bank		-	-
Change in value of financial assets at fair value through other comprehensive income (equity instruments)		83	(1 427)
		358	(54)
Items that may be reclassified to profit or loss in the future:			
		(27)	-
Change in value of financial assets at fair value through other comprehensive income (debt instruments)		4 533	(24 198)
Exchange difference on translation of foreign operations		(1 117)	75
		3 389	(24 123)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		267 492	145 345

The accompanying notes on pages 50 to 239 form an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2023

(In thousands of EUR)

	Share capital	Share premium	Other capital funds	Legal reserve fund	Retained earnings	Revaluation surplus of buildings and land	Financial assets at FVOCI	Cash flow hedges	Translation of foreign operation	Total
At 1 January 2023	430 819	13 719	8 464	87 493	1 327 769	18 588	(16 932)	-	175	1 870 095
Increase of share capital	80 000	-	-	-	-	-	-	-	-	80 000
Total comprehensive income for the year, net of tax	-	-	-	-	263 745	275	4 616	(27)	(1 117)	267 492
Transfers	-	-	-	290	(290)	-	-	-	-	-
Losses on the sale of shares at FVOCI	-	-	-	-	34	-	(34)	-	-	-
Gain on disposal of property and equipment	-	-	-	-	1 613	(1 613)	-	-	-	-
Exchange difference	-	-	-	-	(65)	-	-	-	-	(65)
Transactions with owners, recorded directly in equity	-	-	-	-	(72 998)	-	-	-	-	(72 998)
Dividends to shareholders	-	-	-	-	*(73 318)*	-	-	-	-	*(73 318)*
Reversal of dividends distributed but not collected	-	-	-	-	*320*	-	-	-	-	*320*
At 31 December 2023	510 819	13 719	8 464	87 783	1 519 808	17 250	(12 350)	(27)	(942)	2 144 524

(Table continues on the next page)

Consolidated statement of changes in equity for the year ended 31 December 2023

(In thousands of EUR)

(continued)

	Share capital	Share premium	Other capital funds	Legal reserve fund	Retained earnings	Reva-luation surplus of buildings and land	Financial assets at FVOCI	Cash flow hedges	Translation of foreign operation	Total
At 1 January 2022	430 819	13 719	8 464	89 778	1 167 119	17 215	7 710	-	100	1 734 924
Increase of share capital	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year, net of tax	-	-	-	-	169 522	1 373	(25 625)	-	75	145 345
Transfers	-	-	-	(2 285)	2 608	-	-		-	323
Losses on the sale of shares at FVOCI	-	-	-	-	(983)	-	983	-	-	-
Gain on disposal of property and equipment	-	-	-	-	-	-	-	-	-	-
Exchange difference	-	-	-	-	(107)	-	-	-	-	(107)
Transactions with owners, recorded directly in equity	-	-	-	-	(10 390)	-	-	-	-	(10 390)
Dividends to shareholders	-	-	-	-	*(10 534)*	-	-	-	-	*(10 534)*
Reversal of dividends distributed but not collected	-	-		-	*144*	-	-	-	-	*144*
At 31 December 2022	430 819	13 719	8 464	87 493	1 327 769	18 588	(16 932)	-	175	1 870 095

The accompanying notes on pages 50 to 239 form an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2023

(In thousands of EUR)

	Note	2023	2022
Cash flows from operating activities:			
Profit before tax		342 480	212 969
Adjustments for:			
(Interest income)	24	(873 935)	(436 614)
Interest expense	24	357 843	100 670
Loss from sale/revaluation of financial assets at fair value through other comprehensive income		(56 663)	104 395
(Gain) on sale of intangible assets and property and equipment	28	(821)	(531)
(Gain) from revaluation of debt securities in issue		68 359	(247 844)
Amortisation	15	27 868	18 793
Depreciation	14	13 698	13 634
Impairment losses and similar charges	32, 33	129 087	129 279
Share of the profit or loss of investments in joint ventures and associates accounted for using the equity method and related items		1 166	22 511
Exchange difference on translation of foreign operations	35, 36	(1 182)	(32)
Interest received		849 470	425 360
(Interest paid)		(327 069)	(86 463)
Tax (paid)/received		(67 296)	(24 828)
Decrease/(Increase) in financial assets at fair value through profit or loss		3 582	(27 005)
Decrease/(Increase) in derivatives - hedge accounting (assets)		168 588	(296 691)
Financial assets at amortized cost:			
(Increase)/Decrease in due from other banks		(86 712)	1 669 679
Increase in due from customers		(1 069 904)	(955 511)
(Increase)/Decrease in fair value changes of the hedged items in portfolio hedge of interest rate risk (assets)		(69 005)	129 711
(Increase) in other assets		(4 383)	(11 387)
(Decrease)/Increase in financial liabilities at fair value through profit or loss		(25 013)	30 600
(Decrease)/Increase in derivatives - hedge accounting (liabilities)		(70 497)	284 647
Financial liabilities measured at amortized cost:			
Increase/(Decrease) in due to banks		11 063	(2 461 623)
Increase in due to customers		643 275	1 500 942
Increase/(Decrease) in fair value changes of the hedged items in portfolio hedge of interest rate risk (liabilities)		7 618	(22 352)
Increase in provisions		4 338	1 153
Increase in other liabilities		25 045	45 969
Net cash from operating activities		1 000	119 431
Cash flows from investing activities:			
Purchase of financial assets at fair value through other comprehensive income		(353 447)	(983 835)
Disposal of financial assets at fair value through other comprehensive income		412 661	293 292
Repayments of financial assets at fair value through other comprehensive income		180 019	802 803
Purchase of intangible assets and property and equipment		(27 038)	(109 002)
Disposal of intangible assets and property and equipment		7 576	4 007
Increase iin share capital		80 000	
Investments in Monilogi, s.r.o.		-	(1 787)
Investments in VUB Generali d.s.s., a. s.		-	(4 519)
Net cash from investing activities		299 771	959

(Table continues on the next page)

Consolidated statement of cash flows for the year ended 31 December 2023

(In thousands of EUR)

(continued)

	Note	2023	2022
Cash flows from financing activities:			
Proceeds from issue of debt securities		1 000 000	500 000
Repayments of debt securities in issue		(420 000)	(300 000)
Proceeds from loans received from other banks		50 000	350 000
Repayments of loans received from other banks		(108 687)	(205 294)
Repayments of lease liabilities		(6 738)	(6 853)
Dividends paid		(73 318)	(10 534)
Net cash from financing activities		441 257	327 319
Net change in cash and cash equivalents		742 028	447 709
Cash and cash equivalents at the beginning of the year	7	3 060 496	2 612 787
Cash and cash equivalents at 31 December	7	3 802 524	3 060 496

The accompanying notes on pages 50 to 239 form an integral part of these financial statements.

1. Basis of preparation

1.1. Reporting entity - general information

Všeobecná úverová banka, a. s. ('the Bank' or 'VUB') provides retail and commercial banking services. The Bank is domiciled in the Slovak Republic with its registered office at Mlynské nivy 1, 829 90 Bratislava 25, with the identification number (IČO) 313 20 155 and the tax identification number (DIČ) 2020411811.

At 31 December 2023, the VUB Group had a network of 167 points of sale (including retail branches, corporate branches and mortgage centres) located throughout Slovakia (31 December 2022: 170). The VUB Group also has one branch in the Czech Republic (31 December 2022: 1).

The Bank's ultimate parent company is Intesa Sanpaolo S.p.A. ('ISP' or 'the Parent Company'), which is a joint-stock company incorporated and domiciled in Italy. The consolidated financial statements of the Company are available at the address of its registered office at Piazza San Carlo 156, 10121 Torino, Italy.

At 31 December 2023, the members of the Management Board are Jozef Kausich (Chairman), Gabriele Pace, Andrej Viceník, Peter Magala, Martin Techman, Marie Kovářová and Darina Kmeťová.

At 31 December 2023, the members of the Supervisory Board are Ignacio Jaquotot (Chairmain), Elena Kohútiková (Vice Chairwoman), Marco Fabris, Luca Leoncini Bartoli, Christian Schaack, Peter Gutten, Dana Kondrótová, Andrea Fumačová and Draginja Duric.

At 31 December 2023, the total number of employees of the VUB Group was 3,343 (31 December 2022: 3,358). The average number of employees of the VUB Group during the year ended as at 31 December 2023 was 3,324 (31 December 2022: 3,347).

1.2. The VUB Group

The consolidated financial statements comprise the Bank and its subsidiaries (together referred to as 'the VUB Group' or 'the Group') and the Group's interest in associates and joint ventures. All entities are incorporated in the Slovak Republic.

	Share December 2023	Share December 2022	Main activity
Subsidiaries			
VÚB Generali d. s. s., a. s. ('VUB Generali')	55,26%	55,26%	Pension fund administration
VÚB Operating Leasing, a. s.	100%	100%	Operating leasing
Joint ventures			
Monilogi, s.r.o. (Monilogi)	30%	30%	Cash processing
Associates			
Slovak Banking Credit Bureau, s. r. o. ('SBCB')	33,33%	33,33%	Credit database administration

The VUB Group's ultimate parent company is Intesa Sanpaolo S.p.A. ('ISP' or 'the Parent Company'), which is a joint-stock company and is incorporated and domiciled in Italy. The consolidated financial statements of the Company are available at the address of its registered office at Piazza San Carlo 156, 10121 Torino, Italy.

1.3. Basis of accounting

The consolidated financial statements of the VUB Group ('the financial statements') have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') and with interpretations issued by the International Financial Reporting Interpretations Committee of the IASB ('IFRIC') as approved by the European Union Commission in accordance with the Regulation of European Parliament and the Council of European Union and in accordance with the Act No. 431/2002.

The financial statements have been prepared under the his historical prices adjusted by the revaluation of financial assets and liabilities at fair value though profit or loss, financial assets at fair value through other comprehensive income, derivatives - hedge accounting, buildings and land in falling under the property and equipment under revaluation model to fair value and in the case of the financial assets or financial liabilities designated as hedged items in qualifying fair value hedge relationships modified by the changes in fair value attributable to the risk being hedged.

The financial statements were prepared using the going concern assumption that the VUB Group will continue in operation for the foreseeable future.

1.4. Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Bank. Control means the Bank has the power over the investee and has the exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of these returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date at which effective control commences until the date at which control ceases.

The financial statements of the Bank and its subsidiaries are combined on a line-by-line basis by adding together like items of assets, liabilities, equity, income and expenses. Intra-group balances, transactions and resulting profits are eliminated in full.

The purchase acquistion of accounting is used to account for the acquisition of subsidiaries by the VUB Group. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The excess of the cost of the acquisition over the fair value of the VUB Group’s share of the identifiable net assets acquired is recognized as goodwill.

(b) Associates

Associates are entities in which the VUB Group has significant influence, but not control, over the financial and operating policies. The financial statements include the Group’s share of the total recognized gains and losses of associates on an equity accounted basis from the date when significant influence commences until the date that significant influence ceases.

(c) Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The financial statements include the VUB Group’s share of the total recognized gains and losses of joint ventures on an equity accounted basis, from the date that joint control commences until the date that joint control ceases.

To determine the nature of interest in another entity an assessment of the control indicators described above is performed by the management of the VUB Group, applying certain level of judgement.

1.5. Functional and presentation currency

The financial statements are presented in thousands of EUR ('€'), unless indicated otherwise. EUR is the functional and presentation currency of the VUB Group.

Negative balances are presented in brackets.

1.6. Use of judgements and estimates

In preparing the financial statements, the management made judgements, estimates and assumptions that affect the application of the VUB Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

1.6.1. Judgements

Information about judgements of the accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes. The most significant judgements relate to the classification of financial instruments.

- Classification of financial instruments: assessment of the business model under which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest ('SPPI') on the principal amount outstanding (note 3.4.2).
- Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss ('ECL') and selection and approval of models used to measure ECL (note 4.1.2).
- Valuation of lease liabilities (note 11.5) and right-of-use assets (note 14).

The use of International Financial Reporting Standard 16 Leases ('IFRS 16') requires the VUB Group to make judgments that affect valuation of not only the lease liabilities but also the right-of-use assets (note 3.16). These include: determining contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the VUB Group generally comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the VUB Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the VUB Group is reasonably certain not to exercise that option. The same term is applied as economic useful life of right-of-use assets.

For contracts relating to branch and office premises, the VUB Group has concluded that there are a number of scenarios where the VUB Group might elect not to exercise the extension options. Therefore, the IFRS 16 criterion of being reasonably certain to exercise the extension options is not fulfilled. The periods covered by a potential use of an option to extend the lease were excluded from the lease term.

For leases of branch and office premises concluded for an indefinite term the VUB Group generally estimates the length of the contract to be five years. The Bank monitors these assumptions, reviews the industry practices and the latest accounting interpretations in relation to the estimation of the lease terms among peer financial entities. The Bank is prepared to make adjustments, if necessary.

The present value of the lease payment is determined using the discount rate representing the rate of interest rate swap applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the VUB Group's rating, observed in the period when the lease contract commences or is modified.

1.6.2. Assumptions and estimation uncertainties

Estimates are used for (include but not limited to): fair values of financial instruments, fair value of buildings and land under the revaluation model, impairment losses on due from other banks and due from customers and impairment losses related to financial assets at fair value through other comprehensive income, provisions for off-balance sheet risks, useful lives and residual values of tangible and intangible assets, impairment losses on tangible and intangible assets, valuation of lease liabilities and right-of-use assets, liabilities from employee benefits, provisions for legal claims and deferred tax assets.

Information about assumptions and estimation uncertainties that run a risk of causing a material adjustment is included in the following notes.

- Determination of the fair value of financial instruments with significant unobservable inputs. (note 5) Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques which include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments.
- Impairment of financial instruments: determining inputs into the expected credit losses (ECL) model, including incorporation of forward-looking information. (note 4.1.2)

The VUB Group reviews its loans and advances at each reporting date to assess whether any individually assessed impairment loss should be recorded in the statement of profit or loss. Management judgment is required in particular when estimating the amount and timing of future cash flows when determining the amount of impairment loss required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the individually assessed impairment losses.

- Recognition and measurement of legal claims: key assumptions about the likelihood and magnitude of an outflow of resources.
- Recognition of deferred tax assets: availability of future taxable profit against which deferred tax assets can be used.
- Impairment testing for cash generating units containing goodwill: key assumptions underlying recoverable amounts.

2. Changes in accounting policies

A number of the new standards and amendments to standards became effective for annual periods beginning after 1 January 2023. These, however, have no material effect on the financial statements.

Except for the changes below, the VUB Group followed the accounting policies as set out in Note 3 in all periods presented in the financial statements.

2.1. Standards and interpretations relevant to the VUB Group's operations issued that are effective for the current year and have been endorsed by the European Union

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)

The Group also adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)

The Group has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) from 1 January 2023.The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences — e.g. leases. For leases, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Group previously accounted for deferred tax on leases by applying the 'integrally linked' approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised (see Note 17).

The following new and amended standards that the VUB Group is required to follow do not have a significant impact on the Group's consolidated financial statements:

- IFRS 17: Insurance Contracts,
- Definition of Accounting Estimates - Amendments to IAS 8,
- International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12.

2.2. Standards and interpretations issued but not yet effective or not early adopted by the VUB Group

A number of new standards and amendments to standards are not yet effective or not yet adopted by the European Union. Early adoption is permitted; however, the VUB Group has not adopted the new and amended standards in preparing these consolidated financial statements. The VUB Group intends to adopt these standards when they become effective.

IFRS 16 Lease: Lease Liability in a Sale and Leaseback (Amendments)

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier adoption permitted.

Initially, the IFRS Interpretations Committee concluded that the right-of-use asset and lease liability are unlikely to be measured at zero. IFRS 16 requires a seller-lessee to estimate the variable lease payments it expects to make over the lease term. However, the Committee recommended that the International Accounting Standards Board consider amending IFRS 16 to address the subsequent accounting issues.

The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements when subsequent accounting for the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

Under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments.

The VUB Group enters into sale-and-leaseback agreements, but usually is able to measure right-of-use asset and lease liability reliably. Therefore, the VUB Group expects that the standard, when initially adopted, will not have a material impact on the financial statements of the VUB Group.

The following new and amended standards are not expected to have a significant impact on the VUB Group's consolidated financial statements:

- Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1),
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7),
- Lack of Exchangeability (Amendments to lAS 21),
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures).

2.3. Changes in presentation

During the second quarter of the year 2023, VUB Group advanced the method of tracking and reporting its portfolio of financial assets at amortised costs due from customers, other than banks. The new tracking and reporting divides clients into the following main portfolios, according to the legal form and size of the client: **Corporate clients, Retail clients, Public administration**. Corporations are further divided into **Financial Corporations** and **Non-Financial Corporations**.

These individual portfolios in terms of legal form and size are then followed by the type of products in each of them, which are the following main product categories: **Loans** (other than mortgage), **Mortgages, Overdrafts to current accounts, Credit cards, Factoring, Leasing**, **Debt securities**.

This new portfolio breakdown replaces the previous view, which was as follows and was a combination of size and products:

Retail clients: Small Business, Consumer Loans, Mortgage Loans, Credit Cards, Overdrafts, Flat Owners Associations, Leasing; Corporate clients: Large corporate clients with a turnover of more than EUR 500 million, Large corporate clients with a turnover of up to EUR 500 million, Small and Medium-sized Enterprises ("SME") Non-bank Institutions, Public Sector Entities, "Slotting" models (for specialized businesses, i.e. "Special Purpose Vehicles" or "SPV" and development company, i.e. "Real Estate Development" or "RED"); Banks, Municipalities, Government and Public Sector.

The changes are applied to the following tables and chapters of the financial statements, where, in addition to the current period and comparable period reported according to the new methodology, we present the state in the comparable period according to the previous methodology:

- **Credit portfolio into the individually and portfolio assessed,** note 4.1.2. Impairment losses,
- **Credit portfolio in terms of classification categories**, note 4.1.3. Non-performing loan classification,
- **Credit portfolio in terms of delinquency of payments,** note 4.1.3. Non-performing loan classification,
- **The three-stage approach based on changes in credit quality by class of assets for all financial assets exposed to credit risk,** note 4.1.3. Non-performing loan classification,
- **The three-stage approach based on changes in credit quality by days past due for all financial assets exposed to credit risk,** note 4.1.3. Non-performing loan classification,
- **The forbearance policy**, note 4.1.4. Loans with renegotiated terms and forbearance policy,
- **Concentrations of credit risk by geographic location,** note 4.1.8. Concentrations of credit risk,
- **An analysis of exposures based on the carrying amounts by industry sector,** note 4.1.8. Concentrations of credit risk,
- **The quality of the credit portfolio in terms of internal ratings**, note 4.1.9. Internal and external ratings,
- **The sensitivity of ECL calculation to a decrease and increase of PD parameter by 10%,** note 4.1.10. Sensitivity analysis of impairment losses,
- **Financial assets at amortised cost due from customers**, note 11.2. Due from customers.

3. Material accounting policies

3.1. Foreign currency transactions

Transactions in foreign currencies are translated into the EUR at the official European Central Bank ('ECB') spot exchange rate at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into EUR at the official ECB spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into EUR at the official ECB spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the official ECB spot exchange rate at the date of the transaction.

The foreign currency gain or loss is the difference between the contractual exchange rate of a transaction and the official ECB exchange rate at the date of the transaction. Foreign currency gain or loss is included in 'Net trading result', as well as gains or losses arising from movements in exchange rates after the date of the transaction.

Foreign currency differences arising on translation are generally recognized in profit or loss. However, foreign currency differences arising from the translation of the following items are recognized in other comprehensive income ('OCI'):

– qualifying cash flow hedges to the extent that the hedge is effective; and
– equity instruments in respect of which an election has been made to present subsequent changes in fair value in OCI.

3.2. Foreign operations

The financial statements include foreign operations in the Czech Republic. The assets and liabilities of foreign operations are translated into EUR at the spot exchange rate at the reporting date. The income and expenses of foreign operations are translated to EUR at rates approximating the foreign exchange rates at the dates of the transactions.

Foreign currency differences arising on these translations are recognized in OCI, and accumulated in the foreign currency translation reserve ('Translation of foreign operation' reserve).

3.3. Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand, balances held with central banks, including compulsory minimum reserves, and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the VUB Group in the management of its short-term commitments.

'Cash and cash equivalents' are carried at amortized cost in the statement of financial position (note 7).

3.4. Financial assets and financial liabilities

3.4.1. Recognition and initial measurement

The VUB Group initially recognises loans and advances (e.g. 'Due from other banks', 'Due from customers'), deposits (e.g. 'Due to banks', 'Due to customers'), debt securities issued and subordinated debt on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the VUB Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

3.4.2. Classification

On initial recognition, a financial asset is classified as measured at:

– Amortised cost ('AC'), (note 3.20)
– Fair value through other comprehensive income ('FVOCI'), or
– Fair value through profit or loss ('FVTPL').

A financial asset is measured at AC, if it meets both of the following conditions and is not designated as at FVTPL:

– The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

– The asset is held within a business model whose objective is achieved by both collecting 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 SPPI.

On initial recognition of an equity investment that is not held for trading, the VUB Group may irrevocably elect to present subsequent changes in fair value in OCI (note 3.6.2). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the VUB Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise (note 3.4.7).

Business model assessment

The VUB Group uses the following business models:

– Held to collect,
– Held to collect and sell,
– Held for trading/Other.

The VUB Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

– The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
– How the performance of the portfolio is evaluated and reported to the Bank's management;
– The risks that affect the performance of the business model (and the financial assets held within that business model) and its risk management strategy;
– How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
– The frequency, volume and timing of sales in prior periods, the reasons for such sales and future sales activity expectations. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the VUB Group states objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading, managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the VUB Group considers the contractual terms of the instrument. This includes 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. In making the assessment, the VUB Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the VUB Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The VUB Group holds a portfolio of long-term fixed-rate loans for which the VUB Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The VUB Group has determined that the contractual cash flows of these loans are SPPI because the option changes the interest rate in a way that takes into account the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

The VUB Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the VUB Group changes its business model for managing financial assets. Financial liabilities are never reclassified.

3.4.3. Subsequent measurement

After initial recognition, the VUB Group measures financial assets and financial liabilities in accordance with the classification at fair value through profit or loss (note 3.5), fair value through other comprehensive income (note 3.6) or at amortized cost (note 3.7).

3.4.4. Derecognition

Derecognition due to substantial modification of terms and conditions

The VUB Group derecognises a financial asset, such as a loan provided to a customer, when the terms and conditions have been renegotiated to the extent that the loan becomes a new loan. In such a case, the difference isrecognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. When assessing whether or not to derecognise a loan to a customer, amongst others, the VUB Group considers the factors such as change in currency of the loan, introduction of an equity feature, change in counterparty, whether the modification would cause the instrument to no longer meet the SPPI criterion.

Where an existing financial liability is replaced by another from the same lender under substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

Derecognition other than due to substantial modification

The VUB Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the VUB Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Any cumulative gain or loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities, as explained above. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the VUB Group is recognized as a separate asset or liability.

The VUB Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of thereof. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale-and-repurchase transactions. (note 3.8)

In transactions in which the VUB Group neither retains nor transfers all of the risks and rewards of ownership of a financial asset but retains control over the asset, the VUB Group continues to recognise the asset to the extent of its continuing involvement, which is determined by the extent to which it is exposed to changes in the value of the transferred asset.

The VUB Group derecognises a financial liability when its contractual obligations are fulfilled or cancelled, or when they expire.

3.4.5. Modifications

If the terms of a financial asset are modified, then the VUB Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized (see above under Derecognition other than due to substantial modification) and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

– Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset;
– Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to create a new asset with substantially different terms. If the VUB Group plans to modify a financial asset in a way that would result in release of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy, note 4.1.5). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the VUB Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss in ´Impairment losses´. For floating-rate as well as fixed-rate financial assets where reset to market is expected, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. The effective interest rate is therefore altered. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (note 4.1.2), then the gain or loss is presented together with impairment losses.

3.4.6. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the VUB Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the VUB Group's trading activity.

3.4.7. Fair value measurement

'Fair value' is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date in the principal on the main market, or if such a market does not exist, the most advantageous market to which the VUB Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the VUB Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the VUB Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The hierarchy of valuation techniques is explained in note 5.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received.

If the VUB Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value according to the model, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is fully supported by observable market data or the transaction is closed out.

3.5. Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss comprise financial assets held for trading, including derivative financial instruments and financial assets at fair value through profit or loss.

3.5.1. Financial assets and financial liabilities held for trading

The VUB Group classifies trading portfolio as financial assets or financial liabilities measured at fair value through profit or loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a financial instruments portfolio that is managed together to achieve short-term profit. Financial assets and financial liabilities held for trading are recorded and measured in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the VUB Group's own credit risk. Such changes in fair value are recorded in the 'Fair value gains and losses arising from the VUB Group's own credit risk related to derivative liabilities' and are not reflected in the profit or loss. Interest earned or incurred on instruments designated at FVTPL is presented in 'Other interest income'. Dividend income from equity instruments measured at FVTPL is considered to be incidental to the VUB Group's trading operations and is recorded in profit or loss as 'Net trading result' when the right to the payment has been established.

Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of their sale in the near term.

The VUB Group monitors changes in fair values on a daily basis and recognises unrealised gains and losses in the profit or loss statement in 'Net trading result'.

Derivative financial instruments

In the normal course of business, the VUB Group is a party to contracts with derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. The derivative financial instruments used include forward rate agreements, foreign exchange and commodity forwards, interest rate, foreign exchange and commodity swaps, interest rate, foreign exchange, equity options, cross currency swaps and futures. The VUB Group also uses financial instruments to hedge interest rate risk and currency exposures associated with its transactions in the financial markets. They are accounted for as trading derivatives if they do not fully comply with the definition of a hedging derivative as prescribed by IFRS. The VUB Group also acts as an intermediary provider of these instruments to certain customers.

Derivative financial instruments not used for hedge accounting purposes are initially recognized and subsequently re-measured in the statement of financial position at fair value as part of 'Financial assets held for trading'.

All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives are included in 'Net trading result'.

Fair values are obtained from quoted market prices. If such values are not available, discounted cash flow models and option pricing models are used. The fair values of derivative positions are calculated using standard formulas and prevailing interest rates applicable for respective currencies available on the market at reporting dates.

Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also covers a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

The VUB Group assesses whether any embedded derivatives contained in a given contract are required to be separated from the host contract and accounted for as derivatives.

Derivatives may be embedded in another contractual arrangement (a host contract). The VUB Group accounts for an embedded derivative separately from the host contract when:

– the host contract is not an asset in the scope of International Financial Reporting Standard 9 Financial Instruments ('IFRS 9');
– the host contract is not itself held at FVTPL;
– the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
– the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognized in profit or loss in net trading result unless they form part of a qualifying cash flow hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with other derivatives.

3.5.2. Financial assets at fair value through profit or loss

Financial assets in this category are those that are not held for trading and are required to be measured at fair value under IFRS 9, as they do not meet the requirements of the SPPI test.

Financial assets at fair value also comprise equity instruments not held for trading where the Bank did not choose to classify investments at FVOCI. Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recognized in 'Net trading result'. Interest income is recorded in 'Other interest income' and dividend income in 'Net trading result' according to the terms of the contract, or the moment the right to payment has been established.

3.6. Financial assets at fair value through other comprehensive income

3.6.1. Debt instruments measured at fair value through other comprehensive income

The VUB Group classifies debt instruments under IFRS 9,measured at FVOCI when both of the following conditions are met:

– The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
– The contractual terms of the financial asset meet the requirements of the SPPI test.

Debt instruments at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in equity. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets at amortized cost. The VUB Group applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

Where the VUB Group holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognized in equity are reclassified from equity to profit or loss.

The fair value of debt instruments, for which an active market exists, and provided a market value can be estimated reliably, is measured at quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using the present value of future cash flows.

In the case of debt instruments measured at fair value through other comprehensive income, impairment is assessed based on the same criteria as financial assets carried at amortized cost. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in 'Impairment losses' in the statement of profit or loss and other comprehensive income, the impairment loss is reversed through the statement of profit or loss.

3.6.2. Equity instruments measured at fair value through other comprehensive income

Upon initial recognition, the VUB Group occasionally elects to irrevocably classify some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognized in profit or loss as 'Net trading result' when the right to the payment has been established, except when the VUB Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case such gains are recorded in OCI. Equity instruments at FVOCI are not subject to any impairment assessment.

3.7. Financial assets and financial liabilities at amortized costs

Financial assets at amortized costs comprise balances due from other banks and due from customers including debt securities. Financial liabilities at amortized costs comprise balances due to banks, due to customers, subordinated debt and debt securities in issue.

3.7.1. Financial assets at amortized costs: Due from other banks and Due from customers

The VUB Group only measures 'Due from other banks' and 'Due from customers' at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model to collect contractual cash flows
- The contractual terms of the financial asset give rise to cash flows that represent payments of principal and interest on the principal amount outstanding on specified dates.

Due from other banks

Due from other banks include receivables from current accounts in other than central banks, term deposits, loans provided and securities purchased from commercial banks. Balances are presented at amortized cost including interest accruals less any impairment losses.

Due from customers

Due from customers balances comprise loans and advances and securities with fixed or determinable payments and fixed maturities. These receivables are recorded at amortized cost less any impairment losses. (note 12.2)

Impairment

The detailed description of policy is in the note 4.1.2.

The VUB Group writes off 'Due from other banks' and 'Due from customers' when it determines that the loans and advances are uncollectible. Loans and advances are written off against the Impairment losses on Financial Assets in amortized cost with the remaining part being written-off against profit or loss reported under 'Net loss arising from the derecognition of financial assets at amortized cost'. Any recoveries of written off loans are credited to the same line in the statement of profit or loss upon their receipt.

3.7.2. Financial liabilities at amortized costs: Due to banks, Due to customers, Subordinated debt and Debt securities in issue

Deposits, debt securities issued and subordinated liabilities are the VUB Group's sources of debt funding.

The VUB Group classifies capital instruments as financial liabilities or equity instruments in accordance with the contractual terms of the instruments.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest rate method.

Due to customers covers also lease liabilities (note 3.16).

In 2021 the VUB Group entered into Targeted Long Term Refinancing Operation (TLTRO) with the central bank. This is presented under the item Due to central banks. As at 31 December 2023, the VUB Group reports a liability in form of loans received in TLTRO in amount of €60 million (note 11.3).

The VUB Group assessed the best accounting option for the TLTRO. The VUB Group decided that such instrument does not qualify as below-market interest rate loans. This is the reason why this was not entered under the IAS 20 government grants accounting scheme. TLTRO III transactions are entered into books in accordance with IFRS 9. The refinancing conditions established by the ECB are treated as market rates due to the Eurosystem´s monetary policy measures.

3.8. Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase agreements ('repo transactions') remain as assets in the statement of financial position under the original caption while liabilities from received loans are included in 'Financial assets at amortized cost: Due to banks' or 'Financial assets at amortized cost: Due to customers'.

Securities purchased under agreements to purchase and resell ('reverse repo transactions') are recorded only in the off-balance sheet and loans provided are reported in the statement of financial position in 'Cash, cash balances at central banks', 'Financial assets at amortized cost: Due from other banks' or 'Financial assets at amortized cost: Due from customers', as appropriate.

The difference between the purchase and sale price of securities fall under the category interest income or expense and are deferred over the life of the agreement.

3.9. Derivatives - Hedge accounting

When introducing IFRS 9, the VUB Group has elected to continue to follow the requirements of IAS 39 instead of those of IFRS 9.

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position in 'Derivatives - Hedge accounting'.

The VUB Group makes use of derivative instruments to manage exposures to interest rate risks, foreign currency risk, inflation risk and credit risk including exposures arising from highly probable transactions. In order to manage individual risks, the VUB Group uses hedge accounting for transactions which meet the specified criteria.

At the inception of the hedge relationship, the VUB Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

When a hedging relationship is established, a formal assessment is carried out to ensure that the hedging instrument will be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each month. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated reach 80% to 125% offset.

In situations where that hedged item is an expected transaction, the VUB Group assesses whether the transaction is highly probable and whether it represents an exposure to variability in cash flows that will affect the profit and loss statement.

Cash flow hedges

For designated and qualifying cash flow hedges, the gain or loss on the effective portion of the hedging instrument is initially recognized in other comprehensive income as 'Cash flow hedges'. The the gain or loss on the ineffective portion of the hedging instrument is recognized immediately as gain or loss in the statement of profit or loss in 'Net trading result'.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument is reclassified from other comprehensive income to profit or loss as a reclassification adjustment in 'Net trading result'. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting and the hedged cash flows are still probable, any cumulative gain or loss that has been recognized in other comprehensive income remains in equity separately and is reclassified from other comprehensive income to statement of profit or loss as a reclassification adjustment when the hedged expected transaction is ultimately recognized. When an expected transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified from other comprehensive income to statement of profit or loss as a reclassification adjustment.

Fair value hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognized in the profit or loss statement in 'Net trading result'. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of profit or loss in 'Net trading result'.

In case of macro hedge, the change in the fair value of the hedged items attributable to the risk hedged is presented separately as 'Fair value changes of the hedged items in portfolio hedge of interest rate risk.'

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortized cost, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the effective interest rate ('EIR'). If the hedged item is derecognized, the unamortised fair value adjustment is recognized immediately in profit or loss when the item is derecognized.

Specific policies for hedges affected by IBOR reform

The Phase 1 amendments

If a hedging relationship is directly affected by IBOR reform, then certain exceptions can apply (referred to as 'the Phase 1 amendments') to the general hedge accounting policy.

All hedges affected by IBOR reform either matured or were discontinued. Therefore the VUB Group ceased to apply the respective Phase 1 amendments.

The Phase 2 amendments

Policies specific to non-contractually specified risk portions

When the VUB Group designates an alternative benchmark rate as a hedged risk and the alternative benchmark rate is a non-contractually specified risk portion that is not separately identifiable at the date it is designated, the VUB Group deems that the rate meets the separately identifiable criterion if it reasonably expects that the alternative benchmark rate will be separately identifiable within a 24-month period. The 24-month period applies on a rate-by-rate basis and starts on the date when the Bank first designates the alternative benchmark rate as a hedged risk.

If the Bank subsequently expects that a non-contractually specified alternative benchmark rate risk component will not be separately identifiable within the 24-month period, it discontinues the prospective hedge accounting from the date of that reassessment for all hedging relationships in which the alternative benchmark rate is designated as a non-contractually specified risk portion.

Policies specific to cash flow hedges

When the interest rate benchmark on which the hedged future cash flows had been based is changed to meet requirements posed by the IBOR reform(in order to determine whether the hedged future cash flows are expected to occur), the VUB Group deems that the hedging reserve recognized in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

3.10. Transactions under common control

Transactions under common control refer to business combinations involving entities belonging to the same group. To make it clear, a combination of entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination there is no transfer of control.

The VUB Group follows the accounting treatment of such transactions in continuity of values principles of pooling of interest - maintaining the book values of the acquiree in the financial statements of the acquirer. Assets and liabilities of the acquired company are recognized at the carrying amounts compliant with IFRS. Any differences between net equity of the acquired company and the investment in subsidiaries carried at cost are recorded in retained earnings of the acquirer.

Comparative periods are not subject to restatement since the VUB Group was not consolidating the results of the acquiree in its consolidated financial statements before the date of the combination.

3.11. Property and equipment

Land and buildings are recognized at fair value based on regular, at least annual, valuations by external independent specialized companies, reduced by building subsequent depreciation.

If the new fair value is higher than the carrying amount, the value of the asset on the balance sheet is increased through other components of comprehensive income and accumulated in equity under the heading 'Buildings and land'. In case that an impairment loss was previously recorded in the income statement, the reversal of this impairment is recorded in the income statement up to the amount previously recognized in the income statement. If the new fair value is lower than the carrying amount, the decrease is recognized in profit or loss. The ISP Group chose to apply the elimination approach, which means that the accumulated depreciation is eliminated against the gross carrying amount of the asset at revaluation date. The assets subject to the revaluation model are depreciated based on their revalued value.

All other property and equipment is recorded at historical cost less accumulated depreciation and impairment losses. Acquisition cost includes the purchase price plus other costs related to acquisition such as freight, duties or commissions. The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency are capitalised. Repairs and renovations are charged to the profit or loss statement when the expenditure is incurred.

Depreciation is calculated on a straight-line basis in order to write off the cost of each asset to its residual value over its estimated useful economic life as follows:

	Years
Buildings	10 - 29
Equipment	4 - 12
Other tangibles	4 - 12

Land, assets in progress and art collections are not depreciated. The depreciation of assets in progress begins when the related assets are put into use.

The VUB Group checks its assets for impairment on annual basis. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to this recoverable value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date. Property and equipment contain also right-of-use assets. (note 3.16).

3.12. Intangible assets

Intangible assets are recorded at historical cost less accumulated amortization and impairment losses. Amortisation is calculated on a straight-line basis in order to write off the cost of each asset to its residual value over its estimated useful economic life as follows:

	Years
Software and Other intangible assets	7 - 10

Amortisation methods, useful lives and residual values are reassessed at the reporting date.

3.13. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the VUB Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition.

Goodwill is measured at cost less impairment, if any. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

3.14. Leasing

Leases in which the VUB Group is a lessor

In case of lease contracts based on which the VUB Group is acting as a lessor, each of its leases is classified as either operating or finance lease. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Finance leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Examples of situations where the risks and rewards of ownership are considered as having been transferred to the lessee are as follows:

– The lease transfers ownership of the asset to the lessee by the end of the lease term,
– The lessee has the option to purchase the asset at a price that is expected to be substantially lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised,
– The lease term is for at least 3/4 of the economic life of the asset even if title is not transferred,
– At the inception of the lease the present value of the minimum lease payments amounts to at least 90% of the fair value of the leased asset, or
– The leased assets are of such a specialized nature that only the lessee can use them without major modifications.

Lease classification is made at the inception date and is reassessed only if there is a lease modification.

At the commencement date, receivable from finance equal to the net investment in the lease is recognized in the statement of financial position in 'Due from customers'.

Initial measurement of the lease payments included in the net investment in the lease:

– fixed payments, less any lease incentives payable;
– any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee;
– the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent measurement:

Interest income is recognized in profit or loss statement in 'Other interest income' over the lease term using rate implicit in the lease, which represents the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments and the unguaranteed residual value to be equal to the sum of the fair value of the leased asset and any initial direct costs of the lessor.

The lease payments are applied against the gross investment in the lease and reduce both the principal and the unearned finance income.

The detailed description of impairment of the net investment in the lease is described in the note 4.1.2.

Unguaranteed residual values are reviewed and estimated regularly in order to calculate the gross investment in the lease. If there has been a reduction in the estimated unguaranteed residual value, income allocation over the lease term is revised and any reduction in respect of amounts accrued is recognized immediately.

3.15. Provisions

Provisions comprise litigations and claims, financial guarantees and loan commitments.

Provisions for litigations and claims are recognized when the VUB Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Financial guarantees are contracts that require the VUB Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when it falls due, in accordance with the terms of a debt instrument consisting of letters of credit, guarantees and acceptances.

Provisions for financial guarantees are initially recognized in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the statement of profit or loss in 'Fee and commission income' on a straight line basis over the lifetime of the guarantee, and an ECL allowance.

ECL allowances for financial guarantees are recognized based on the stage of financial instrument (three-stage approach) which affects expected loss calculation for the financial guarantee. Any increase or decrease in the provision deriving from changes in ECL allowances relating to financial guarantees is recorded in the statement of profit or loss in 'Impairment losses'.

In case the VUB Group is called to fulfil the guarantee and the guarantee is paid to the holder of the guarantee, the guarantee ceases to exist. Instead, a receivable against the counterparty for which the VUB Group issued the guarantee is created and the former provision for financial guarantees is converted into impairment losses allowance on such receivable along with the movement, if any, within 'Impairment losses'.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

For loan commitments the VUB Group also recognises Provisions based on stage of financial instrument. Any increase or decrease in the provision relating to Loan commitments is reflected in the statement of profit or loss in 'Impairment losses'.

3.16. Provisions for employee benefits

The VUB Group's obligation in respect of retirement and jubilee employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Employee benefit reserves are disclosed in the statement of financial position in 'Other liabilities'. All gains or losses in relation to the employee benefits are recognized in 'Salaries and employee benefits'.

3.17. Equity reserves

The reserves recorded in equity that are disclosed in the statement of financial position include:

– 'Revaluation surplus of buildings and land' reserve which consists of the revaluation surplus of buildings and land measured at fair value using a revaluation model.
– 'Cash flow hedges' reserve which comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.
– 'Financial assets at fair value through other comprehensive income' reserve which comprises changes in the fair value of financial assets at FVOCI.
– 'Translation of foreign operation' reserve which is used to record exchange differences arising from the translation of the net investment in foreign operations.

3.18. Net interest income

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information.

Interest income and expense is recognized in the statement of profit or loss on an accrual basis using the effective interest rate method (EIR) for all financial instruments measured at amortized cost (note 3.7.1. and 3.7.2).

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortized cost, interest rate derivatives for which hedge accounting is used and the related amortization/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortized cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and, therefore, the amortized cost (AC) of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of 'fixed rate financial assets' or 'liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognized at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

In case of hedging relationship (as defined in note 3.9), interest from interest rate swap effectively replaces the contractual interest rate of the hedged item and such interest is disclosed under in 'Interest income calculated using the effective interest method'.

The IBOR reform Phase 2 amendments allow the practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. One of the conditions is that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

Other interest income includes interest received on financial assets at fair value through profit or loss other than interest on derivatives using the contractual interest rate and finance leases where the rate implicit in the lease is being used.

Interest income/expense on all derivatives is recognized as a part of the fair value change in 'Net trading result'.

Negative interest arising from financial assets is presented in interest expense and negative interest arising from financial liabilities is presented in interest income.

In 2021 the VUB Group entered into Targeted Long Term Refinancing Operation (TLTRO) with the central bank. This is presented under line item Due to banks.

According to the VUB Group´s accounting policy, the revision of the conditions of the instrument by the ECB is considered as a change to a floating rate pursuant to par. B5.4.5 of IFRS 9, with a forward-looking adjustment to the interest rate, considering the fact that the ECB has the option to change interest rates at its discretion in defining monetary policy rates (as it did in October 2022). The interest is therefore recognised periodically based on the interest rate of the instrument for each period (-0.5% until 24 June 2020, -1% until 23 June 2022, and, thereafter, based on existing conditions) as required by paragraph B5.4.5 of IFRS 9.

Interest expense from TLTRO, presented under line "Interest Income".

3.19. Net fee and commission income

The VUB Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

Fee and commission income and expense such as up-front and commitment fees that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see note 3.20).

Other fee and commission income arises on financial services provided by the VUB Group including account maintenance, cash management services, brokerage services, administrative services regarding loans, investment advice and financial planning, investment banking services, project finance transactions, asset management services, factoring services and other. Fee and commission income and expense is recognized when the corresponding service is provided. If a loan commitment is not expected to result in the drawdown of a loan, then the related loan commitment fee is recognized on a straight-line basis over the commitment period.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The VUB Group's revenue contracts do not include multiple performance obligations.

The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

When the VUB Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

Nature and timing of satisfaction of performance obligations, including significant payment terms:

Current accounts	Fees for ongoing account management are charged to the customer's account on a monthly basis. The VUB Group sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis.
Cards	Credit card and debit card fees relate to both fees for issuance of credit card for the period of card's validity as well as fees for specific transactions.
Payments and cash management	Transaction-based fees for interchange and foreign currency transactions are charged to the customer's account when the transaction takes place.
Loans	Services for loans comprise mainly fees for overdrafts, which are recognized on a straight-line basis over the overdraft duration. They also include other servicing fees which are charged on a monthly basis and are based on fixed rates reviewed annually by the VUB Group.
Indirect deposits	These fees mainly relate to providing Bank's retail network for the mediation of investments into funds. These fees are paid to the VUB Group by VUB Asset Management, správ. spol., a. s. Since the VUB Group does not have any ongoing performance obligation regarding these fees, they are recognized in full when charged.
Insurance	The VUB Group provides insurance mediation along with selling its products. Except for life insurance mediation, only an aliquot part of commission is sent by the insurance company on monthly basis, therefore the VUB Group only recognises an aliquot part of commission as income with the passage of time. In case the client cancels insurance contract with the insurance company, the insurance company stops paying the aliquot part of the commission and the VUB Group therefore stops recognising these fees. The VUB Group is not liable to return this aliquot part of commissions recognized in fees to the insurance company. Regarding life insurance mediation the VUB Group is exposed to clawbacks if client cancels the insurance contract within certain periods. The VUB Group calculated effect of IFRS 15 impact and evaluated this impact as non-material and continues to recognise income on these fees as the related mediation service is provided.
Trade finance, Structured finance	Fees for loan commitments which are not expected to result in the draw-down of a loan are recognized on a straight-line basis over the commitment period. Administration of a loan syndication, execution of client transactions with ex-changes and securities underwriting, charges for premature termination of loans and other are charged when a transaction takes place.
Factoring	Services related to factoring include: - Facility commitment, where fee is recognized on a straight-line basis over the commitment period; - Invoice processing fee, where fixed amount for each processed invoice is charged; - Factoring fee, where fee represent a percentage on a total receivable amount factored.

Revenue recognition under IFRS 15:

Current accounts	Revenue from account service and servicing fees is recognized over time as the services are provided.
Cards	Revenue from card issuance is recognized over time as the services are provided. Revenue related to transactions is recognized at the point in time when the transaction takes place.
Payments and cash management	Revenue related to transactions is recognized at the point in time when the transaction takes place.
Loans	Overdraft fee is recognized on a straight-line basis over the overdraft duration. Revenue related to transactions is recognized at the point in time when the transaction takes place.
Indirect deposits	Revenue related to transactions is recognized at the point in time when the transaction takes place.
Insurance	Revenue from insurance mediation services is recognized over time for the duration of contract, except for life insurance mediation where service fee is recognized when service is provided and clawbacks are recognized when they occur.
Trade finance, Structured finance	Loan commitment fee is recognized on a straight-line basis over the commitment period. Revenue related to transactions is recognized at the point in time when the transaction takes place.
Factoring	Facility fee is recognized on a straight-line basis over the commitment period. Revenues related to invoice processing and factoring fee are recognized at the point in time when the transaction takes place.

3.20. Net trading result

'Net trading result' includes gains and losses arising from purchases, disposals and changes in the fair value of Financial assets and financial liabilities including securities and derivative instruments. It also includes the result of all foreign currency transactions.

3.21. Current and deferred income tax

Income tax is calculated in accordance with the regulations of the Slovak Republic and other jurisdictions, in which the VUB Group operates.

Income tax expense is recognized at each time interval during the accounting year based on the best estimate of the weighted average annual income tax rate expected for the entire accounting year. In the event of a change in the estimate of the annual income tax rate, the accrued amount of income tax costs in one of the time intervals during the accounting year may be adjusted in the following period of the given accounting year.

Deferred income tax assets and liabilities are recognized, using the balance sheet method, for all temporary differences arising between the carrying amounts of assets and liabilities and their tax bases. Expected tax rates, applicable for the periods when assets and liabilities are realised, are used to determine deferred tax.

The VUB Group is also subject to various indirect operating taxes, which are included in 'Other operating expenses'.

4. Financial and operational risk management

This note presents information about the VUB Group's exposure to each of the above risks, the VUB Group's objectives, policies and processes for measuring and managing risk.

The Management Board is the statutory body governing the executive management of the VUB Group, and has absolute authority over all matters concerning risk. The Management Board has primary responsibility for the creation and dissolution of risk related governance bodies. The primary governance bodies overseeing risk issues are:

- Assets and Liabilities Management Committee ('ALCO'),
- Credit Risk Governance Committee ('CRGC'),
- Operational Risk Committee ('ORC').

The Management Board delegates its risk authority to these governance bodies through statutes which identify members of the governance bodies, competencies and responsibilities of the members. The competency of each governance body is established in relevant Charters.

The VUB Group's risk management policies are established to identify and analyse the risks faced by the VUB Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The VUB Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Internal Audit Department of VUB Group is responsible for monitoring compliance with VUB Group's risk management policies and procedures and for reviewing the adequacy of the risk management framework to which VUB Group is exposed. Internal audit performs both regular and ad-hoc reviews of controls and processes in the area of risk management

4.1. Credit risk

Credit risk is the risk of a financial loss to the VUB Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the VUB Group's loans and advances to customers and banks as well as investment securities. For risk management reporting purposes, the VUB Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). For risk management purposes, the credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

The Credit Risk Charter ('CRC') establishes the guidelines for measurement, control and management of credit risk by defining the legal framework, main responsibilities, policies and methodologies that support the credit risk management process of VUB Bank.

More specifically, CRC defines both the general and specific (retail, corporate) credit risk requirements for applied methodologies and procedures, and includes, as separate sections, the policies governing the key aspects of the VUB Group's credit risk management process:

- Authorised Approval Authority,
- Collateral Management Policy,
- Provisioning Policy,
- Credit Concentration Limits,
- Default Definition,
- Risk Management Client Segmentation Policy,
- Corporate Credit Policy, Retail Credit Policy,
- Retail and Corporate Remedial Management and Collections.

4.1.1. Management of credit risk

The Risk Management Division is established within the VUB Group as a Control Unit managed by the Chief Risk Officer, who is a member of the VUB Group's Management Board. The Risk Management Division is organisationally structured to provide support to the Business Units, as well as to report on credit, market and operational risks to the Supervisory Board and Management Board. The Risk Management Division is responsible for overseeing VUB Group's credit risk including:

- The development of credit risk strategies, policies, processes and procedures covering rules for credit assessment, collateral requirements, risk grading and reporting;
- Setting limits for the concentration of exposure to counterparties, related parties, countries and total assets and monitoring compliance with those limits;
- Establishment of the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are set in the CRC;
- Credit risk assessment according to defined policy;
- Monitoring of quality portfolio performance and its compliance with set limits (regulatory, internal). Regular reports are provided to the Management Board and the CRC on the credit quality of the VUB Group's portfolios;
- Development, maintenance and validation of scoring and rating models - both application and behavioural;
- Development, maintenance and back-testing of impairment loss models.

4.1.2. Impairment losses

The VUB Group establishes an allowance for impairment losses, which represents its ECL in its loan portfolio.

If there is evidence of impairment for any individually significant client of the VUB Group, such as a breach of contract, problems with repayments or collateral, the VUB Group transfers such a client to management of the Recovery Department for pursuing collection activities. Clients exceeding significant thresholds (€500 thousand, respectively €100 thousand for clients of VUB Operating Leasing, a. s.) are considered to be individually impaired. For collective impairment (other than individually significant client), the VUB Group uses historical evidence of impairment and forward-looking information on a portfolio basis, mainly based on the payment discipline of the clients.

Rules for identification of significant clients and methodology for calculation are set in the Credit Risk Charter or stated in the Provisioning Policy procedure.

The individual assessment of exposures is based on the detailed review and analysis of the borrower's situation, including the critical review of the following sources of information, without limitation to:

- The latest financial statements available (including consolidated ones, if any) accompanied by the report on operations and audit report, if any, as well as previous years' financial statements;
- Information on specific corporate events (e.g. extraordinary transactions);
- The current and forecast financial position and results, analysis of variances between forecasts and actuals;
- For borrowers belonging to economic groups, information on their internal and external relationships (to assess the risk of contamination or its deterioration);
- The list of bank relationships (credit lines/utilisation/transaction status);
- The customer's short and medium-term plans and strategies supplemented by financial projections (at least three-year), the statement of expected cash flows, product analysis, sector and market studies, etc.;
- Any documentation by third-party experts on the reasons for the borrower's deterioration, and potential actions to reorganise the company and exit from the crisis;
- Updated business profiles from the Chamber of Commerce, Corporate Registry or equivalent, cadastral surveys concerning all debtors and guarantors;
- Nature and validity of the collaterals, appraisal for each asset, presence of mortgage/pledge registrations other than the VUB Group's;
- Latest and historical Credit Bureau reports.

The individual assessment, formulated analytically for each exposure, shall be based on the detailed and comprehensive review of all elements that are available.

Inputs, assumptions and techniques used for estimating impairment

Calculation of ECL on a collective basis is based on particular regulatory segment, exposure at default ('EAD'), probability of default ('PD'), loss given default ('LGD'), credit conversion factor ('CCF'). For each segment were developed models for such risk parameters. These models are regularly reviewed by development function, Department Internal Validation and Controls and Department Internal Audit.

The VUB Group identified the following portfolios: Retail, Corporate, SME Retail (including Group of flat owners), Large corporate above €500 million turnover, Banks (including Non-Banking Financial Institutions), Municipalities, Sovereigns and Public Sector Entities, Slotting models (for Special Purpose Vehicles ('SPV')).

The methodology of risk parameters used by ECL calculation is compliant with the ISP Group methodology provided by the Parent Company.

For PD models of the portfolios where the Bank uses internal models, the advanced approach is used. The modelling approach consists of the following steps:

– Creation of migration matrices using the internal ratings;
– Removal of macroeconomic effect from the migration matrices using the Merton formula;
– Creation of Through-the-cycle ('TTC') matrix computed as the average of the annual migration matrices obtained after the removal of the macroeconomic effect;
– Creation of the future Point-in-Time ('PIT') matrices obtained by conditioning the TTC matrix using Merton formula and forward-looking information;
– Obtaining the final Lifetime PD vectors by multiplying the predicted PIT and TTC matrices adjusted by an add-on for incorporation of various economic scenarios.

For LGD models of the portfolios where the Bank uses internal models, the modelling approach consists of the following steps:

– Calculation of nominal LGD values;
– Incorporation of forward-looking information using coefficients calculated based on Path-generator issued by the European Banking Authority ('EBA') or using internally developed macroeconomic satellite models;
– Obtaining the final LGD values by discounting the recovery rates using effective interest rate and average time to recovery.

For the portfolios, where it is unable to follow this approach (unavailability of internal model, low number of observations, low number of defaults, unavailability of macroeconomic model for the portfolio) the Bank follows a simplified approach, e.g. final values provided from the Parent Company, notching criteria, using the country rating and LGD, etc.

The counterparties with low number of observations and with low numbers of observed defaults, where the Bank was unable to create reliable migration matrices or develop the macroeconomic satellite models for prediction of default rate, were defined as the Low default portfolio. The parameters for these portfolios are obtained from the Parent Company.

EAD is calculated separately for amortizing and non-amortizing products. EAD for amortizing products is based on the repayment plans, while EAD for non-amortizing products is calculated using Credit Conversion Factor (CCF). Currently, the Bank uses CCF models only for Retail Credit Cards and Retail Overdrafts. For all other segments regulatory CCF values are used.

Days past due ('DPD') methodology

The VUB Group follows Guidelines on the application of the definition of default EBA/GL/2016/07 according to Article 178 of Regulation (EU) No. 575/2013. The default methodology counts days past due on the obligor level. For the purpose of assessing the materiality of past-due credit obligations, the bank takes into account any amount of principal, interest or fee that has not been paid at the date it was due. In case of modifications of the schedule of credit obligations, the counting of days past due is based on the modified schedule of payments.

When the credit arrangement explicitly allows the obligor to change the schedule, suspend or postpone the payments under certain conditions and the obligor acts within the rights granted in the contract, the bank does not consider changed, suspended or postponed instalments as past due and bases the counting of days past due on the new schedule once it is specified.

The assessment of the materiality of past due credit obligations is performed daily. The information about the days past due and default is up-to-date whenever it is being used for decision making, internal risk management, internal or external reporting and the own funds requirements calculation processes.

The calculation of days past due starts at the moment when the obligor-level overdue exposure breaches both absolute and relative thresholds. Materiality threshold is composed of both an absolute and a relative component according to the Commission Delegated Regulation (EU) 2018/171 of 19 October 2017 on supplementing the Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the materiality threshold for credit obligations past due.

The absolute threshold is exceeded when:

overdue exposure > absolute threshold

The absolute threshold refers to the sum of all past due amounts related to the credit obligations of the borrower towards the Bank. The absolute threshold is set to €100 for retail exposures and €500 for non-retail exposures.

The relative threshold is exceeded when:

overdue exposure/total obligor's on-balance sheet exposure > relative threshold

The relative threshold is defined as a percentage of a credit obligation past due in relation to the total on-balance-sheet exposures to the obligor excluding equity exposures. The relative threshold is set at the level of 1% for both retail and non-retail exposures.

Staging methodology

According to the IFRS 9, paragraph 5.5.9 "At each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, an entity shall use the change in the risk of a default occurring over the expected life of the financial instrument".

IFRS 9 introduced the three-stage approach based on changes in credit quality since initial recognition:

– Stage 1 includes financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk at the reporting date.
– Stage 2 includes financial instruments that have deteriorated significantly in credit quality since initial recognition but that do not have objective evidence of a credit loss event.
– Stage 3 includes financial assets that have objective evidence of impairment at the reporting date.

The VUB Group implemented internal rules using significant days past due, significant increase of PD, forbearance measures, early warning system, proactive credit management ('PCM') process, non-performing categories to assess correct stage for expected loss calculation. These indicators are described in more detail below.

The VUB Group's classification of exposures into the stages is based on the following criteria:

STAGE 1	STAGE 2	STAGE 3
Performing exposures with DPD less than 30	Performing non-defaulted contracts with more than 30 days past due	Non-performing Past Due
	Forborne performing exposures	Non-performing Unlikely to Pay
	Performing exposures under PCM	Non-performing Doubtful
	Performing exposures with significant increase in PD	

In general, the following rules apply:

– At origination financial instruments are classified in Stage 1, except instruments which are credit-impaired at the date of acquisition, which are classified in the relevant stage;
– If there is not enough information to determine if credit has deteriorated significantly since origination, a financial instrument is classified into Stage 2.

As at 31 December 2023 and 31 December 2022 the Bank did not classify any financial assets as Purchased or Originated Credit Impaired ('POCI').

Stage 2 criterion: Performing exposures with more than 30 past due days

According to IFRS 9 Principle par. 5.5.11: '…there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.' To comply with this requirement the Bank adopts a days past due criterion according to the Days past due methodology described above.

Stage 2 criterion: Forborne performing exposures

Forborne status for performing exposures is identified as another criterion of credit deterioration since it represents concessions towards a client facing or about to face difficulties in meeting its financial commitments. Forborne performing exposures represent Forborne performing (originally) and Forborne performing stemming from Non-performing. The minimum probation period for these contracts is 24 months, after this period the contract might migrate to Stage 1 if it meets exit criteria from Forborne classification (for example there is not more than 30 DPD, contract is Performing or counterparty has repaid more than significant amount of its debt since entering to Forborne).

Stage 2 criterion: Performing exposures under proactive credit management

Exposures under PCM are classified in Stage 2 since they can be considered as exposures that have deteriorated significantly in credit quality since their recognition

Stage 2 criterion: Performing exposures with significant increase in PD

A significant increase of PD between origination (or initial recognition) and reporting date is used as indicator of credit quality deterioration according to the IFRS 9 principle par. 5.5.9: 'At each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, an entity shall use the change in the risk of a default occurring over the expected life of the financial instrument.' PD at origination is used solely for the purposes of staging.

This criterion is applied for all the portfolios. The thresholds for each portfolio can vary. In order to assess whether credit risk has increased significantly since the origination, it is necessary to compare Lifetime PD between origination and reporting date.

This criterion is set individually for each portfolio however the main features of the methodology are common.

According to the methodology, the comparison should be performed between:

- $PD_{origination}$ - the lifetime PD over the residual maturity related to the rating to which the instrument belonged at the origination (if some other risk drivers e.g. year of life are used in addition to the rating, the values as of the reporting date are taken) and
- $PD_{reporting}$ - the lifetime PD over the residual maturity related to the rating to which the instrument belongs at the reporting date.

The relative change of the lifetime PD is calculated $PD_{reporting} / PD_{origination}-1$. If this relative change is greater than the set PD threshold then the exposure should be classified to the stage 2.

The proper setting of PD threshold is the core of this criterion. The Group methodology states the PD threshold could be different based on portfolio/model, residual maturity, rating class or other potential drivers. Indeed, the cumulative PDs and their relative differences (between some two rating grades) are changing very swiftly with increasing residual maturity. That's why the one common threshold for all maturities would not lead to proper staging. The differentiation of thresholds between rating classes is important, too generally, the worse rating leads to the lower threshold.

Stage 3 criterion

Stage 3 financial assets are considered credit impaired. This happens when one or more events that have a detrimental impact on the estimated future cash flows have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the VUB Group on terms that the VUB Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment.

Staging criteria for debt securities

Staging process for bonds is performed in parallel to the staging of loans. The criteria used to assess whether the credit quality of the bond has deteriorated significantly since origination is Lifetime PDs comparison.

The following criteria are approved for each stage for debt securities:

STAGE 1	STAGE 2	STAGE 3
Bonds with no significant credit quality deterioration Investment grade bonds (Low Credit Risk Exemption rule valid only for FVOCI Bonds for First Time Adoption of IFRS 9 ('FTA'))	Bonds with significant increase in PD since origination	Defaulted bonds

In addition to the above-mentioned criteria, the following rules should be followed for Stage Assignment:

– at origination financial instruments are classified in Stage 1;
– if there is not enough information to determine if credit has deteriorated significantly since origination, a financial instrument is classified into Stage 2.

Staging criteria for Low Default Portfolio and Intragroup exposures

Low Default Portfolio consists of exposures with the following parties:

– Sovereign (Central Banks, Governments, Municipalities, Public Sector Entities);
– Institutions (Banks, and Other Non-banking Financial Institutions);
– Large Corporate (Corporate with turnover more than €500 million).

Intragroup exposures are exposures with the following parties:

– Parent Company;
– Bank's own subsidiaries;
– Other ISP Group subsidiaries.

Given their particular nature (exposures are within own bank group with low risk profile), intragroup transactions are always classified as Stage 1 with a 12-months ECL.

Since the models for Low Default Portfolio were developed by the Parent Company, the staging rules for Low Default Portfolio and Intragroup exposures are set by the Parent Company for loans and bonds and valid at ISP Group level. Exposures are classified to Stage 2 based on the significant increase of the credit risk criterion measured by Lifetime PD comparison. This criterion for Low Default Portfolio is defined based on the specific rating and residual maturity of exposure. Thresholds are provided by the Parent Company. The thresholds are applied in the same way as described above in Stage 2 criterion: Performing exposures with significant increase in PD.

Expected credit loss calculation

Stage 1

The Expected Loss for exposures in Stage 1 is calculated as:

$$EL_{12m} = PD_{12m} \times LGD_{12m} \times EAD_{12m}$$

where:

– PD12m = 1 year prediction PD estimated at time 0 (time 0 is the reporting date);
– LGD12m = percentage of loss in case of default, estimated at time 0;
– EAD12m = exposure at default, estimated at the beginning of the observation period.

In the calculation of Expected Credit Loss for positions expiring during the first year, in order to avoid the counting of an entire PD on yearly basis and to consider the real expiration date, PD can be adjusted as follows:

$$PD_n = 1 - {}^{12}/_{n}\sqrt{1 - PD_{1year}}$$

where n is the number of months to maturity.

For the transactions without a maturity date, it is assumed that they are subjected to annual review and their maturity is assumed to be equal to one year.

Stage 2

The formula of Lifetime Expected Loss, calculated considering the residual maturity with respect to the reporting date, is summarized as follows:

For exposures with remaining maturity less than or equal to one year (see Stage 1):

$$EL_{12m} = PD_{12m} \times LGD_{12m} \times EAD_{12m}$$

For exposures with remaining maturity greater than one year:

$$EL_{lifetime} = \sum_{t=1}^{M} \frac{EAD_t \times (PD_t\text{-}PD_{t-1}) \times LGD_t}{(1+EIR)^{t-1}}$$

where:

- PDt is cumulative PD estimated between time 0 and time t (time 0 is the reporting date, time t is the number of years till maturity);
- LGDt is percentage of loss in case of default, estimated at time t;
- EADt is exposure at default, estimated at the beginning of the year t;
- EIR is Effective Interest Rate;
- M is residual maturity in years.

To illustrate the application of formula 2 for ECL calculation for exposures in Stage 2 with residual maturity of three years, the following example is provided:

$$EL_{lifetime} = EAD_1 \times PD_1 \times LGD_1 + \frac{EAD_2 \times (PD_2\text{-}PD_1) \times LGD_2}{(1+EIR)^1} + \frac{EAD_3 \times (PD_3\text{-}PD_2) \times LGD_3}{(1+EIR)^2}$$

where:

- EAD1, EAD2, EAD3 are exposure at default at the beginning of each residual year;
- PD1 is probability that exposure enters in default during the first year of residual maturity;
- PD2 - PD1 is marginal Lifetime PD that represents the probability that exposure enters in default during its second year of residual maturity;
- PD3 - PD2 is marginal Lifetime PD that represents the probability that exposure enters in default during its third year of residual maturity;
- LGD1, LGD2, LGD3 is percentage of loss in case of default of each residual year;
- EIR is Effective Interest Rate.

In the calculation of Expected Credit Loss for position expiring during the first year in order to avoid the counting of an entire PD on yearly basis and to consider the real expiration date, PD should be adjusted.

For the transactions without a maturity date, it is assumed that they are subjected to an annual review and their maturity is assumed to be equal to one year.

Additionally, for cases when residual maturity is a fraction of years, the VUB Group can choose to use the maturity as follows:

- When the portion of residual maturity that exceeds the year is greater than six months, the maturity will be rounded to the year immediately after;
- When the portion of residual maturity that exceeds the year is equal or lower than six months, the maturity will be rounded to the previous year.

Stage 3

The VUB Group decided to determine the provision for Non Performing exposures (transactions in Stage 3) including an Add-on, which estimation is based on forward looking elements, increasing the current level of coverage on NPLs.

The calculation of provision on Stage 3 exposures is based on the following formula:

$$EL_{Stage3} = PCBS * (1 + \text{Add-on}_{Performing})$$

where:

– PCBS is the provision calculated based on scenarios determined by the VUB Group on NPLs;
– Add-onPerforming is calculated as the average of Add-ons estimated for performing Lifetime LGD obtained with Best, Most-Likely and Worst scenarios given by EBA coefficients for corresponding segment.

Incorporation of forward-looking information

The VUB Group incorporates forward-looking information by using the Base scenario from the internal satellite models or the Baseline stress test coefficients, which are obtained from EBA Path-generator. Other scenarios are incorporated in the form of "add-on". Add-on is calculated as a combination of final PD or LGD values calculated for all three scenarios for 3 upcoming years.

The VUB Group uses internally developed satellite models for the prediction of default rate for various segments. These models are based on relevant macroeconomic variables. The output of these models contains the model for the base scenario as well as the other scenarios, which are used to calculate the add-on. This approach is used for most of the PD models.

The VUB Group also uses the stress test coefficients, which are the result of EBA Path-generator for stress testing. As the result, we get the coefficients only for Adverse and Baseline scenario and, therefore, the Best coefficient is calculated additionally based on these two scenarios. The scenarios are then used for the calculation of the add-on. Using the EBA coefficients is characteristic for LGD models for non-retail portfolio. Moreover, a similar approach is used for the calculation of add-on for the exposures in stage 3. For retail portfolio, the bank uses internally developed macroeconomic satellite models for inclusion of forward-looking information into LGD parameter. The outputs of those models are the predicted values of loss given default for base scenario increased by add-on, which incorporates the other scenarios.

The satellite models for prediction of default rates are also used for other purpose such as stress testing. The base scenario represents a most-likely outcome. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the VUB Group carries out recalibration of the satellite models.
The VUB Group identified risk drivers which are the main inputs for the models for each portfolio. The relevant drivers were selected to obtain the final models for each portfolio. The predicted values of macro variables used in the models are delivered by Parent Company.

The split of the **Stage 1** of credit portfolio into the individually and portfolio assessed is shown below:

2023	Portfolio assessed			Individually assessed		
€ '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Stage 1						
Financial assets at AC:						
Due from banks	166 001	(5)	165 996	-	-	-
Due from customers:						
Financial corporations	1 036 062	(242)	1 035 820	-	-	-
Non-financial corporations	5 167 587	(25 318)	5 142 269	-	-	-
Retail	10 254 420	(15 627)	10 238 793	-	-	-
Public administration	266 863	(1 411)	265 452	-	-	-
	16 890 933	(42 603)	16 848 330	-	-	-
Financial assets at FVOCI – debt securities	1 259 458	(232)	1 259 226	-	-	-
Financial commitments and contingencies	4 630 724	(4 722)	4 626 002	-	-	-

2022 - restated	Portfolio assessed			Individually assessed		
€ '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Stage 1						
Financial assets at AC:						
Due from banks	72 612	(10)	72 602	-	-	-
Due from customers:						
Financial corporations	775 306	(241)	775 065	-	-	-
Non-financial corporations	5 026 167	(24 505)	5 001 662			
Retail	9 965 774	(19 072)	9 946 702	-	-	-
Public administration	177 914	(1 355)	176 559	-	-	-
	16 017 773	(45 183)	15 972 590	-	-	-
Financial assets at FVOCI - debt securities	1 427 714	(277)	1 427 437	-	-	-
Financial commitments and contingencies	5 641 802	(5 819)	5 635 983	-	-	-

2022 - original	Portfolio assessed			Individually assessed		
€ '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Stage 1						
Financial assets at AC:						
Due from other banks	72 612	(10)	72 602	-	-	-
Due from customers:						
Public administration	182 440	(1 310)	181 130	-	-	-
Corporate	5 669 272	(21 978)	5 647 294	-	-	-
Retail	10 101 000	(25 686)	10 075 314	-	-	-
	16 025 324	(48 984)	15 976 340	-	-	-
Financial assets at FVOCI - debt securities	1 427 714	(277)	1 427 437	-	-	-
Financial commitments and contingencies	5 641 325	(5 149)	5 636 176	-	-	-

The split of the **Stage 2** of credit portfolio into the individually and portfolio assessed is shown below:

2023	Portfolio assessed			Individually assessed		
€ '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Stage 2						
Financial assets at AC:						
Due from banks	-	-	-	-	-	-
Due from customers:						
Financial corporations	1	-	1	-	-	-
Non-financial corporations	1 112 271	(60 344)	1 051 927	-	-	-
Retail	613 616	(61 576)	552 040	-	-	-
Public administration	45 759	(1 861)	43 898	-	-	-
	1 771 647	(123 781)	1 647 866	-	-	-
Financial commitments and contingencies	683 854	(7 776)	676 078	-	-	-

2022 – restated	Portfolio assessed			Individually assessed		
€ '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Stage 2						
Financial assets at AC:						
Due from banks	80 511	(88)	80 423	-	-	-
Due from customers:						
Financial corporations	3	-	3	-	-	-
Non-financial corporations	1 006 413	(46 199)	960 214			
Retail	579 642	(56 288)	523 354	-	-	-
Public administration	8 053	(325)	7 728	-	-	-
	1 674 622	(102 900)	1 571 722	-	-	-
Financial commitments and contingencies	154 179	(3 178)	151 001	-	-	-

2022 - original	Portfolio assessed			Individually assessed		
€ '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Stage 2						
Financial assets at AC:						
Due from other banks	80 511	(88)	80 423	-	-	-
Due from customers:						
Public administration	7 976	(325)	7 651	-	-	-
Corporate	879 291	(37 340)	841 951	-	-	-
Retail	702 851	(65 106)	637 745	-	-	-
	1 670 629	(102 859)	1 567 770	-	-	-
Financial commitments and contingencies	155 049	(3 181)	151 868	-	-	-

The split of the **Stage 3** of credit portfolio into the individually and portfolio assessed is shown below:

2023	Portfolio assessed			Individually assessed		
€ '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Stage 3						
Financial assets at AC:						
Due from banks	3	(1)	2	74 502	(5 103)	69 399
Due from customers:						
Financial corporations	8	(3)	5	-	-	-
Non-financial corporations	32 952	(15 558)	17 394	70 484	(40 765)	29 719
Retail	223 050	(145 150)	77 900	10 257	(4 453)	5 804
Public administration	3 473	(1)	3 472	-	-	-
	259 486	(160 713)	98 773	155 243	(50 321)	104 922
Financial commitments and contingencies	4 640	(326)	4 314	11 601	(4 064)	7 537

2022 - restated	Portfolio assessed			Individually assessed		
€ '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Stage 3						
Financial assets at AC:	-	-	-	536	(267)	269
Due from other banks						
Due from customers:						
Financial corporations	-	-	-	-	-	-
Non-financial corporations	30 387	(21 465)	8 922	73 692	(45 665)	28 027
Retail	216 790	(150 545)	66 245	3 852	(2 150)	1 702
Public administration	1 751	(4)	1 747	-	-	-
	248 928	(172 014)	76 914	78 080	(48 082)	29 998
Financial commitments and contingencies	7 100	(658)	6 442	14 143	(4 752)	9 391

2022 - original	Portfolio assessed			Individually assessed		
€ '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Stage 3						
Financial assets at AC:	-	-	-	536	(267)	269
Due from other banks						
Due from customers:						
Public administration	15	(4)	11	-	-	-
Corporate	5 347	(3 325)	2 022	71 080	(43 865)	27 215
Retail	239 935	(164 566)	75 369	6 538	(4 310)	2 228
	245 297	(167 895)	77 402	78 154	(48 442)	29 712
Financial commitments and contingencies	6 707	(1 325)	5 382	14 143	(4 752)	9 391

The reconciliation from the opening balance to the closing balance of the **impairment losses** to explain the changes in the impairment losses and the reasons for those changes:

2023 € '000	1 January	Origi-nation	Changes in credit risk (net)	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Derecog-nition	Assets written-off/sold	Other	31 Decem-ber
Stage 1										
Financial assets at FVOCI	277	21	(92)	57	(1)	-	(30)	-	-	232
Financial assets at AC:										
Due from banks	10	58	2	-	-	-	(65)	-	-	5
Due from customers	48 974	32 275	(76 821)	81 466	(37 693)	(232)	(5 371)	-	-	42 598
	48 984	32 333	(76 819)	81 466	(37 693)	(232)	(5 436)	-	-	42 603
Financial commitments and contingencies	5 149	13 754	(14 529)	9 506	(6 770)	(3)	(2 467)	-	82	4 722
Stage 2										
Financial assets at FVOCI	-	-	56	(57)	1	-	-	-	-	-
Financial assets at AC:										
Due from banks	88	-	2 841	-	-	(2 929)	-	-	-	-
Due from customers	102 771	-	95 789	(78 977)	41 121	(32 170)	(4 753)	-	-	123 781
	102 859	-	98 630	(78 977)	41 121	(35 099)	(4 753)	-	-	123 781
Financial commitments and contingencies	3 181	-	9 376	(9 030)	6 896	(930)	(1 717)	-	-	7 776
Stage 3										
Financial assets at AC:										
Due from banks	267	-	1 908	-	-	2 929	-	-	-	5 104
Due from customers	216 070	-	3 209	(2 407)	(3 428)	32 401	14 650	(54 564)	(1)	205 930
	216 337	-	5 117	(2 407)	(3 428)	35 330	14 650	(54 564)	(1)	211 034
Financial commitments and contingencies	6 077	-	898	(558)	(126)	934	(2 834)	-	(1)	4 390

(Table continues on the next page)

2023 € '000	1 January	Origi-nation	Changes in credit risk (net)	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Derecog-nition	Assets written-off/sold	Other	31 Decem-ber
Total										
Financial assets at FVOCI	277	21	(36)	-	-	-	(30)	-	-	232
Financial assets at AC:										
Due from banks	365	58	4 751	-	-	-	(65)	-	-	5 109
Due from customers	367 815	32 275	22 177	82	-	(1)	4 526	(54 564)	(1)	372 309
	368 180	32 333	26 928	82	-	(1)	4 461	(54 564)	(1)	377 418
Financial commitments and contingencies	14 407	13 754	(4 255)	(82)	-	1	(7 018)	-	81	16 888

2022 € '000	1 January*	Origi-nation	Changes in credit risk (net)	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Derecog-nition	Assets written-off/sold	Other	31 December
Stage 1										
Financial assets at FVOCI	329	84	(220)	108	-	-	(24)	-	-	277
Financial assets at AC:										
Due from other banks	90	23	(11)	-	(70)	-	(22)	-	-	10
Due from customers	73 056	42 923	(77 338)	45 808	(30 191)	(87)	(5 197)	-	-	48 974
	73 146	42 946	(77 349)	45 808	(30 261)	(87)	(5 219)	-	-	48 984
Financial commitments and contingencies	5 057	14 031	(12 028)	6 563	(6 200)	(7)	(2 267)	-	-	5 149
Stage 2										
Financial assets at AC:										
Due from other banks	19	-	20	-	70	(21)	-	-	-	88
Due from customers	45 174	-	98 629	(43 298)	35 178	(26 316)	(6 596)	-	-	102 771
	45 193	-	98 649	(43 298)	35 248	(26 337)	(6 596)	-	-	102 859
Financial commitments and contingencies	6 683	-	4 411	(6 444)	6 236	(4 023)	(3 682)	-	-	3 181
Stage 3										
Financial assets at AC:										
Due from other banks	-	-	246	-	-	21	-	-	-	267
Due from customers	228 356	-	26 933	(2 510)	(4 987)	26 403	(6 401)	(51 672)	(52)	216 070
	228 356	-	27 179	(2 510)	(4 987)	26 424	(6 401)	(51 672)	(52)	216 337
Financial commitments and contingencies	8 707	-	(2 677)	(119)	(36)	4 030	(3 828)	-	-	6 077

*The opening balances include previous year closing balances of VUB Leasing merged into VUB Bank at beginning of 2023

(Table continues on the next page)

2022 € '000	1 January	Origi-nation	Changes in credit risk (net)	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Derecog-nition	Assets written-off/sold	Other	31 December
Total										
Financial assets at FVOCI	329	84	(112)	-	-	-	(24)	-	-	277
Financial assets at AC:										
Due from other banks	109	23	255	-	-	-	(22)	-	-	365
Due from customers	346 586	42 923	48 224	-	-	-	(18 194)	(51 672)	(52)	367 815
	346 695	42 946	48 479	-	-	-	(18 216)	(51 672)	(52)	368 180
Financial commitments and contingencies	20 447	14 031	(10 294)	-	-	-	(9 777)	-	-	14 407

When there is transfer between stages, the original amount of the provision is transferred first and then the change in credit risk is reflected in the new stage.

The changes due to modifications that does not result in derecognition of the financial assets were immaterial.

The changes in the **gross carrying amount** of financial instruments during the year contributed to changes in the impairment losses:

2023 € '000	1 January	Origination	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Derecog-nition	Assets written-off/sold	31 December
Stage 1								
Financial assets at FVOCI	1 427 437	382 467	248 674	(247 563)	-	(146 499)	(405 058)	1 259 458
Financial assets at AC:								
Due from banks	72 612	7 259 212	-	-	-	(7 165 823)	-	166 001
Due from customers	15 952 712	8 173 615	2 053 833	(2 702 889)	(29 474)	(6 722 865)	-	16 724 932
	16 025 324	15 432 827	2 053 833	(2 702 889)	(29 474)	(13 888 688)	-	16 890 933
Financial commitments and contingencies	5 641 325	1 378 279	735 738	(1 371 690)	(7 168)	(1 745 759)	-	4 630 725
Stage 2								
Financial assets at FVOCI	-	1 111	(248 674)	247 563	-	-	-	-
Financial assets at AC:								
Due from banks	80 511	-	-	-	(79 766)	(745)	-	-
Due from customers	1 590 118	(550)	(2 038 522)	2 715 097	(128 170)	(366 326)	-	1 771 647
	1 670 629	(550)	(2 038 522)	2 715 097	(207 936)	(367 071)	-	1 771 647
Financial commitments and contingencies	155 049	181 307	(730 970)	1 373 318	(11 780)	(283 070)	-	683 854
Stage 3								
Financial assets at AC:								
Due from banks	-	806	-	-	79 766	(6 067)	-	74 505
Due from customers	322 915	(28)	(15 311)	(12 208)	157 643	(57 996)	(54 791)	340 224
	322 915	778	(15 311)	(12 208)	237 409	(64 063)	(54 791)	414 729
Financial commitments and contingencies	20 850	-	(4 768)	(1 628)	18 948	(17 162)	-	16 240

(Table continues on the next page)

2023 € '000	1 January	Origination	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Derecog-nition	Assets written-off/sold	31 December
Total								
Financial assets at FVOCI	1 427 437	383 578	-	-	-	(146 499)	(405 058)	1 259 458
Financial assets at AC:								
Due from banks	153 123	7 260 018	-	-	-	(7 172 635)	-	240 506
Due from customers	17 865 745	8 173 037	-	-	(1)	(7 147 187)	(54 791)	18 836 803
	18 018 868	15 433 055	-	-	(1)	(14 319 822)	(54 791)	19 077 309
Financial commitments and contingencies	5 817 224	1 559 586	-	-	-	(2 045 991)	-	5 330 819

2022 € '000	1 January	Origination	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Derecognition	Assets written-off/sold	31 December
Stage 1								
Financial assets at FVOCI	1 670 857	649 792	119 913	(126 024)	-	(596 831)	(290 270)	1 427 437
Financial assets at AC:								
Due from other banks	2 191 690	10 123 874	-	(80 691)	-	(12 162 261)	-	72 612
Due from customers	15 936 220	7 240 963	1 540 096	(2 628 607)	(10 862)	(6 125 098)	-	15 952 712
	18 127 910	17 364 837	1 540 096	(2 709 298)	(10 862)	(18 287 359)	-	16 025 324
Financial commitments and contingencies	5 432 799	4 843 518	525 496	(571 295)	(4 362)	(4 584 831)	-	5 641 325
Stage 2								
Financial assets at FVOCI	-	-	(119 913)	126 024	-	(6 111)	-	-
Financial assets at AC:								
Due from other banks	701	-	-	80 691	(707)	(174)	-	80 511
Due from customers	909 303	2 667	(1 530 655)	2 646 234	(112 013)	(325 418)	-	1 590 118
	910 004	2 667	(1 530 655)	2 726 925	(112 720)	(325 592)	-	1 670 629
Financial commitments and contingencies	186 417	102 493	(522 553)	572 028	(12 486)	(170 850)	-	155 049
Stage 3								
Financial assets at AC:								
Due from other banks	-	-	-	-	707	(707)	-	-
Due from customers	369 164	-	(9 441)	(17 627)	122 875	(86 013)	(56 054)	322 915
Financial commitments and contingencies	23 521	11	(2 943)	(733)	16 848	(15 843)	-	20 850

(Table continues on the next page)

2022 € '000	1 January	Origination	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Derecognition	Assets written-off/sold	31 December
Total								
Financial assets at FVOCI	1 670 857	649 792	-	-	-	(602 942)	(290 270)	1 427 437
Financial assets at AC:								
Due from other banks	2 192 391	10 123 874	-	-	-	(12 163 142)	-	153 123
Due from customers	17 214 687	7 243 641	-	-	-	(6 536 529)	(56 054)	17 865 745
	19 407 078	17 367 515	-	-	-	(18 699 671)	(56 054)	18 018 868
Financial commitments and contingencies	5 642 737	4 946 011	-	-	-	(4 771 524)	-	5 817 224

4.1.3. Non-performing loan classification

The VUB Group considers a financial asset to be in Non-performing status in compliance with the Commission's Implementing Regulation (EU) No 680/2014 and its further amendments (Implementing Technical Standards, 'ITS') when:

– The borrower is unlikely to pay its credit obligations to the VUB Group in full, without recourse by the VUB Group to actions such as realising security (if any is held); or
– The borrower is more than 90 days past due on any material credit obligations to the VUB Group.

The VUB Group uses the definitions of non-performing loans derived from the Harmonisation project. The Harmonisation project was driven by Intesa Sanpaolo in order to unify the definitions and categories of non-performing loans across the foreign subsidiaries of the ISP Group. The definition of non-performing loans, which comprise three classification categories (past due, unlikely to pay, doubtful), is based on delinquency (days past due) and judgemental criteria for the categories doubtful and unlikely to pay. In case of the past due category, DPD and materiality thresholds of borrower are taken into account.

The description of the classification categories of loans is as follows:

Classification category	Description
Doubtful	Exposures to borrowers being in a state of insolvency (although not yet legally) or in a de facto equivalent status, regardless of any loss forecasts made by the Bank.
Unlikely to pay	Exposures to borrowers assessed as improbable to thoroughly meet their credit obligations without recourse to actions such as the enforcement of guarantees/ collateral.
Past due	Exposures other than those classified as doubtful or unlikely to pay that, as at the reporting date, are past due (DPD methodology above) for over 90 days
Performing	All exposures that are not classified as doubtful, unlikely to pay or past due.

For category **Unlikely to pay** are taken into account qualitative indicators such as:

– Borrowers facing difficulties in meeting payment obligations in a timely manner (thus exposed to their creditors' tolerance), despite the confident expectation of positive future operating cash flows;
– Borrowers under negotiations with the Bank for defining an out of Court restructuring/ settlement agreement;
– Borrowers which signed out of Court restructuring/settlement agreements and that are regularly servicing their financial obligations
– Borrowers whose credit quality indicators significantly worsened and where future cash flows are not expected to fully service the debt toward the Bank;
– Serious difficulties in borrower's business (additional equity required, liquidity seriously stretched)

For category **Doubtful** are taken into account qualitative indicators such as:

– If the borrower is under voluntary dissolution or under any legally binding liquidation, without possibility to operate on 'going concern basis';
– If the Court already ordered the legal liquidation, even if the borrower's operations are not suspended under the legal procedures;
– If according to any public Registry or by Court order the borrower ceases to exist as legal entity;
– If the borrower has been registered (has to be registered) on the Fraud/Black List;
– Borrowers which expected cash flows will not be generated from the borrowers' operations, but from the enforcement of collateral/ guarantees ('gone concern' approach);
– Borrowers (typically, Individuals) against whom the Bank initiates receivership or enforcement proceedings.

Non-performing status is carried out at borrower level following the united rules of the Parent Company.

The following table describes the VUB Group's credit portfolio in terms of classification categories:

2023 € '000	Category	Gross amount	Impairment losses	Net amount
Financial assets at AC:				
Due from banks				
	Performing	166 001	(5)	165 996
	Unlikely to pay	74 502	(5 103)	69 399
	Doubtful	3	(1)	2
		240 506	(5 109)	235 397
Due from customers:				
Corporate:				
Financial corporations				
	Performing	1 036 063	(242)	1 035 821
	Doubtful	8	(3)	5
		1 036 071	(245)	1 035 826
Non-financial corporations				
	Performing	6 279 858	(85 662)	6 194 196
	Past due	10 331	(3 489)	6 842
	Unlikely to pay	56 100	(26 774)	29 326
	Doubtful	37 005	(26 060)	10 945
		6 383 294	(141 985)	6 241 309
		7 419 365	(142 230)	7 277 135
Retail				
	Performing	10 868 036	(77 203)	10 790 833
	Past due	35 532	(18 187)	17 345
	Unlikely to pay	45 743	(22 615)	23 128
	Doubtful	152 032	(108 801)	43 231
		11 101 343	(226 806)	10 874 537
Public administration				
	Performing	312 622	(3 272)	309 350
	Past due	1	-	1
	Doubtful	3 472	(1)	3 471
		316 095	(3 273)	312 822
		18 836 803	(372 309)	18 464 494
		19 077 309	(377 418)	18 699 891
Financial assets at FVOCI – debt securities				
	Performing	1 259 458	(232)	1 259 226
Financial commitments and contingencies				
	Performing	5 314 579	(12 498)	5 302 081
	Past due	1 311	(15)	1 296
	Unlikely to pay	12 272	(4 292)	7 980
	Doubtful	2 657	(83)	2 574
		5 330 819	(16 888)	5 313 931

2022 - restated € '000	Category	Gross amount	Impairment losses	Net amount
Financial assets at AC:				
Due from other banks				
	Performing	153 123	(98)	153 025
	Past due	536	(267)	269
		153 659	(365)	153 294
Due from customers:				
Corporate:				
Financial corporations				
	Performing	775 309	(241)	775 068
Non-financial corporations				
	Performing	6 032 580	(70 704)	5 961 876
	Past due	8 459	(4 723)	3 736
	Unlikely to pay	45 040	(17 964)	27 076
	Doubtful	50 580	(44 443)	6 137
		6 136 659	(137 834)	5 998 825
		6 911 968	(138 075)	6 773 893
Retail				
	Performing	10 545 416	(75 360)	10 470 056
	Past due	33 719	(18 365)	15 354
	Unlikely to pay	32 427	(19 507)	12 920
	Doubtful	154 496	(114 823)	39 673
		10 766 058	(228 055)	10 538 003
Public administration				
	Performing	185 967	(1 680)	184 287
	Doubtful	1 751	(4)	1 747
		187 718	(1 684)	186 034
		17 865 744	(367 814)	17 497 930
		18 019 403	(368 179)	17 651 224
Financial assets at FVOCI – debt securities				
	Performing	1 427 714	(277)	1 427 437
Financial commitments and contingencies				
	Performing	5 795 981	(8 997)	5 786 984
	Past due	1 972	(7)	1 965
	Unlikely to pay	14 400	(4 521)	9 879
	Doubtful	4 871	(882)	3 989
		5 817 224	(14 407)	5 802 817

2022 - original € '000	Category	Gross amount	Impairment losses	Net amount
Financial assets at AC:				
Due from other banks				
	Performing	153 123	(98)	153 025
	Past due	536	(267)	269
		153 659	(365)	153 294
Due from customers:				
Public administration				
	Performing	190 416	(1 635)	188 781
	Doubtful	15	(4)	11
		190 431	(1 639)	188 792
Corporate				
	Performing	6 548 563	(59 318)	6 489 245
	Past due	1 502	(283)	1 219
	Unlikely to pay	38 792	(14 260)	24 532
	Doubtful	36 133	(32 647)	3 486
		6 624 990	(106 508)	6 518 482
Retail				
	Performing	10 803 851	(90 792)	10 713 059
	Past due	40 487	(22 641)	17 846
	Unlikely to pay	38 233	(22 864)	15 369
	Doubtful	167 753	(123 371)	44 382
		11 050 324	(259 668)	10 790 656
		17 865 745	(367 815)	17 497 930
		18 019 404	(368 180)	17 651 224
Financial assets at FVOCI – debt securities				
	Performing	1 427 714	(277)	1 427 437
Financial commitments and contingencies				
	Performing	5 796 374	(8 330)	5 788 044
	Past due	2 693	(666)	2 027
	Unlikely to pay	14 402	(4 521)	9 881
	Doubtful	3 755	(890)	2 865
		5 817 224	(14 407)	5 802 817

The following table shows the VUB Group's credit portfolio in terms of delinquency of payments:

2023 € '000	Gross amount	Impairment losses	Net amount
Financial assets at AC:			
Due from banks			
No delinquency	166 001	(5)	165 996
Over 181 days	74 505	(5 104)	69 401
	240 506	(5 109)	235 397
Due from customers:			
Corporate			
Financial corporations			
No delinquency	1 036 011	(242)	1 035 769
1 – 30 days	52	-	52
Over 181 days	8	(3)	5
	1 036 071	(245)	1 035 826
Non-financial corporations			
No delinquency	6 244 674	(98 234)	6 146 440
1 – 30 days	62 963	(2 797)	60 166
31 – 60 days	11 778	(1 020)	10 758
61 – 90 days	4 256	(1 426)	2 830
91 – 180 days	6 274	(2 815)	3 459
Over 181 days	53 349	(35 693)	17 656
	6 383 294	(141 985)	6 241 309
	7 419 365	(142 230)	7 277 135
Retail			
No delinquency	10 746 999	(77 632)	10 669 367
1 – 30 days	165 940	(24 453)	141 487
31 – 60 days	37 101	(10 915)	26 186
61 – 90 days	18 289	(7 069)	11 220
91 – 180 days	25 219	(14 162)	11 057
Over 181 days	107 795	(92 575)	15 220
	11 101 343	(226 806)	10 874 537
Public administration			
No delinquency	316 093	(3 273)	312 820
1 – 30 days	1	-	1
Over 181 days	1	-	1
	316 095	(3 273)	312 822
	18 836 803	(372 309)	18 464 494
	19 077 309	(377 418)	18 699 891
Financial assets at FVOCI – debt securities			
No delinquency	1 259 458	(232)	1 259 226
Financial commitments and contingencies			
No delinquency	5 330 819	(16 888)	5 313 931

2022 - restated € '000	Gross amount	Impairment losses	Net amount
Financial assets at AC:			
Due from banks			
No delinquency	153 123	(98)	153 025
Over 181 days	536	-	-
	153 659	(365)	153 294
Due from customers:			
Corporate			
Financial corporations			
No delinquency	775 300	(241)	775 059
31 – 60 days	9	-	9
	775 309	(241)	775 068
Non-financial corporations			
No delinquency	6 014 938	(83 135)	5 931 803
1 – 30 days	55 722	(4 031)	51 691
31 – 60 days	5 258	(1 331)	3 927
61 – 90 days	6 261	(2 873)	3 388
91 – 180 days	5 870	(3 189)	2 681
Over 181 days	48 610	(43 275)	5 335
	6 136 659	(137 834)	5 998 825
	6 911 968	(138 075)	6 773 893
Retail			
No delinquency	10 453 431	(86 140)	10 367 291
1 – 30 days	145 281	(24 333)	120 948
31 – 60 days	30 953	(10 244)	20 709
61 – 90 days	16 141	(6 519)	9 622
91 – 180 days	21 567	(12 885)	8 682
Over 181 days	98 685	(87 934)	10 751
	10 766 058	(228 055)	10 538 003
Public administration			
No delinquency	187 347	(1 682)	185 665
1 – 30 days	333	-	333
91 – 180 days	37	(2)	35
Over 181 days	1	-	1
	187 718	(1 684)	186 034
	17 865 744	(367 814)	17 497 930
	18 019 403	(368 179)	17 651 224
Financial assets at FVOCI – debt securities			
No delinquency	1 427 714	(277)	1 427 437
Financial commitments and contingencies			
No delinquency	5 817 224	(14 407)	5 802 817

2022 - original € '000	Gross amount	Impairment losses	Net amount
Financial assets at AC:			
Due from other banks			
No delinquency	153 123	(98)	153 025
Over 181 days	536	-	-
	153 659	(365)	153 294
Due from customers:			
Public administration			
No delinquency	189 725	(1 637)	188 088
1 – 30 days	705	(2)	703
31 – 60 days	1	-	1
	190 431	(1 639)	188 792
Corporate			
No delinquency	6 551 935	(71 097)	6 480 838
1 – 30 days	28 244	(278)	27 966
31 – 60 days	2 439	(298)	2 141
61 – 90 days	4 441	(1 875)	2 566
91 – 180 days	4 099	(4 024)	75
Over 181 days	33 832	(28 936)	4 896
	6 624 990	(106 508)	6 518 482
Retail			
No delinquency	10 774 676	(99 708)	10 674 968
1 – 30 days	71 982	(13 713)	58 269
31 – 60 days	14 588	(4 086)	10 502
61 – 90 days	10 862	(3 689)	7 173
91 – 180 days	22 535	(15 526)	7 009
Over 181 days	155 681	(122 946)	32 735
	11 050 324	(259 668)	10 790 656
	17 865 745	(367 815)	17 497 930
	18 019 404	(368 180)	17 651 224
Financial assets at FVOCI – debt securities			
No delinquency	1 427 713	(276)	1 427 437
Financial commitments and contingencies			
No delinquency	5 817 224	(14 407)	5 802 817

The table below shows the three-stage approach based on changes in credit quality **by class of assets** for all financial assets exposed to credit risk.

2023	Stage 1			Stage 2			Stage 3		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:									
Due from other banks	166 001	(5)	165 996	-	-	-	74 505	(5 104)	69 401
Due from customers:									
Corporate									
Financial corporations									
Loans	658 603	(168)	658 435	1	-	1	8	(3)	5
Overdrafts	17 735	(2)	17 733	-	-	-	-	-	-
Credit cards	4	-	4	-	-	-	-	-	-
Debt securities	359 687	(72)	359 615	-	-	-	-	-	-
Leasing	33	-	33	-	-	-	-	-	-
	1 036 062	(242)	1 035 820	1	-	1	8	(3)	5
Non-financial corporations									
Loans	4 261 860	(23 806)	4 238 054	729 149	(56 869)	672 280	60 290	(29 927)	30 363
Mortgages	7 135	(23)	7 112	2 797	(200)	2 597	445	(298)	147
Overdrafts	489 435	(768)	488 667	333 501	(2 502)	330 999	31 001	(20 311)	10 690
Credit Cards	1 106	(6)	1 100	462	(74)	388	97	(64)	33
Factoring	136 197	(80)	136 117	4 781	(9)	4 772	2 317	(988)	1 329
Debt securities	124 500	(209)	124 291	-	-	-	-	-	-
Leasing	147 354	(426)	146 928	41 581	(690)	40 891	9 286	(4 735)	4 551
	5 167 587	(25 318)	5 142 269	1 112 271	(60 344)	1 051 927	103 436	(56 323)	47 113
	6 203 649	(25 560)	6 178 089	1 112 272	(60 344)	1 051 928	103 444	(56 326)	47 118

(Table continues on the next page)

2023	Stage 1			Stage 2			Stage 3		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC: Due from customers:									
Retail									
Loans	1 275 921	(10 912)	1 265 009	211 156	(27 454)	183 702	118 575	(97 951)	20 624
Mortgages	8 838 942	(4 415)	8 834 527	359 819	(32 982)	326 837	102 780	(44 325)	58 455
Overdrafts	57 605	(139)	57 466	28 530	(432)	28 098	7 997	(5 282)	2 715
Credit Cards	74 676	(112)	74 564	10 259	(547)	9 712	3 264	(1 841)	1 423
Factoring	53	-	53	-	-	-	-	-	-
Leasing	7 223	(49)	7 174	3 852	(161)	3 691	691	(204)	487
	10 254 420	(15 627)	10 238 793	613 616	(61 576)	552 040	233 307	(149 603)	83 704
Public administration									
Loans	157 517	(1 396)	156 121	44 791	(1 859)	42 932	3 472	(1)	3 471
Overdrafts	1 746	-	1 746	858	(2)	856	1	-	1
Credit Cards	4	-	4	-	-	-	-	-	-
Debt securities	106 799	(15)	106 784	-	-	-	-	-	-
Leasing	797	-	797	110	-	110	-	-	-
	266 863	(1 411)	265 452	45 759	(1 861)	43 898	3 473	(1)	3 472
	16 724 932	(42 598)	16 682 334	1 771 647	(123 781)	1 647 866	340 224	(205 930)	134 294
	16 890 933	(42 603)	16 848 330	1 771 647	(123 781)	1 647 866	414 729	(211 034)	203 695
Financial assets at FVOCI - debt securities	1 259 458	(232)	1 259 226	-	-	-	-	-	-
Financial commitments and contingencies	4 630 724	(4 722)	4 626 002	683 854	(7 776)	676 078	16 241	(4 390)	11 851

2022 - restated	Stage 1			Stage 2			Stage 3		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:									
Due from other banks	72 612	(10)	72 602	80 511	(88)	80 423	536	(267)	269
Due from customers:									
Corporate:									
Financial corporations									
Loans	486 917	(158)	486 759	2	-	2	-	-	-
Overdrafts	20 940	(3)	20 937	1	-	1	-	-	-
Debt securities	261 018	(80)	260 938	-	-	-	-	-	-
Other	6 400	-	6 400	-	-	-	-	-	-
Leasing	31	-	31	-	-	-	-	-	-
	775 306	(241)	775 065	3	-	3	-	-	-
Non-financial corporations									
Loans	3 744 754	(22 929)	3 721 825	856 063	(43 269)	812 794	56 166	(31 571)	24 595
Mortgages	8 850	(38)	8 812	3 978	(366)	3 612	507	(373)	134
Overdrafts	860 910	(1 162)	859 748	67 898	(949)	66 949	30 606	(23 455)	7 151
Factoring	154 769	(62)	154 707	4 006	(3)	4 003	2 402	(1 140)	1 262
Debt securities	103 146	(53)	103 093	43 887	(866)	43 021	-	-	-
Leasing	153 738	(261)	153 477	30 581	(746)	29 835	14 398	(10 591)	3 807
	5 026 167	(24 505)	5 001 662	1 006 413	(46 199)	960 214	104 079	(67 130)	36 949
	5 801 473	(24 746)	5 776 727	1 006 416	(46 199)	960 217	104 079	(67 130)	36 949

(Table continues on the next page)

2022 - restated	Stage 1			Stage 2			Stage 3		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:									
Due from customers:									
Retail									
Loans	1 143 125	(13 768)	1 129 357	203 920	(24 622)	179 298	105 756	(95 392)	10 364
Mortgages	8 671 518	(4 844)	8 666 674	342 413	(30 200)	312 213	96 300	(40 300)	56 000
Overdrafts	68 047	(208)	67 839	20 748	(467)	20 281	7 221	(6 471)	750
Credit Cards	73 468	(169)	73 299	9 908	(897)	9 011	10 716	(10 036)	680
Factoring	45	-	45	2	-	2	-	-	-
Leasing	9 571	(83)	9 488	2 651	(102)	2 549	649	(496)	153
	9 965 774	(19 072)	9 946 702	579 642	(56 288)	523 353	220 642	(152 695)	67 947
Public administration									
Loans	176 290	(1 352)	174 938	7 910	(325)	7 585	1 750	(4)	1 746
Overdrafts	1 096	(2)	1 094	2	-	2	1	-	1
Leasing	528	(1)	527	141	-	141	-	-	-
	177 914	(1 355)	176 559	8 053	(325)	7 728	1 751	(4)	1 747
	15 945 161	(45 173)	15 899 988	1 594 111	(102 812)	1 491 299	326 472	(219 828)	106 643
	16 017 773	(45 183)	15 972 590	1 674 622	(102 900)	1 571 722	327 008	(220 096)	106 912
Financial assets at FVOCI – debt securities	1 427 714	(277)	1 427 437	-	-	-	-	-	-
Financial commitments and contingencies	5 641 802	(5 819)	5 635 983	154 179	(3 178)	151 001	21 243	(5 410)	15 833

2022 - original	Stage 1			Stage 2			Stage 3		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:									
Due from other banks	72 612	(10)	72 602	80 511	(88)	80 423	536	(267)	269
Due from customers:									
Public administration									
State administration	79 706	(647)	79 059	-	-	-	-	-	-
Municipalities	102 459	(662)	101 797	7 912	(325)	7 587	15	(4)	11
Municipalities - Leasing	274	(1)	273	65	-	65	-	-	-
	182 439	(1 310)	181 129	7 977	(325)	7 652	15	(4)	11
Corporate									
Large Corporates	2 183 197	(1 527)	2 181 670	502 801	(22 314)	480 487	237	(173)	64
Large Corporates - debt securities	103 145	(53)	103 092	43 887	(866)	43 021	-	-	-
Specialized Lending	883 705	(17 281)	866 424	40 483	(6 646)	33 837	4 886	(3 936)	950
SME	1 493 918	(2 644)	1 491 274	269 144	(7 069)	262 075	59 041	(34 355)	24 686
Other Non-banking Financial Institutions	450 371	(138)	450 233	2	-	2	-	-	-
Other Non-banking Financial Institutions - debt securities	261 018	(80)	260 938	-	-	-	-	-	-
Public Sector Entities	2 943	(1)	2 942	417	-	417	-	-	-
Leasing	132 117	(191)	131 926	22 558	(444)	22 114	9 896	(7 598)	2 298
Factoring	158 857	(65)	158 792	-	-	-	2 367	(1 127)	1 240
	5 669 271	(21 980)	5 647 291	879 292	(37 339)	841 953	76 427	(47 189)	29 238

(Table continues on the next page)

2022 - original			Stage 1			Stage 2			Stage 3
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC: Due from customers:									
Retail									
Small Business	359 623	(9 193)	350 430	147 423	(10 431)	136 992	31 204	(22 636)	8 568
Small Business – Leasing	27 755	(184)	27 571	10 031	(397)	9 634	4 956	(3 327)	1 629
Consumer Loans	976 846	(11 027)	965 819	195 344	(26 597)	168 747	123 451	(102 371)	21 080
Mortgages	8 572 225	(4 706)	8 567 519	323 500	(26 408)	297 092	70 154	(24 706)	45 448
Credit Cards	77 210	(165)	77 045	9 561	(845)	8 716	10 408	(9 909)	499
Overdrafts	44 136	(172)	43 964	16 274	(422)	15 852	6 163	(5 802)	361
Leasing	3 781	(7)	3 774	718	(6)	712	135	(125)	10
Flat Owners Associations	39 426	(232)	39 194	-	-	-	-	-	-
	10 101 002	(25 686)	10 075 316	702 851	(65 106)	637 745	246 471	(168 876)	77 595
	15 952 712	(48 976)	15 903 736	1 590 120	(102 770)	1 487 350	322 913	(216 069)	106 844
	16 025 324	(48 986)	15 976 338	1 670 631	(102 858)	1 567 773	323 449	(216 336)	107 113
Financial assets at FVOCI – debt securities	1 427 713	(276)	1 427 437	-	-	-	-	-	-
Financial commitments and contingencies	5 641 325	(5 149)	5 636 176	155 049	(3 181)	151 868	20 850	(6 077)	14 773

The table below shows the three-stage approach based on changes in credit quality **by days past due** for all financial assets exposed to credit risk.

2023			Stage 1			Stage 2			Stage 3
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:									
Due from other banks									
No delinquency	166 001	(5)	165 996	-	-	-	-	-	-
Over 181 days	-	-	-	-	-	-	74 505	(5 104)	69 401
	166 001	(5)	165 996	-	-	-	74 505	(5 104)	69 401
Due from customers:									
Corporate:									
Financial corporations									
No delinquency	1 036 010	(242)	1 035 768	1	-	1	-	-	-
1 – 30 days	52	-	52	-	-	-	-	-	-
Over 181 days	-	-	-	-	-	-	8	(3)	5
	1 036 062	(242)	1 035 820	1	-	1	8	(3)	5
Non-financial corporations									
No delinquency	5 138 850	(25 126)	5 113 724	1 071 601	(58 486)	1 013 115	34 223	(14 622)	19 601
1 – 30 days	28 631	(175)	28 456	30 565	(1 284)	29 281	3 767	(1 338)	2 429
31 – 60 days	55	(1)	54	8 838	(465)	8 373	2 885	(554)	2 331
61 – 90 days	-	-	-	1 177	(81)	1 096	3 079	(1 345)	1 734
91 – 180 days	-	-	-	30	(8)	22	6 244	(2 807)	3 437
Over 181 days	51	(16)	35	60	(20)	40	53 238	(35 657)	17 581
	5 167 587	(25 318)	5 142 269	1 112 271	(60 344)	1 051 927	103 436	(56 323)	47 113
	6 203 649	(25 560)	6 178 089	1 112 272	(60 344)	1 051 928	103 444	(56 326)	47 118

(Table continues on the next page.)

2023	Stage 1			Stage 2			Stage 3		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Impair-ment losses
Financial assets at AC: Due from customers:									
Retail									
No delinquency	10 195 239	(14 239)	10 181 000	496 264	(40 587)	455 677	55 496	(22 806)	32 690
1 – 30 days	55 876	(1 297)	54 579	89 488	(14 163)	75 325	20 576	(8 993)	11 583
31 – 60 days	2 037	(56)	1 981	19 709	(4 375)	15 334	15 355	(6 484)	8 871
61 – 90 days	587	(25)	562	6 151	(1 899)	4 252	11 551	(5 145)	6 406
91 – 180 days	340	(1)	339	1 777	(498)	1 279	23 102	(13 663)	9 439
Over 181 days	341	(9)	332	227	(54)	173	107 227	(92 512)	14 715
	10 254 420	(15 627)	10 238 793	613 616	(61 576)	552 040	233 307	(149 603)	83 704
Public administration									
No delinquency	266 863	(1 411)	265 452	45 758	(1 861)	43 897	3 472	(1)	3 471
1 – 30 days	-	-	-	1	-	1	-	-	-
Over 181 days	-	-	-	-	-	-	1	-	1
	266 863	(1 411)	265 452	45 759	(1 861)	43 898	3 473	(1)	3 472
	16 724 932	(42 598)	16 682 334	1 771 647	(123 781)	1 647 866	340 224	(205 930)	134 294
	16 890 933	(42 603)	16 848 330	1 771 647	(123 781)	1 647 866	414 729	(211 034)	203 695
Financial assets at FVOCI - debt securities									
No delinquency	1 259 458	(232)	1 259 226	-	-	-	-	-	-
Financial commitments and contingencies									
No delinquency	4 630 724	(4 722)	4 626 002	683 854	(7 776)	676 078	16 241	(4 390)	11 851

2022 - restated		Stage 1			Stage 2			Stage 3	
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:									
Due from other banks									
No delinquency	72 612	(10)	72 602	80 511	(88)	80 423	-	-	-
Over 181 days	-	-	-	-	-	-	536	(267)	269
	72 612	(10)	72 602	80 511	(88)	80 423	536	(267)	269
Due from customers:									
Corporate:									
Financial corporations									
No delinquency	775 297	(241)	775 056	3	-	3	-	-	-
31 - 60 days	9	-	9	-	-	-	-	-	-
	775 306	(241)	775 065	3	-	3	-	-	-
Non-financial corporations									
No delinquency	4 992 342	(24 209)	4 968 133	985 552	(44 995)	940 557	37 044	(13 931)	23 113
1 - 30 days	31 821	(249)	31 572	17 089	(946)	16 143	6 812	(2 836)	3 976
31 - 60 days	15	(1)	14	2 849	(146)	2 703	2 394	(1 184)	1 210
61 - 90 days	2	(1)	1	743	(75)	668	5 516	(2 797)	2 719
91 - 180 days	1 729	(20)	1 709	102	(11)	91	4 039	(3 158)	881
Over 181 days	258	(25)	233	78	(26)	52	48 274	(43 224)	5 050
	5 026 167	(24 505)	5 001 662	1 006 414	(46 199)	960 214	104 079	(67 130)	36 949
	5 801 473	(24 746)	5 776 727	1 006 417	(46 199)	960 217	104 079	(67 130)	36 949

(Table continues on the next page.)

2022 - restated		Stage 1			Stage 2			Stage 3	
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Impair-ment losses
Financial assets at AC:									
Due from customers:									
Retail									
No delinquency	9 919 273	(17 903)	9 901 370	477 223	(37 120)	440 103	56 935	(31 117)	25 818
1 - 30 days	44 893	(1 107)	43 786	79 285	(13 323)	65 962	21 103	(9 903)	11 200
31 - 60 days	1 032	(40)	992	14 462	(3 362)	11 100	15 459	(6 842)	8 617
61 - 90 days	92	(5)	87	6 234	(1 939)	4 295	9 815	(4 575)	5 240
91 - 180 days	209	(5)	204	2 132	(467)	1 665	19 226	(12 413)	6 813
Over 181 days	275	(12)	263	306	(77)	229	98 104	(87 845)	10 259
	9 965 774	(19 072)	9 946 702	579 642	(56 288)	523 354	220 642	(152 695)	67 947
Public administration									
No delinquency	177 585	(1 355)	176 230	8 011	(323)	7 688	1 751	(4)	1 747
1 - 30 days	329	-	329	4	-	4	-	-	-
91 - 180 days	-	-	-	37	(2)	35	-	-	-
Over 181 days	-	-	-	1	-	1	-	-	-
	177 914	(1 355)	176 559	8 053	(325)	7 728	1 751	(4)	1 747
	15 945 161	(45 173)	15 899 988	1 594 111	(102 812)	1 491 299	326 472	(219 829)	106 643
	16 017 773	(45 183)	15 972 590	1 674 622	(102 900)	1 571 722	327 008	(220 096)	106 912
Financial assets at FVOCI - debt securities									
No delinquency	1 427 714	(277)	1 427 437	-	-	-	-	-	-
Financial commitments and contingencies									
No delinquency	5 645 886	(5 819)	5 640 067	154 179	(3 178)	151 001	21 243	(5 410)	15 833

2022 - original		Stage 1			Stage 2			Stage 3	
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:									
Due from other banks									
No delinquency	72 612	(10)	72 602	80 511	(88)	80 423	-	-	-
Over 181 days	-	-	-	-	-	-	536	(267)	269
	72 612	(10)	72 602	80 511	(88)	80 423	536	(267)	269
Due from customers:									
Public administration									
No delinquency	181 771	(1 310)	180 461	7 939	(323)	7 616	15	(4)	11
1 - 30 days	668	-	668	37	(2)	35	-	-	-
31 - 60 days	-	-	-	1	-	1	-	-	-
	182 439	(1 310)	181 129	7 977	(325)	7 652	15	(4)	11
Corporate									
No delinquency	5 645 383	(21 906)	5 623 477	872 425	(37 039)	835 386	34 127	(12 152)	21 975
1 - 30 days	22 703	(44)	22 659	5 025	(213)	4 812	516	(21)	495
31 - 60 days	383	(1)	382	1 510	(76)	1 434	546	(221)	325
61 - 90 days	5	-	5	332	(11)	321	4 104	(1 864)	2 240
91 - 180 days	-	-	-	-	-	-	4 099	(4 024)	75
Over 181 days	797	(29)	768	-	-	-	33 035	(28 907)	4 128
	5 669 271	(21 980)	5 647 291	879 292	(37 339)	841 953	76 427	(47 189)	29 238

(Table continues on the next page)

2022 - original	Stage 1			Stage 2			Stage 3		
€ '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Impairment losses
Financial assets at AC:									
Due from customers:									
Retail									
No delinquency	10 077 875	(24 686)	10 053 189	648 904	(52 819)	596 085	47 897	(22 203)	25 694
1 - 30 days	23 127	(1 000)	22 127	36 364	(7 635)	28 729	12 491	(5 078)	7 413
31 - 60 days	-	-	-	10 190	(2 414)	7 776	4 398	(1 672)	2 726
61 - 90 days	-	-	-	7 393	(2 238)	5 155	3 469	(1 451)	2 018
91 - 180 days	-	-	-	-	-	-	22 535	(15 526)	7 009
Over 181 days	-	-	-	-	-	-	155 681	(122 946)	32 735
	10 101 002	(25 686)	10 075 316	702 851	(65 106)	637 745	246 471	(168 876)	77 595
	15 952 712	(48 976)	15 903 736	1 590 120	(102 770)	1 487 350	322 913	(216 069)	106 844
	16 025 324	(48 986)	15 976 338	1 670 631	(102 858)	1 567 773	323 449	(216 336)	107 113
Financial assets at FVOCI - debt securities									
No delinquency	15 238	-	15 238	-	-	-	-	-	-
Financial commitments and contingencies									
No delinquency	5 641 325	(5 149)	5 636 176	155 049	(3 181)	151 868	-	-	-

4.1.4. Loans with renegotiated terms and forbearance policy

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position, where the VUB Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the VUB Group had provided initially. The revised terms usually include extending maturity, changing timing of interest payments and amendments to the terms of loan covenants. The VUB Group implements a forbearance policy in order to maximise collection opportunities and minimise the risk of default. Under the VUB Group's forbearance policy, an exposure is identified as forborne if both of these two conditions are satisfied:

- The VUB Group has identified financial difficulties that the debtor is facing or is about to face;
- The exposure has been subject to renegotiation or refinancing, granted in relation to the borrower's current financial difficulties or financial difficulties that would have occurred in the absence of the renegotiation or refinancing measures.

The VUB Group follows rules in ECB Guidance to VUB Groups on non-performing loans issued in March 2017.

Forborne exposures are those falling into the "Non-performing exposures with forbearance measures" and "Performing Forborne exposures" categories.

Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties").

Forbearance measures entail:

- favourable contractual modifications granted to the debtor solely in consideration of its financial difficulties (**modification**);
- the granting, in favour of a debtor in financial difficulties, of a new loan to allow the fulfilment of the pre-existing obligation (**refinancing**);
- contractual modifications which may be requested by a debtor within the scope of a contract already subscribed and granted by the VUB Group in the knowledge that the debtor is in financial difficulties (so-called "**embedded forbearance clauses**").

Therefore, the definition of forborne exposure excludes the renegotiations made for commercial reasons/practices. The qualification of "Forborne Exposure" refers to the individual transactions subject to renegotiation and/or refinancing and should not be extended to the entire counterparty. The financial difficulty, however, shall be assessed at a debtor level.

he financial distress is always assumed if the counterparty is classified as non-performing (absolute presumption).

The aim of forborne exposures is to prevent potential financial difficulties of the debtor or to allow the return of the exposure to a situation of sustainable repayment. In case of performing borrowers, such a measure should not be used to delay the reclassification to non-performing statuses of a borrower whose financial conditions already justify a downgrade of its risk classification.

The extension of Forbearance Measures does not automatically lead to the classification of the forborne exposures as Non-Performing. Instead, a net present value (NPV) test is performed by Finevare to identify whether a forbearance measure leads to a diminished financial obligation according to:

$$DO = \frac{NPV_0 - NPV_1}{NPV_0}$$

where:

- DO is diminished financial obligation;
- NPV0 is net present value of cash flows (including unpaid interest and fees) expected under contractual obligations before the changes in terms and conditions of the contract discounted using the customer's original effective interest rate;
- NPV1 is net present value of the cash flows expected based on the new arrangement discounted using the customer's original effective interest rate.

Then, if the diminished financial obligation is higher than the threshold of 1%, the exposure is classified as Non-performing, otherwise it is Performing.

In order to identify forborne exposures, the European regulation envisages a distinction between absolute presumptions and relative presumptions (rebuttable). Absolute presumptions refer to circumstances which always fall within the concept of forborne, and don't admit contrary evidence. Relative presumptions refer to circumstances that fall within the concept of forborne until proven otherwise. On the basis of specific analyses, the VUB Group can prove that certain circumstances do not give rise to a forbearance measure.

Listed below are some examples of the most common forms of contractual modifications which may be qualified as forbearance measures, when referred to counterparties in "financial difficulties" (the list is not exhaustive):

- Short term credit facilities subject to debt consolidation/debt rescheduling plan;
- Medium/long-term loans subject to:
  - restructuring of the amortization plan with reductions or temporary suspensions of the instalments;
  - extension of the maturity;
  - extension of the pre-amortization period;
  - conversion of the repayment terms from instalments into bullet repayment at maturity
  - consolidation.
- Contractual modification/renegotiation resulting from the breach of financial covenants (waiver, amendment, cancellation) refinancing;
- Restructuring of performing exposures, or past due exposures not yet classified as non-performing, involving a pool of VUB Groups
- Contractual modification of the economic conditions i.e. granting a borrower a new, more favourable interest rate ("off-market conditions");
- Refinancing of exposure, even short-term, with new financing that allow the debtor to postpone repayment to the VUB Group;
- Conversion of Debt to Equity;
- In case of the Sale and Repurchase Agreements (REPOs), the capitalization of outflows when mark to market is negative.

Furthermore, according to the European regulation, the following cases have to be recognized as forborne exposures (they therefore represent "absolute" presumptions):

- Contractual modifications that imply partial or total write-off of exposure;
- The exercise of clauses which, when enforced at the discretion of the debtor, enable him to change the terms of the contract ("embedded forbearance clauses");
- Providing new financing to the debtor simultaneously (or almost) to the payment of principal and/or interest on another exposure;

Both retail and corporate customers are subject to the forbearance policy:

2023	Performing forborne			Non-performing forborne		
€ '000	Gros amount	Impair-ment	Net amount	Gros amount	Impair-ment	Net amount
Financial assets at AC:						
Due from banks	-	-	-	74 502	(5 103)	69 399
Due from customers:						
Financial corporations	1	-	1	-	-	-
Non-financial corporations	100 538	(7 060)	93 478	42 562	(26 283)	16 279
Retail	92 548	(8 663)	83 885	35 970	(23 886)	12 084
Public administration	13	-	13	-	-	-
	193 100	(15 723)	177 377	153 034	(55 272)	97 762
Financial commitments and contingencies	1 885	(12)	1 873	2 881	(1 191)	1 690

2022 - restated	Performing forborne			Non-performing forborne		
€ '000	Gros amount	Impair-ment	Net amount	Gros amount	Impair-ment	Net amount
Financial assets at AC:						
Due from other banks	80 511	(88)	80 423	-	-	-
Financial corporations	2	-	2	-	-	-
Non-financial corporations	75 106	(4 845)	70 261	45 153	(32 173)	12 980
Retail	90 525	(8 221)	82 304	25 590	(18 684)	6 906
Public administration	22	-	22	-	-	-
	246 166	(13 154)	233 012	70 743	(50 857)	19 886
Financial commitments and contingencies	1 690	(1)	1 689	3 928	(1 140)	2 788

2022 - original	Performing forborne			Non-performing forborne		
€ '000	Gros amount	Impair-ment	Net amount	Gros amount	Impair-ment	Net amount
Financial assets at AC:						
Due from other banks	80 511	(88)	80 423	-	-	-
Corporate	68 916	(4 480)	64 436	39 392	(28 177)	11 215
Retail	96 672	(8 548)	88 124	30 871	(22 205)	8 666
	246 099	(13 116)	232 983	70 263	(50 382)	19 881
Financial commitments and contingencies	1 690	1	1 691	3 928	1 140	5 068

4.1.5. Write-off Policy

The VUB Group writes off a loan or security balance when it determines that the loans or securities are uncollectible. In principle, the VUB Group considers the credit balances to be uncollectible based on the past due days (1,080 days past due). Credit balances may be written off only if the collateral has already been realized. Receivables subject to write-off are being collected by external collection agencies until they qualify for write-off.

The credit balance can be written off earlier than defined in the conditions described above if there is evidence that the receivable cannot be collected. The write-off of such receivables is subject to the approval of the Credit Risk Officer.

Financial assets that are written-off are subject of continuous enforcement process. The majority of such assets are subject of sale to third parties for the best offered prices.

The amount of loans written off during the year that are still subject to enforcement activity is €32,034 thousand (31 December 2022: €4,015 thousand).

4.1.6. Collateral Policy

The VUB Group's collateral policy is an integral and indispensable part of the credit risk management and credit risk mitigation for VUB Bank. Collateral is used primarily to provide the VUB Group with the means for repayment of an exposure in the event of the default of the borrower. The principal objective of the policy is to clearly set up rules for a common and standard set of collateral types used by the VUB Group in its lending activities. The rules, as the minimum, describe and state:

- Conditions for legal enforceability;
- Conditions for the process of valuation and the maximum values accepted by the VUB Group at the origination for specific types of collaterals; and
- Conditions for the process of revaluation.

However, collateral management has a wider meaning than the simple taking of collateral in order to secure the repayment of the VUB Group's exposures. This includes the following:

- The establishment and maintenance of a collateral policy defining the types of collateral taken by the VUB Group, the legal documentation used by the VUB Group to secure its right to this collateral in the event of default and the valuation of this collateral at origination. These aspects of collateral management are addressed in the internal policy document;
- The relevant and proper implementation and registration of collateral to secure the VUB Group's right to collateral in the event of default by the borrower;
- The regular monitoring and revaluation of collateral held by the VUB Group during the life of the exposure;
- The analysis, monitoring and review of realization rates achieved by Recovery Department activities in order to assess the effectiveness of the collateral policy as a risk mitigant.

The VUB Group's decisions on the enforcement of collateral is individual and depends on factors such as the actual amount of the receivable, the current condition and value of the collateral, the length of the collateral realization period or collection related costs. The relevant competent body of the VUB Group decides which collateral instrument will be used.

The VUB Group mainly uses the following means of enforcement of collateral:

- Voluntary auction,
- Foreclosure procedure,
- Realization of the collateral for the receivable in a bankruptcy procedure,
- Sale of receivables including collateral.

The VUB Group holds collateral and other credit enhancements against certain of its credit exposures. The collateral against loans and advances to customers is held in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and the VUB Group updates the fair value on a regular basis.

The VUB Group mitigates the credit risk of derivatives, reverse sale and repurchase agreements by entering into master netting agreements and holding collateral in the form of cash and marketable securities. Derivative transactions are either transacted on an exchange or entered into under International Swaps and Derivatives Association ('ISDA') master netting agreements. Under ISDA master netting agreements in certain circumstances, e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

The value of collateral accepted by the VUB Group (fair value adjusted by internal haircuts limited to outstanding amount of credit exposure) and other security enhancements held against financial assets is shown below:

€ '000	Clients	2023 Banks	Clients	2022 Banks
Property	10 337 722	-	10 128 795	-
of which covering mortgages:	9 227 671	-	9 026 361	-
LTV* lower than 60%	4 823 321	-	3 465 997	-
LTV higher than 60% and lower than 80%	3 297 272	-	4 279 547	-
LTV higher than 80% and lower than 100%	1 100 158	-	1 276 087	-
LTV higher than 100%	6 920	-	4 730	-
Debt securities	25 723	33 678	34 149	15 180
Other	613 090	71 239	580 950	78 043
	10 976 535	104 917	10 743 894	93 223

The value of collateral and other security enhancements held against Stage 3 financial assets:

€ '000	Clients	2023 Banks	Clients	2022 Banks
Property	121 087	-	117 925	-
of which covering mortgages:	101 000	-	94 779	-
LTV* lower than 60%	84 060	-	56 520	-
LTV higher than 60% and lower than 80%	12 843	-	33 269	-
LTV higher than 80% and lower than 100%	3 890	-	4 228	-
LTV higher than 100%	207	-	762	-
Debt securities	277	-	-	-
Other	17 667	71 239	9 885	5 096
	139 031	71 239	127 810	5 096

* LTV (loan to value) is the ratio of the current balance sheet balance of a loan to the currently allocated value of collateral for a given contract.

4.1.7. Offsetting financial assets and financial liabilities

Offsetting financial assets and financial liabilities relates to financial assets and financial liabilities that are:

- Offset in the statement of financial position; or
- Subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

In general, the similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the tables below unless they are offset in the statement of financial position.

The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the VUB Group or the counterparties or following other predetermined events. In addition, the VUB Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The VUB Group receives and gives collateral in the form of cash and marketable securities in respect of the following transactions:

- Derivatives,
- Sale and repurchase, and reverse sale and repurchase agreements.

Such collateral is subject to standard industry terms including, when appropriate, an ISDA / Credit Support Annex (CSA) and Global Master Repurchase Agreement ('GMRA'). This means that securities received or given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

The following tables show the financial assets and financial liabilities that are subject to enforceable master netting arrangements and similar agreements in the statement of financial position (‚SOFP'):

2023					Related amounts not offset in SOFP		
€ '000	Note	Gross amount	Gross amount offset in SOFP	Net amount presented in SOFP	Financial instrument and non-cash collateral	Cash collateral received	Net amount
Types of financial assets							
Reverse repo transactions	7	849 221	-	849 221	(849 221)	-	-
Derivative financial instruments	8, 9	215 710	-	215 710	-	(1 840)	213 870

2023					Related amounts not offset in SOFP		
€ '000	Note	Gross amount	Gross amount offset in SOFP	Net amount presented in SOFP	Financial instrument and non-cash collateral	Cash collateral received	Net amount
Types of financial liabilities							
Derivative financial instruments	8, 9	277 208	-	277 208	-	(109 424)	167 784

2022					Related amounts not offset in SOFP		
€ '000	Note	Gross amount	Gross amount offset in SOFP	Net amount presented in SOFP	Financial instrument and non-cash collateral	Cash collateral received	Net amount
Types of financial assets							
Reverse repo transactions	7	373 437	-	373 437	(373 437)	-	-
Derivative financial instruments	8, 9	405 067	-	405 067	-	(2 360)	402 707

2022					Related amounts not offset in SOFP		
€ '000	Note	Gross amount	Gross amount offset in SOFP	Net amount presented in SOFP	Financial instrument and non-cash collateral	Cash collateral received	Net amount
Types of financial liabilities							
Derivative financial instruments	8, 9	360 848	-	360 848	-	(10 327)	350 521

Below is the reconciliation of the net amount of financial instruments subject to enforceable master netting arrangements and similar agreements to the total carrying amount presented in the statement of financial position:

				2023			2022
€ '000	Note	Total carrying amount presented in SOFP	In scope of off-setting disclosure	Not in scope of off-setting disclosure	Total carrying amount presented in SOFP	In scope of off-setting disclosure	Not in scope of off-setting disclosure
Financial assets							
Cash and cash equivalents	7	3 802 524	849 221	2 953 303	3 060 496	373 437	2 687 059
Financial assets at FVTPL:	8						
Financial assets held for trading		38 334	32 033	6 301	58 872	52 802	6 070
Derivatives - Hedge accounting	9	183 677	183 677	-	352 265	352 265	-
Financial liabilities							
Financial liabilities at FVTPL:	8						
Financial liabilities held for trading		41 450	31 548	9 902	61 463	44 691	16 772
Derivatives - Hedge accounting	9	245 660	245 660	-	316 157	316 157	-

4.1.8. Concentrations of credit risk

The VUB Group monitors concentrations of credit risk by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below.

2023 € '000	Gross amount	Impairment losses/ provisions	Net amount
Slovakia			
Financial assets at AC:			
Due from banks	4 596	-	4 596
Due from customers:			
Financial corporations	97 993	(7)	97 986
Non-financial corporations	4 299 677	(116 606)	4 183 071
Retail	10 852 643	(223 891)	10 628 752
Public administration	279 630	(1 659)	277 971
	15 529 943	(342 163)	15 187 780
	15 534 539	(342 163)	15 192 376
Financial assets at FVOCI – debt securities	763 205	(101)	763 104
Financial commitments and contingencies	3 396 267	(15 548)	3 380 719
Czech republic			
Financial assets at AC:			
Due from banks	134	-	134
Due from customers:			
Financial corporations	335 697	(98)	335 599
Non-financial corporations	900 138	(3 401)	896 737
Retail	21 213	(1 186)	20 027
	1 257 048	(4 685)	1 252 363
	1 257 182	(4 685)	1 252 497
Financial assets at FVOCI – debt securities	43 879	-	43 879
Financial commitments and contingencies	1 316 303	(811)	1 315 492
Other European countries			
Financial assets at AC:			
Due from banks	160 094	(6)	160 088
Due from customers:			
Financial corporations	602 381	(140)	602 241
Non-financial corporations	1 025 675	(21 968)	1 003 707
Retail	201 739	(1 415)	200 324
	1 829 795	(23 523)	1 806 272
	1 989 889	(23 529)	1 966 360
Financial assets at FVOCI – debt securities	345 282	(126)	345 156
Financial commitments and contingencies	515 226	(449)	514 777

(Table continues on the next page)

2023 € '000	Gross amount	Impairment losses/ provisions	Net amount
America			
Financial assets at AC:			
Due from banks	74 502	(5 103)	69 399
Due from customers:			
Retail	5 843	(43)	5 800
	80 345	(5 146)	75 199
Financial assets at FVOCI – debt securities	107 092	(5)	107 087
Financial commitments and contingencies	722	(1)	721
Asia			
Financial assets at AC:			
Due from banks	1 180	-	1 180
Due from customers:			
Non-financial corporations	157 087	(10)	157 077
Retail	15 879	(244)	15 635
	172 966	(254)	172 712
	174 146	(254)	173 892
Financial commitments and contingencies	101 974	(79)	101 895
Rest of the World			
Financial assets at AC:			
Due from customers:			
Non-financial corporations	717	-	717
Retail	4 026	(27)	3 999
Public administration	36 465	(1 614)	34 851
	41 208	(1 641)	39 567
	41 208	(1 641)	39 567
Financial commitments and contingencies	327	-	327

2022 - restated € '000	Gross amount	Impairment losses/ provisions	Net amount
Slovakia			
Financial assets at AC:			
Due from banks	1 014	-	1 014
Due from customers:			
Financial corporations	54 915	(14)	54 901
Non-financial corporations	4 202 850	(113 189)	4 089 661
Retail	10 580 068	(225 299)	10 354 769
Public administration	149 971	(1 056)	148 915
	14 987 804	(339 558)	14 648 246
	14 988 818	(339 558)	14 649 260
Financial assets at FVOCI – debt securities	837 575	(106)	837 469
Financial commitments and contingencies	3 647 682	(13 688)	3 633 994
Czech republic			
Financial assets at AC:			
Due from banks	124	-	124
Due from customers:			
Financial corporations	253 327	(60)	253 267
Non-financial corporations	748 738	(6 468)	742 270
Retail	21 276	(1 654)	19 622
	1 023 341	(8 182)	1 015 159
	1 023 465	(8 182)	1 015 283
Financial commitments and contingencies	1 556 267	(391)	1 555 876
Other European countries			
Financial assets at AC:			
Due from banks	66 237	(277)	65 960
Due from customers:			
Financial corporations	467 067	(167)	466 900
Non-financial corporations	1 009 305	(18 155)	991 150
Retail	144 048	(970)	143 078
	1 620 420	(19 292)	1 601 128
	1 686 657	(19 569)	1 667 088
Financial assets at FVOCI – debt securities	498 826	(169)	498 657
Financial commitments and contingencies	449 035	(291)	448 744

(Table continues on the next page)

2022 - restated € '000	Gross amount	Impairment losses/ provisions	Net amount
America			
Financial assets at AC:			
Due from banks:	80 434	(88)	80 346
Due from customers:			
Non-financial corporations	55	-	55
Retail	6 018	(65)	5 953
	6 073	(65)	6 008
	86 507	(153)	86 354
Financial assets at FVOCI - debt securities	91 311	(1)	91 310
Financial commitments and contingencies	164	-	164
Asia			
Financial assets at AC:			
Due from banks:	5 850	-	5 850
Due from customers			
Non-financial corporations	175 579	(22)	175 557
Retail	11 946	(57)	11 889
	187 525	(79)	187 446
	193 375	(79)	193 296
Financial commitments and contingencies	163 309	(35)	163 274
Rest of the World			
Financial assets at AC:			
Due from customers:			
Non-financial corporations	132	-	132
Retail	2 702	(10)	2 692
Public administration	37 747	(628)	37 119
	40 581	(638)	39 943
Financial commitments and contingencies	767	(2)	765

2022 - original € '000	Gross amount	Impairment losses/ provisions	Net amount
Slovakia			
Financial assets at AC:			
Due from other banks	1 013	-	1 013
Due from customers:			
Public administration	152 684	(1 011)	151 673
Corporate	3 977 058	(81 641)	3 895 417
Retail	10 866 415	(256 902)	10 609 513
	14 996 157	(339 554)	14 656 603
	14 997 170	(339 554)	14 657 616
Financial assets at FVOCI – debt securities	837 577	(106)	837 471
Financial commitments and contingencies	3 647 432	(13 439)	3 633 993
Czech republic			
Financial assets at AC:			
Due from other banks	124	-	124
Due from customers:			
Corporate	1 002 253	(6 525)	995 728
Retail	21 426	(1 661)	19 765
	1 023 679	(8 186)	1 015 493
Financial commitments and contingencies	1 556 512	(640)	1 555 872
Other European countries			
Financial assets at AC:			
Due from other banks	66 238	(277)	65 961
Due from customers:			
Corporate	1 469 905	(18 320)	1 451 585
Retail	140 416	(947)	139 469
	1 610 321	(19 267)	1 591 054
	1 676 559	(19 544)	1 657 015
Financial assets at FVOCI – debt securities	498 826	(169)	498 657
Financial commitments and contingencies	435 852	(291)	435 561

(Table continues on the next page)

2022 - original € '000	Gross amount	Impairment losses/ provisions	Net amount
North America			
Financial assets at AC:			
Due from customers:			
Corporate	55	-	55
Retail	2 990	(4)	2 986
	3 045	(4)	3 041
Financial assets at FVOCI - debt securities	91 311	(1)	91 310
Financial commitments and contingencies	164	-	164
Asia			
Financial assets at AC:			
Due from other banks:	5 850	-	5 850
Due from customers			
Corporate	175 587	(22)	175 565
Retail	14 961	(83)	14 878
	190 548	(105)	190 443
	196 398	(105)	196 293
Financial commitments and contingencies	176 492	(35)	176 457
Rest of the World			
Financial assets at AC:			
Due from other banks	80 434	(88)	80 346
Due from customers:			
Public administration	37 747	(628)	37 119
Corporate	132	-	132
Retail	4 116	(71)	4 045
	41 995	(699)	41 296
	122 429	(787)	121 642
Financial commitments and contingencies	772	(2)	770

An analysis of concentrations of credit risk of debt securities at the reporting date is shown below:

€ '000	Gross amount	Impairment losses	2023 Net amount	Gross amount	Impairment losses	2022 Net amount
Europe						
Slovakia	763 205	(101)	763 104	837 578	(106)	837 471
Italy	122 887	(54)	122 833	214 036	(101)	213 936
Hungary	100 662	(66)	100 596	90 097	(59)	90 038
Poland	35 072	-	35 071	39 349	-	39 349
Great Britain	44 671	(1)	44 670	30 837	-	30 836
Czech Republic	31 237	-	31 236	-	-	-
France	30 222	(1)	30 221	33 705	(8)	33 698
Estonia	21 576	(3)	21 573	20 827	-	20 827
Austria	2 834	-	2 834	-	-	-
Spain	-	-	-	69 974	(1)	69 973
	1 152 366	(227)	1 152 139	1 336 403	(276)	1 336 127
North America						
Canada	107 092	(5)	107 087	91 309	-	91 309

An analysis of exposures based on the carrying amounts by industry sector is shown in the table below.

2023	Financial assets at AC:					Financial assets at FVOCI – debt securities	Financial commit-ments and contingen-cies
€ '000	Banks	Finanicial corporations	Non-financial corporations	Retail*	Public administra-tion		
Agriculture, forestry and fishing	-	-	272 391	18 688	182	-	146 051
Mining and quarrying	-	-	31 908	6	-	-	104 279
Manufacturing	-	-	1 073 838	23 180	-	-	857 463
Electricity, gas, steam and air conditioning supply	-	-	607 419	4	-	-	730 561
Water supply	-	-	71 883	367	328	-	25 649
Construction	-	-	370 984	22 974	-	-	670 106
Wholesale and retail trade	-	52	1 206 727	56 540	-	-	536 676
Transport and storage	-	-	577 790	8 202	5 547	-	310 087
Accommodation and food service activities	-	-	46 682	5 921	-	-	6 256
Information and communication	-	19	71 610	1 960	-	-	63 529
Financial and insurance activities**	235 332	1 023 677	127 825	1 145	-	426 822	659 535
Real estate activities	-	-	818 504	39 359	51	-	177 525
Professional, scientific and technical activities	-	-	246 770	10 093	-	-	154 776
Administrative and support service	-	-	274 581	3 345	-	-	77 674
Public administration and defense, compulsory social security	-	-	712	24	278 504	832 404	54 509
Education	-	-	4 874	635	20	-	347
Human health services and social work activities	-	-	60 868	4 187	27 225	-	9 042
Arts, entertainment and recreation	-	-	9 814	2 149	960	-	4 077
Other services	-	12 074	354 751	42 101	1	-	114 542
Activities of households as employers; undifferentiated goods - and services - producing activities of households for own use	-	-	-	121 766	-	-	47
Credit Cards***	65	4	1 522	87 274	4	-	156 441
Consumer Loans	-	-	-	1 204 798	-	-	142 089
Mortgage Loans***	-	-	9 856	9 219 819	-	-	312 670
	235 397	1 035 826	6 241 309	10 874 537	312 822	1 259 226	5 313 931

* 'Retail' includes Small Business and Flat Owners Associations.
** 'Financial and insurance activities' involves financial services, leasing and insurance.
*** Credit cards and mortgages are presented only within segments. Credit cards were originally reported to individuals and were part of consumer loans.

2022 - restated

€ '000	Financial assets at AC: Banks	Financial corporations	Non-financial corporations	Retail*	Public administration	Financial assets at FVOCI - debt securities	Financial commitments and contingencies
Agriculture, forestry and fishing	-	-	252 169	22 829	307	-	114 524
Mining and quarrying	-	-	48 854	30	-	-	163 617
Manufacturing	-	-	943 743	23 591	-	-	879 254
Electricity, gas, steam and air conditioning supply	-	-	644 997	7	-	-	726 224
Water supply	-	-	81 354	273	227	-	16 089
Construction	-	-	392 703	20 892	-	-	601 650
Wholesale and retail trade	-	70	1 096 396	54 736	-	-	556 835
Transport and storage	-	-	582 322	8 132	11 094	-	318 832
Accommodation and food service activities	-	-	45 593	6 055	-	-	3 498
Information and communication	-	-	72 269	2 168	-	-	55 919
Financial and insurance activities**	153 294	739 345	106 182	1 075	-	278 014	799 033
Real estate activities	-	-	758 755	42 584	11	-	293 004
Professional, scientific and technical activities	-	-	237 510	9 319	11	-	195 850
Administrative and support service activities	-	-	259 190	2 856	-	-	50 443
Public administration and defense, compulsory social security	-	-	891	7	142 123	1 149 423	48 275
Education	-	-	4 867	550	2	-	951
Human health services and social work activities	-	-	54 550	4 430	30 603	-	13 519
Arts, entertainment and recreation	-	-	1 313	76	-	-	8
Other services	-	35 653	402 610	7 100	1 656	-	78 242
Activities of households as employers; undifferentiated goods - and services - producing activities of households for own use	-	-	-	69 505	-	-	36 111
Consumer loans	-	-	-	1 143 912	-	-	148 049
Credit cards***	-	-	-	82 989	-	-	156 668
Mortgages***	-	-	12 557	9 034 887	-	-	546 222
	153 294	775 068	5 998 825	10 538 003	186 034	1 427 437	5 802 817

* 'Retail' includes Small Business and Flat Owners Associations.
** 'Financial and insurance activities' involves financial services, leasing and insurance.
*** Credit cards and mortgages are presented only within segments. Credit cards were originally reported to individuals and were part of consumer loans.

2022 - original

€ '000	Financial assets at AC: Banks	Public administration	Corporate	Retail*	Financial assets at FVOCI - debt securities	Financial commitments and contin-gencies
Agriculture, forestry and fishing	-	53	205 688	26 946	-	114 587
Mining and quarrying	-	-	44 832	394	-	163 956
Manufacturing	-	-	902 415	37 973	-	896 901
Electricity, gas, steam and air conditioning supply	-	-	751 555	1 403	-	715 924
Water supply	-	-	77 611	2 580	-	16 101
Construction	-	-	321 643	43 358	-	602 359
Wholesale and retail trade	-	-	1 067 106	123 447	-	578 545
Transport and storage	-	272	676 345	153 254	-	219 635
Accommodation and food service activities	-	-	30 604	13 491	-	3 630
Information and communication	-	6	115 552	9 853	-	89 412
Financial and insurance activities**	153 294	-	805 123	445	278 014	708 621
Real estate activities	-	-	678 338	65 577	-	293 093
Professional, scientific and technical activities	-	8	215 609	37 862	-	206 839
Administrative and support service activities	-	-	145 868	13 943	-	50 983
Public administration and defense, compulsory social security	-	186 787	587	195	1 149 423	209 724
Education	-	1	3 348	1 427	-	970
Human health services and social work activities	-	-	17 533	29 610	-	12 589
Arts, entertainment and recreation	-	1 664	18 638	10 557	-	412
Other services	-	1	440 087	6 199	-	78 041
Consumer Loans	-	-	-	1 302 083	-	294 273
Mortgage Loans	-	-	-	8 910 059	-	546 222
	153 294	188 792	6 518 482	10 790 656	1 427 437	5 802 817

* 'Retail' includes Small Business and Flat Owners Associations.
** 'Financial and insurance activities' involves financial services, leasing and insurance.

4.1.9. Internal and external ratings

The overview of the internal rating scales according to the risk profile applicable for the corporate exposures and the retail exposures from small business, flat owners associations and public administration is shown below.

Risk Profile	Description
Very Low	Good quality of assets, strong market penetration, steady activity, proven distinctive managerial skills, broad debt coverage capacity.
Low	Satisfactory quality and chargeability of assets, market penetration and managerial quality on the average; well set solvency, capital structure and debt composition; above average debt coverage capacity.
Lower - Intermediate	Acceptable quality and chargeability of available assets, even if with a not negligible degree of risk; well-balanced solvency, capital structure and debt composition with slight liquidity surplus and weaker debt coverage capacity.
Intermediate	Acceptable quality and chargeability of available assets even if with a significant degree of risk; vulnerable margin at times, capital structure and debt composition that show worsening signals; low level of liquidity and short debt coverage margin.
Upper - Intermediate	Still acceptable asset quality even if with possible liquidity stress; high level of gearing; managerial weakness, little market penetration and positioning; margins and competitiveness under pressure.
High	In addition to riskiness features for Upper - Intermediate profile, there are evident difficulties as well as problematic debt management.
Default	A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place: - the obligor is past due more than 90 days (Days past due methodology) on any material credit obligation to the Bank, the Parent Company undertaking or any of its subsidiaries; - the Bank considers that the obligor is unlikely to pay its credit obligations to the banking group in full, without recourse by the Bank to actions such as realizing security (if held).

Specialized Lending comprises of rating segments SPV. For Specialized Lending the Slotting approach is used by the VUB Group. Clients are categorized into five slotting categories based on a qualitative valuation and information about the risk of default. Risk weights and expected loss used for the capital requirement calculation are also defined for each category. Categories are predefined by the Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (‘CRR’) and internally, the categories used are as follows:

Specialized Lending - SPV

- Strong
- Good
- Satisfactory
- Weak
- Default

For mortgages and unsecured retail, the retail segment incorporates many individually insignificant exposures with various characteristics, therefore the description of ratings correlates with these risk profiles.

Risk Profile	Description
Very Low	High level of client's socio-demographic information and financial discipline.
Low	Above average level of client's socio-demographic information and financial discipline.
Lower - Intermediate	Acceptable level of client's socio-demographic information and financial discipline.
Intermediate	Acceptable level of client's socio-demographic information and financial discipline, but there are some signals of worsening credit quality.
Upper - Intermediate	Acceptable level of client's socio-demographic information and financial discipline, but there is worsening credit quality.
High	Acceptable level of client's socio-demographic information and financial discipline, but there is negative credit behaviour.
Default	A default is considered to have occurred with regard to a particular mortgage/obligor when either or both of the two following events have taken place: - The obligor is past due more than 90 days (Days past due methodology) on any material credit obligation to the Bank (absolute threshold is set according to NBS directive); - The Bank considers that the obligor is unlikely to pay its credit obligations to the banking group in full, without recourse by the Bank to actions such as realizing security (if held).

In the segments of the Single Resolution Fund, public sector entities, factoring and leasing, the VUB Group does not assign an internal rating to the client.

Capital requirement calculation

The VUB Group generally uses the standardized approach for the calculation of the capital requirements. However, for the calculation of the credit and counterparty risk capital requirements, the VUB Group, having received authorisation from the Supervisory Authority NBS, uses the Advanced IRB approach for its portfolio of residential mortgages from July 2012 and for the Corporate segment, Small and Medium size enterprises (SME) and for Retail Small Business from June 2014. Since December 2022, VUB Group received authorisation to use IRB approach also for Unsecured retail segment. Slotting approach is used for portfolio of Specialised lending exposures. Simple IRB approach is used for equity exposures and methodology for this capital requirement is in line with Article 155 of the CRR Regulation. The VUB Group is also proceeding with the development of rating models for other segments, to which the standard methods are currently applied, and also with the extension of the scope to subsidiaries in accordance with the gradual rollout plan for the advanced approaches presented to the Supervisory Authority.

The following table shows the quality of the VUB Group's **Stage 1** credit portfolio in terms of internal ratings:

2023 € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 1				
Financial assets at AC:				
Due from banks				
	Very Low	70 385	(5)	70 380
	Lower - Intermediate	95 466	-	95 466
	Unrated	150	-	150
		166 001	(5)	165 996
Due from customers:				
Corporate:				
Financial corporations				
	Very Low	702 633	(74)	702 559
	Low	286 170	(93)	286 077
	Lower - Intermediate	14 631	(68)	14 563
	Intermediate	32 630	(7)	32 623
	Upper - Intermediate	(2)	-	(2)
		1 036 062	(242)	1 035 820
Non-financial corporations				
	Very Low	1 006 699	(431)	1 006 268
	Low	1 454 772	(414)	1 454 358
	Lower - Intermediate	1 379 401	(3 894)	1 375 507
	Intermediate	437 045	(2 393)	434 652
	Upper - Intermediate	122 065	(1 126)	120 939
	High	1 849	(154)	1 695
	Unrated	14 087	(133)	13 954
		4 415 918	(8 545)	4 407 373
Non-financial corporations - specialised lending				
	Strong	191 713	(1 277)	190 436
	Good	328 424	(4 366)	324 058
	Satisfactory	225 778	(10 714)	215 064
	Weak	5 754	(416)	5 338
		751 669	(16 773)	734 896
		6 203 649	(25 560)	6 178 089
Retail				
	Very Low	6 207 047	(1 363)	6 205 684
	Low	1 553 002	(656)	1 552 346
	Lower - Intermediate	1 921 421	(7 417)	1 914 004
	Intermediate	242 850	(2 506)	240 344
	Upper - Intermediate	60 821	(1 840)	58 981
	High	18 269	(1 560)	16 709
	Default	5	-	5
	Unrated	251 005	(285)	250 720
		10 254 420	(15 627)	10 238 793

(Table continues on the next page)

2023 € '000	Risk Profile	Gross amount	Impairment losses/ Provisions	Net amount
Stage 1				
Financial assets at AC:				
Due from customers:				
Public administration				
	Very Low	71 465	(27)	71 438
	Low	27 640	(13)	27 627
	Intermediate	13 434	(11)	13 423
	Upper - Intermediate	11 442	(52)	11 390
	High	1 934	(69)	1 865
	Unrated	140 948	(1 239)	139 709
		266 863	(1 411)	265 452
		16 724 932	(42 598)	16 682 334
		16 890 933	(42 603)	16 848 330
Financial assets at FVOCI – debt securities				
	Unrated	1 259 458	(232)	1 259 226
Financial commitments and contingencies:				
Due from banks				
	Very Low	12 009	(1)	12 008
	Lower - Intermediate	225 424	(6)	225 418
	Upper - Intermediate	167	-	167
	Unrated	1 627	-	1 627
		239 227	(7)	239 220
Due from customers:				
Corporate:				
Financial corporations				
	Very Low	225 715	(3)	225 712
	Low	47 265	(2)	47 263
	Lower - Intermediate	73 692	(92)	73 600
	Intermediate	12 912	(14)	12 898
		359 584	(111)	359 473
Non-financial corporations				
	Very Low	1 547 981	(231)	1 547 750
	Low	825 516	(45)	825 471
	Lower - Intermediate	632 652	(815)	631 837
	Intermediate	151 087	(389)	150 698
	Upper - Intermediate	13 540	(182)	13 358
	Default	1	-	1
	Unrated	(2 938)	-	(2 938)
		3 167 839	(1 662)	3 166 177

(Table continues on the next page)

2023 € '000	Internal rating	Gross amount	Provisions	Net amount
Stage 1				
Financial commitments and contingencies:				
Due from customers:				
Corporate:				
Non-financial corporations - specialised lending				
	Strong	23 199	(93)	23 106
	Good	83 539	(835)	82 704
	Satisfactory	38 255	(1 336)	36 919
		144 993	(2 264)	142 729
Retail				
	Very Low	256 257	(44)	256 213
	Low	93 887	(28)	93 859
	Lower - Intermediate	180 480	(209)	180 271
	Intermediate	19 198	(115)	19 083
	Upper - Intermediate	4 154	(75)	4 079
	High	1 081	(119)	962
	Default	1	-	1
	Unrated	2 364	11	2 375
		557 422	(579)	556 843
Public administration				
	Very Low	80 782	(13)	80 769
	Low	6 138	(1)	6 137
	Intermediate	2 650	(1)	2 649
	Upper - Intermediate	2 135	(4)	2 131
	High	12	-	12
	Unrated	69 943	(80)	69 863
		161 660	(99)	161 561
		4 630 725	(4 722)	4 626 003

2022 - restated € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 1				
Financial assets at AC:				
Due from banks				
	Very Low	12 831	-	12 831
	Low	51 289	(6)	51 283
	Lower - Intermediate	356 590	-	356 590
	Default	559	-	559
	Unrated	(348 657)	(4)	(348 661)
		72 612	(10)	72 602
Due from customers:				
Corporate				
Financial corporations				
	Very Low	464 550	(103)	464 447
	Low	254 698	(107)	254 591
	Lower - Intermediate	13 964	(11)	13 953
	Intermediate	35 503	(19)	35 484
	Upper - Intermediate	(8)	-	(8)
	Unrated	6 599	(1)	6 598
		775 306	(241)	775 065
Non-financial corporations				
	Very Low	683 652	(102)	683 550
	Low	1 309 136	(516)	1 308 620
	Lower - Intermediate	728 633	(757)	727 876
	Intermediate	685 200	(1 663)	683 537
	Upper - Intermediate	282 105	(1 536)	280 569
	High	12 090	(341)	11 749
	Unrated	440 640	(2 299)	438 341
		4 141 456	(7 214)	4 134 242
Non-financial corporations - specialised lending				
	Strong	301 520	(1 611)	299 909
	Good	289 145	(3 117)	286 028
	Satisfactory	265 176	(9 606)	255 570
	Weak	28 870	(2 957)	25 913
		884 711	(17 291)	867 420
		5 801 473	(24 746)	5 776 727
Retail				
	Very Low	6 186 321	(1 828)	6 184 493
	Low	1 513 391	(804)	1 512 587
	Lower - Intermediate	1 703 303	(4 175)	1 699 128
	Intermediate	221 310	(2 604)	218 706
	Upper - Intermediate	50 638	(1 862)	48 776
	High	4 831	(1 148)	3 683
	Default	333	-	333
	Unrated	285 647	(6 651)	278 996
		9 965 774	(19 072)	9 946 702

(Table continues on the next page.)

2022 - restated € '000	Risk Profile	Gross amount	Impairment losses/ Provisions	Net amount
Stage 1				
Financial assets at AC:				
Due from customers:				
Public administration				
	Very Low	18 960	(3)	18 957
	Low	52 297	(23)	52 274
	Intermediate	37 747	(628)	37 119
	Upper - Intermediate	36 867	(54)	36 813
	High	1 255	(46)	1 209
	Unrated	30 788	(601)	30 187
		177 914	(1 355)	176 559
		15 945 161	(45 173)	15 899 988
		16 017 773	(45 183)	15 972 590
Financial assets at FVOCI – debt securities				
	Unrated	1 427 714	(277)	1 427 437
Financial commitments and contingencies:				
Due from banks				
	Very Low	12 006	(1)	12 005
	Lower - Intermediate	226 465	(7)	226 458
	Unrated	1 664	-	1 664
		240 135	(8)	240 127
Due from customers:				
Corporate				
Financial corporations				
	Very Low	390 206	(24)	390 182
	Lower - Intermediate	2 000	-	2 000
	Intermediate	4 596	(7)	4 589
	Unrated	39 553	(23)	39 530
		436 355	(54)	436 301
Non-financial corporations				
	Very Low	8 943	(1)	8 942
	Low	28 277	(6)	28 271
	Lower - Intermediate	12 476	(6)	12 470
	Intermediate	14 380	(27)	14 353
	Upper - Intermediate	6 152	(58)	6 094
	High	254	(14)	240
	Default	72	-	72
	Unrated	3 614 488	(2 052)	3 612 436
		3 685 042	(2 164)	3 682 878

(Table continues on the next page)

2022 - restated € '000	Internal rating	Gross amount	Provisions	Net amount
Stage 1				
Financial commitments and contingencies:				
Due from customers:				
Corporate:				
Non-financial corporations - specialised lending				
	Strong	102 208	(413)	101 795
	Good	88 780	(727)	88 053
	Satisfactory	24 695	(705)	23 990
		215 683	(1 845)	213 838
Retail				
	Very Low	400 387	(111)	400 276
	Low	130 801	(57)	130 744
	Lower - Intermediate	246 900	(294)	246 606
	Intermediate	27 807	(221)	27 586
	Upper - Intermediate	6 314	(143)	6 171
	High	637	(38)	599
	Default	49	-	49
	Unrated	45 243	(674)	44 569
		858 138	(1 538)	856 600
Public administration				
	Very Low	23 526	(3)	23 523
	Low	8 661	(1)	8 660
	Intermediate	62 250	(5)	62 245
	Upper - Intermediate	704	(4)	700
	High	97	(1)	96
	Unrated	111 211	(196)	111 015
		206 449	(210)	206 239
		5 641 802	(5 819)	5 635 983

2022 - original € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 1				
Financial assets at AC:				
Due from other banks				
	Very Low	1 014	-	1 014
	Unrated	71 598	(10)	71 588
		72 612	(10)	72 602
Due from customers:				
Public administration				
	Very Low	40 542	(9)	40 533
	Low	56 948	(29)	56 919
	Intermediate	50 565	(639)	49 926
	Upper - Intermediate	10 917	(42)	10 875
	High	1 255	(46)	1 209
	Unrated	22 213	(545)	21 668
		182 440	(1 310)	181 130
Corporate				
Large, SME, Other Non-banking Financial and Public Corporates, Factoring and Leasing				
	Very Low	1 022 305	(187)	1 022 118
	Low	1 510 683	(583)	1 510 100
	Lower - Intermediate	812 148	(797)	811 351
	Intermediate	775 914	(1 616)	774 298
	Upper - Intermediate	265 513	(1 196)	264 317
	High	13 315	(192)	13 123
	Unrated	384 677	(117)	384 560
Specialized Lending – SPV, RED				
	Strong	301 520	(1 610)	299 910
	Good	289 141	(3 117)	286 024
	Satisfactory	265 186	(9 607)	255 579
	Weak	28 870	(2 956)	25 914
		5 669 272	(21 978)	5 647 294

(Table continues on the next page)

2022 - original € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 1				
Financial assets at AC:				
Due from customers:				
Retail:				
Small Business, Flat Owners Associations				
	Very Low	19 751	(6)	19 745
	Low	36 047	(33)	36 014
	Lower - Intermediate	107 450	(7 811)	99 639
	Intermediate	189 099	(716)	188 383
	Upper - Intermediate	75 468	(707)	74 761
	High risk	2 732	(343)	2 389
	Unrated	36	-	36
Mortgages				
	Very Low	6 012 939	(1 736)	6 011 203
	Low	1 425 715	(718)	1 424 997
	Lower - Intermediate	1 087 281	(1 725)	1 085 556
	Intermediate	39 009	(342)	38 667
	Upper - Intermediate	6 544	(137)	6 407
	High	713	(47)	666
	Unrated	24	-	24
Unsecured Retail				
	Very Low	162 443	(87)	162 356
	Low	78 981	(76)	78 905
	Lower - Intermediate	626 036	(2 508)	623 528
	Intermediate	117 546	(2 030)	115 516
	Upper - Intermediate	40 952	(1 721)	39 231
	High	8 704	(1 084)	7 620
	Unrated	63 530	(3 859)	59 671
		10 101 000	(25 686)	10 075 314
		15 952 712	(48 974)	15 903 738
Financial assets at FVOCI – debt securities				
	Unrated	1 427 714	(277)	1 427 437

(Table continues on the next page)

2022 - original € '000	Internal rating	Gross amount	Provisions	Net amount
Stage 1				
Financial commitments and contingencies:				
Due from other banks				
	Very Low	12 006	(1)	12 005
	Lower - Intermediate	226 465	(7)	226 458
		238 471	(8)	238 463
Due from customers:				
Public administration				
	Very Low	123 526	(15)	123 511
	Low	10 027	(2)	10 025
	Intermediate	62 213	(5)	62 208
	Upper - Intermediate	704	(4)	700
	High	97	(1)	96
	Unrated	9 857	(183)	9 674
		206 424	(210)	206 214
Corporate				
Large, SME, Other Non-banking Financial and Public Corporates, Factoring and Leasing				
	Very Low	1 856 369	(114)	1 856 255
	Low	970 932	(166)	970 766
	Lower - Intermediate	489 401	(294)	489 107
	Intermediate	497 840	(832)	497 008
	Upper - Intermediate	62 805	(281)	62 524
	High	5 103	(119)	4 984
	Unrated	225 958	(306)	225 652
Specialized Lending – SPV, RED				
	Strong	102 208	(413)	101 795
	Good	88 770	(726)	88 044
	Satisfactory	24 685	(705)	23 980
	Unrated	20	-	20
		4 324 091	(3 956)	4 320 135
Retail				
	Very Low	404 321	(111)	404 210
	Low	148 055	(60)	147 995
	Lower - Intermediate	262 672	(299)	262 373
	Intermediate	42 114	(249)	41 865
	Upper - Intermediate	12 413	(201)	12 212
	High	798	(52)	746
	Unrated	1 966	(3)	1 963
		872 339	(975)	871 364
		5 402 854	(5 141)	5 397 713

The following table shows the quality of the Bank's **Stage 2** credit portfolio in terms of internal ratings:

2023 € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 2				
Due from customers:				
Corporate:				
Financial corporations				
	Intermediate	1	-	1
Non-financial corporations			-	
	Very Low	55 609	(103)	55 506
	Low	4 204	(17)	4 187
	Lower - Intermediate	263 472	(3 433)	260 039
	Intermediate	263 290	(3 156)	260 134
	Upper - Intermediate	255 343	(7 623)	247 720
	High	124 532	(22 640)	101 892
	Unrated	6 754	(55)	6 699
		973 204	(37 027)	936 177
Non-financial corporations - specialised lending				
	Good	3 411	(37)	3 374
	Satisfactory	59 417	(3 767)	55 650
	Weak	76 239	(19 513)	56 726
		139 067	(23 317)	115 750
		1 112 272	(60 344)	1 051 928
Retail				
	Very Low	27 467	(767)	26 700
	Low	25 171	(633)	24 538
	Lower - Intermediate	231 177	(13 298)	217 879
	Intermediate	141 337	(11 214)	130 123
	Upper - Intermediate	89 357	(9 422)	79 935
	High	96 791	(26 106)	70 685
	Unrated	2 316	(136)	2 180
		613 616	(61 576)	552 040

(Table continues on the next page)

2023 € '000	Risk Profile	Gross amount	Impairment losses/ Provisions	Net amount
Stage 2				
Financial assets at AC:				
Due from customers:				
Public administration				
	Very Low	32	-	32
	Low	2 545	(5)	2 540
	Lower - Intermediate	181	-	181
	Intermediate	492	(2)	490
	Upper - Intermediate	4 834	(156)	4 678
	High	1 119	(82)	1 037
	Unrated	36 556	(1 616)	34 940
		45 759	(1 861)	43 898
		1 771 647	(123 781)	1 647 866
		1 771 647	(123 781)	1 647 866
Financial commitments and contingencies:				
Due from banks				
	Unrated	10	-	10
Due from customers:				
Corporate:				
Non-financial corporations				
	Very Low	199 444	(2 386)	197 058
	Low	34 437	(81)	34 356
	Lower - Intermediate	178 963	(922)	178 041
	Intermediate	69 567	(695)	68 872
	Upper - Intermediate	69 735	(1 524)	68 211
	High	19 523	(195)	19 328
	Unrated	400	-	400
		572 069	(5 803)	566 266

(Table continues on the next page)

2023 € '000	Risk Profile	Gross amount	Provision	Net amount
Stage 2				
Financial commitments and contingencies:				
Due from customers:				
Corporate:				
Non-financial corporations - specialised lending				
	Good	22 244	(508)	21 736
	Satisfactory	9 147	(149)	8 998
	Weak	3 180	(187)	2 993
		34 571	(844)	33 727
Retail				
	Very Low	5 010	(164)	4 846
	Low	6 027	(83)	5 944
	Lower - Intermediate	52 462	(261)	52 201
	Intermediate	4 827	(267)	4 560
	Upper - Intermediate	3 733	(242)	3 491
	High	682	(108)	574
		72 741	(1 125)	71 616
Public administration				
	Very Low	728	-	728
	Low	2 143	(1)	2 142
	Lower - Intermediate	188	-	188
	Intermediate	828	(1)	827
	Upper - Intermediate	436	(1)	435
	High	140	(1)	139
		4 463	(4)	4 459
		683 854	(7 776)	676 078

2022 - restated € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 2				
Financial assets at AC:				
Due from banks				
	High	80 511	(88)	80 423
Due from customers:				
Corporate:				
Financial corporations				
	Intermediate	1	-	1
	Unrated	2	-	2
		3	-	3
Non-financial corporations			-	
	Very Low	1 050	-	1 050
	Low	42 604	(222)	42 382
	Lower - Intermediate	27 025	(171)	26 854
	Intermediate	377 192	(5 971)	371 221
	Upper - Intermediate	187 181	(6 526)	180 655
	High	261 889	(24 331)	237 558
	Unrated	67 321	(2 254)	65 067
		964 262	(39 475)	924 787
Non-financial corporations - specialised lending				
	Strong	177	(1)	176
	Good	398	(17)	381
	Satisfactory	26 354	(3 025)	23 329
	Weak	15 222	(3 681)	11 541
		42 151	(6 724)	35 427
		1 006 416	(46 199)	960 217
Retail				
	Very Low	24 421	(619)	23 802
	Low	15 004	(403)	14 601
	Lower - Intermediate	214 712	(8 340)	206 372
	Intermediate	134 692	(10 443)	124 249
	Upper - Intermediate	85 070	(10 264)	74 806
	High	83 308	(24 390)	58 918
	Default	24	(1)	23
	Unrated	22 411	(1 828)	20 583
		579 642	(56 288)	523 354

(Table continues on the next page)

2022 - restated € '000	Risk Profile	Gross amount	Impairment losses/ Provisions	Net amount
Stage 2				
Financial assets at AC:				
Due from customers:				
Public administration				
	Upper - Intermediate	5 562	(192)	5 370
	High	1 819	(127)	1 692
	Unrated	672	(6)	666
		8 053	(325)	7 728
		1 594 111	(102 812)	1 491 299
		1 674 622	(102 900)	1 571 722
Financial commitments and contingencies:				
Due from customers:				
Corporate:				
Financial corporations				
	Intermediate	5 034	(109)	4 925
Non-financial corporations				
	Very Low	245	-	245
	Low	222	-	222
	Lower - Intermediate	478	(2)	476
	Intermediate	2 650	(128)	2 522
	Upper - Intermediate	3 695	(83)	3 612
	High	848	(146)	702
	Unrated	88 655	(1 237)	87 418
		96 793	(1 596)	95 197

(Table continues on the next page)

2022 - restated € '000	Risk Profile	Gross amount	Provisions	Net amount
Stage 2				
Financial commitments and contingencies:				
Due from customers:				
Corporate:				
Non-financial corporations - specialised lending				
	Strong	3 772	(516)	3 256
	Good	980	(52)	928
	Satisfactory	36	(7)	29
		4 788	(575)	4 213
Retail				
	Very Low	1 760	(83)	1 677
	Low	588	(33)	555
	Lower - Intermediate	35 268	(241)	35 027
	Intermediate	3 131	(155)	2 976
	Upper - Intermediate	1 456	(167)	1 289
	High	744	(177)	567
	Unrated	1 387	(24)	1 363
		44 334	(880)	43 454
Public administration				
	Low	621	(2)	619
	Intermediate	597	(1)	596
	Upper - Intermediate	1 932	(15)	1 917
	High	80	-	80
		3 230	(18)	3 212
		154 179	(3 178)	151 001

2022 - original € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 2				
Financial assets at AC:				
Due from banks:				
	High	80 511	(88)	80 423
		80 511	(88)	80 423
Due from customers:				
Public administration				
	Low	492	(1)	491
	Intermediate	464	(2)	462
	Upper - Intermediate	5 142	(192)	4 950
	High	1 819	(127)	1 692
	Unrated	59	(3)	56
Corporate		7 976	(325)	7 651
Large, SME, Other Non-banking Financial and Public Corporates, Factoring and Leasing				
	Very Low	1 868	(1)	1 867
	Low	44 358	(219)	44 139
	Lower - Intermediate	34 560	(114)	34 446
	Intermediate	361 677	(5 419)	356 258
	Upper - Intermediate	143 230	(2 673)	140 557
	High	251 022	(22 228)	228 794
	Unrated	492	(1)	491
Specialized Lending – SPV, RED				
	Strong	177	(1)	176
	Good	398	(17)	381
	Satisfactory	26 287	(2 986)	23 301
	Weak	15 222	(3 681)	11 541
		879 291	(37 340)	841 951

(Table continues on the next page)

2022 - original € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 2				
Financial assets at AC:				
Due from customers:				
Retail				
Small Business, Flat Owners Associations				
	Very Low	880	(1)	879
	Low	941	(7)	934
	Lower - Intermediate	17 783	(2 071)	15 712
	Intermediate	38 241	(911)	37 330
	Upper - Intermediate	83 073	(4 831)	78 242
	High risk	17 254	(3 013)	14 241
Mortgages				
	Very Low	23 595	(616)	22 979
	Low	13 532	(396)	13 136
	Lower - Intermediate	135 121	(6 474)	128 647
	Intermediate	82 019	(7 572)	74 447
	Upper - Intermediate	42 285	(5 636)	36 649
	High	26 948	(5 715)	21 233
Unsecured Retail				
	Very Low	748	(3)	745
	Low	1 370	(7)	1 363
	Lower - Intermediate	79 503	(1 885)	77 618
	Intermediate	45 289	(2 728)	42 561
	Upper - Intermediate	37 061	(4 486)	32 575
	High	57 190	(18 752)	38 438
	Unrated	18	(2)	16
		702 851	(65 106)	637 745
		1 590 118	(102 771)	1 487 347

(Table continues on the next page)

2022 - original € '000	Risk Profile	Gross amount	Provision	Net amount
Stage 2				
Financial commitments and contingencies:				
Due from customers:				
Public administration				
	Low	621	(2)	619
	Intermediate	597	(1)	596
	Upper - Intermediate	1 932	(15)	1 917
	High	80	-	80
Corporate		3 230	(18)	3 212
Large, SME, Other Non-banking Financial and Public Corporates, Factoring and Leasing				
	Very Low	605	-	605
	Low	9 476	(31)	9 445
	Lower - Intermediate	2 045	(27)	2 018
	Intermediate	37 589	(233)	37 356
	Upper - Intermediate	28 148	(407)	27 741
	High	10 442	(590)	9 852
	Unrated	7 601	(83)	7 518
Specialized Lending – SPV, RED				
	Good	3 772	(517)	3 255
	Satisfactory	980	(52)	928
	Weak	36	(7)	29
		100 694	(1 947)	98 747
Retail				
	Very Low	2 004	(83)	1 921
	Low	810	(33)	777
	Lower - Intermediate	35 766	(244)	35 522
	Intermediate	5 724	(284)	5 440
	Upper - Intermediate	5 077	(253)	4 824
	High	1 401	(314)	1 087
	Unrated	343	(5)	338
		51 125	(1 216)	49 909
		155 049	(3 181)	151 868

The following table shows the quality of the Bank's **Stage 3** credit portfolio in terms of internal ratings:

2023 € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 3				
Financial assets at AC:				
Due from banks:				
	Default	74 505	(5 104)	69 401
Due from customers:				
Coprorate				
Financial corporations				
	Default	8	(3)	5
Non-financial corporations				
	Default	98 817	(52 567)	46 250
Non-financial corporations - specialised lending				
	Default	4 619	(3 756)	863
		103 444	(56 326)	47 118
Retail				
	Default	233 307	(149 603)	83 704
Public administration				
	Default	3 473	(1)	3 472
		340 224	(205 930)	134 294
		414 729	(211 034)	203 695
Financial commitments and contingencies:				
Due from customers:				
Coprorate				
Non-financial corporations				
	Default	12 888	(4 368)	8 520
Retail				
	Default	3 352	(22)	3 330
		16 240	(4 390)	11 850

2022 - restated € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 3				
Financial assets at AC:				
Due from banks:				
	Default	536	(267)	269
Due from customers:				
Coprorate				
Non-financial corporations				
	Default	99 174	(63 194)	35 980
Non-financial corporations - specialised lending				
	Default	4 905	(3 936)	969
		104 079	(67 130)	36 949
Retail				
	Default	220 642	(152 695)	67 947
Public administration				
	Default	1 751	(4)	1 747
		326 472	(219 829)	106 643
		327 008	(220 096)	106 912
Financial commitments and contingencies:				
Due from customers:				
Coprorate				
Non-financial corporations				
	Default	14 813	(5 153)	9 660
Non-financial corporations - specialised lending				
	Default	116	(116)	-
Retail				
	Default	6 314	(141)	6 173
		21 243	(5 410)	15 833

2022 - original € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 3				
Financial assets at AC:				
Due from banks:				
	Default	536	(267)	269
Due from customers:				
Public administration				
	Default	15	(4)	11
Corporate				
Large, SME, Other Non-banking Financial and Public Corporates, Factoring and Leasing				
	Default	74 154	(43 302)	30 852
Specialized Lending – SPV, RED				
	Default	2 273	(3 888)	(1 615)
		76 427	(47 190)	29 237
Retail				
Small Business, Flat Owners Associations				
	Default	36 297	(26 088)	10 209
Mortgages				
	Default	70 154	(24 706)	45 448
Unsecured Retail				
	Default	140 022	(118 082)	21 940
		246 473	(168 876)	77 597
		322 915	(216 070)	106 845
Financial commitments and contingencies:				
Due from customers:				
Corporate				
Large, SME, Other Non-banking Financial and Public Corporates, Factoring and Leasing				
	Default	14 824	(5 144)	9 680
Specialized Lending – SPV, RED				
	Default	116	(116)	-
		14 940	(5 260)	9 680
Retail				
	Default	5 910	(817)	5 093
		20 850	(6 077)	14 773

The following table shows the quality of the Bank's **total credit portfolio** in terms of internal ratings:

2023 € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Financial assets at AC:				
Due from banks				
	Very Low	70 385	(5)	70 380
	Lower - Intermediate	95 466	-	95 466
	Default	74 505	(5 104)	69 401
	Unrated	150	-	150
		240 506	(5 109)	235 397
Due from customers:				
Corporate:				
Financial corporations				
	Very Low	702 633	(74)	702 559
	Low	286 170	(93)	286 077
	Lower - Intermediate	14 631	(68)	14 563
	Intermediate	32 631	(7)	32 624
	Upper - Intermediate	(2)	-	(2)
	Default	8	(3)	5
		1 036 071	(245)	1 035 826
Non-financial corporations				
	Very Low	1 062 308	(534)	1 061 774
	Low	1 458 976	(431)	1 458 545
	Lower - Intermediate	1 642 873	(7 327)	1 635 546
	Intermediate	700 335	(5 549)	694 786
	Upper - Intermediate	377 408	(8 749)	368 659
	High	126 381	(22 794)	103 587
	Default	98 817	(52 567)	46 250
	Unrated	20 841	(188)	20 653
		5 487 939	(98 139)	5 389 800
Non-financial corporations - specialised lending				
	Strong	191 713	(1 277)	190 436
	Good	331 835	(4 403)	327 432
	Satisfactory	285 195	(14 481)	270 714
	Weak	81 993	(19 929)	62 064
	Default	4 619	(3 756)	863
		895 355	(43 846)	851 509
		7 419 365	(142 230)	7 277 135
Retail				
	Very Low	6 234 514	(2 130)	6 232 384
	Low	1 578 173	(1 289)	1 576 884
	Lower - Intermediate	2 152 598	(20 715)	2 131 883
	Intermediate	384 187	(13 720)	370 467
	Upper - Intermediate	150 178	(11 262)	138 916
	High	115 060	(27 666)	87 394
	Default	233 312	(149 603)	83 709
	Unrated	253 321	(421)	252 900
		11 101 343	(226 806)	10 874 537

(Table continues on the next page)

2023 € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Financial assets at AC:				
Due from customers:				
Public administration				
	Very Low	71 497	(27)	71 470
	Low	30 185	(18)	30 167
	Lower - Intermediate	181	-	181
	Intermediate	13 926	(13)	13 913
	Upper - Intermediate	16 276	(208)	16 068
	High	3 053	(151)	2 902
	Default	3 473	(1)	3 472
	Unrated	177 504	(2 855)	174 649
		316 095	(3 273)	312 822
		18 836 803	(372 309)	18 464 494
		19 077 309	(377 418)	18 699 891
Financial assets at FVOCI – debt securities				
	Unrated	1 259 458	(232)	1 259 226
Financial commitments and contingencies:				
Due from banks				
	Very Low	12 009	(1)	12 008
	Lower - Intermediate	225 424	(6)	225 418
	Upper - Intermediate	167	-	167
	Unrated	1 637	-	1 637
		239 237	(7)	239 230
Due from customers:				
Corporate:				
Financial corporations				
	Very Low	225 715	(3)	225 712
	Low	47 265	(2)	47 263
	Lower - Intermediate	73 692	(92)	73 600
	Intermediate	12 912	(14)	12 898
		359 584	(111)	359 473
Non-financial corporations				
	Very Low	1 747 425	(2 617)	1 744 808
	Low	859 953	(126)	859 827
	Lower - Intermediate	811 615	(1 737)	809 878
	Intermediate	220 654	(1 084)	219 570
	Upper - Intermediate	83 275	(1 706)	81 569
	High	19 523	(195)	19 328
	Default	12 889	(4 368)	8 521
	Unrated	(2 538)	-	(2 538)
		3 752 796	(11 833)	3 740 963

(Table continues on the next page)

2023 € '000	Risk Profile	Gross amount	Provisions	Net amount
Financial commitments and contingencies:				
Due from customers:				
Corporate:				
Non-financial corporations - specialised lending				
	Strong	23 199	(93)	23 106
	Good	105 783	(1 343)	104 440
	Satisfactory	47 402	(1 485)	45 917
	Weak	3 180	(187)	2 993
		179 564	(3 108)	176 456
Retail				
	Very Low	261 267	(208)	261 059
	Low	99 914	(111)	99 803
	Lower - Intermediate	232 942	(470)	232 472
	Intermediate	24 025	(382)	23 643
	Upper - Intermediate	7 887	(317)	7 570
	High	1 763	(227)	1 536
	Default	3 353	(22)	3 331
	Unrated	2 364	11	2 375
		633 515	(1 726)	631 789
Public administration				
	Very Low	81 510	(13)	81 497
	Low	8 281	(2)	8 279
	Lower - Intermediate	188	-	188
	Intermediate	3 478	(2)	3 476
	Upper - Intermediate	2 571	(5)	2 566
	High	152	(1)	151
	Unrated	69 943	(80)	69 863
		166 123	(103)	166 020
		5 330 819	(16 888)	5 313 931

2022 - restated € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Financial assets at AC:				
Due from banks				
	Very Low	12 831	-	12 831
	Low	51 289	(6)	51 283
	Lower - Intermediate	356 590	-	356 590
	High	80 511	(88)	80 423
	Default	1 095	(267)	828
	Unrated	(348 657)	(4)	(348 661)
		153 659	(365)	153 294
Due from customers:				
Corporate:				
Financial corporations				
	Very Low	464 550	(103)	464 447
	Low	254 698	(107)	254 591
	Lower - Intermediate	13 964	(11)	13 953
	Intermediate	35 504	(19)	35 485
	Upper - Intermediate	(8)	-	(8)
	Unrated	6 601	(1)	6 600
		775 309	(241)	775 068
Non-financial corporations				
	Very Low	684 702	(102)	684 600
	Low	1 351 740	(738)	1 351 002
	Lower - Intermediate	755 658	(928)	754 730
	Intermediate	1 062 392	(7 634)	1 054 758
	Upper - Intermediate	469 286	(8 062)	461 224
	High	273 979	(24 672)	249 307
	Default	99 174	(63 194)	35 980
	Unrated	507 961	(4 553)	503 408
		5 204 892	(109 883)	5 095 009
Non-financial corporations - specialised lending				
	Strong	301 697	(1 612)	300 085
	Good	289 543	(3 134)	286 409
	Satisfactory	291 530	(12 631)	278 899
	Weak	44 092	(6 638)	37 454
	Default	4 905	(3 936)	969
		931 767	(27 951)	903 816
		6 911 968	(138 075)	6 773 893
Retail				
	Very Low	6 210 742	(2 447)	6 208 295
	Low	1 528 395	(1 207)	1 527 188
	Lower - Intermediate	1 918 015	(12 515)	1 905 500
	Intermediate	356 002	(13 047)	342 955
	Upper - Intermediate	135 708	(12 126)	123 582
	High	88 139	(25 538)	62 601
	Default	220 999	(152 696)	68 303
	Unrated	308 058	(8 479)	299 579
		10 766 058	(228 055)	10 538 003

(Table continues on the next page)

2022 - restated € '000	Risk Profile	Gross amount	Impairment losses/ Provisions	Net amount
Financial assets at AC:				
Due from customers:				
Public administration				
	Very Low	18 960	(3)	18 957
	Low	52 297	(23)	52 274
	Intermediate	37 747	(628)	37 119
	Upper - Intermediate	42 429	(246)	42 183
	High	3 074	(173)	2 901
	Default	1 751	(4)	1 747
	Unrated	31 460	(607)	30 853
		187 718	(1 684)	186 034
		17 865 744	(367 814)	17 497 930
		18 019 403	(368 179)	17 651 224
Financial commitments and contingencies:				
Due from banks				
	Very Low	12 006	(1)	12 005
	Lower - Intermediate	226 465	(7)	226 458
	Unrated	1 664	-	1 664
		240 135	(8)	240 127
Due from customers:				
Corporate:				
Financial corporations				
	Very Low	390 206	(24)	390 182
	Lower - Intermediate	2 000	-	2 000
	Intermediate	9 630	(116)	9 514
	Unrated	39 553	(23)	39 530
		441 389	(163)	441 226
Non-financial corporations				
	Very Low	9 188	(1)	9 187
	Low	28 499	(6)	28 493
	Lower - Intermediate	12 954	(8)	12 946
	Intermediate	17 030	(155)	16 875
	Upper - Intermediate	9 847	(141)	9 706
	High	1 102	(160)	942
	Default	14 885	(5 153)	9 732
	Unrated	3 703 143	(3 289)	3 699 854
		3 796 648	(8 913)	3 787 735

(Table continues on the next page)

2022 – restated € '000	Risk Profile	Gross amount	Provisions	Net amount
Financial commitments and contingencies:				
Due from customers:				
Corporate:				
Non-financial corporations - specialised lending				
	Strong	102 208	(413)	101 795
	Good	92 552	(1 243)	91 309
	Satisfactory	25 675	(757)	24 918
	Weak	36	(7)	29
	Default	116	(116)	-
		4 458 624	(11 612)	4 447 012
Retail				
	Very Low	402 147	(194)	401 953
	Low	131 389	(90)	131 299
	Lower - Intermediate	282 168	(535)	281 633
	Intermediate	30 938	(376)	30 562
	Upper - Intermediate	7 770	(310)	7 460
	High	1 381	(215)	1 166
	Default	6 363	(141)	6 222
	Unrated	46 630	(698)	45 932
		908 786	(2 559)	906 227
Public administration				
	Very Low	23 526	(3)	23 523
	Low	9 282	(3)	9 279
	Intermediate	62 847	(6)	62 841
	Upper - Intermediate	2 636	(19)	2 617
	High	177	(1)	176
	Unrated	111 211	(196)	111 015
		209 679	(228)	209 451
		5 817 224	(14 407)	5 802 817

2022 - original € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Financial assets at AC:				
Due from other banks:				
	Very Low	1 014	-	1 014
	High	80 511	(88)	80 423
	Default	536	(267)	269
	Unrated	71 598	(10)	71 588
		153 659	(365)	153 294
Due from customers:				
Public administration				
	Very Low	40 542	(9)	40 533
	Low	57 440	(30)	57 410
	Intermediate	51 029	(641)	50 388
	Upper – Intermediate	16 059	(234)	15 825
	High	3 074	(173)	2 901
	Default	15	(4)	11
	Unrated	22 272	(548)	21 724
		190 431	(1 639)	188 792
Corporate				
Large, SME, Other Non-banking Financial and Public Corporates, Factoring and Leasing				
	Very Low	1 024 173	(188)	1 023 985
	Low	1 555 041	(802)	1 554 239
	Lower – Intermediate	846 708	(911)	845 797
	Intermediate	1 137 591	(7 035)	1 130 556
	Upper – Intermediate	408 743	(3 869)	404 874
	High	264 337	(22 420)	241 917
	Default	74 154	(43 302)	30 852
	Unrated	385 169	(118)	385 051
Specialized Lending – SPV, RED				
	Strong	301 697	(1 611)	300 086
	Good	289 539	(3 134)	286 405
	Satisfactory	291 473	(12 593)	278 880
	Weak	44 092	(6 637)	37 455
	Default	2 273	(3 888)	(1 615)
		6 624 990	(106 508)	6 518 482

(Table continues on the next page)

2022 - original € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Financial assets at AC:				
Due from customers:				
Retail				
Small Business, Flat Owners Associations				
	Very Low	20 631	(7)	20 624
	Low	36 988	(40)	36 948
	Lower – Intermediate	125 233	(9 882)	115 351
	Intermediate	227 340	(1 627)	225 713
	Upper – Intermediate	158 541	(5 538)	153 003
	High	19 986	(3 356)	16 630
	Default	36 297	(26 088)	10 209
	Unrated	36	-	36
Mortgages				
	Very Low	6 036 534	(2 352)	6 034 182
	Low	1 439 247	(1 114)	1 438 133
	Lower – Intermediate	1 222 402	(8 199)	1 214 203
	Intermediate	121 028	(7 914)	113 114
	Upper – Intermediate	48 829	(5 773)	43 056
	High	27 661	(5 762)	21 899
	Default	70 154	(24 706)	45 448
	Unrated	24	-	24
Unsecured Retail				
	Very Low	163 191	(90)	163 101
	Low	80 351	(83)	80 268
	Lower – Intermediate	705 539	(4 393)	701 146
	Intermediate	162 835	(4 758)	158 077
	Upper – Intermediate	78 013	(6 207)	71 806
	High	65 894	(19 836)	46 058
	Default	140 022	(118 082)	21 940
	Unrated	63 548	(3 861)	59 687
		11 050 324	(259 668)	10 790 656
		17 865 745	(367 815)	17 497 930
Financial assets at FVOCI – debt securities				
	Unrated	1 427 714	(277)	1 427 437

(Table continues on the next page)

2022 - original € '000	Risk Profile	Gross amount	Provisions	Net amount
Financial commitments and contingencies:				
Due from other banks				
	Very Low	12 006	(1)	12 005
	Lower – Intermediate	226 465	(7)	226 458
		238 471	(8)	238 463
Due from customers:				
Public administration				
	Very Low	123 526	(15)	123 511
	Low	10 648	(4)	10 644
	Intermediate	62 810	(6)	62 804
	Upper – Intermediate	2 636	(19)	2 617
	High	177	(1)	176
	Unrated	9 857	(183)	9 674
		209 654	(228)	209 426
Corporate				
Large, SME, Other Non-banking Financial and Public Corporates, Factoring and Leasing				
	Very Low	1 856 974	(114)	1 856 860
	Low	980 408	(197)	980 211
	Lower – Intermediate	491 446	(321)	491 125
	Intermediate	535 429	(1 065)	534 364
	Upper – Intermediate	90 953	(688)	90 265
	High	15 545	(709)	14 836
	Default	14 824	(5 144)	9 680
	Unrated	233 559	(389)	233 170
Specialized Lending – SPV, RED				
	Strong	102 208	(413)	101 795
	Good	92 542	(1 243)	91 299
	Satisfactory	25 665	(757)	24 908
	Weak	36	(7)	29
	Default	116	(116)	-
	Unrated	20	-	20
		4 439 725	(11 163)	4 428 562
Retail				
	Very Low	406 325	(194)	406 131
	Low	148 865	(93)	148 772
	Lower – Intermediate	298 438	(543)	297 895
	Intermediate	47 838	(533)	47 305
	Upper – Intermediate	17 490	(454)	17 036
	High	2 199	(366)	1 833
	Default	5 910	(817)	5 093
	Unrated	2 309	(8)	2 301
		929 374	(3 008)	926 366
		5 578 753	(14 399)	5 564 354

For some portfolios, information from external credit reference agencies is also used. The credit quality for financial assets at amortized cost: due from other banks is in the rating scale from Aaa to Caa1 (31 December 2022: Aaa to Caa1). The following table sets out the credit quality of FVOCI debt securities. The analysis has been based on **Moody's** ratings.

2023 € '000	External rating	Gross amount	Impairment losses	Net amount
Financial assets at FVOCI – debt securities				
	Aaa	305 711	(16)	305 694
	Aa1	59 482	(3)	59 479
	Aa2	31 237	(0)	31 236
	Aa3	20 608	(3)	20 605
	A2	626 837	(92)	626 746
	Baa2	100 662	(66)	100 596
	Baa3	102 280	(52)	102 228
		1 246 816	(232)	1 246 584

2022 € '000	External rating	Gross amount	Impairment losses	Net amount
Financial assets at FVOCI - debt securities				
	Aaa	202 609	(9)	202 601
	Aa1	60 177	(1)	60 176
	Aa2	4 982	(0)	4 982
	A2	785 838	(106)	785 732
	Baa1	69 974	(1)	69 973
	Baa2	90 097	(59)	90 038
	Baa3	198 799	(101)	198 699
		1 412 475	(276)	1 412 200

4.1.10. Sensitivity analysis of impairment losses

In the tables below the VUB Group shows the sensitivity of ECL calculation to a **decrease** or **increase of** PD parameter by 10%:

2023	Basic scenario	Decrease PD by 10%			Increase PD by 10%		
€ '000	Impairment losses	Impairment losses	Abs. change	Rel. change	Impairment losses	Abs. change	Rel. change
Banks	5 109	5 108	(1)	(0,02)%	5 139	30	0,59%
Corporate							
Financial corporations							
Loans	171	156	(15)	(8,77)%	191	20	11,70%
Overdrafts	2	2	-	-	2	-	-
Credit cards	-	-	-	-	-	-	-
Debt securities	72	65	(7)	(9,72)%	79	7	9,72%
Other	-	-	-	-	-	-	-
Leasing	-	-	-	-	-	-	-
	245	223	(22)	(8,98)%	272	27	11,02%
Non-financial corporations							
Loans	110 602	102 535	(8 067)	(7,29)%	118 670	8 068	7,29%
Mortgages	521	499	(22)	(4,22)%	544	23	4,41%
Overdrafts	23 581	23 254	(327)	(1,39)%	23 908	327	1,39%
Credit Cards	144	135	(9)	(6,25)%	152	8	5,56%
Factoring	1 077	1 068	(9)	(0,84)%	1 086	9	0,84%
Debt securities	209	188	(21)	(10,05)%	230	21	10,05%
Other	-	-	-	-	-	-	-
Leasing	5 851	5 534	(317)	(5,42)%	5 756	(95)	(1,62%)
	141 985	133 213	(8 772)	(6,18)%	150 346	8 361	5,89%
Retail							
Loans	136 317	132 480	(3 837)	(2,81)%	140 154	3 837	2,81%
Mortgages	81 722	77 983	(3 739)	(4,58)%	85 462	3 740	4,58%
Overdrafts	5 853	5 796	(57)	(0,97)%	5 910	57	0,97%
Credit Cards	2 500	2 434	(66)	(2,64)%	2 566	66	2,64%
Factoring	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Leasing	414	305	(109)	(26,33)%	348	(66)	(15,94%)
	226 806	218 998	(7 808)	(3,44)%	234 440	7 634	3,37%
Public administration							
Loans	3 256	2 930	(326)	(10,01)%	3 581	325	9,98%
Overdrafts	2	2	-	-	3	1	50,00%
Credit Cards	-	-	-	-	-	-	-
Factoring	15	13	(2)	(13,33)%	16	1	6,67%
Debt securities	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Leasing	-	-	-	-	-	-	-
	3 273	2 945	(328)	(10,02)%	3 600	327	9,99%
Financial assets at FVOCI - debt securities	232	207	(25)	(10,78)%	253	21	9,05%

2022 - restated	Basic scenario	Decrease PD by 10%			Increase PD by 10%		
€ '000	Impairment losses	Impairment losses	Abs. change	Rel. change	Impairment losses	Abs. change	Rel. change
Banks	365	355	(10)	(2,74)%	375	10	2,74%
Corporate							
Financial corporations							
Loans	158	145	(13)	(8,23)%	177	19	12,03%
Overdrafts	3	3	-	-	3	-	-
Credit cards	-	-	-	-	-	-	-
Debt securities	80	72	(8)	(10,00)%	88	8	10,00%
Other	-	-	-	-	-	-	-
Leasing	-	-	-	-	-	-	-
	241	220	(21)	(8,71)%	268	27	11,20%
Non-financial corporations							
Loans	97 769	91 114	(6 655)	(6,81)%	104 347	6 578	6,73%
Mortgages	777	737	(40)	(5,15)%	818	41	5,28%
Overdrafts	25 566	25 355	(211)	(0,83)%	25 777	211	0,83%
Credit Cards	-	-	-	-	-	-	-
Factoring	1 205	1 198	(7)	(0,58)%	1 211	6	0,50%
Debt securities	919	827	(92)	(10,01)%	1 010	91	9,90%
Other	-	-	-	-	-	-	-
Leasing	11 598	11 530	(68)	(0,59)%	11 740	142	1,22%
	137 834	130 761	(7 073)	(5,13)%	144 903	7 069	5,13%
Retail							
Loans	133 783	129 565	(4 218)	(3,15)%	138 000	4 217	3,15%
Mortgages	75 344	71 840	(3 504)	(4,65)%	78 848	3 504	4,65%
Overdrafts	7 146	7 078	(68)	(0,95)%	7 213	67	0,94%
Credit Cards	11 102	10 996	(106)	(0,95)%	11 209	107	0,96%
Factoring	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Leasing	681	662	(19)	(2,79)%	699	18	2,64%
	228 056	220 141	(7 915)	(3,47)%	235 969	7 913	3,47%
Public administration							
Loans	1 681	1 512	(169)	(10,05)%	1 848	167	9,93%
Overdrafts	2	2	-	-	2	-	-
Credit Cards	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Leasing	1	1	-	-	1	-	-
	1 684	1 515	(169)	(10,04)%	1 851	167	9,92%
Financial assets at FVOCI - debt securities	276	248	(28)	(10,14)%	303	27	9,78%

2022 - original € '000	Base scenario Impairment losses	Impairment losses	Absolute change	Decrease PD by 10% Relative change
Financial assets at AC:				
Due from other banks	365	355	(10)	(2,74)%
Due from customers:				
Public administration				
Public administration	1 638	1 474	(164)	(10,01)%
Public administration – leasing	1	-	(1)	(100,00)%
	1 639	1 474	(175)	(10,68)%
Corporate				
Large Corporates	24 014	21 630	(2 384)	(9,93)%
Large Corporates – debt securities	919	827	(92)	(10,01)%
Specialized Lending	27 863	25 470	(2 393)	(8,59)%
SME	44 068	43 096	(972)	(2,21)%
Other Non-banking Financial Institutions	138	126	(12)	(8,70)%
Other Non-banking Financial Institutions – debt securities	80	72	(8)	(10,00)%
Public Sector Entities	1	1	-	-
Leasing	8 233	8 169	(64)	(0,78)%
Factoring	1 192	1 185	(7)	(0,59)%
	106 508	100 576	(5 932)	(5,57)%
Retail				
Small Business	42 260	40 298	(1 962)	(4,64)%
Small Business – Leasing	3 908	3 951	-	-
Consumer Loans	139 995	136 232	(3 763)	(2,69)%
Mortgages	55 820	52 708	(3 112)	(5,58)%
Credit Cards	10 919	10 818	(101)	(0,92)%
Overdrafts	6 396	6 336	(60)	(0,94)%
Leasing	138	35	(103)	(74,64)%
Flat Owners Associations	232	209	(23)	(9,91)%
	259 668	250 587	(9 124)	(3,51)%
	367 815	352 637	(15 220)	(4,14)%
	368 180	352 992	(15 230)	(4,14)%
Financial assets at FVOCI – debt securities	276	248	(28)	(10,14)%

2022 - original € '000	Base scenario Impairment losses	Impairment losses	Absolute change	Increase PD by 10% Relative change
Financial assets at AC:				
Due from other banks	365	375	10	2,74%
Due from customers:				
Public administration				
Public administration	1 638	1 802	164	10,01%
Public administration - leasing	1	1	-	-
	1 639	1 803	174	10,62%
Corporate				
Large Corporates	24 014	26 398	2 384	9,93%
Large Corporates - debt securities	919	1 011	92	10,01%
Specialized Lending	27 863	30 256	2 393	8,59%
SME	44 068	45 039	971	2,20%
Other Non-banking Financial Institutions	138	155	17	12,32%
Other Non-banking Financial Institutions - debt securities	80	88	8	10,00%
Public Sector Entities	1	1	-	-
Leasing	8 233	8 296	63	0,77%
Factoring	1 192	1 198	6	0,50%
	106 508	112 442	5 934	5,57%
Retail				
Small Business	42 260	44 223	1 963	4,65%
Small Business - Leasing	3 908	4 067	159	4,07%
Consumer Loans	139 995	143 757	3 762	2,69%
Mortgages	55 820	58 931	3 111	5,57%
Credit Cards	10 919	11 020	101	0,92%
Overdrafts	6 396	6 455	59	0,92%
Leasing	138	38	(100)	(72,46%)
Flat Owners Associations	232	255	23	9,91%
	259 668	268 746	9 078	3,50%
	367 815	382 991	15 186	4,13%
	368 180	383 366	15 196	4,13%
Financial assets at FVOCI - debt securities	276	303	27	9,78%

4.1.11. Impact of the possible scenarios on the impairment losses and provisions

The behavior of the model is described by six possible scenarios simulating a worsening of the macroeconomic situation. The scenarios resulted in the increase of expected loss in both stage 1 and stage 2. The simulation was run on VÚB Group level on the whole Retail segment – mortgages, consumer loans, credit cards, overdrafts, former CFH products (Quatro, Slovenská požičovňa, SKK credit cards, HRL) and VUBL retail products and QCAR retail.

If the predicted qq change of GDP growth will be decreased by 3 bps (30% of the last available value at the time of development of the model) then the impact on the P&L effect will be 107.27 ths EUR for Stage 1 and 408.31 ths EUR for Stage 2. Other scenarios and their impact are depicted in the table below:

Scenarios and their impact:

2023 SCENARIO	SCENARIO DESCRIPTION	STAGE 1 (values in v € '000)					
		Imparment Losses / Provisions	ECL	absolute change		relative change	
BASE	without stressing	15 627	16 144	- - -	- - -	- - -	- - -
		517		- - -		- - -	
GDP stress 10%	qq change of GDP growth decreased by 1 bps	15 248	15 767	-379	-377	-2,43%	-2,34%
		519		2		0,39%	
Bank Deposit rate stress 10%	qq change of Bank Deposit rate decreased by 15 bps	15 284	15 804	-343	-340	-2,19%	-2,11%
		520		3		0,58%	
ALL stress 10%	qq change of GDP growth decreased by 1 bps & of Bank Deposit rate decreased by 15 bps	15 292	15 814	-335	-330	-2,14%	-2,04%
		522		5		0,97%	
GDP stress 30%	qq change of GDP growth decreased by 3 bps	15 318	15 840	-309	-304	-1,98%	-1,88%
		522		5		0,97%	
Bank Deposit rate stress 30%	qq change of Bank Deposit rate decreased by 46 bps	15 425	15 951	-202	-193	-1,29%	-1,20%
		526		9		1,74%	
ALL stress 30%	qq change of GDP growth decreased by 3 bps & of Bank Deposit rate decreased by 46 bps	15 530	16 061	-97	-83	-0,62%	-0,51%
		531		14		2,71%	

<table>
<tr><th rowspan="3">2023

SCENARIO</th><th rowspan="3">SCENARIO DESCRIPTION</th><th colspan="6">STAGE 2 (values in v € ‘000)</th></tr>
<tr><th>Imparment Losses</th><th rowspan="2">ECL</th><th rowspan="2" colspan="2">absolute change</th><th rowspan="2" colspan="2">relative change</th></tr>
<tr><th>Provisions</th></tr>
<tr><td rowspan="2">BASE</td><td rowspan="2">without stressing</td><td>7 484</td><td rowspan="2">7 484</td><td>- - -</td><td rowspan="2">- - -</td><td>- - -</td><td rowspan="2">- - -</td></tr>
<tr><td>0</td><td>- - -</td><td>- - -</td></tr>
<tr><td rowspan="2">GDP stress 10%</td><td rowspan="2">qq change of GDP growth decreased by 1 bps</td><td>96</td><td rowspan="2">96</td><td>-7 388</td><td rowspan="2">-7 388</td><td>-98,72%</td><td rowspan="2">-98,72%</td></tr>
<tr><td>0</td><td>0</td><td>0,00%</td></tr>
<tr><td rowspan="2">Bank Deposit rate stress 10%</td><td rowspan="2">qq change of Bank Deposit rate decreased by 15 bps</td><td>96</td><td rowspan="2">96</td><td>-7 388</td><td rowspan="2">-7 388</td><td>-98,72%</td><td rowspan="2">-98,72%</td></tr>
<tr><td>0</td><td>0</td><td>0,00%</td></tr>
<tr><td rowspan="2">ALL stress 10%</td><td rowspan="2">qq change of GDP growth decreased by 1 bps & of Bank Deposit rate decreased by 15 bps</td><td>96</td><td rowspan="2">96</td><td>-7 388</td><td rowspan="2">-7 388</td><td>-98,72%</td><td rowspan="2">-98,72%</td></tr>
<tr><td>0</td><td>0</td><td>0,00%</td></tr>
<tr><td rowspan="2">GDP stress 30%</td><td rowspan="2">qq change of GDP growth decreased by 3 bps</td><td>96</td><td rowspan="2">96</td><td>-7 388</td><td rowspan="2">-7 388</td><td>-98,72%</td><td rowspan="2">-98,72%</td></tr>
<tr><td>0</td><td>0</td><td>0,00%</td></tr>
<tr><td rowspan="2">Bank Deposit rate stress 30%</td><td rowspan="2">qq change of Bank Deposit rate decreased by 46 bps</td><td>96</td><td rowspan="2">96</td><td>-7 388</td><td rowspan="2">-7 388</td><td>-98,72%</td><td rowspan="2">-98,72%</td></tr>
<tr><td>0</td><td>0</td><td>0,00%</td></tr>
<tr><td rowspan="2">ALL stress 30%</td><td rowspan="2">qq change of GDP growth decreased by 3 bps & of Bank Deposit rate decreased by 46 bps</td><td>96</td><td rowspan="2">96</td><td>-7 388</td><td rowspan="2">-7 388</td><td>-98,72%</td><td rowspan="2">-98,72%</td></tr>
<tr><td>0</td><td>0</td><td>0,00%</td></tr>
</table>

2022 SCENARIO	SCENARIO DESCRIPTION	STAGE 1 (values in v € ’000)					
		Imparment Losses / Provisions	ECL	absolute change		relative change	
BASE	without stressing	16 077	16 926	- - -	- - -	- - -	- - -
		849		- - -		- - -	
GDP stress 10%	qq change of GDP growth decreased by 1 bps	16 090	16 939	13	13	0,08%	0,08%
		849		0		0,00%	
Bank Deposit rate stress 10%	qq change of Bank Deposit rate decreased by 15 bps	16 327	17 193	250	267	1,56%	1,58%
		866		17		2,00%	
ALL stress 10%	qq change of GDP growth decreased by 1 bps & of Bank Deposit rate decreased by 15 bps	16 344	17 211	267	285	1,66%	1,68%
		867		18		2,12%	
GDP stress 30%	qq change of GDP growth decreased by 3 bps	16 113	16 964	36	38	0,22%	0,22%
		851		2		0,24%	
Bank Deposit rate stress 30%	qq change of Bank Deposit rate decreased by 46 bps	16 849	17 752	772	826	4,80%	4,88%
		903		54		6,36%	
ALL stress 30%	qq change of GDP growth decreased by 3 bps & of Bank Deposit rate decreased by 46 bps	16 883	17 788	806	862	5,01%	5,09%
		905		56		6,60%	

<table>
<tr><th rowspan="3">2022
SCENARIO</th><th rowspan="3">SCENARIO DESCRIPTION</th><th colspan="6">STAGE 2 (values in v € '000)</th></tr>
<tr><th>Imparment Losses</th><th rowspan="2">ECL</th><th colspan="2" rowspan="2">absolute change</th><th colspan="2" rowspan="2">relative change</th></tr>
<tr><th>Provisions</th></tr>
<tr><td rowspan="2">BASE</td><td rowspan="2">without stressing</td><td>54 278</td><td rowspan="2">55 069</td><td>- - -</td><td rowspan="2">- - -</td><td>- - -</td><td rowspan="2">- - -</td></tr>
<tr><td>791</td><td>- - -</td><td>- - -</td></tr>
<tr><td rowspan="2">GDP stress 10%</td><td rowspan="2">qq change of GDP growth decreased by 1 bps</td><td>54 304</td><td rowspan="2">55 096</td><td>26</td><td rowspan="2">27</td><td>0,05%</td><td rowspan="2">0,05%</td></tr>
<tr><td>792</td><td>1</td><td>0,13%</td></tr>
<tr><td rowspan="2">Bank Deposit rate stress 10%</td><td rowspan="2">qq change of Bank Deposit rate decreased by 15 bps</td><td>55 055</td><td rowspan="2">55 854</td><td>777</td><td rowspan="2">785</td><td>1,43%</td><td rowspan="2">1,43%</td></tr>
<tr><td>799</td><td>8</td><td>1,01%</td></tr>
<tr><td rowspan="2">ALL stress 10%</td><td rowspan="2">qq change of GDP growth decreased by 1 bps & of Bank Deposit rate decreased by 15 bps</td><td>55 093</td><td rowspan="2">55 893</td><td>815</td><td rowspan="2">824</td><td>1,50%</td><td rowspan="2">1,50%</td></tr>
<tr><td>800</td><td>9</td><td>1,14%</td></tr>
<tr><td rowspan="2">GDP stress 30%</td><td rowspan="2">qq change of GDP growth decreased by 3 bps</td><td>54 372</td><td rowspan="2">55 164</td><td>94</td><td rowspan="2">95</td><td>0,17%</td><td rowspan="2">0,17%</td></tr>
<tr><td>792</td><td>1</td><td>0,13%</td></tr>
<tr><td rowspan="2">Bank Deposit rate stress 30%</td><td rowspan="2">qq change of Bank Deposit rate decreased by 46 bps</td><td>56 672</td><td rowspan="2">57 488</td><td>2 394</td><td rowspan="2">2 419</td><td>4,41%</td><td rowspan="2">4,39%</td></tr>
<tr><td>816</td><td>25</td><td>3,16%</td></tr>
<tr><td rowspan="2">ALL stress 30%</td><td rowspan="2">qq change of GDP growth decreased by 3 bps & of Bank Deposit rate decreased by 46 bps</td><td>56 770</td><td rowspan="2">57 587</td><td>2 492</td><td rowspan="2">2 518</td><td>4,59%</td><td rowspan="2">4,57%</td></tr>
<tr><td>817</td><td>26</td><td>3,29%</td></tr>
</table>

4.1.12. Credit risk of financial derivatives

Credit exposure (or the replacement cost) of derivative financial instruments represents the VUB Group's credit exposure from contracts with a positive fair value, that is, it indicates the estimated maximum potential losses in the event that counterparties fail to perform their obligations. It is usually a small proportion of the notional amounts of the contracts. The credit exposure of each contract is indicated by the credit equivalent calculated pursuant to the generally applicable methodology using the current exposure method and involves the market value of the contract (only if positive, otherwise a zero value is taken into account) and a portion of the nominal value, which indicates the potential change in market value over the term of the contract. The credit equivalent is established depending on the type of contract and its maturity. The VUB Group assesses the credit risk of all financial instruments on a daily basis.

With regard to IFRS 13 which contains a clarification in reference to non-performance risk in determining the fair value of over-the-counter derivatives, the VUB Group uses the bilateral Credit Value Adjustment model ('bCVA'). It takes into account the effects of changes in counterparty credit ratings as well as the changes in own credit rating. The bCVA has two addends, calculated by considering the possibility that both counterparties go bankrupt, known as the Credit Value Adjustment ('CVA') and Debit Value Adjustment ('DVA'):

– The CVA (negative) takes into account scenarios where the counterparty fails before the VUB Group which has a positive exposure to the counterparty. In these scenarios, the VUB Group suffers a loss equal to the cost of replacing/closing the derivative contract,
– The DVA (positive) takes into account scenarios where the VUB Group fails before the counterparty and has a negative exposure to the counterparty. In these scenarios, the VUB Group achieves a gain equal to the cost of replacing/closing the derivative contract.

The bCVA depends on the exposure, probability of default and the loss given default of the counterparties. The VUB Group is selective in its choice of counterparties and sets limits for transactions with customers. The VUB Group takes its own and its counterparties' credit risk into consideration to the extent as it expects from other market participants.

The table below shows the maximum amount of credit risk of derivative financial instruments. To express the maximum amount of credit risk, the fair value of derivative financial assets is increased by the value of the potential credit exposure ('add on') calculated as the nominal value of the derivative financial instrument multiplied by the respective coefficient depending on the type of the instrument. The credit risk of the remaining financial assets not reported in the table below approximates their carrying amounts.

€ '000	2023	2022
Financial assets		
Financial assets at fair value through profit or loss:		
Financial assets held for trading:		
Derivative financial instruments	53 533	(8 336)
Derivatives – Hedge accounting	240 134	419 583
	293 667	411 247

4.2. Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices or foreign exchange rate will affect the VUB Group's income or the value of its holdings of financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

4.2.1. Management of market risk

The VUB Group separates its exposures to market risk between trading ('trading book') and non-trading portfolios ('banking book'). Trading portfolios are held by the Trading sub-department and Sales sub-department and include positions arising from market-making and proprietary position taking. All foreign exchange risk within the VUB Group is transferred each day to the Trading sub-department and forms part of the trading portfolio for risk management purposes. The non-trading portfolios are managed by the sub-department Asset Liability Management ('ALM'), and include all positions which are not intended for trading.

Trading portfolios includes derivative financial instruments used for both trading and hedging and debt securities classified as financial assets held for trading. Financial instruments with non-trading purpose are part of the banking book.

Overall authority for market risk is vested in ALCO. The Risk Management Department is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for their implementation and day-to-day risk monitoring and reporting.

In the normal course of business, the VUB Group enters into derivative financial instrument transactions to hedge its liquidity, foreign exchange and interest rate risks. The VUB Group also enters into proprietary derivative financial transactions for the purpose of generating profits from short-term fluctuations in market prices. The VUB Group operates a system of market risk and counterparty limits, which are designed to restrict exposure to movements in market prices and counterparty concentrations. The VUB Group also monitors adherence to these limits on a daily basis.

4.2.2. Exposure to market risk - trading portfolios

The principal tool used to measure and control market risk exposures within the VUB Group's trading portfolio is Value at Risk ('VaR'). A derivation of VaR is the stress VaR ('sVaR'), which represents maximal VaR of a selected one-year period generating the highest value of VaR during a period of at least the last ten years. The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the VUB Group is based upon a 99% confidence level and assumes a one-day holding period.

The VaR and sVaR models used are based on historical simulations. Taking into account market data from the previous year and in case of sVaR a one-year scenario from at least the last ten years of history and observed relationships between different markets and prices, the models generate a wide range of plausible future scenarios for market price movements evaluated in the model. The VaR model was approved by the NBS as a basis for the calculation of the capital charge for market risk of the trading book.

The VUB Group uses VaR limits for total market risk in the trading book, foreign exchange risk and interest rate risk. The overall structure of VaR and sVaR limits is subject to review and approval by ALCO and Intesa Sanpaolo. VaR is measured on a daily basis. Daily reports of utilisation of VaR and sVaR limits are submitted to the trading unit, the head of the Division Risk Management and the head of the Department Treasury and ALM. Regular summaries are submitted to Intesa Sanpaolo and ALCO.

A summary of the VaR and sVaR position of the VUB Group's trading portfolios:

				2023				2022
€ '000	Balance	Avg	Max	Min	Balance	Avg	Max	Min
Foreign currency risk	36	96	326	11	118	103	197	12
Interest rate risk	62	124	292	62	87	297	546	73
Total VaR	77	161	344	64	154	339	650	71
Total with VaR	235	406	957	125	322	438	977	153

Although VaR is a popular and widely used risk management tool, there are known limitations, among which the following are the most important ones:

- VaR does not measure the worst-case loss, since a 99% confidence interval means that in 1% of cases the loss is expected to be greater than the VaR amount;
- VaR calculated using a one day holding period assumes hedge or disposal of a position within one day, which might not be realistic in the case of a longer illiquid situation on the market.

These limitations are recognized by supplementing VaR limits with other structure position limits. In addition, the VUB Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on the VUB Group's position. Furthermore, integrating the sVaR measure into the VaR concept adds to mitigation of limitations of using historical series and possibly omitting scenarios of an extraordinary nature.

4.2.3. Exposure to interest rate risk in the banking book (IRRBB)

Interest rate risk comprises of the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and the risk that the maturities of interest-earning assets differ from the maturities of interest-bearing liabilities used to fund those assets. The length of time for which the interest rate is fixed for a financial instrument therefore indicates the extent to which it is exposed to interest rate risk.

All the assumptions, methodologies and responsibilities are described in the internal documents 'Guidelines on the Governance of Interest Rate Risk in the Banking Book' and 'Rules on the Measurement and Control of Interest Rate Risk in the Banking Book in VUB Group' which are approved by the Management Board and are consistent with ISP Group IRRBB Guidelines and Rules.

The main risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows and fair values of financial instruments due to a change in market interest rates. Interest rate risk in the banking book is managed mainly through the monitoring of interest rate gaps. Financial instruments are mapped to repricing time buckets either by maturity for fixed rate instruments, or by next repricing date for floating rate instruments. Assets and liabilities that do not have a contractual maturity date are mapped according to internal models based on behavioural assumptions.

The Risk Management Department is responsible for monitoring and reporting of interest rate gaps at least on monthly basis. Interest rate risk in the banking book is measured using shift sensitivity of fair value analysis (change in present value). In line with the ISP Group methodology, the shift sensitivity analysis is performed for baseline, internal stress and regulatory scenarios. Baseline scenarios are defined as the parallel and instantaneous shift of +/-100 basis points of the yield curve and BCBS-like scenarios calibrated based on +100 bps shift of the yield curve. Internal stress scenarios measure the shift sensitivity through the parallel and instantaneous shift of +/-200 basis points. Six regulatory scenarios, as specified in Art. 114 of the EBA/GL/2018/02, include parallel up, parallel down, steepening, flattening, short rates up ad short rates down scenarios.

The sensitivity of the interest margin (net interest income sensitivity) is also measured using baseline, internal stress and regulatory scenarios. The baseline scenario is represented by parallel and instantaneous +/-50 bps shocks in the yield curve, in a period of the following 12 months. Internal stress scenarios include +/-100 bps, +/-200 bps shocks and six regulatory scenarios, mentioned above, are applied as well.

Overall interest rate risk positions in the banking book are managed by the Treasury and ALM Department, which uses different on balance and off-balance sheet instruments to manage the overall positions arising from the banking book activities.

Models applied for the interest rate risk in the banking book calculation

Each financial instrument is allocated to the time bucket based on its contractual or behavioural repricing date.

Contractual

This category includes instruments for which the VUB Group knows exactly when the maturity or next repricing takes place. This treatment is applied mainly to bought and issued securities, received loans and term deposits.

Behavioural

These are items for which it is not exactly known when the maturity or next repricing will take place (e.g. current accounts). There are also some items where the maturity or repricing period is known but it can be assumed that they will behave differently (e.g. prepayments can occur for mortgages and consumer loans). In this case, it is necessary to make certain assumptions to reflect the behavioural characteristics of such items. The assumptions are based on the detailed analysis of the VUB Group's historical time series data and statistical models.

At 31 December 2023, the interest margin sensitivity of the banking book on profit or loss in a one-year time frame, in the event of a 100 basis points rise in interest rates, was €44,914 thousand (31 December 2022: €(56,987) thousand).

At 31 December 2023, the interest margin sensitivity of the banking book on profit or loss in a one-year time frame, in the event of a 100 basis points decline in interest rates, was €(52,561) thousand (31 December 2022: €(47,819) thousand).

At 31 December 2023, the interest rate risk generated by the banking book, measured through shift sensitivity analysis of plus 100 basis points, reached the value of €(13,005) thousand (31 December 2022: €(30,206) thousand).

At 31 December 2023, the interest rate risk generated by the banking book, measured through shift sensitivity analysis of minus 100 basis points, reached the value of €5,450 thousand (31 December 2022: €22,574 thousand).

At 31 December 2023, the sensitivity of the FVOCI reserve in equity related to the non-hedged part of the portfolio to 100 basis points rise in interest rates was € (392) thousand (31 December 2022: € (2,799) thousand).

The re-pricing structure of interest rate bearing financial assets and financial liabilities based on contractual **discounted** cash-flows for the non-trading portfolios was as follows:

2023 €'000	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Interest rate bearing financial assets							
Cash and cash equivalents	3 802 524	-	-	-	-	-	3 802 524
Financial assets at FVTPL (excluding Trading derivatives)	-	-	5	6 327	11 480	(12 829)	4 983
Financial assets at FVOCI	37 877	45 229	105 462	762 280	308 379	158	1 259 385
Financial assets at AC:							
Due from other banks	(3 051)	739	-	49 995	-	187 714	235 397
Due from customers	3 197 827	2 475 734	3 188 023	8 191 677	1 209 954	201 279	18 464 494
	7 035 177	2 521 702	3 293 490	9 010 279	1 529 813	376 322	23 766 783
Interest rate bearing financial liabilities							
Financial liabilities measured at AC:							
Due to banks	(174 149)	(600 917)	(27 408)	(52 761)	-	(109 411)	(964 646)
Due to customers	(7 266 952)	(1 238 276)	(2 992 451)	(4 062 299)	(460 693)	-	(16 020 671)
Lease liabilities	(559)	(1 147)	(4 733)	(10 898)	(970)	-	(18 307)
Subordinated debt	-	(300 487)	-	-	-	-	(300 487)
Debt securities in issue	(250 832)	(541 099)	(16 148)	(2 967 092)	(661 143)	-	(4 436 314)
	(7 692 492)	(2 681 926)	(3 040 740)	(7 093 050)	(1 122 806)	(109 411)	(21 740 425)
Net position of financial instruments	(657 315)	(160 224)	252 750	1 917 229	407 007	266 911	2 026 358
Cumulative net position of financial instruments	(657 315)	(160 224)	252 750	1 917 229	407 007	266 911	2 026 358
	(657 315)	(817 539)	(564 789)	1 352 440	1 759 447	2 026 358	-
Cash inflow from derivatives							
Cash outflow from derivatives	1 429 203	2 437 399	1 942 221	1 955 396	1 024 541	-	8 788 760
Net position from derivatives	(994 193)	(2 483 730)	(1 351 020)	(3 021 568)	(953 091)	-	(8 803 602)
Total net position	435 010	(46 331)	591 201	(1 066 172)	71 450	-	(14 842)
Cumulative total net position	(222 305)	(206 555)	843 951	851 057	478 457	266 911	2 011 516

2022 €'000	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Interest rate bearing financial assets							
Cash and cash equivalents	3 060 496	-	-	-	-	-	3 060 496
Financial assets at FVTPL (excluding Trading derivatives)	-	-	10	-	1 522	2 459	3 991
Financial assets at FVOCI	75 440	71 448	202 156	656 586	421 807	141	1 427 578
Financial assets at AC:							
Due from other banks	13 774	83 097	928	54 902	-	593	153 294
Due from customers	2 703 832	2 096 560	2 539 826	8 792 686	1 173 438	191 588	17 497 930
	5 853 542	2 251 105	2 742 920	9 504 174	1 596 767	194 781	22 143 289
Interest rate bearing financial liabilities							
Financial liabilities measured at AC:							
Due to banks	(266 851)	(554 301)	(34 607)	(149 309)	-	-	(1 005 068)
Due to customers	(8 003 536)	(988 649)	(2 245 285)	(3 733 251)	(437 142)	-	(15 407 863)
Lease liabilities	(566)	(1 142)	(4 775)	(12 044)	(795)	-	(19 322)
Subordinated debt	-	(250 368)	-	-	-	-	(250 368)
Debt securities in issue	(6 507)	(105 280)	(325 063)	(2 694 492)	(652 666)	-	(3 784 008)
	(8 277 460)	(1 899 740)	(2 609 730)	(6 589 096)	(1 090 603)	-	(20 466 629)
Net position of financial instruments	(2 423 918)	351 365	133 190	2 915 078	506 164	194 781	1 676 660
Cumulative net position of financial instruments	(2 423 918)	(2 072 553)	(1 939 363)	975 715	1 481 879	1 676 660	-
Cash inflow from derivatives	2 180 936	3 749 842	2 191 562	2 572 804	1 130 045	-	11 825 189
Cash outflow from derivatives	(1 494 126)	(3 016 504)	(2 298 591)	(3 908 383)	(1 171 246)	-	(11 888 850)
Net position from derivatives	686 810	733 338	(107 029)	(1 335 579)	(41 201)	-	(63 661)
Total net position	(1 737 108)	1 084 703	26 161	1 579 499	464 963	194 781	1 612 999
Cumulative total net position	(1 737 108)	(652 405)	(626 244)	953 255	1 418 218	1 612 999	-

4.2.4. Currency denominations of assets and liabilities

Foreign exchange rate risk comprises the risk that the value of financial assets and financial liabilities will fluctuate due to changes in foreign exchange rates. It is the policy of the VUB Group to manage its exposure to fluctuations in exchange rates through regular monitoring and reporting of open foreign exchange positions and the application of a matrix of position exposure in single currencies and overall position limit.

2023 € '000	EUR	USD	CZK	Other	Total
Financial assets					
Cash and cash equivalents	2 850 914	5 275	939 416	6 919	3 802 524
Financial assets at FVTPL	48 452	4 948	1 401	6 328	61 129
Derivatives – Hedge accounting	178 766	-	3 684	1 227	183 677
Financial assets at FVOCI	1 259 385	-	-	-	1 259 385
Financial assets at AC:					
Due from other banks	235 125	-	(12 340)	12 612	235 397
Due from customers	17 198 854	296 291	706 555	262 794	18 464 494
Fair value changes of the hedged items in portfolio hedge of IRR	(57 405)	-	-	-	(57 405)
	21 714 091	306 514	1 638 716	289 880	23 949 201
Financial liabilities					
Financial liabilities at FVTPL	35 869	595	(117)	103	36 450
Derivatives – Hedge accounting	230 470	957	358	13 875	245 660
Financial liabilities at AC:					
Due to banks	908 308	48	39 368	16 922	964 646
Due to customers	14 152 105	271 793	1 541 137	73 943	16 038 978
Subordinated debt	300 487	-	-	-	300 487
Debt securities in issue	4 436 314	-	-	-	4 436 314
Fair value changes of the hedged items in portfolio hedge of IRR	(11 918)	-	-	-	(11 918)
	20 051 635	273 393	1 580 746	104 843	22 010 617
Net position	1 662 456	33 121	57 970	185 037	1 938 584

Receivables and payables from derivative financial instruments recorded in off-balance sheet:

2023 € '000	EUR	USD	CZK	Other	Total
Receivables	348 181	71 105	102 326	56 796	578 408
Payables	(418 590)	(67 308)	(101 827)	(56 781)	(644 506)
Net position from derivatives	(70 409)	3 797	499	15	(66 098)

2022 € '000	EUR	USD	CZK	Other	Total
Financial assets					
Cash and cash equivalents	2 549 366	4 007	501 879	5 244	3 060 496
Financial assets at FVTPL	55 953	5 025	3 417	-	64 395
Derivatives - Hedge accounting	337 450	-	12 206	2 609	352 265
Financial assets at FVOCI	1 427 578	-	-	-	1 427 578
Financial assets at AC:					
Due from other banks	148 092	999	(944)	5 147	153 294
Due from customers	16 246 404	365 104	691 199	195 223	17 497 930
Fair value changes of the hedged items in portfolio hedge of IRR	(126 410)	-	-	-	(126 410)
	20 638 433	375 135	1 207 757	208 223	22 429 548
Financial liabilities					
Financial liabilities at FVTPL	59 793	1 670	-	-	61 463
Derivatives - Hedge accounting	311 205	2 230	-	2 722	316 157
Financial liabilities at AC:					
Due to banks	910 292	1 153	93 623	-	1 005 068
Due to customers	13 921 240	384 953	1 046 521	74 471	15 427 185
Subordinated debt	250 368	-	-	-	250 368
Debt securities in issue	3 784 008	-	-	-	3 784 008
Fair value changes of the hedged items in portfolio hedge of IRR	(19 536)	-	-	-	(19 536)
	19 217 370	390 006	1 140 144	77 193	20 824 713
Net position	1 421 063	(14 871)	67 613	131 030	1 604 835

Receivables and payables from derivative financial instruments recorded in off-balance sheet:

2022 € '000	EUR	USD	CZK	Other	Total
Receivables	288 290	110 935	75 907	56 793	531 925
Payables	(137 964)	(110 056)	(106 649)	(187 092)	(541 761)
Net position from derivatives	150 326	879	(30 742)	(130 299)	(9 836)

4.2.5. Interest rate benchmark reform

The Interbank offered rate ('IBOR') replacement was one of the major undertakings for the financial services industry during the last years. For the VUB Group the impact was not material and the Bank successfully implemented all changes into its IT system to be fully aligned to the new regulation.

4.3. Liquidity risk

Liquidity risk is defined as the risk that the VUB Group is not able to meet its payment obligations when they fall due caused by its inability to obtain funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk). Normally, the VUB Group is able to cover cash outflows with cash inflows, highly liquid assets and its ability to obtain credit.

The Guidelines for Liquidity Risk Management adopted by the VUB Group outline the set of principles, methods, regulations and control processes required to prevent the occurrence of a liquidity crisis and call for the VUB Group to develop prudent approaches to liquidity management, making it possible to maintain the overall risk profile at low levels.

The basic principles underpinning the Liquidity Policy of the VUB Group are:

- The existence of an operating structure that works within set limits and early warning thresholds and of a control structure that is independent from the operating structure;
- A prudential approach to the estimate of the cash inflow and outflow projections for all the balance sheet and off-balance sheet items, especially those without a contractual maturity;
- An assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time;
- The maintenance of an adequate level of unencumbered high-quality liquid assets in relation to the chosen liquidity risk tolerance threshold, in order to enable ordinary operations, also on an intraday basis.

The VUB Group is regularly stress testing its liquidity position in order to simulate potential stress scenarios. The unencumbered high-quality liquid assets are kept at levels that should support the VUB Group also in case of these extraordinary events. The VUB Group is also able to seek short term funding from the Parent Company or interbank market to support its liquidity position.

All the assumptions, methodologies and responsibilities are described in internal documents 'VUB Liquidity Risk Management Guidelines' and 'VUB Liquidity Risk Management Implementing Procedure', which are approved by the Management Board and are consistent with the ISP Group Liquidity Policy.

The department of the VUB Group responsible for ensuring the correct application of the Liquidity Policy is the Treasury and ALM Department. Liquidity Policy is broken down into three macro areas - 'Short-Term Liquidity', 'Structural Liquidity' and 'Contingency Liquidity Plan' that constitute an integral part of the Internal Liquidity Adequacy Assessment Process. Treasury and ALM Department is responsible for liquidity management whereas the Risk Management Department is responsible for reporting and monitoring of liquidity risk indicators.

The Short-Term Liquidity Management includes a set of parameters, limits and thresholds that enable the measurement, both under normal and stressed market conditions, of liquidity risk exposure over the short term, setting the maximum level of risk to be assumed and ensuring the utmost prudence in its management.

The main regulatory indicator used for monitoring and managing short-term liquidity is the Liquidity Coverage Ratio. It is required by the CRR Regulation, more precisely defined in Delegated Regulation (EU) 2015/61. The purpose of Liquidity Coverage Ratio is to ensure that the Bank maintains an adequate stock of unencumbered high quality liquid assets (HQLA) to cover its short-term net cash outflows under stressed conditions lasting 30 calendar days.

The Structural Liquidity Management of the VUB Group incorporates a set of measures and limits designed to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities, essential for the strategic planning of liquidity management. This involves the adoption of internal limits for the transformation of maturity dates aimed at preventing the medium to long-term operations from giving rise to excessive imbalances to be financed in the short term. The main regulatory indicator used for monitoring and managing structural liquidity is the Net Stable Funding Ratio (NSFR). It is required by the CRR Regulation. The Net Stable Funding Ratio shall be equal to the ratio of the institution's available stable funding to the institution's required stable funding.

Together with the Short-Term and Structural Liquidity Management, the Guidelines provide for the management methods of a potential liquidity crisis, defined as a situation of difficulty or inability of the VUB Group to meet its cash commitments falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration.

The Contingency Liquidity Plan sets the objectives of safeguarding the VUB Group's capital and, at the same time, guarantees the continuity of operations under conditions of extreme liquidity emergency. It also ensures the identification of the pre-warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and intervention measures for the resolution of emergencies. The pre-warning indices, aimed at identifying signs of a potential liquidity strain, both systemic and specific, are continuously recorded and reported to the departments responsible for the management and monitoring of liquidity risk.

The liquidity position of the VUB Group is regularly presented by the Risk Management Department and discussed during the ALCO meetings.

The table below shows an analysis of assets and liabilities (**discounted** cash flow basis) according to when they are expected to be recovered or settled:

2023 € '000	Less than 12 months	Over 12 months	Total
Assets			
Cash and cash equivalents	3 802 524	-	3 802 524
Financial assets at FVTPL	10 138	50 991	61 129
Derivatives – Hedge accounting	11 847	171 830	183 677
Financial assets at FVOCI	63 426	1 195 959	1 259 385
Financial assets at AC:			
Due from other banks	152 626	82 771	235 397
Due from customers	3 620 738	14 843 756	18 464 494
Fair value changes of the hedged items in portfolio hedge of IRR	-	(57 405)	(57 405)
Investments in subsidiaries, joint ventures and associates	-	719	719
Property and equipment	-	120 534	120 534
Intangible assets	-	183 516	183 516
Goodwill	-	29 305	29 305
Current income tax assets	-	-	-
Deferred income tax assets	-	62 056	62 056
Other assets	39 219	-	39 219
Non-current assets classified as held for sale	1 551	-	1 551
	7 702 069	16 684 032	24 386 101
Liabilities			
Financial liabilities at FVTPL	(12 631)	(23 819)	(36 450)
Derivatives – Hedge accounting	(5 163)	(240 497)	(245 660)
Financial liabilities measured at AC:			
Due to banks	(282 497)	(682 149)	(964 646)
Due to customers	(2 019 706)	(14 000 965)	(16 020 671)
Lease liabilities	(6 439)	(11 868)	(18 307)
Subordinated debt	(487)	(300 000)	(300 487)
Debt securities in issue	(808 078)	(3 628 236)	(4 436 314)
Fair value changes of the hedged items in portfolio hedge of IRR	-	11 918	11 918
Current income tax liabilities	(46 839)	-	(46 839)
Provisions	-	(23 960)	(23 960)
Other liabilities	(155 748)	(4 413)	(160 161)
	(3 337 588)	(18 903 989)	(22 241 577)
Net position	4 364 481	(2 219 956)	2 144 524

2022 € '000	Less than 12 months	Over 12 months	Total
Assets			
Cash and cash equivalents	3 060 496	-	3 060 496
Financial assets at FVTPL	11 505	52 890	64 395
Derivatives – Hedge accounting	22 504	329 761	352 265
Financial assets at FVOCI	247 741	1 179 837	1 427 578
Financial assets at AC:			
Due from other banks	39 941	113 353	153 294
Due from customers	3 274 076	14 223 854	17 497 930
Fair value changes of the hedged items in portfolio hedge of IRR	-	(126 410)	(126 410)
Investments in subsidiaries, joint ventures and associates	-	1 885	1 885
Property and equipment	-	121 404	121 404
Intangible assets	-	198 671	198 671
Goodwill	-	29 305	29 305
Current income tax assets	441	-	441
Deferred income tax assets	-	50 446	50 446
Other assets	35 717	-	35 717
Non-current assets classified as held for sale	5 946	-	5 946
	6 698 367	16 174 996	22 873 363
Liabilities			
Financial liabilities at FVTPL	-	-	-
Derivatives – Hedge accounting	(1 293)	(314 864)	(316 157)
Financial liabilities measured at AC:			
Due to banks	(216 589)	(788 479)	(1 005 068)
Due to customers	(2 104 912)	(13 302 951)	(15 407 863)
Lease liabilities	(6 359)	(12 963)	(19 322)
Subordinated debt	(368)	(250 000)	(250 368)
Debt securities in issue	(436 637)	(3 347 371)	(3 784 008)
Fair value changes of the hedged items in portfolio hedge of IRR	-	19 536	19 536
Current income tax liabilities	(24 231)	-	(24 231)
Provisions	-	(18 888)	(18 888)
Other liabilities	(131 023)	(4 413)	(135 436)
	(2 936 405)	(18 066 864)	(21 003 268)
Net position	3 761 962	(1 891 868)	1 870 094

The remaining maturities of assets and liabilities based on contractual **undiscounted** cash-flows were as follows:

2023 € '000	Up to 1 month*	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Financial assets							
Cash and cash equivalents	3 802 524	-	-	-	-	-	3 802 524
Financial assets at FVTPL (excl. Trading derivatives)	-	375	-	8 444	13 642	4 964	27 425
Financial assets at FVOCI	36 398	24 018	11 734	989 341	363 254	158	1 424 903
Financial assets at AC							
Due from other banks	162 654	(1)	(719)	47 707	77 269	-	286 910
Due from customers	1 668 038	543 713	1 737 774	7 592 663	10 892 974	9 827	22 444 989
	5 669 614	568 105	1 748 789	8 638 155	11 347 139	14 949	27 986 751
Financial liabilities							
Financial liabilities measured at AC:							
Due to banks	(122 377)	(110 759)	(91 192)	(690 875)	(139 108)	-	(1 154 311)
Due to customers	(13 336 636)	(1 134 341)	(1 439 571)	(157 636)	-	-	(16 068 184)
Lease liabilities	(552)	(1 102)	(4 089)	(10 987)	(1 944)	-	(18 674)
Subordinated debt	-	(4 501)	(18 123)	(243 752)	(55 494)	-	(321 870)
Debt securities in issue	(251 250)	(544 656)	(53 626)	(3 219 287)	(741 987)	-	(4 810 806)
	(13 710 815)	(1 795 359)	(1 606 601)	(4 322 537)	(938 533)	-	(22 373 845)
Net position of financial instruments	(8 041 201)	(1 227 254)	142 188	4 315 618	10 408 606	14 949	5 612 906
Cash inflows from derivatives	181 178	10 323	88 426	151 068	-	-	430 995
Cash outflows from derivatives	(181 344)	(10 486)	(89 368)	(151 072)	-	-	(432 270)
Net position from derivatives	(166)	(163)	(942)	(4)	-	-	(1 275)
Net position from financial commitments and contingencies	(5 334 144)	-	-	-	-	-	(5 334 144)

2022 € '000	Up to 1 month*	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Financial assets							
Cash and cash equivalents	3 060 496	-	-	-	-	-	3 060 496
Financial assets at FVTPL (excl. Trading derivatives)	-	-	-	110	2 423	4 075	6 608
Financial assets at FVOCI	75 494	71 726	108 697	828 177	518 140	141	1 602 375
Financial assets at AC							
Due from other banks	39 532	12 957	11 722	120 846	576	-	185 633
Due from customers	1 392 618	511 674	1 579 896	7 233 255	10 976 605	18 163	21 712 211
	4 568 140	596 357	1 700 315	8 182 388	11 497 744	22 379	26 567 323
Financial liabilities							
Financial liabilities measured at AC:							
Due to banks	(102 966)	(167 760)	(28 881)	(829 395)	(110 003)	-	(1 239 005)
Due to customers	(13 553 070)	(961 370)	(788 629)	(126 241)	-	-	(15 429 310)
Lease liabilities	(552)	(1 102)	(4 089)	(10 987)	(1 944)	-	(18 674)
Subordinated debt	-	(3 340)	(17 610)	(271 420)	(73 158)	-	(365 528)
Debt securities in issue	(3 589)	(107 238)	(340 095)	(2 859 825)	(801 390)	-	(4 112 137)
	(13 660 177)	(1 240 810)	(1 179 304)	(4 097 868)	(986 495)	-	(21 164 654)
Net position of financial instruments	(9 092 037)	(644 453)	521 011	4 084 520	10 511 249	22 379	5 402 669
Cash inflows from derivatives	210 827	45 320	84 339	94 632	-	-	435 118
Cash outflows from derivatives	(211 876)	(46 102)	(85 637)	(95 856)	-	-	(439 471)
Net position from derivatives	(1 049)	(782)	(1 298)	(1 224)	-	-	(4 353)
Net position from financial commitments and contingencies	(5 821 308)	-	-	-	-	-	(5 821 308)

* The high negative liquidity gap in the first bucket is caused by a huge volume of deposits on demand (without contractual maturity) which are presented under 'Due to customers'. For the purpose of internal liquidity management monitoring, the behavioural profile of on-demand deposits is taken into account based on a statistical model using internal historical data. Such deposits are then placed into later buckets (see the previous table) according to when they are expected to be settled.

4.4. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk and compliance risk, model risk, information and communication technology risk and financial reporting risk; strategic and reputational risks are not included. Operational risk can arise from legal and regulatory requirements, non-compliance with generally accepted standards of corporate behaviour and from all of the VUB Group's operations.

4.4.1. Operational risk management strategies and processes

The VUB Group, in coordination with Intesa Sanpaolo, has defined the overall operational risk management framework by setting up a VUB Group policy and organisational process for measuring, managing and controlling operational risk.

The control of operational risk was attributed to the Operational Risk Committee, which identifies risk management policies. The Supervisory and Management Boards of the VUB Group ensure the functionality, efficiency and effectiveness of the risk management and controls system.

The Operational Risk Committee (composed of the heads of the areas of the governance centre (Chief Executive Officer, Deputy Chief Executive Officer) and of the business areas more involved in operational risk management (voting members: CRO, CFO, COO, Head of Compliance and AML Department; permanent invitees without voting rights: Head of Corporate & SME Division, Head of Retail Division, Head of Risk Management Department, Head of Legal Department, Head of Human Resources & Organization Department, Head of Information Security sub-department) is tasked with periodically reviewing the VUB Group's overall operational risk profile, authorising any corrective actions, coordinating and monitoring the effectiveness of the main mitigation activities and approving the operational risk transfer strategies.

4.4.2. Organisational structure of the associated risk management function

For some time, the VUB Group has had a centralised function within the Risk Management Division for the management of the VUB Group's operational risks. This function is responsible, in coordination with the Parent Company, for the definition, implementation and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to senior Management. In compliance with current requirements, the individual organisational units participate in the process and each of them is responsible for the identification, assessment, management and mitigation of its operational risks. Specific offices and departments have been identified within these organisational units to be responsible for Operational Risk Management. These functions are responsible for the collection and structured census of information relating to operational events, scenario analyses and evaluation of the level of risk associated with the business environment, including information and communication technology risk. The Risk Management Division carries out second level monitoring of these activities.

4.4.3. Scope of application and characteristics of the risk measurement and reporting system

In February 2010 upon the VUB Group's request, the Bank, as part of the VUB Group, received from the relevant Supervisory authorities an approval to use and thus adopted the Advanced Measurement Approach ('AMA'), for Operational Risk management and measurement. Part of this decision was an approval of the insurance effect inclusion, as well as approval of a new allocation mechanism, which led to fulfilment of a regulatory condition for the approval of diversification usage. In June 2013, the Bank, as part of the VUB Group, received an approval to use and thus adopted the AMA for the subsidiary VUB Leasing, a.s. The dissolution of VUB Leasing effective as of January 1, 2022 (and the merger of the individual portfolios into VUB, a.s. and VUB Operating Leasing, a.s.) did not affect the consolidated AMA perimeter, as VUB Operating Leasing, a.s. as the successor company to VUB Leasing, a.s., has fully assumed the operational risk management framework, thus ensuring full compliance with internal and external regulatory requirements for the purposes of calculating the own funds requirement under the AMA approach.

For the use of the AMA, the VUB Group has set up, in addition to the corporate governance mechanisms required by the Supervisory regulations, a system for the management of operational risk certified by the process of annual self-assessment carried out by the Bank and the subsidiary VUB Operating Leasing, a. s. that fall within the scope of AMA. This process is verified by the Internal Audit Department. Relevant reports are submitted to the relevant Bank's Committee for the annual certification of compliance with the requirements established by the regulation.

Under the AMA approach, the capital requirement is calculated by an internal model, which combines all elements stipulated in Supervisory regulation, allowing to measure the exposure in a more risk-sensitive way. Monitoring of operational risks is performed by an integrated reporting system, which provides management with the information necessary for the management and/or mitigation of the operational risk.

For VUB Generali VUB Group has applied the Basic Indicator Approach (BIA) as of December 2022.

4.4.4. Policies for hedging and mitigating risk

The VUB Group, in coordination with its Parent Company, has set up a traditional operational risk transfer policy (insurance) aimed at mitigating the impact of any unexpected losses. The AMA calculation does include the benefit from this transfer of operational risk through insurance policies, which contributes to reducing the risk capital calculated through the internal models.

5. Estimated fair value of financial assets and financial liabilities

See accounting policy in note 3.4.7.

The VUB Group uses the following fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1: inputs represented by quoted prices (unadjusted) in active markets for identical assets or liabilities accessible by the VUB Group as at the measurement date;

Level 2: inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the assets or liabilities to be measured; and

Level 3: inputs unobservable for the asset or liability.

The highest priority is attributed to effective market quotes (level 1) for the valuation of assets and liabilities or for similar assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (level 2) and the lowest priority to unobservable inputs (level 3). Following this hierarchy, where available, fair value estimates made by the VUB Group are based on quoted market prices. However, no readily available market prices exist for a significant portion of the VUB Group's financial instruments. In circumstances where the quoted market prices are not readily available, fair value is estimated using discounted cash flow models or other pricing models as appropriate.

Under level 2, the principal valuation technique used by the VUB Group for debt instruments involves the method of discounting future cash flows. The calculation takes into account the time value of money (risk free rate of interest) and the credit risk expressed in the form of credit spreads applied to the bonds' yield and representing the risk premium the investor claims against a risk-free investment. In the case of derivative financial instruments, the VUB Group uses standard fair value calculation models based on the principal net present value using the yield curve to discount all future cash flows from derivatives for all relevant currencies. The principal input parameters used by the models comprise interest rate curves, volatility curves, spot and forward prices and the correlation between underlying assets. Changes in underlying assumptions, including discount rates and estimated future cash flows, affect the estimates significantly. The VUB Group also considers its own and counterparty's credit risk.

The valuation technique defined for a financial instrument is adopted over time and is modified only following significant changes in market conditions or the subjective conditions related to the issuer of the financial instrument. The VUB Group monitors the occurrence of these changes and accordingly reassesses the classification into the fair value hierarchy. For determining the timing of the transfers between the levels, the VUB Group uses the end of the reporting period as the day when the transfer is deemed to have occurred.

In estimating the fair value of the VUB Group's financial instruments, the following methods and assumptions were used:

(a) Cash and cash equivalents

The carrying values of cash and cash equivalents are deemed to approximate their fair value.

(b) Due from other banks

The fair value of due from other banks balances with maturities more than one year is estimated using discounted cash flow analyses, based upon the risk-free interest rate curve. For maturities up to one year and not significant balances, the carrying amounts of amounts due from other banks approximate their fair value.

(c) Due from customers

The fair value of loans and advances to customers is estimated using discounted cash flow analyses, based upon the risk-free interest rate curve and risk reflecting credit-worthiness of the counterparty. Impairment losses are taken into consideration when calculating fair values.

(d) Purchased debt securities and equities

The carrying values of cash and cash equivalents are deemed to approximate their fair value.

(e) Due to banks and Due to customers

The carrying amounts of due to banks approximate their fair value. The fair value of due to customers is estimated by discounting their future expected cash flows using the risk-free interest rate curve.

(f) Subordinated debt

The fair value of subordinated debt is discounted using the risk-free interest rate curve and own credit risk.

(g) Debt securities in issue

The fair value of debt securities issued by the VUB Group is based on quoted market prices. Where no market prices are available, the fair value was calculated by discounting future cash flows using the risk-free interest rate curve adjusted by credit spreads reflecting the credit quality of VUB as the issuer.

2023		Carrying amount						Fair value
	Note	At amortised cost	At fair value	Total carrying amount	Level 1	Level 2	Level 3	Total fair value
Financial assets								
Cash and cash equivalents	7	3 802 524	-	3 802 524	-	3 802 524	-	3 802 524
Financial assets at FVTPL	8	-	61 129	61 129	4 983	56 146	-	61 129
Derivatives – Hedge accounting	9	-	183 677	183 677	-	183 677	-	183 677
Financial assets at FVOCI	10	-	1 259 385	1 259 385	1 246 633	109	-	1 246 742
Financial assets at AC:	11	-	-	-	-	-	-	-
Due from other banks		235 397	-	235 397	-	235 397	-	235 397
Due from customers		18 464 494	-	18 464 494	-	584 422	18 921 068	19 505 490
		22 502 415	1 504 191	24 006 606	1 251 616	4 862 275	18 921 068	25 034 959
Financial liabilities								
Financial liabilities at FVTPL	8	-	36 450	36 450	-	36 450	-	36 450
Derivatives – Hedge accounting	9	-	245 660	245 660	-	245 660	-	245 660
Financial liabilities at AC:	11							
Due to banks		964 646	-	964 646	-	964 646	-	964 646
Due to customers		16 020 671	-	16 020 671	-	16 010 131	-	16 010 131
Lease liabilities		18 307	-	18 307	-	18 307	-	18 307
Subordinated debt		300 487	-	300 487	-	339 816	-	339 816
Debt securities in issue		4 436 314	-	4 436 314	-	4 392 794	-	4 392 794
		21 740 425	282 110	22 022 535	-	22 007 804	-	22 007 804

2022				Carrying amount				Fair value
	Note	At amortized cost	At fair value	Total carrying amount	Level 1	Level 2	Level 3	Total fair value
Financial assets								
Cash and cash equivalents	7	3 060 496	-	3 060 496	-	3 060 496	-	3 060 496
Financial assets at FVTPL	8	-	64 395	64 395	3 991	60 404	-	64 395
Derivatives - Hedge accounting	9	-	352 265	352 265	-	352 265	-	352 265
Financial assets at FVOCI	10	-	1 427 578	1 427 578	1 412 238	102	-	1 412 340
Financial assets at AC:	11	-	-	-	-	-	-	-
Due from other banks		153 294	-	153 294	-	153 294	-	153 294
Due from customers		17 497 930	-	17 497 930	-	220 133	17 662 869	17 883 002
		20 711 720	1 844 238	22 555 958	1 416 229	3 846 694	17 662 869	22 925 792
Financial liabilities								
Financial liabilities at FVTPL	8	-	61 463	61 463	-	61 463	-	61 463
Derivatives - Hedge accounting	9	-	316 157	316 157	-	316 157	-	316 157
Financial liabilities at AC:	11							
Due to banks		1 005 068	-	1 005 068	-	1 005 068	-	1 005 068
Due to customers		15 407 863	-	15 407 863	-	15 394 552	-	15 394 552
Lease liabilities		19 322	-	19 322	-	19 322	-	19 322
Subordinated debt		250 368	-	250 368	-	289 008	-	289 008
Debt securities in issue		3 784 008	-	3 784 008	-	3 636 835	-	3 636 835
		20 466 629	377 620	20 844 249	-	20 722 405	-	20 722 405

There were no transfers of financial instruments among the levels during 2023 and 2022.

6. Segment reporting

The VUB Group reports financial and descriptive information about its operating segments in the financial statements. An operating segment is a component of the VUB Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the VUB Group), whose operating results are regularly reviewed by the VUB Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and for which separate financial information is available.

The VUB Group operates in three operating segments - Retail Banking, Corporate Banking and Central Treasury. Each segment is exposed to different risks and differs in the nature of its services, business processes and types of customers for its products and services.

For all segments the VUB Group reports a measure of segment assets along with liabilities and income and expense items, a reconciliation of total reportable segment revenues, total profit or loss, total assets, liabilities and other amounts disclosed for reportable segments to corresponding amounts in the VUB Group's financial statements.

Most of the transactions of the VUB Group are related to the Slovak market. However, the group operates also on the Czech market via a foreign subsidiary in Prague performing activities especially in corporate banking and Treasury.

Operating segments pay and receive interest to and from the Central Treasury on an arm's length basis in order to reflect the costs of funding.

Retail Banking includes loans, deposits and other transactions and balances with households, sole traders and small business segment.

Corporate Banking comprises SME, the Corporate Customer Desk ('CCD'), Municipalities and Public Sector Entities. SME includes complex loan structures, deposits and other transactions and balances with SME (company revenue up to €50 million; if revenue information is not available, bank account turnover is used). The CCD includes complex loan structures, deposits and other transactions and balances with large corporate customers (company revenue over €50 million).

Central Treasury ensures the VUB Group's funding, the issuance of debt securities as well as transactions related to the trading book.

The VUB Group reported in the column Other a Central Governance Centre that manages the VUB Group's premises, equity investments and own equity funds as well as Risk Management that operates the workout loan portfolio. Unclassified items are also reported within this column.

2023 € '000	Retail Banking	Corporate Banking	Central Treasury	Total reportable segments	Other	Total
External revenue:						
Interest and similar income	285 389	342 991	253 166	881 546	(7 611)	873 935
Interest and similar expense	(37 100)	(151 102)	(150 967)	(339 169)	(18 674)	(357 843)
Inter-segment revenue	64 857	(17 567)	(117 366)	(70 076)	70 076	-
Net interest income	313 146	174 322	(15 167)	472 301	43 791	516 092
Net fee and commission income (note 25)	123 950	42 207	1 064	167 221	8 748	175 969
Dividend income	-	-	-	-	-	-
Net trading result	6 383	6 873	5 341	18 597	(7 603)	10 994
Other operating income	(6 531)	5 008	(1 497)	(3 020)	9 367	6 347
Other operating expense	(9 082)	(2 212)	19	(11 275)	(17 647)	(28 922)
Salaries and employee benefit	(53 127)	(13 339)	(861)	(67 327)	(74 865)	(142 192)
Other administrative expenses*	-	746	222	968	(85 756)	(84 788)
Amortisation	(7 918)	(762)	(6)	(8 686)	(19 182)	(27 868)
Depreciation	(1 962)	(1 889)	9	(3 842)	(9 856)	(13 698)
Profit before provisions,impairment and tax	364 859	210 954	(10 876)	564 937	(153 003)	411 934
Net modification gains or losses	-	-	-	-	98	98
Provisions*	-	-	-	-	(3 062)	(3 062)
Impairment losses	(28 938)	(32 760)	(9 931)	(71 629)	(968)	(72 597)
Net (loss)/ gain arising from the derecognition of financial assets at amortised cost	7 939	282	-	8 221	(355)	7 866
Profit before tax	343 860	178 476	(20 807)	501 529	(157 290)	344 239
Segment assets	11 054 774	7 457 255	5 230 224	23 742 253	643 848	24 386 101
Segment liabilities	10 099 438	6 913 716	4 767 292	21 780 446	461 131	22 241 577

* The Bank does not allocate these items to the individual segments.

2022 € '000	Retail Banking	Corporate Banking	Central Treasury	Total reportable segments	Other	Total
External revenue:						
Interest and similar income	200 719	187 603	27 680	416 002	20 612	436 614
Interest and similar expense	(6 522)	(42 062)	(26 749)	(75 333)	(25 337)	(100 670)
Inter-segment revenue	3 990	(16 468)	6 479	(5 999)	5 999	-
Net interest income	198 187	129 073	7 410	334 670	1 274	335 944
Net fee and commission income (note 25)	123 378	40 773	710	164 861	(1 810)	163 051
Dividend income	-	-	-	-	-	-
Net trading result	6 268	7 842	(3 968)	10 142	529	10 671
Other operating income	(4 859)	6 421	(1 602)	(40)	40 269	40 229
Other operating expense	(22 198)	(2 441)	19	(24 620)	(14 734)	(39 354)
Salaries and employee benefit	(49 604)	(12 770)	(705)	(63 079)	(64 374)	(127 453)
Other administrative expenses*	-	626	206	832	(77 303)	(76 471)
Amortisation	(7 044)	(563)	-	(7 607)	(11 186)	(18 793)
Depreciation	(2 579)	(2 015)	13	(4 581)	(9 053)	(13 634)
Profit before provisions, impairment and tax	241 549	166 946	2 083	410 578	(136 388)	274 190
Net modification gains or losses	-	-	-	-	14	14
Provisions*	-	-	-	-	(296)	(296)
Impairment losses	(53 449)	(13 337)	(257)	(67 043)	(9 763)	(76 806)
Net (loss)/ gain arising from the derecognition of financial assets at amortized cost	12 028	2 063	-	14 091	(362)	13 729
Profit before tax	200 128	155 672	1 826	357 626	(146 795)	210 831
Segment assets	10 485 304	7 201 298	4 585 021	22 271 623	601 740	22 873 363
Segment liabilities	9 646 340	6 622 254	4 314 731	20 583 325	419 943	21 003 268

* The Bank does not allocate these items to the individual segments.

7. Cash and cash equivalents

'Cash and cash equivalents' comprise the following balances:

€ '000	2023	2022
Cash in hand	224 138	188 375
Balances at central banks:		
Compulsory minimum reserves	239 168	169 104
Current accounts	2	1
Term deposits	2 459 473	2 303 949
Loans and advances	849 221	373 437
	3 547 856	2 846 491
Due from other banks:		
Current accounts	30 530	25 630
	3 802 524	3 060 496

8. Financial assets and financial liabilities at fair value through profit or loss

€ '000	2023	2022
Financial assets held for trading:		
Trading derivatives	38 334	58 872
Equity instruments	-	-
Government debt securities of European Union countries	17 812	1 532
	56 146	60 404
Non-trading financial assets at fair value through profit or loss:		
Equity instruments	4 983	3 991
Financial liabilities held for trading:		
Trading derivatives	36 450	61 463

Equities in 'Non-trading financial assets at fair value through profit or loss' are represented by shares of Intesa Sanpaolo S. p. A. and they form the part of the incentive plan introduced by the Parent Company in line with the Capital Directive ‚CRD III' (i.e. Directive 2010/76/EU amending the Capital Requirements Directives). The VUB Group did not elect the option to present these at FVOCI.

During the accounting year 2023, VUB Group held in its assets the shares of the parent company (Art. 22, Sec. 3 of the Act no. 431/2002 Coll. on Accounting, as amended), Intesa Sanpaolo S.p.A. (ISP), with its registered office at Piazza San Carlo 156, Turin, Italy, ISIN IT0000072618, book-entered registered ordinary shares, with a nominal value of € 0,52 each, in a total number of 235,507 shares. This represents 0.03% of the nominal value of the bank's registered capital. These shares have been acquired by the Bank in order to adopt and implement ISP Group Remuneration Policies in line with the Capital Directive 'CRD V' (i.e. Directive 2019/878/EU, amending the Capital Requirements Directives). In 2023, the Bank transferred 11,472 shares in accordance with ISP Group Remuneration Policies.

The VUB Group is not aware of any information about the agreements between owners of securities, which may lead to the restrictions of transferability of securities and limitations of the rights to vote and during the reporting period.

€ '000	2023 Assets	2022 Assets	2023 Liabilities	2022 Liabilities
Trading derivatives – Fair values				
Interest rate instruments:				
Forwards and swaps	35 586	55 616	32 048	54 596
Options	64	97	38	62
	35 650	55 713	32 086	54 658
Foreign currency instruments:				
Forwards and swaps	2 200	2 852	3 657	6 503
Options	482	92	482	91
	2 682	2 944	4 139	6 594
Equity and commodity instruments:				
Commodity forwards and swaps	2	215	1	211
	2	215	1	211
	38 334	58 872	36 226	61 463

€ '000	2023 Assets	2022 Assets	2023 Liabilities	2022 Liabilities
Trading derivatives – Notional values				
Interest rate instruments:				
Forwards and swaps	1 445 862	1 964 282	1 445 884	1 964 282
Options	57 090	73 073	57 090	73 073
Futures	-	1 556	-	1 556
	1 502 952	2 038 911	1 502 974	2 038 911
Foreign currency instruments:				
Forwards and swaps	349 371	406 523	350 788	411 118
Options	3 090	15 916	3 090	15 916
	352 461	422 439	353 878	427 034
Equity and commodity instruments:				
Commodity forwards and swaps	-	2 276	-	2 276
	-	2 276	-	2 276
	1 855 413	2 463 626	1 856 852	2 468 221

9. Derivatives - Hedge accounting

€ '000	2023 Assets	2022 Assets	2023 Liabilities	2022 Liabilities
Cash flow hedge related to foreign currency risk	-	-	34	-
Fair value hedges related to interest rate, foreign currency and inflation risk	183 677	352 265	245 626	316 157
	183 677	352 265	245 660	316 157

9.1. Cash flow hedge related to foreign currency risk

The bank uses one currency forward to hedge the currency risk of an expected future transaction when transferring the economic result in CZK from the VÚB Prague branch to VÚB Bratislava, in the amount of 742,959 thousand CZK. The maturity of this hedging instrument is 12 January 2024. Due to the nature of the business, hedging inefficiency is not expected.

2023 € '000	Assets Fair value	Assets Fair value	Liabilities Notional value	Liabilities Notional value	Change in fair value used for calculating hedge ineffective-ness	Ineffective-ness recognised in profit or loss
Micro hedges						
Foreign currency instruments:						
Cash flow hedge in foreign currency	-	34	30 000	30 050	-	-

9.2. Fair value hedges of interest rate, foreign currency and inflation risk as of date of preparation of the financial statements

2023 € '000	Assets Fair values	Liabilities Fair values	Assets Notional values	Liabilities Notional values	Change in fair value used for calculating hedge ineffective-ness	Ineffectiveness recognised in profit or loss
Micro hedges						
Interest rate instruments:						
Swaps						
Hedge of debt securities at FVOCI	75 594	31 264	1 438 000	1 438 000	(54 568)	-
Hedge of corporate loans	10 111	358	260 550	260 550	(13 179)	(54)
Hedge of loans received from EIB	-	4 367	50 000	50 000	2 251	15
Hedge of covered bonds	66 091	170 729	3 372 400	3 372 400	83 325	-
Hedge of state bonds HTC	-	5 786	99 600	99 600	(5 940)	(1)
Foreign currency instruments:						
Swaps						
Hedge of corporate loans	1 227	957	87 606	89 970	(1 811)	-
Hedge of corporate bonds at AC	-	9 071	115 273	121 903	(1 302)	-
Macro hedges						
Interest rate instruments:						
Swaps						
Hedge of mortgage loans	29 439	5 177	1 104 000	1 104 000	(37 981)	812
Hedge of corporate bonds at AC	-	4 803	77 444	81 807	(21)	-
Hedge of current accounts	1 215	13 114	211 500	211 500	7 650	32

2022 € '000	Assets Fair values	Liabilities Fair values	Assets Notional values	Liabilities Notional values	Change in fair value used for calculating hedge ineffective-ness	Ineffectiveness recognized in profit or loss
Micro hedges						
Interest rate instruments:						
Swaps						
Hedge of debt securities at FVOCI	126 491	24 211	1 408 200	1 408 200	96 703	-
Hedge of corporate loans	23 284	-	341 988	341 988	17 861	(46)
Hedge of loans received from EIB	-	6 330	50 000	50 000	(5 445)	15
Hedge of covered bonds	69 792	261 343	3 292 400	3 292 400	(211 307)	-
Foreign currency instruments:						
Swaps						
Hedge of corporate loans	2 609	2 230	87 606	91 205	9 249	-
Hedge of corporate bonds at AC	-	2 722	38 817	40 378	(647)	-
Macro hedges						
Interest rate instruments:						
Swaps						
Hedge of mortgage loans	130 089	-	3 830 400	3 830 400	127 783	(511)
Hedge of current accounts	-	19 321	166 500	166 500	(22 298)	53
Hedge of reverse REPO	-	-	-	-	150	70

The amounts relating to items designated as hedged items were as follows:

2023 € '000	Line item in SOFP	Carrying amount	Accumulated amount of fair value adjustments included in carrying amount	Change in fair value used for calculating hedge ineffective-ness	Fair value adjustment after termination of hedging relationship*
Micro hedges					
Debt securities at FVOCI	Financial assets at FVOCI	1 115 294	-	54 568	183
Corporate loans	Financial assets at AC:				
	Due from customers	350 520	(15 407)	14 936	(332)
Corporate bonds at AC	Financial assets at AC:				
	Due from customers	193 994	-	1 302	-
State bonds at AC	Financial assets at AC:				
	Due from customers	100 845	-	5 939	-
Loans received from EIB	Financial assets at AC:				
	Due to banks	50 000	(3 769)	2 236	(223)
Covered bonds	Financial liabilities at AC:				
	Debt securities in issue	2 177 161	(109 406)	83 325	(11 869)
Macro hedges					
Mortgage loans	Financial assets at AC:				
	Due from customers	1 104 000	(26 437)	38 793	(26 935)
Current accounts	Financial liabilities at AC:				
	Due to customers	211 500	(11 918)	7 618	-
Reverse REPO	Financial assets at AC:				
	Loans and advances to banks	81 807	(4 033)	21	-

* Interest rate risk hedging of covered bonds is sometimes closed before the original maturity of the interest rate swap. The reason is that the Interest rate risk position of the VUB Group changed in a way, which required more fixed rate liabilities. And since the originally fixed rate covered bonds were in the past swapped into float rate, these swaps were early terminated in order to achieve the required interest risk position of the VUB Group.

2022 € '000	Line item in SOFP	Carrying amount	Accumulated amount of fair value adjustments included in carrying amount	Change in fair value used for calculating hedge ineffective-ness	Fair value adjustment after termination of hedging relationship*
Micro hedges					
Debt securities at FVOCI	Financial assets at FVOCI	1 114 137	-	(96 703)	233
Corporate loans	Financial assets at AC:				
	Due from customers	433 193	(34 397)	(27 156)	(963)
Corporate bonds at AC	Financial assets at AC:				
	Due from customers	-	-	647	-
Loans received from EIB	Financial assets at AC:				
	Due to banks	50 000	(6 005)	(5 460)	-
Covered bonds	Financial liabilities at AC:				
	Debt securities in issue	2 308 346	(192 731)	(211 307)	3 070
Macro hedges					
Mortgage loans	Financial assets at AC: Due from customers	3 830 400	(126 425)	(128 294)	15
Current accounts	Financial liabilities at AC:				
	Due to customers	-	(19 536)	(22 351)	-
Reverse REPO	Financial assets at AC:				
	Loans and advances to banks	166 500	-	(80)	-

* Interest rate risk hedging of covered bonds is sometimes closed before the original maturity of the interest rate swap. The reason is that the Interest rate risk position of the VUB Group changed in a way, which required more fixed rate liabilities. And since the originally fixed rate covered bonds were in the past swapped into float rate, these swaps were early terminated in order to achieve the required interest risk position of the VUB Group.

Maturity of notional values of hedging instruments designated as fair value hedges and their average interest rates:

			2023
€ '000	Less than 1 year	1 - 5 years	More than 5 years
Interest rate instruments:			
Swaps			
Hedge of debt securities at FVOCI	47 400	816 000	318 600
	(0,01)%	1,06%	0,98%
Hedge of corporate loans	23 089	237 461	-
	3,31%	2,93%	-
Hedge of corporate bonds at AC	81 807	-	-
	0,00%	-	-
Hedge of state bonds at AC	-	-	99 600
	-	-	3,25%
Hedge of mortgage loans	-	1 104 000	-
	-	1,68%	-
Hedge of loans received from EIB	-	50 000	-
	-	(0,26)%	-
Hedge of current accounts	-	112 500	99 000
	-	0,64%	2,29%
Hedge of covered bonds	788 000	1 016 500	367 900
	1,75%	0,15%	0,88%
Foreign currency instruments:			
Swaps			
Hedge of corporate loans	-	89 970	-
	-	2,63%	-
Hedge of corporate bonds at AC	-	121 903	-
	-	0,00%	-

€ '000	Less than 1 year	1 - 5 years	2022 More than 5 years
Interest rate instruments:			
Swaps			
Hedge of debt securities at FVOCI	80 200	531 900	490 100
	(0,39)%	(0,04)%	0,71%
Hedge of corporate loans	85 733	256 254	-
	0,26%	2,84%	-
Hedge of mortgage loans	1 277 000	2 472 000	81 400
	(0,16)%	0,57%	1,72%
Loans received from EIB	-	50 000	-
	-	(0,26) %	-
Hedge of current accounts	-	112 500	54 000
	-	0,64%	(0,01)%
Hedge of covered bonds	170 000	1 824 500	367 900
	0,78 %	1.02 %	0,88 %
Foreign currency instruments:			
Swaps			
Hedge of corporate loans	-	91 206	-
	-	2,63%	-
Hedge of corporate bonds at AC	-	40 378	-
	-	0,00%	-

10. Financial assets at fair value through other comprehensive income

€ '000	2023	2022
Government debt securities of European Union countries	832 403	1 149 424
of which Italian government debt securities	*102 228*	*198 699*
Bank debt securities	396 602	249 297
Other debt securities	30 221	28 716
Equity instruments:	-	-
Visa Inc. Series A Preferred Stock	-	-
Visa Inc. Series C Preferred Stock	-	-
Intesa Sanpaolo S.p.A.	50	39
S.W.I.F.T.	109	102
	159	141
	1 259 385	1 427 578

At 31 December 2023, the bonds in the total nominal amount of €717,000 thousand were pledged by the Bank to secure collateralized transactions (31 December 2022: €1,404,950 thousand). These bonds were pledged in favour of the ECB within the pool of assets which can be immediately used as collateral for received funds needed for liquidity management purposes.

11. Financial assets and financial liabilities at amortized cost

11.1. Due from other banks

€ '000	Note	2023	2022
Term deposits:			
with contractual maturity over 90 days		4 670	6 036
Loans and advances:			
with contractual maturity over 90 days		126 412	137 296
Cash collateral		109 424	10 327
Impairment losses	21	(5 109)	(365)
		235 397	153 294

11.2. Due from customers

2023 € '000	Gross amount	Impairment losses (note 21)	Carrying amount
Corporate			
Financial corporations			
Loans	658 612	(171)	658 441
Overdrafts	17 735	(2)	17 733
Credit cards	4	-	4
Debt securities	359 687	(72)	359 615
Leasing	33	-	33
	1 036 071	(245)	1 035 826
Non-financial corporations			
Loans	5 051 299	(110 602)	4 940 697
Mortgages	10 377	(521)	9 856
Overdrafts	853 937	(23 581)	830 356
Credit Cards	1 665	(144)	1 521
Factoring	143 295	(1 077)	142 218
Debt securities	124 500	(209)	124 291
Leasing	198 221	(5 851)	192 370
	6 383 294	(141 985)	6 241 309
	7 419 365	(142 230)	7 277 135
Retail			
Loans	1 605 652	(136 317)	1 469 335
Mortgages	9 301 541	(81 722)	9 219 819
Overdrafts	94 132	(5 853)	88 279
Credit Cards	88 199	(2 500)	85 699
Factoring	53	-	53
Leasing	11 766	(414)	11 352
	11 101 343	(226 806)	10 874 537
Public administration			
Loans	205 780	(3 256)	202 524
Overdrafts	2 605	(2)	2 603
Credit Cards	4	-	4
Debt securities	106 799	(15)	106 784
Leasing	907	-	907
	316 095	(3 273)	312 822
	18 836 803	(372 309)	18 464 494

2022 - restated € '000	Gross amount	Impairment losses (note 21)	Carrying amount
Corporate:			
Financial corporations			
Loans	486 919	(158)	486 761
Overdrafts	20 941	(3)	20 938
Debt securities	261 018	(80)	260 938
Reserve Fund	6 400	-	6 400
Leasing	31	-	31
	775 309	(241)	775 068
Non-financial corporations			
Loans	4 656 983	(97 769)	4 559 214
Mortgages	13 335	(777)	12 558
Overdrafts	959 414	(25 566)	933 848
Factoring	161 177	(1 205)	159 972
Debt securities	147 033	(919)	146 114
Leasing	198 717	(11 598)	187 119
	6 136 659	(137 834)	5 998 825
	6 911 968	(138 075)	6 773 893
Retail			
Loans	1 452 801	(133 782)	1 319 019
Mortgages	9 110 231	(75 344)	9 034 887
Overdrafts	96 016	(7 146)	88 870
Credit Cards	94 092	(11 102)	82 990
Factoring	47	-	47
Leasing	12 871	(681)	12 190
	10 766 058	(228 055)	10 538 003
Public administration			
Loans	185 950	(1 681)	184 269
Overdrafts	1 099	(2)	1 097
Leasing	669	(1)	668
	187 718	(1 684)	186 034
	17 865 744	(367 814)	17 497 930

2022 - original € '000	Gross amount	Impairment losses (note 21)	Carrying amount
Public administration			
State administration	79 706	(647)	79 059
Municipalities	110 386	(991)	109 395
Municipalities - Leasing	339	(1)	338
	190 431	(1 639)	188 792
Corporate			
Large Corporates	2 686 235	(24 014)	2 662 221
Large Corporates - debt securities	147 032	(919)	146 113
Specialized Lending	929 074	(27 863)	901 211
SME	1 822 103	(44 068)	1 778 035
Other Non-banking Financial Institutions	450 373	(138)	450 235
Other Non-banking Financial Institutions - debt securities	261 018	(80)	260 938
Public Sector Entities	3 360	(1)	3 359
Leasing	164 571	(8 233)	156 338
Factoring	161 224	(1 192)	160 032
	6 624 990	(106 508)	6 518 482
Retail			
Small Business	538 250	(42 260)	495 990
Small Business - Leasing	42 742	(3 908)	38 834
Consumer Loans	1 295 641	(139 995)	1 155 646
Mortgages	8 965 879	(55 820)	8 910 059
Credit Cards	97 179	(10 919)	86 260
Overdrafts	66 573	(6 396)	60 177
Leasing	4 634	(138)	4 496
Flat Owners Associations	39 426	(232)	39 194
	11 050 324	(259 668)	10 790 656
	17 865 745	(367 815)	17 497 930

At 31 December 2023, the 20 largest corporate customers represented a total balance of €1,375,123 thousand (31 December 2022: €1,418,666 thousand), respectively 7.45% (31 December 2022: 8.11%) of the total loan portfolio.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

€ '000	2023	2022
Up to one year	-	-
one to two years	80 462	84 013
two to three years	61 076	56 253
three to four years	40 231	41 365
four to five years	22 626	21 958
Over five years	11 044	9 876
	9 709	8 229
Unearned future finance income on finance leases	225 148	221 694
Impairment losses	(14 220)	(9 409)
	(6 266)	(12 279)

11.3. Due to banks

€ '000	2023	2022
Due to central banks:		
Current accounts	849	964
Loans received from central banks	61 622	59 610
	62 471	60 574
Due to other banks:		
Current accounts	109 978	100 060
Term deposits	13 531	8 639
Loans received from other banks	780 595	839 440
Revaluation of fair value hedged loans received	(3 769)	(6 005)
Cash collateral received	1 840	2 360
	902 175	944 494
	964 646	1 005 068

At 31 December 2023, 'Loans received from central banks' contains one loans from National Bank of Slovakia in the nominal amount of €60,000 thousand. The interest rate for these loans was 4% and the maturity is in 2024. The principal and interests are due at maturity of the loans.

The breakdown of 'Loans received from other banks' according to the counterparty is presented below:

€ '000	2023	2022
Intesa Sanpaolo S. p. A.	651 205	751 459
European Investment Bank	126 524	83 294
European Bank for Reconstruction and Development	2 866	4 687
	780 595	839 440

The disclosure of changes arising from cash flows and non-cash changes in liabilities arising from financing activities:

2023			Cash flow		Non-cash changes		
€ '000	1 January	Proceeds	Repayments	Accruals	Revaluation	Other	31 December
Loans received from other banks (including revaluation)	839 440	50 000	(108 687)	3 611	(3 769)	-	780 595

2022			Cash flow		Non-cash changes		
€ '000	1 January	Proceeds	Repayments	Accruals	Revaluation	Other	31 December
Loans received from other banks (including revaluation)	699 280	350 000	(205 294)	1 459	(6 005)	-	839 440

11.4. Due to customers

€ '000	2023	2022
Current accounts	10 062 267	10 828 356
Term deposits	5 150 250	3 475 387
Government and municipal deposits	551 089	812 724
Savings accounts	119 282	167 748
Loans received	-	-
Other deposits	137 783	123 648
	16 020 671	15 407 863

11.5. Lease liabilities

€ '000	2023	2022
Lease liabilities	18 307	19 322

The disclosure of changes arising from cash flows and non-cash changes in liabilities arising from financing activities:

2023		Cash flow		Non-cash changes			
€ '000	1 January	Proceeds	Repayments	Accruals	Revaluation	Other	31 December
Lease liabilities	19 322	5 723	(6 738)	-	-	-	18 307

2022		Cash flow		Non-cash changes			
€ '000	1 January	Proceeds	Repayments	Accruals	Revaluation	Other	31 December
Lease liabilities	19 133	7 042	(6 853)	-	-	-	19 322

11.6. Subordinated debt

€ '000	2023	2022
Subordinated debt	300 487	250 368

The balance of the subordinated debt as of December 31, 2023 consisted of two loans from INTESA SANPAOLO SPA with a total nominal value of 100,000 ths. EUR with maturities in 2032 and 2033 and interest rates of 7.366% and 7.211% and one loan from Intesa Sanpaolo Holding International in the nominal value of 200,000 ths. EUR with maturity in 2026 and an interest rate of 7.201%.

(At 31 December 2022, the balance of subordinated debt comprised of one loan from INTESA SANPAOLO SPA in the nominal amount of €50,000 thousand with maturity in 2032 and interest rate of 5.552% and of one loan from Intesa Sanpaolo Holding International in the nominal amount of €200,000 thousand with maturity in 2026 and interest rate of 5.366%.)

In accordance with the loan agreement, the loan may be used as an unsecured liability to pay the bank's debts and may not be repaid before all claims of the bank's unsubordinated creditors have been paid.

The disclosure of changes arising from cash flows and non-cash changes in liabilities arising from financing activities:

2023 € '000	1 January	Cash flow Proceeds	Repayments	Accruals	Non-cash changes Revaluation	Other	31 December
Subordinated debt	250 368	50 000	-	119	-	-	300 487

2022 € '000	1 January	Cash flow Proceeds	Repayments	Accruals	Non-cash changes Revaluation	Other	31 December
Subordinated debt	200 150	250 000	(200 000)	218	-	-	250 368

11.7. Debt securities in issue

€ '000	2023	2022
Covered bonds	2 380 428	1 665 323
Covered bonds subject to fair value hedges	2 177 161	2 308 346
	4 557 589	3 973 669
Revaluation of fair value hedged covered bonds	(109 406)	(192 731)
Unamortized part of revaluation related to terminated fair value hedges	(11 869)	3 070
	4 436 314	3 784 008

The repayment of covered bonds is funded by the mortgage loans denominated in EUR provided to customers of the VUB Group (note 11.2.) and debt securities in FVOCI portfolio (note 10).

The disclosure of changes arising from cash flows and non-cash changes in liabilities arising from financing activities:

2023 € '000	1 January	Cash flow Proceeds from issue	Repayments	Accruals	Non-cash changes Revaluation	Other	31 December
Covered bonds	3 784 008	1 000 000	(420 000)	181 712	(109 406)	-	4 436 314

2022 € '000	1 January	Cash flow Proceeds from issue	Repayments	Accruals	Non-cash changes Revaluation	Other	31 December
Covered bonds	3 829 056	500 000	(300 000)	15 781	(260 829)	-	3 784 008

12. Fair value changes of the hedged items in portfolio hedge of interest rate risk

€ '000	2023	2022
Financial assets at AC:		
Due from other banks:		
Loans and advances	-	-
Due from customers:		
Retail - Mortgages	(53 372)	(126 410)
Corporate - Loans and advances	(4 054)	-
Corporate - Debt securities	21	-
Financial liabilities at AC:		
Due to customers	(11 918)	(19 536)

13. Investments in joint ventures and associates

2023 € '000	Share	Cost	Revaluation	Carrying amount
Monilogi, s.r.o.	30,00%	2 387	0	616
Slovak Banking Credit Bureau, s. r. o.	33,33%	3	100	103
		2 390	100	719

2022 € '000	Share	Cost	Revaluation	Carrying amount
Monilogi, s.r.o.	30,00%	1 787	-	1 787
Slovak Banking Credit Bureau, s. r. o.	33,33%	3	95	98
		1 790	95	1 885

Monilogi and Slovak Banking Credit Bureau are associates of the VUB Group for which **equity method of consolidation** is used. The companies are incorporated in the Slovak Republic.

14. Property and equipment and Non-current assets classified as held for sale

2023 € '000	Owned and used	Owned and leased	Right-of-use	Total
Buildings and land	74 542	-	15 979	90 521
Equipment	5 349	281	-	5 630
Other tangibles	1 449	8 217	2 030	11 696
Assets in progress	11 258	2 981	-	14 239
	92 598	11 479	18 009	122 086

2022 € '000	Owned and used	Owned and leased	Right-of-use	Total
Buildings and land	76 823	-	16 621	93 444
Equipment	5 602	141	-	5 743
Other tangibles	1 025	11 791	2 425	15 241
Assets in progress	12 871	51	-	12 922
	96 321	11 983	19 046	127 350

2023 € '000	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost or fair value					
At 1 January	117 817	37 074	43 358	12 922	211 171
Revaluation	(3 409)	-	-	-	(3 409)
Additions	5 638	21	28	9 089	14 776
Disposals	(8 186)	(4 154)	(6 134)	-	(18 474)
Transfers	5 252	1 263	1 256	(7 772)	(1)
Exchange differences	(24)	(2)	(1)	-	(27)
At 31 December	117 088	34 202	38 507	14 239	204 036
Accumulated depreciation					
At 1 January	(24 261)	(31 331)	(27 796)	-	(83 388)
Revaluation	3 329	-	-	-	3 329
Depreciation for the year	(9 310)	(1 380)	(3 008)	-	(13 698)
Disposals	3 762	4 136	4 232	-	12 130
Exchange differences	7	3	-	-	10
At 31 December	(26 473)	(28 572)	(26 572)	-	(81 617)
Impairment losses (note 21)					
At 1 January	(112)	-	(321)	-	(433)
Creation	-	-	(18)	-	(18)
Release	18	-	100	-	118
At 31 December	(94)	-	(239)	-	(333)
Carrying amount					
At 1 January	93 444	5 743	15 241	12 922	127 350
At 31 December	90 521	5 630	11 696	14 239	122 086

2022 € '000	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost or fair value					
At 1 January	113 201	46 372	45 665	6 470	211 708
Revaluation	(1 570)	-	-	-	(1 570)
Additions from merger	394	123	115	-	632
Additions	6 063	54	583	11 728	18 428
Disposals	(1 982)	(9 712)	(5 392)	-	(17 086)
Contribution to Monilogi	-	(955)	(8)	-	(963)
Transfers	1 695	1 187	2 394	(5 276)	-
Exchange differences	16	5	1	-	22
At 31 December	117 817	37 074	43 358	12 922	211 171
Accumulated depreciation					
At 1 January	(19 561)	(40 186)	(28 161)	-	(87 908)
Revaluation	3 307	-	-	-	3 307
Additions from merger	(184)	(106)	(44)	-	(334)
Depreciation for the year	(8 733)	(1 573)	(3 328)	-	(13 634)
Disposals	912	9 692	3 729	-	14 333
Contribution to Monilogi	-	846	8	-	854
Exchange differences	(2)	(4)	-	-	(6)
At 31 December	(24 261)	(31 331)	(27 796)	-	(83 388)
Impairment losses (note 21)					
At 1 January	(326)	-	(362)	-	(688)
Creation	-	-	(315)	-	(315)
Release	214	-	356	-	570
At 31 December	(112)	-	(321)	-	(433)
Carrying amount					
At 1 January	93 314	6 186	17 142	6 470	123 112
At 31 December	93 444	5 743	15 241	12 922	127 350

Of which owned and leased property and equipment:

2023 € '000	Equipment	Other tangibles	Assets in progress	Total
Cost				
At 1 January	165	19 492	51	19 708
Additions	-	-	3 616	3 616
Disposals	-	(4 473)	(56)	(4 529)
Transfers	256	373	(629)	-
At 31 December	421	15 392	2 982	18 795
Accumulated depreciation				
At 1 January	(24)	(7 380)	-	(7 404)
Depreciation for the year	(116)	(2 150)	-	(2 266)
Disposals	-	2 593	-	2 593
At 31 December	(140)	(6 937)	-	(7 077)
Impairment losses				
At 1 January	-	(321)	-	(321)
Creation	-	(18)	-	(18)
Release	-	100	-	100
At 31 December	-	(239)	-	(239)
Carrying amount				
At 1 January	141	11 791	51	11 983
At 31 December	281	8 216	2 982	11 479

2022 € '000	Equipment	Other tangibles	Assets in progress	Total
Cost				
At 1 January	299	20 998	-	21 297
Additions	-	-	2 515	2 515
Disposals	(283)	(3 777)	-	(4 060)
Transfers	149	2 271	(2 464)	(44)
At 31 December	165	19 492	51	19 708
Accumulated depreciation				
At 1 January	(246)	(6 942)	-	(7 188)
Depreciation for the year	(59)	(2 551)	-	(2 610)
Disposals	281	2 113	-	2 394
At 31 December	(24)	(7 380)	-	(7 404)
Impairment losses				
At 1 January	-	(362)	-	(362)
Creation	-	(315)	-	(315)
Release	-	356	-	356
At 31 December	-	(321)	-	(321)
Carrying amount				
At 1 January	53	13 694	-	13 747
At 31 December	141	11 791	51	11 983

Of which right-of-use assets:

2023 € '000	Buildings and land	Other tangibles	Total
Cost			
At 1 January	37 672	3 319	40 991
Additions from merger	-	-	-
Additions	5 638	26	5 664
Disposals	(3 503)	-	(3 503)
Exchange differences	(24)	(1)	(25)
At 31 December	39 783	3 344	43 127
Accumulated depreciation			
At 1 January	(21 051)	(894)	(21 945)
Additions from merger	-	-	-
Depreciation for the year	(6 234)	(421)	(6 655)
Disposals	3 474	1	3 475
Exchange differences	7	-	7
At 31 December	(23 804)	(1 314)	(25 118)
Carrying amount			
At 1 January	16 621	2 425	19 046
At 31 December	15 979	2 030	18 009

2022 € '000	Buildings and land	Other tangibles	Total
Cost			
At 1 January	32 506	2 735	35 241
Additions from merger	394	-	394
Additions	6 063	583	6 646
Disposals	(1 304)	-	(1 304)
Exchange differences	13	1	14
At 31 December	37 672	3 319	40 991
Accumulated depreciation			
At 1 January	(15 788)	(487)	(16 275)
Additions from merger	(184)	-	(184)
Depreciation for the year	(6 285)	(405)	(6 690)
Disposals	1 207	(2)	1 205
Exchange differences	(1)	-	(1)
At 31 December	(21 051)	(894)	(21 945)
Carrying amount			
At 1 January	16 718	2 248	18 966
At 31 December	16 621	2 425	19 046

For 'Buildings and land' the VUB Group uses the revaluation model for subsequent measurement. Management determined that these constitute one class of asset based on the nature, characteristics and risks. The VUB Group uses the income method, using market rents and yields as key inputs. Fair values are based on valuations performed by an accredited independent valuer. The revaluation model aligned the book value to the current market value. Level 3 revaluation was recognized due to significant unobservable estimated valuation inputs. During July 2023, the VUB Group updated the revaluation of buildings and land to their current market value.

Significant part of branch premises that the VUB Group uses is a result of sale and leaseback transactions. These leasebacks are recognized as rights of use assets and lease liabilities. Average lease term of these premises was estimated to four years.

In 2023 the VUB Group reviewed the carrying amount of its property and equipment. An impairment test was carried out to determine the recoverable amount. The recoverable amount is determined with reference to the fair value less costs to sell or the value in use, if determinable and if it is higher than fair value. For property and equipment other than buildings and land is assumed that the carrying amount normally corresponds to the value in use, since it is determined by a depreciation process estimated on the basis of the effective contribution of the asset to the production process and since the determination of fair value is extremely subjective. The two values diverge and lead to impairment in case of damages, exit from the production process or other similar non-recurring circumstances. The VUB Group measures buildings and land according to the revaluation model; in this case, any impairment loss on a revalued asset must be treated as a decrease in the revaluation up to the relevant amount, after which any difference is taken to the income statement. As a result of the impairment test the VUB Group recognized release of impairment loss in the amount of 18 thousand EUR (31 December 2022: release of impairment loss in amount of € 136 thousand).

If 'Buildings and land' were measured using the cost model, the carrying amounts would be, as follows:

€ '000	2023	2022
Cost	108 695	107 082
Accumulated depreciation	(58 975)	(57 447)
Impairment losses	(94)	(112)
	49 626	49 523

The VUB Group held in its portfolio of non-current assets classified as held for sale buildings and land in the amount of:

€ '000	2023	2022
Cost	1 714	6 385
Accumulated depreciation	(82)	(360)
Impairment losses	(79)	(79)
	1 553	5 946

At 31 December 2023, the gross book value of fully depreciated tangible assets that are still used by the VUB Group amounted to €50,080 thousand (31 December 2022: €59,030 thousand).

There are no restrictions on title and no 'Property and equipment' is pledged as security for liabilities.

At 31 December 2023, the amount of irrevocable contractual commitments for the acquisition of tangible assets was € nil thousand (31 December 2022: € nil thousand).

The VUB Group's insurance program covers all standard risks to tangible and intangible assets (theft, robbery, natural hazards, vandalism and other damages).

15. Intangible assets

2023 € '000	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January	316 458	90 541	68 673	475 672
Additions from merger	-	-	-	-
Additions	113	-	7 423	7 536
Disposals	(4)	(26)	-	(30)
Transfers	42 061	-	(42 061)	-
Exchange differences	(25)	-	-	(25)
At 31 December	358 603	90 515	34 035	483 153
Accumulated amortisation				
At 1 January	(255 609)	(10 969)	-	(266 578)
Additions from merger	-	-	-	-
Amortization for the year	(25 009)	(2 859)	-	(27 868)
Disposals	4	-	-	4
Exchange differences	22	-	-	22
At 31 December	(280 592)	(13 828)	-	(294 420)
Impairment losses (note 21)				
At 1 January	-	-	(10 423)	(10 423)
Creation	-	(5 217)	-	(5 217)
Release	-	-	10 423	10 423
31.december	-	(5 217)	-	(5 217)
Carrying amount				
At 1 January	60 849	79 572	58 250	198 671
At 31 December	78 011	71 470	34 035	183 516

2022 € '000	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January	305 778	10 729	61 575	378 082
Additions from merger	2 466	79 811	178	82 455
Additions	19	-	16 209	16 228
Disposals	(1 124)	-	-	(1 124)
Transfers	9 290	-	(9 289)	1
Exchange differences	29	1	-	30
At 31 December	316 458	90 541	68 673	475 672
Accumulated amortization				
At 1 January	(236 760)	(10 474)	-	(247 234)
Additions from merger	(1 649)	-	-	(1 649)
Amortisation for the year	(18 299)	(494)	-	(18 793)
Disposals	1 125	-	-	1 125
Exchange differences	(26)	(1)	-	(27)
At 31 December	(255 609)	(10 969)	-	(266 578)
Impairment losses				
At 1 January	-	-	-	-
Release	-	-	(10 423)	(10 423)
31.december	-	-	(10 423)	(10 423)
Carrying amount				
At 1 January	69 018	255	61 575	130 848
At 31 December	60 849	79 572	58 250	198 671

The acquisition of assets mainly includes the development of new software applications and the costs of technical evaluation of software that have not yet been put into use.

At 31 December 2023, the gross book value of fully amortized intangible assets that are still used by the VUB Group amounted to €179,025 thousand (31 December 2022: €162,210 thousand).

At 31 December 2023, the amount of irrevocable contractual commitments for the acquisition of intangible assets was € nil thousand (31 December 2022: € nil thousand).

16. Goodwill

€ '000	2023	2022
Retail Banking	18 871	18 871
VÚB Leasing, a. s.	10 434	10 434
	29 305	29 305

VUB Group has identified three cash-generating units - retail Banking, corporate Banking and Central Treasury, which also represent operating segments used in segment reporting (note 6). VUB Leasing, was part of the corporate Banking operating segment. Each represents the smallest group of assets generating independent cash inflows and also the minimum level monitored by the Bank for planning and reporting processes.

The calculation is based on the same procedures as for the impairment test of investments in subsidiaries and associated companies (note 13).

During the merger of Consumer Finance Holding, a. s. to the Bank in 2018 goodwill belonging to Consumer Finance Holding, a. s. was also merged into the Bank. The Bank assigned this goodwill to the cash-generating unit Retail Banking, as Consumer Finance Holding, a. s., worked in the field of consumer loans.

During the division of VUB Leasing (note 2.3), goodwill belonging to the company VUB Leasing was recognized in the Bank. This goodwill is further assessed within the corporate Banking segment.

The VUB Group uses CAPM for impairment testing, using cash flow projections based on the most recent financial budgets approved by senior management covering a budgeted five-year period. The discount rates applied to future cash flow projections beyond the five-year period are adjusted by the projected growth rate. Both discount rates and growth rates are determined on ISP Group level specifically for the Slovak market.

Investments in subsidiaries, joint ventures and associates are tested for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. No impairment losses were created during 2023 neither 2022.

The following rates are used by the VUB Group:

€ '000	2023	2022
Pre-tax discount rate - cash flows	11,74%	10,32%
Pre-tax discount rate - terminal value	12,42%	11,32%
Projected growth rate	4,55%	4,55%

The calculation considers the following key assumptions:

– interest margins - the development of margins and volumes by product line,
– discount rates - based on CAPM,
– market share during the budget period,
– projected growth rates used to extrapolate cash flows beyond the budget period,
– current local GDP,
– local inflation rates.

17. Current and deferred income tax assets and liabilities

€ '000	2023	2022
Current income tax assets	-	441
Deferred income tax assets	62 056	50 446
Current income tax liabilities	46 839	24 231

Deferred income taxes are calculated on all temporary differences using a tax rate of 21% (31 December 2022: 21%) as follows:

€ '000	2023	Profit/ (loss) (note 34)	Equity	VUBL and DSS Generali Merger	Exchange rate differences	2022
Derivative financial instruments - CF Hedge	7	-	7	-	-	-
Financial assets at FVOCI	5 138	-	(1 284)	-	-	6 422
Financial assets at AC:						
Due from other banks	1 072	997	-	-	-	75
Due from customers	63 173	7 785	-	-	21	55 367
Property and equipment	(12 206)	890	356	-	-	(13 452)
Intangible assets	(12 869)	1 596	-	6	-	(14 471)
Other assets	7	-	-	-	-	7
Financial liabilities at AC:						
Lease liabilities	3 788	(225)	-	-	-	4 013
Provisions	3 224	304	-	-	-	2 920
Other liabilities	13 283	1 664	-	-	-	11 619
Other	(2 561)	(516)	9	-	-	(2 054)
	62 056	12 495	(912)	6	21	50 446

18. Other assets

€ '000	Note	2023	2022
Operating receivables and advances		21 667	19 078
Prepayments and accrued income		18 820	16 244
Other tax receivables		1 274	2 597
Settlement of operations with financial instruments		1 027	680
Inventories		311	365
Other		257	186
Receivables from termination of leasing		5	14
Impairment losses	21	(4 142)	(3 447)
		39 219	35 717

19. Provisions

€ '000	Note	2023	2022
Financial guarantees and commitments	21	16 888	14 407
Litigation	23	6 872	3 831
Restructuring provision		-	470
Other provisions		200	180
		23 960	18 888

2023 € '000	Note	1 January	Net creation/ release	Use	31 December
Litigation	23, 32	3 831	3 045	(4)	6 872
Restructuring provision	32	470	-	(470)	-
Other provisions	32	180	20	-	200
		4 481	3 065	(474)	7 072

2022 € '000	Note	1 January	Net creation/ release	Use	31 December
Litigation	23, 32	3 715	120	(4)	3 831
Restructuring provision	32	900	352	(782)	470
Other provisions	32	-	180	-	180
		4 615	652	(786)	4 481

20. Other liabilities

€ '000	2023	2022
Various creditors	73 524	52 491
NCI options schemes	38 059	38 396
Settlement with employees	31 775	28 804
Severance and Jubilee benefits	4 413	4 413
Accruals and deferred income	3 344	2 799
VAT payable and other tax payables	3 063	772
Settlement of operations with financial instruments	2 523	4 159
Share remuneration scheme	574	429
Settlement with shareholders	358	678
Investment certificates	276	359
Other	2 252	2 136
	160 161	135 436

At 31 December 2023 and 31 December 2022 there were no overdue balances in 'Other liabilities'.

Severance and Jubilee benefits are discounted to determine their present value. The discount rate is determined by reference to yield curve on Slovak government bonds with a fifteen years duration that represents the period which is closest to the average benefit duration. The calculation is performed using the Projected Unit Credit Method. For the calculation the VUB Group used an average turnover rate which is based on historical data on employees' turnover at the Bank for the last three years. The average age-specific turnover rate is calculated as the ratio of number of terminations and the average number of employees. All employees are covered by the retirement and jubilee employee benefits program.

The movements in social fund liability presented within 'Settlement with employees' were as follows:

2023 € '000	1 January	Creation (note 31)	Use	31 December
Social fund	566	4 645	(4 414)	797

2023 € '000	1 January	Creation (note 31)	Use	31 December
Social fund	1 525	3 147	(4 105)	567

21. Movements in impairment losses and provisions for financial guarantees and commitments

2023 € '000	Note	1 January	Net creation/ release (note 33)	Assets Written off/sold	Exchange difference	Other*	31 December
Financial assets at FVOCI		276	(44)	-	-	-	232
Financial assets at AC:	11						
Due from other banks		365	4 751	-	(7)	-	5 109
Due from customers		367 815	61 140	(54 483)	(2 253)	90	372 309
Impairment losses according to IFRS 9		368 456	65 847	(54 483)	(2 260)	90	377 650
Financial guarantees and commitments	19	14 407	734	-	1 747	-	16 888
Impairment losses and provisions according to IFRS 9		382 863	66 581	(54 483)	(513)	90	394 538
Property and equipment and Non–current assets classified as held for sale	14	10 856	5 135	(10 441)	-	-	5 550
Other assets	18	3 447	881	(82)	1	(105)	4 142
Total impairment losses and provisions for financial guarantees and commitments		397 166	72 597	(65 006)	(512)	(15)	404 230

* 'Other' contains the interest portion (unwinding of interest).

2022 € '000	Note	1 January	Net creation/ release (note 33)	Assets Written off/sold	Exchange difference	Other*	31 December
Financial assets at FVOCI		329	(53)	-	-	-	276
Financial assets at AC:	11						
Due from other banks		109	256	-	-	-	365
Due from customers		346 586	74 084	(51 672)	(1 183)	-	367 815
Impairment losses according to IFRS 9		347 024	74 287	(51 672)	(1 183)	-	368 456
Financial guarantees and commitments	19	20 447	(7 326)	-	1 286	-	14 407
Impairment losses and provisions according to IFRS 9		367 471	66 961	(51 672)	103	-	382 863
Property and equipment and Non-current assets classified as held for sale	14	687	10 381	(213)	1	-	10 856
Other assets	18	3 473	(536)	-	510	-	3 447
Total impairment losses and provisions for financial guarantees and commitments		371 631	76 806	(51 885)	614	-	397 166

* 'Other' contains the interest portion (unwinding of interest).

22. Equity

€ '000	2023	2022
Share capital – authorised, issued and fully paid:		
80 additional shares of 1mio EUR/each issued in 2023	80 000	-
89 ordinary shares of € 3 319 391,89 each, not traded	295 426	295 426
4 078 108 ordinary shares of € 33,2 each, publicly traded	135 393	135 393
	510 819	430 819
Share premium	13 719	13 719
Reserves	91 714	89 324
Other capital funds	8 464	8 464
Retained earnings (excluding net profit for the year)	1 256 063	1 158 247
	1 880 779	1 700 573

The registered share capital of VÚB, a.s. amounts to €510,819,063.81 and was created by the contribution of the founder designated in the deed of foundation as of the day of its establishment.

The registered share capital is divided into 4,078,108 book-entered registered shares, each having the nominal value of €33,20, 89 book-entered registered shares, each having the nominal value of €3,319,391.89 and 80 book-entered registered shares, each having the nominal value of €1,000,000.00.

In accordance with the law and statutes of the VUB Group, the VUB Group is obliged to contribute at least 10% of its annual net profit to the 'Legal reserve fund' until it reaches 20% of the share capital. Usage of the 'Legal reserve fund' is restricted by the law and the fund can be used for the coverage of the losses of the VUB Group.

€ '000	2023	2022
Net profit for the year attributable to shareholders in € '000	263 745	169 522

The rights and responsibilities of shareholders are set out in the legal regulations and the Articles of Association of the Bank. The right of a shareholder to participate in the management of the Bank, the right to a share of the profits and the right to a share of the liquidation balance, in the event of the winding up of the Bank with liquidation, are attached to a registered share. Each shareholder is entitled to attend the General Meeting, to vote, to request information and seek explanations and submit proposals. The number of votes allocated to each shareholder is determined by the ratio of the nominal value of its share to the amount of registered capital. A shareholder may exercise the shareholder rights attached to book-entered shares at the General Meeting if the shareholder is entitled to exercise these rights as of the decisive date specified in the invitation to the General Meeting. The exercise of a shareholder's voting rights may only be restricted or suspended by the law. The shares are freely transferable by registration of transfer in line with relevant regulation. The General Meeting of the Bank as the main decision-making body of the Bank is entitled to decide on share issues or on the acquisition of the Bank's own shares.

Information about the bank's shareholders is published quarterly, within 30 days of the end of the given quarter. The given data are as of December 31, 2023. The structure of shareholders is as follows:

€ '000	2023	2022
Intesa Sanpaolo Holding International S. A.	100,00 %	100,00 %

Detail of the shares issued by VUB:

Security name:	Shares of VÚB, a. s., 1
Total issue amount	EUR 135,393,185.60
Type, form of security	Ordinary registered shares in book-entry form
Number and nominal value per share	4,078,108 shares per EUR 33.20
ISIN	SK1110001437 series 01, 02, 03, 04, 05, 06
Share in capital%	26.51%
Admitted / not admitted for trading	Not admitted for trading

Security name:	Shares of VÚB, a. s., 2
Total issue amount	EUR 295,425,878.21
Type, form of security	Ordinary registered shares in book-entry form
Number and nominal value per share	89 shares per EUR 3,319,391.89
ISIN	SK1110003573 series 01
Share in capital%	57.83%
Admitted / not admitted for trading	Not admitted for trading

Security name:	Shares of VÚB, a. s., 3
Total issue amount	EUR 80,000,000.00
Type, form of security	Ordinary registered shares in book-entry form
Number and nominal value per share	80 shares per EUR 1,000,000.00
ISIN	SK1000026403
Share in capital%	15.66%
Admitted / not admitted for trading	Not admitted for trading

The qualifying holdings is at least 5% of the share capital of the Company. The shareholders disposing of qualifying holdings have the right to request the Management Board to include the matter they wish to raise in the agenda of the General Meeting. Furthermore, the shareholders with qualifying holdings have the right to request the convocation of the Extraordinary General Meeting in accordance with the Articles of Association of the Bank. Except for the sole shareholder - Intesa Sanpaolo Holding International S.A. Luxemburg, with its Registered Office at Luxembourg L-1821, 28 Boulevard de Kockelscheuer that holds a 100.00% stake in the registered capital, no other shareholder has qualifying holdings of the Company's share capital.

The VUB Group did not conclude any significant agreements, where it is the contractual party and which shall come into force, change or the validity of which shall terminate as a result of a change of its control circumstances, which have occurred in relation to an offer for a takeover, since no circumstances occurred in relation to an offer for a takeover.

The primary objectives of the VUB Group's capital management are to ensure that the VUB Group complies with externally imposed capital requirements and that the VUB Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The VUB Group manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the VUB Group may adjust the amount of dividend payment to shareholders, return capital to shareholders, issue capital securities or other capital instruments, classified as Additional Tier 1, or Tier2. No changes have been made in the objectives, policies and processes since the previous year.

The VUB Group's regulatory capital position was determined based on the rules for capital adequacy calculation set by the CRR Regulation:

€ '000	2023	2022
Tier 1 capital		
Share capital	510 819	430 819
Share premium	13 719	13 719
Retained earnings*	1 256 063	1 158 247
Profit or loss eligible	131 648	169 522
Legal reserve fund	87 783	87 493
Other capital funds	8 464	8 464
Accumulated other comprehensive income	3 931	1 831
(-) Value adjustments due to the requirements for prudent valuation	(81)	(43)
Other transitional adjustments to CET1 Capital	-	11 219
CET1 capital elements or deductions — other	-	(6 400)
Less goodwill and intangible assets	(176 099)	(211 543)
Less IRB shortfall of credit risk adjustments to expected losses	-	-
(-) Insufficient coverage for non-performing exposures	(1 702)	(157)
	1 834 546	1 663 170
Tier 2 capital		
IRB excess of provisions over expected losses eligible	50 682	44 858
Subordinated debt	219 515	209 726
Other transitional adjustments to T2 Capital	-	(2 570)
	270 198	252 014
Total regulatory capital	2 104 743	1 915 184

* Excluding net profit for the period, profit in approval and other capital funds.

€ '000	2023	2022
Retained earnings excl. Other capital funds	1 519 808	1 327 769
Net profit for the year	(263 745)	(169 522)
	1 256 063	1 158 247

€ '000	2023	2022	2023 Required	2022 Required
Tier 1 capital	1 834 546	1 663 170	850 654	797 750
Tier 2 capital	270 198	252 014	270 198	252 014
Total regulatory capital	2 104 743	1 915 184	850 654	797 750
Total Risk Weighted Assets	10 633 179	9 971 874	10 633 179	9 971 874
CET 1 capital ratio	17,25%	16,68%	12,34%	11,84%
Total capital ratio	19,79%	19,21%	16,50%	16,00%

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings, accumulated other comprehensive income, foreign currency translation and reserves. The deducted amounts in Tier 1 capital are goodwill, intangible assets, prudential filters, insufficient coverage for non-performing exposures and IRB shortfall, if negative. Certain adjustments are made to IFRSs-components as prescribed by the CRR Regulation. The other component of regulatory capital is Tier 2 capital, which includes subordinated long-term debt and IRB excess of provisions over expected losses.

Own Funds, risk-weighted assets and the capital ratios as at 31 December 2023 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU ('CRD IV') and in the CRR Regulation of 26 June 2013 (in compliance with their amendments - Regulation (EU) 2019/876 and Directive (EU) 2019/878), which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws.

Following the Supervisory Review and Evaluation Process ('SREP'), the ECB annually makes a final decision on the capital requirement that the Bank must comply with on sub-consolidated and individual level. Starting from 1 January 2022, the overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 10.25%. This is the result:

- the SREP requirement comprising a minimum Pillar 1 capital requirement of 4.5% and an additional Pillar 2 capital requirement of 1.5%, entirely of Common Equity Tier 1 ratio;
- additional requirements, made up entirely of Common Equity Tier 1 ratio, relating to a Capital Conservation Buffer of 2.5%, and an Other Systemically Important Institutions Buffer ('O-SII Buffer') of 1.75% and Systemic Risk Buffer ('SRB') was cancelled as of 1 January 2022.

For the sake of completeness, please note that CRD IV establishes the obligation for the designated national authorities to activate an operational framework for the definition of the ratio of the countercyclical capital buffer ('CCyB') starting from 1 January 2016. The ratio is subject to review on a quarterly basis. The European regulation was implemented in Slovakia by National Bank of Slovakia in relevant regulation, which contains suitable regulations concerning CCyB. Based on the analysis of the reference indicators, the National Bank of Slovakia decided to set the countercyclical ratio (relating to the exposures towards Slovak counterparties).

Due to the COVID-19 pandemic, NBS has decreased countercyclical buffer to 1% since 1 August 2020 (previously 1.5%). However, NBS has increased the countercyclical buffer from 1 August 2023 back to 1.5%. P2R composition based on CRD V rules has been updated to 75% Tier 1, out of which 75% should represent CET 1 (56.25% of P2R). These changes represent from 1 August 2023 capital requirement (without Pillar 2 Capital Guidance) for CET 1 of 11.09% and capital requirement for Tier 1 of 12.88%.

The Overall Capital Requirement was at VUB Group level, as of 31 December 2023 set at 16.50% and consists of:

- capital requirement for Pillar 1 (8%),
- capital requirement for Pillar 2 (SREP add on 1.5% and Pillar 2 Capital Guidance 1.25%),
- capital requirement for a combined buffer (5.75%), consisting of Capital Conservation Buffer of 2.5%, and Other Systemically Important Institutions Buffer of 1.75% and a Countercyclical Buffer 1.5%.

Pillar 2 Capital Guidance (P2G) has increased since 1 March 2022 to 1.25% and accordingly together with countercyclical buffer, the Overall Capital Requirement has increased to 16.5% (14.13% for Tier 1 capital ratio and 12.34% for CET1 capital ratio). However, NBS has announced decrease of P2G by -0.25% since 1.1.2024. Moreover, Since November 2014, the Bank has been under the supervision of the European Central Bank.

Internally, within its Risk Appetite framework, the VUB Group has set internal limits for both OCR and CET1, managing the regulatory capital requirements additionally with an internal management buffer.

Impact of the introduction of IFRS 9 on own funds

In December 2017, the European Parliament and the European Council issued Regulation (EU) 2017/2395 amending the CRR Regulation as regard transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds, integrating the CRR Regulation with Article 473 "Introduction of IFRS 9". The new Article allows Banks to re-introduce in their Common Equity Tier 1 ('CET 1') a decreasing quota of the impact of IFRS 9 in a five-year transitional period (2018 - 2022). That amount shall be determined using the static approach which are adopted by the VUB Group. It refers only to the impact of FTA resulting from the comparison of IAS 39 impairments as at 31 December 2017 and IFRS 9 impairments as at 1 January 2018 - including both performing loans classified in Stages 1 and 2 and adjustments to non-performing loans (Stage 3) - to which is applied a decreasing factor (95% for 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022) to set the amount to be included in CET 1. There are no further impacts expected from the introduction of IFRS 9 from year 2023, since the transitional period has ended on 31.12.2022.

The static transitional approach is not applicable to the changes in valuation reserves deriving from re-classification of financial instruments during FTA (impact resulting from classification and measurement).

€ '000	2018	2019	2020	2021	2022
Decreasing factor	95%	85%	70%	50%	25%
Impact to CET 1	39 281	35 146	28 944	20 674	10 337

Furthermore, under paragraph 7 of Article 473 of the CRR Regulation, ISP Group companies adopting the transitional approach shall update calculation of the following components relevant to the determination of supervisory capital requirements, so as to avoid inappropriate benefits:

– Deferred tax assets deducted from CET 1 relating to Standard and Internal ratings-based ('IRB') exposures;
– Determination of Exposure At Default using the scaling factor to assess the Risk Weighted Assets of Standard exposures;
– Tier 2 elements relating to IRB weighted exposures.

The impact on own funds of the first-time adoption of IFRS 9 and the adoption of the "static" approach during the transitional period (2018 - 2022), as permitted by Regulation (EU) 2017/2395, resulted in the effects on regulatory capital and prudential ratios (with and without applying the transitional provisions for IFRS 9) following:

– the reduction of CET 1, due to the FTA impact linked to the first-time adoption of IFRS 9,
– the increase in CET 1 due to the re-inclusion of the gradually decreasing transitional component as a result of the adoption of the adjustment introduced by the aforementioned Regulation, aimed at mitigating the impact of FTA;
– the increase in the excess reserve, based on the provisions of the aforementioned Regulation, may be added to the Tier 2 capital, up to the amount of 0.6% of IRB RWA, solely for the part in excess of the amount re-included in CET 1 as a result of the adoption of said transitional adjustment;
– the reduction of the risk-weighted assets (RWA) on standard exposures as at 1 January 2018, which as a result of the increase in the provisions linked to the first-time adoption of IFRS 9, reduced the risk exposure (EAD);
– the increase in risk-weighted assets (RWA) on standard exposures due to the application, under said provisions, of the scaling factor set out in Regulation (EU) 2017/2395.

In compliance with Regulation (EU) 2020/873 of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) No 2019/876 as regards certain adjustments in response to the COVID-19 pandemic meaning amendments of the transitional arrangements for adoption of IFRS 9 (Art. 473a of CRR) the Bank continues to apply the static approach as defined for the first-time adoption of IFRS 9 in relation to own funds calculation, which is also in line with ISP Group approach. Moreover, the Bank has decided not to adopt temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic (Art. 468).

The prudential treatment of software assets

The VUB Group has adopted prudential treatment of software assets based on the Final Report "Draft Regulatory Technical Standards on the prudential treatment of software assets under Article 36 of Regulation (EU) 575/2013 (CRR)", EBA/RTS/2020/07, regarding updated version of the Capital Requirements Regulation 2019/876 and Directive 2019/878

(CRR II/CRD V) published in June 2019 concerning the modified version of article 36(1)b (CRR II) with regard to own funds requirements for institutions. The Bank has adopted the prudential amortization approach for software assets for the calculation of CET1 at individual and consolidated level starting from December 2020 based on EBA/RTS/2020/07 methodology, which is in line with ISP Group Approach. The prudential amortization allows the banks not to deduct from CET1 software assets that are prudentially valued (i.e. when the value of software assets is not negatively affected by status of resolution, insolvency or liquidation of the bank). The residual portion of the carrying amount of software is risk-weighted (100%), in accordance with the current CRR provisions. This approach has also been established by Commission delegated Regulation (EU) 2020/2176 of 12 November 2020 amending Delegated Regulation (EU) 241/2014 as regards the deduction of software assets from Common Equity Tier 1 items.

23. Financial commitments and contingencies

23.1. Issued guarantees and commitments and undrawn credit facilities

€ '000	2023	2022
Issued guarantees	1 145 593	1 181 884
Commitments and undrawn credit facilities	4 185 226	4 635 340
of which revocable	*1 508 865*	*1 691 107*
	5 330 819	5 817 224

Issued guarantees represent irrevocable assurances that the VUB Group will make payments in the event that a borrower cannot meet its obligations to third parties. These assurances carry the same credit risk as loans and therefore the VUB Group recognises provisions for these instruments. (note 19)

The primary purpose of commitments to extend credit is to ensure that funds are available to the customer as required. Commitments and undrawn credit facilities represent undrawn portions of commitments, credit facilities and approved overdraft loans.

23.2. Legal proceedings

In the normal course of business, the VUB Group is subject to a variety of legal actions. The VUB Group conducted a review of legal proceedings outstanding against it as of 31 December 2023. Pursuant to this review, management has recorded total provisions of €6,872 thousand (31 December 2022: €3,831 thousand) in respect of such legal proceedings (note 19). The VUB Group will continue to defend its position in respect of each of these legal proceedings.

€ '000	2023	2022
Legal proceedings related to leasing contracts	3 442	3 369
Legal proceedings related to legal compensation	1 544	-
Legal proceedings related bankruptcy revocations	1 501	226
Legal proceedings related to credit contracts	236	228
Legal proceedings related to labour disputes	61	-
Legal proceedings related to different banking products than credit contracts	49	-
Legal proceedings related to other civil disputes	31	-
Legal proceedings on credit collection	8	8
	6 872	3 831

In addition to the legal proceedings covered by provisions, there are contingent liabilities arising from legal proceedings in the total amount of €32,729 thousand, as at 31 December 2023 (31 December 2022: €31,777 thousand). This amount represents existing legal proceedings against the Bank that will most probably not result in any payments due by the VUB Group.

23.3. Operating leasing

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

€ '000	2023	2022
Up to one year	1 898	4 931
One to two years	855	2 701
Two to three years	211	1 109
Three to four years	32	204
Up to one year	-	40
	2 996	8 985

24. Net interest income

€ '000	2023	2022
Interest and similar income		
Financial assets at FVTPL	434	10
Financial assets at FVOCI	21 399	4 878
Financial assets at AC:		
Due from other banks	130 797	26 117
Due from customers	615 715	387 380
Derivatives – Hedge accounting	105 590	1 858
Interest income on liabilities	-	16 371
	873 935	436 614
Interest and similar expense		
Financial liabilities at AC:		
Due to banks	(41 290)	(10 587)
Due to customers and Subordinated debt	(211 669)	(56 586)
Lease liabilities	(209)	(168)
Debt securities in issue	(50 234)	(32 731)
Derivatives – Hedge accounting	(54 311)	12 084
Interest expense on assets	(130)	(12 682)
	(357 843)	(100 670)
	516 092	335 944

€ '000	2023	2022
Interest and similar income		
Total interest income calculated using the effective interest method	867 365	431 969
Other interest income – interest income on finance leases	6 136	4 635
Other interest income – interest income on financial assets at FVTPL	434	10
	873 935	436 614

€ '000	2023	2022
Net interest income		
Financial assets at FVOCI	21 399	4 878
Financial assets at AC	740 246	396 180
	761 645	401 058
Financial liabilities at AC	(303 193)	(83 533)

Interest income on **impaired** loans and advances to customers for 2023 amounted to €14,555 thousand (2022: €9,535 thousand).

25. Net fee and commission income

2023 € '000	Retail Banking	Corporate Banking	Central Treasury	Other	Total
Fee and commission income					
Current accounts	40 496	3 239	-	11	43 746
Cards	39 560	902	-	42	40 504
Indirect deposits	26 798	32	-	-	26 830
Payments and cash management	14 288	8 596	-	-	22 884
Insurance	17 230	563	-	-	17 793
Loans	6 552	8 587	-	(39)	15 100
Trade finance	17	9 358	1 846	-	11 221
Factoring	-	2 198	-	-	2 198
Structured finance	-	1 430	-	-	1 430
Other	458	5 454	1 808	10 306	18 026
	145 399	40 359	3 654	10 320	199 732
Fee and commission expense					
Cards	(19 484)	(91)	-	-	(19 575)
Payments and cash management	(1 095)	(8 209)	-	-	(9 304)
Current accounts	-	-	(679)	(654)	(1 333)
Factoring	-	(511)	-	-	(511)
Insurance	(501)	-	-	-	(501)
Loans	11	-	-	-	11
Other	(380)	-	(1 911)	(918)	(3 209)
	(21 449)	(8 811)	(2 590)	(1 572)	(34 422)
Net fee and commission income under IFRS 15	123 950	31 548	1 064	8 748	165 310
Income from guarantees under IFRS 9	-	10 659	-	-	10 659
Total net fee and commission income	123 950	42 207	1 064	8 748	175 969

2022 € '000	Retail Banking	Corporate Banking	Central Treasury	Other	Total
Fee and commission income					
Current accounts	38 980	4 192	-	9	43 181
Cards	34 655	777	-	36	35 468
Loans	16 362	11 103	-	180	27 645
Payments and cash management	15 170	11 225	-	1	26 396
Indirect deposits	24 441	39	-	-	24 480
Insurance	14 309	-	-	-	14 309
Trade finance	11	8 279	1 436	-	9 726
Structured finance	-	2 458	-	-	2 458
Factoring	-	2 184	-	-	2 184
Other	485	1 802	637	-	2 924
	144 413	42 059	2 073	226	188 771
Fee and commission expense					
Cards	(18 224)	(84)	-	-	(18 308)
Payments and cash management	(2 235)	(7 430)	-	-	(9 665)
Current accounts	-	-	(498)	(690)	(1 188)
Factoring	-	(603)	-	-	(603)
Insurance	(399)	-	-	-	(399)
Other	(177)	65	(865)	(1 346)	(2 323)
	(21 035)	(8 052)	(1 363)	(2 036)	(32 486)
Net fee and commission income under IFRS 15	123 378	34 007	710	(1 810)	156 285
Income from guarantees under IFRS 9	-	6 766	-	-	6 766
Total net fee and commission income	123 378	40 773	710	(1 810)	163 051

26. Net trading result

€ '000	2023	2022
Foreign currency derivatives and transactions	9 781	(5 297)
Customer foreign exchange margins	9 678	10 421
Financial assets held for trading – debt securities	6 703	(72)
Net result from hedging transactions	804	(419)
Non-trading financial assets measured at FVTPL	111	(51)
Dividends from equity shares measured at FVOCI	57	153
Financial assets measured at FVOCI	(952)	1 343
Interest rate derivatives	(2 082)	7 649
Equity derivatives	(5 000)	-
Cross currency swaps	(8 115)	(3 223)
Other derivatives	9	167
	10 994	10 671

27. Other operating income

€ '000	2023	2022
Income from operating leasing	3 226	3 826
Net profit from sale of fixed assets	1 097	1 902
Financial revenues	292	737
Services	35	45
Profit from the revaluation of the original participation in the Joint Venture with DSS Generali	390	31 495
Other	1 307	2 224
	6 347	40 229

28. Other operating expenses

€ '000	2023	2022
Contribution to the Single Resolution Fund	(7 437)	(16 067)
Contribution to the Deposit Protection Fund	(1 600)	(6 083)
Costs of product support – credit cards	(2 214)	(1 848)
Court fees and expenses and out-of-court settlements	(706)	(481)
Other damages	(3 272)	(92)
Other	(13 693)	(14 783)
	(28 922)	(39 354)

29. Special levy of selected financial institutions

As at 21 July 2020, the amendment to Act no. 67/2020 Coll. on certain emergency financial measures in relation to the spread of dangerous contagious human disease COVID-19 became effective. This amendment also covered measures in the area of special levy of selected financial institutions. According to these measures no more special levy payments were required from July 2020 until the end of 2023.

30. Salaries and employee benefits

€ ’000	2023	2022
Remuneration	(98 403)	(90 546)
Social security costs	(39 614)	(34 787)
Social fund	(4 645)	(3 147)
Termination benefit	470	430
Severance and Jubilee benefits	-	597
	(142 192)	(127 453)

The VUB Group does not have any pension arrangements separate from the pension system established by law that would require mandatory contributions of a certain percentage of gross salaries to the state-owned social insurance and privately owned pension funds. These contributions are recognized in the period when salaries are earned by employees. No further liabilities are arising to the VUB Group from the payment of pensions to employees in the future.

31. Other administrative expenses

€ '000	2023	2022
Third parties' services	(21 347)	(20 587)
Information technologies systems maintenance	(16 278)	(14 629)
Advertising and sponsorship	(6 098)	(5 332)
Energy costs	(5 707)	(5 431)
Rental of buildings and related expenses	(4 349)	(3 821)
Transport	(4 005)	(1 397)
Maintenance and repairs	(3 871)	(6 347)
Indirect personnel costs and compensation	(3 388)	(2 129)
Postage costs	(3 114)	(2 837)
Forms and office supplies	(2 430)	(2 176)
Electronic data processing system leasing	(2 409)	(2 004)
Telephone and telecommunication costs	(2 326)	(2 693)
Cleaning of premises	(1 497)	(1 278)
Security	(1 262)	(1 096)
Other rentals	(1 093)	(938)
Archives and documents	(1 488)	(970)
Consultations and other fees*	(995)	(679)
Insurance	(851)	(1 024)
Cost of legal services	(763)	(692)
Value added tax and other taxes	(413)	257
Information and research	(214)	(226)
Other expenses	(2 509)	(1 981)
Reinvoicing	1 619	1 539
	(84 788)	(76 471)

* "Consulting and other fees" include remuneration for the statutory audit and financial statements of EUR 383 thousand (2022: EUR 368 thousand). The price also includes the fee for the audit of the annual group reporting, ancillary fees, the audit of the consolidated financial statements as well as the audit of the VÚB Prague branch.

Other audit-related services and non-audit services performed by the statutory auditor related to limited accounting review of statutory financial statements and report packages, limited review of financial statements and report packages as of March 31 and June 30, 2023, audit of prudential and business regulatory statements as required by Slovak legislation of the extended auditor's report for Národná banka Slovenska, Q2 Interim abbreviated control of FS ISRE 2410, procedures in relation to the adequacy of the bank's measures according to § 71h - 71k of Act no. 566/2001, the recommended list in connection with the verification of profit at the end of 2023 for the ECB and the recommended list in connection with the issues of covered bonds from March and September 2023 amounted to EUR 324 thousand. (2022: EUR 217 thousand). All amounts shown here are without VAT.

32. Provisions

€ '000	Note	2023	2022
Net release and use of provisions for litigations	19	(3 042)	(116)
Net release and use of provisions for other provisions	19	(20)	(180)
		(3 062)	(296)

33. Impairment losses and Net loss arising from the derecognition of financial assets at amortized cost

€ '000	Note	2023	2022
Net (creation)/release of impairment losses	21	(71 863)	(84 132)
Net (creation)/release of provisions for financial guarantees and commitments	21	(734)	7 326
		(72 597)	(76 806)
Net gain/(loss) arising from the derecognition of financial assets at AC		7 866	13 729

34. Income tax expense

€ '000	Note	2023	2022
Current income tax	17	(91 230)	(48 616)
Deferred income tax	17	12 495	5 397
		(78 735)	(43 219)

The movement in deferred taxes in the statement of profit or loss is as follows:

€ '000	2023	2022
Due from other banks	997	53
Due from customers	7 785	6 930
Property and equipment	890	(781)
Intangible assets	1 596	-
Lease liabilities	(225)	(361)
Provisions	304	(989)
Other liabilities	1 664	1 760
Other	(516)	(3 504)
	12 495	5 397

The effective tax rate differs from the statutory tax rate in 2023 and in 2022. The reconciliation of the VUB Group's profit before tax with the actual corporate income tax is as follows:

€ '000	2023	2022
Profit before tax	342 480	212 969
Theoretical tax calculated at the tax rate 21%	(71 921)	(44 723)
Tax impact:		
Non-taxable income	1 902	1 713
Tax non-deductible expenses	(14 647)	(2 822)
Impairment allowances and provisions, net	(3 730)	(3 043)
Additional tax of prior years	(1 409)	369
Creation/(release) of allowances for uncertain realization of deferred tax receivables	11 070	5 287
Income tax expense	(78 735)	(43 219)
Effective tax for the year	22,99%	20.29%

35. Other comprehensive income

€ '000	2023	2022
Items that shall not be reclassified to statement of profit or loss in the future		
Change in value of financial assets at FVOCI (equity instruments):		
Revaluation gain/(loss) arising during the year	130	(2 528)
Reclassification adjustment for profit on sale of FVOCI equities within equity	(34)	983
	96	(1 545)
Net revaluation gain from property and equipment	(102)	1 738
Reversal of deferred income tax on FTA Reserve due to VÚB Leasing merger into VÚB Bank	-	-
Reversal of deferred income tax on disposed property and equipment	356	-
	350	193
Items that may be reclassified to statement of profit or loss in the future		
Change in value of cash flow hedges:		
Revaluation gain arising during the year	(34)	-
Change in value of financial assets at FVOCI (debt instruments):		
Revaluation (loss)/gain arising during the year	1 448	(34 636)
Reclassification adjustment for profit on sale of FVOCI bonds included in the profit or loss	4 290	4 006
	5 738	(30 630)
Exchange difference on translation foreign operation	(1 117)	75
	4 587	(30 555)
Total other comprehensive income	4 937	(30 362)
Income tax relating to components of other comprehensive income (note 36)	(1 190)	6 185
Other comprehensive income for the year after tax	3 747	(24 177)

36. Income tax effects relating to other comprehensive income

€ '000			2023			2022
	Before tax amount	Tax (expense) /benefit	Net of tax amount	Before tax amount	Tax (expense) /benefit	Net of tax amount
Items that shall not be reclassified to statement of profit or loss in the future						
Change in value of financial assets at FVOCI (equity instruments)	(102)	21	(81)	1 738	(365)	1 373
Reversal of deferred income tax on disposed property and equipment	356	-	356	-	-	-
Reversal of deferred income tax on FTA Reserve due to VÚB Leasing merger into VÚB Bank	-	-	-	-	-	-
Net revaluation gain from property and equipment						
property and equipment	96	(13)	83	(1 545)	118	(1 427)
	350	8	358	193	(247)	(54)
Items that may be reclassified to statement of profit or loss in the future						
Change in value of financial assets at FVOCI (debt instruments)	5 738	(1 205)	4 533	(30 630)	6 432	(24 198)
Exchange differences on translation foreign operations	(1 117)	-	(1 117)	75	-	75
Change in value of					-	-
cash flow hedges	(34)	7	(27)	-		
	4 587	(1 198)	3 389	(30 555)	6 432	(24 123)
	4 937	(1 190)	3 747	(30 362)	6 185	(24 177)

37. Related parties

Related parties are those counterparties that represent:

(a) Enterprises that directly, or indirectly, through one or more intermediaries, control, or are controlled by, have a significant influence over or are under the common control of the reporting enterprise;

(b) Associates - enterprises in which the Parent Company has significant influence and which are neither a subsidiary nor a joint venture;

(c) Individuals owning, directly or indirectly, an interest in the voting power of the VUB Group that gives them significant influence over the VUB Group, and anyone expected to influence, or be influenced by, that person in their dealings with the VUB Group;

(d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the VUB Group, including directors and officers of the VUB Group and close members of the families of such individuals; and

(e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the VUB Group and enterprises that have a member of key management in common with the VUB Group. When considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The stated transactions have been made under arms-length commercial and banking conditions.

In 2023, the remuneration and other benefits provided to members of the Management Board were €3,604 thousand (2022: €3,468 thousand), of which the severance benefits €0 (2022: €48 thousand), and to members of the Supervisory Board €82 thousand (2022: €58 thousand).

As at 31 December 2023, the outstanding balances with related parties comprised:

2023 € '000	Key management personnel ('KMP')	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Assets						
Cash and cash equivalents	-	-	-	21 614	853	22 467
Financial assets at FVTPL:						
Financial assets held for trading	-	-	-	30 622	-	30 622
Non-trading financial assets at FVTPL	-	-	-	574	-	574
Derivatives – Hedge accounting	-	-	-	182 450	-	182 450
Financial assets at FVOCI	-	-	-	50	-	50
Financial assets at AC:						
Due from banks	-	-	-	102 094	-	102 094
Due from customers	1 685	-	-	-	65 146	66 831
Other assets	-	-	-	71	3 655	3 726
	1 685	-	-	337 475	69 654	408 814
Liabilities						
Financial liabilities at FVTPL:						
Financial liabilities held for trading	-	-	-	30 502	34	30 536
Derivatives – Hedge accounting	-	-	-	230 795	-	230 795
Financial liabilities at AC:						
Due to banks	-	-	-	754 915	2 810	757 725
Due to customers	1 782	-	276	-	12 741	14 799
Leasing liability	-	-	-	-	-	-
Subordinated debt	-	-	-	100 091	200 396	300 487
Provisions	-	-	-	4	2	6
Other liabilities	574	-	-	1 479	2 275	4 328
	2 356	-	276	1 117 786	218 258	1 338 676

As at 31 December 2022, the outstanding balances with related parties comprised:

2022 € '000	Key management personnel ('KMP')	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Assets						
Cash and cash equivalents	-	-	-	15 683	765	16 448
Financial assets at FVTPL:						
Financial assets held for trading	-	-	-	50 234	-	50 234
Non-trading financial assets at FVTPL	-	-	-	429	-	429
Derivatives - Hedge accounting	-	-	-	349 655	-	349 655
Financial assets at FVOCI	-	-	-	39	-	39
Financial assets at AC:						
Due from other banks	-	-	-	45 109	-	45 109
Due from customers	919	-	-	-	50 211	51 130
Other assets	-	-	-	72	3 115	3 187
	919	-	-	461 221	54 091	516 231
Liabilities						
Financial liabilities at FVTPL:						
Financial liabilities held for trading	-	-	-	42 853	38	42 891
Derivatives - Hedge accounting	-	-	-	311 205	-	311 205
Financial liabilities at AC:						
Due to banks	-	-	-	886 546	2 927	889 473
Due to customers	912	-	254	-	8 250	9 416
Leasing liability	-	-	-	-	-	-
Subordinated debt	-	-	-	58 978	200 298	259 276
Provisions	-	-	-	6	2	8
Other liabilities	429	-	-	2 276	33	2 738
	1 341	-	254	1 301 864	211 548	1 515 007

As at 31 December 2023, the outstanding off-balance sheet balances with related parties comprised:

2023 € '000	KMP	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Commitments and undrawn credit facilities	1 023	-	-	179 710	10	180 743
Issued guarantees	-	-	-	31 747	12 943	44 690
Received guarantees	-	-	-	1 600	-	1 600
Derivative transactions (notional amount – receivable)	-	-	-	7 822 258	19 592	7 841 850
Derivative transactions (notional amount – payable)	-	-	-	7 821 709	19 609	7 841 318

As at 31 December 2022, the outstanding off-balance sheet balances with related parties comprised:

2022 € '000	KMP	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Commitments and undrawn credit facilities	257	-	-	187 532	8	187 797
Issued guarantees	-	-	-	30 579	7 880	38 459
Received guarantees	-	-	-	1 700	4 688	6 388
Derivative transactions (notional amount - receivable)	-	-	-	10 822 596	17 701	10 840 297
Derivative transactions (notional amount - payable)	-	-	-	10 822 894	17 729	10 840 623

For the year ended 31 December 2023, the outstanding balances with related parties comprised:

2023 € '000	KMP	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Income and expense						
Interest and similar income	20	-	-	3 904	2 501	6 425
Interest and similar expense	(29)	-	-	(35 867)	(13 322)	(49 218)
Fee and commission income	1	-	2	128	23 734	23 865
Fee and commission expense	-	-	-	(768)	(16)	(784)
Net trading result	-	-	-	5 192	2 511	7 703
Other operating income	-	-	-	664	171	835
Other operating expenses	-	-	-	(534)	-	(534)
Other administrative expenses	-	-	-	(4 536)	(11 546)	(16 082)
Impairment losses	-	-	-	1	-	1
	(8)	-	2	(31 816)	4 033	(27 789)

For the year ended 31 December 2022, the outstanding balances with related parties comprised:

2022 € '000	KMP	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Income and expense						
Interest and similar income	6	-	-	75	1 044	1 125
Interest and similar expense	(3)	-	-	(15 083)	(6 693)	(21 779)
Fee and commission income	1	-	1	178	20 902	21 082
Fee and commission expense	-	-	-	(488)	(4)	(492)
Net trading result	-	-	-	8 579	1 366	9 945
Other operating income	-	-	-	516	4 749	5 265
Other operating expenses	-	-	-	(8)	-	(8)
Other administrative expenses	-	-	-	(4 803)	(11 595)	(16 398)
Impairment losses	-	-	-	6	-	6
	4	-	1	(11 028)	9 769	(1 254)

38. Events after the end of the reporting period

At the end of 2023, with effect from January 2024, a new set of measures to consolidate public finances, known as LEX CONSOLIDATION, will enter into force in Slovakia. It is a set of 18 measures worth €1.96 billion aimed at improving public finances. One of these measures is a new type of bank levy, which takes the form of an additional tax to reduce banks' profits by the level required by the government and transfer these profits to the country's state budget. For 2024, the amount of the special levy will be 30 percent of the pre-tax economic result, and subsequent years it will gradually decrease by five percent to 15 percent by 2027.

At the end of February 2024, Marie Kovářová will leave her position of Chief Operating Officer in the Operation and IT Division by mutual agreement. The division will be temporarily headed by Deputy Chief Officer Gabriele Pace. His support and expertise in the IT field is a guarantee of continuity and stability in the Operations and IT Division for the VUB Group.

From 31 December 2023, up to the date when these financial statements were authorized for issue, there were no further events identified that would require adjustments to or disclosure in these financial statements.

These financial statements were authorized for issue by the Management Board on 27 February 2024. These financial statements will be published on 29 February 2024 and will be available at the registered office of the Bank.

Jozef Kausich
Chairman of the Management Board

Darina Kmeťová
Member of the Management Board

Separate financial statements

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

Contents

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Independent Auditor's Report

To the Shareholder, Supervisory Board, Management Board and to the Audit Committee of Všeobecná úverová banka, a.s.:

Report on the Audit of the Separate Financial Statements

Opinion

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

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

Basis for Opinion

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

Key audit matters

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

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

Impairment allowances for due from customers

Due from customers valued at amortized cost less impairment as at 31 December 2023 amount to EUR 18,471,650 thousand and represent a significant portion of the Bank's total assets. As disclosed in Note 11.2 (Due from customers) to the separate financial statements, it included the gross book value of due from customers valued at amortized cost of EUR 18,843,668 thousand and impairment allowance of EUR 372,018 thousand.

Determining the amount and the moment of recognizing impairment allowances for expected credit losses requires significant judgments and complex estimates of the management disclosed in Note 4.1.2 (Impairment losses) to the separate financial statements. For performing exposures and non-performing exposures below EUR 500 thousand individually, it comprises assumptions built into statistical credit loss models, such as assessment of significant increase in credit risk, definition of default, incorporation of forward-looking information, calculation of the loss given default parameter and the recovery rates. For exposures above EUR 500 thousand individually, the Bank performs an individual assessment based on the detailed review and analysis of the borrower's situation and for non-performing exposures, the judgments include identification of loss events other than overdue payments and estimation of timing and amount of expected cash flows from repayments and realization of collaterals.

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

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

As part of our audit procedures, we documented our understanding of the Bank's credit risk management policies. We obtained an understanding, evaluated the design and tested the operating effectiveness of the internal controls over the approval, recording and monitoring of the loans, identification of loss events and impairment triggers and the process of calculating impairment allowances for due from customers.

We reconciled a register of due from customers with accounting records to assess completeness of the recognition of due from customers, which create the basis for the calculation of impairment allowances for expected credit losses.

We involved credit risk specialists to assist us with assessment of the impairment allowances methodology, methods, results of the Bank's tests of credit risk parameters (so called "back-testing"), credit rating models and credit risk parameter models, their assumptions and implementation in the system in accordance with the IFRS 9 requirements.

We evaluated post-model adjustments for expected credit losses (so called "overlays") that were recorded to address the back-testing results and management's expectations of additional credit losses in the retail segment in the light of economic volatility.

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

We performed analytical procedures on disaggregated data on the quarterly development of the impairment allowance per portfolios, products and stages related to the development of the structure and characteristics of the credit portfolio including the impairment allowances, reflecting the quality of the loan portfolio in the light of the impairment allowances for expected credit losses for loans to customers aimed at identifying portfolios of loans to customers with understated impairment provisions.

We involved specialists in the field of IT systems to assist us with the testing of effectiveness of the control mechanisms of IT systems, in which the Bank calculates the credit risk parameters and the impairment allowances for expected credit losses.

We also assessed the disclosures in Note 4.1.2 (Impairment losses) and Note 11.2 (Due from customers) regarding expected credit losses for due from customers included in the separate financial statements in terms of their completeness and compliance with IFRS EU requirements.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and Regulation (EU) No. 537/2014 of the European Parliament and the Council will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs and Regulation (EU) No. 537/2014 of the European Parliament and the Council, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Consolidated Annual Report

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

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

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

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

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

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

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

The management is responsible for the presentation of the separate financial statements for the year ended 31 December 2023 included in the Annual Financial Report that complies with the requirements of the 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 separate financial statements for the year ended 31 December 2023 in electronic XHTML format is expected to be made available to us after the date of this auditor's report.

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

After management provides us with the electronic XHTML format of the accompanying separate financial statements, 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 to obtain reasonable assurance on the compliance of the separate 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 separate financial statements complies, in all material respects, with the requirements of the ESEF Regulation, or we will describe any material non-compliance that we would identify in this respect.

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

Appointment of Auditor

We were appointed as the statutory auditor by the General Meeting of Shareholder of the Bank on 31 March 2022. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 3 years.

Consistence with Additional Report to Audit Committee

Our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the audit committee of the Bank, which we issued on 23 February 2024.

Non-audit Services

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

In addition to statutory audit services and services disclosed in the consolidated annual report and in the separate financial statements, no other services which were provided by us to the Bank and its controlled undertakings.

27 February 2024
Bratislava, Slovak Republic

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

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

Separate statement of financial position as at 31 December 2023 (In thousands of EUR)

	Note	2023	2022
Assets			
Cash and cash equivalents	7	3 802 523	3 060 496
Financial assets at fair value through profit or loss:	8		
Financial assets held for trading	8	56 146	60 404
Non-trading financial assets at fair value through profit or loss		4 983	3 991
Derivatives - Hedge accounting	9	183 677	352 265
Financial assets at fair value through other comprehensive income	10	1 246 743	1 412 341
of which pledged as collateral		*649 557*	*1 283 417*
Financial assets at amortized cost:	11		
Due from other banks		230 866	152 280
Due from customers		18 471 650	17 504 728
of which pledged as collateral		*49 829*	*77 233*
Fair value changes of the hedged items in portfolio hedge of interest rate risk	12	(57 405)	(126 410)
Investments in subsidiaries, joint ventures and associates	13	26 985	26 406
Property and equipment	14	109 141	109 829
Intangible assets	15	112 167	119 261
Goodwill	16	29 305	29 305
Deferred income tax assets	17	76 845	65 382
Other assets	18	31 053	29 106
Non-current assets classified as held for sale	14	1 552	5 946
		24 326 231	22 805 330
Liabilities			
Financial liabilities at fair value through profit or loss:			
Financial liabilities held for trading		41 450	61 463
Derivatives - Hedge accounting	9	245 660	316 157
Financial liabilities at amortized cost:	11		
Due to banks		964 646	1 005 068
Due to customers		16 020 696	15 407 883
Lease liabilities		18 577	19 952
Subordinated debt		300 487	250 368
Debt securities in issue		4 436 314	3 784 008
Fair value changes of the hedged items in portfolio hedge of interest rate risk	12	(11 918)	(19 536)
Current income tax liabilities	17	46 948	24 231
Provisions	19	23 760	18 708
Other liabilities	20	121 195	95 966
		22 207 815	20 964 268
Equity	22		
Share capital		510 819	430 819
Share premium		13 719	13 719
Legal reserve fund		87 493	87 493
Other capital funds		8 464	8 464
Retained earnings		1 493 705	1 298 089
Equity reserves		4 216	2 478
		2 118 416	1 841 062
		24 326 231	22 805 330

The accompanying notes on pages 254 to 441 form an integral part of these financial statements.

Separate statement of profit or loss and other comprehensive income for the year ended 31 December 2023 (In thousands of EUR)

	Note	2023	2022
Interest income calculated using the effective interest method		867 667	431 987
Other interest income		6 306	4 380
Interest and similar expense		(357 862)	(100 713)
Net interest income	24	516 111	335 654
Fee and commission income		199 877	195 538
Fee and commission expense		(34 430)	(33 890)
Net fee and commission income	25	165 447	161 648
Dividend income		2 772	8 003
Net trading result	26	6 044	10 671
Other operating income	27	1 997	4 271
Other operating expenses	28	(26 691)	(36 883)
Special levy of selected financial institutions	29	-	-
Salaries and employee benefits	30	(140 460)	(126 921)
Other administrative expenses	31	(84 275)	(76 759)
Amortisation	15	(24 937)	(18 305)
Depreciation	16	(11 713)	(11 643)
Profit before provisions, impairment and tax		404 295	249 736
Net modification or losses		98	14
Provisions	19, 32	(3 042)	(116)
Impairment losses	21, 33	(67 642)	(76 744)
Net loss arising from the derecognition of financial assets at amortized cost	33	7 911	12 745
Profit before tax		341 620	185 635
Income tax expense	34	(77 426)	(44 543)
NET PROFIT FOR THE YEAR		264 194	141 092
Other comprehensive income for the year, after tax:	35, 36		
Items that shall not be reclassified to profit or loss in the future:			
Net revaluation gain from property and equipment		(81)	1 373
Reversal of deferred income tax on disposed property and equipment		356	-
Change in value of financial assets at fair value through other comprehensive income (equity instruments)		83	(1 427)
		358	(54)
Items that may be reclassified to profit or loss in the future:			
Change in value of cash flow hedges		(27)	-
Change in value of financial assets at fair value through other comprehensive income (debt instruments)		4 171	(23 233)
Exchange difference on translation of foreign operations		(1 117)	75
		3 027	(23 158)
Other comprehensive income for the year, net of tax		3 385	(23 212)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		267 579	117 880
Basic and diluted earnings per € 33,2 share in €		18,33	10,87

The accompanying notes on pages 254 to 441 form an integral part of these financial statements.

Separate statement of changes in equity for the year ended 31 December 2023

(In thousands of EUR)

	Share capital	Share premium	Other capital funds	Legal reserve fund	Retained earnings	Revaluation surplus of buildings and land	Financial assets at FVOCI	Cash flow hedges	Translation of foreign operation	Total
At 1 January 2023	430 819	13 719	8 464	87 493	1 298 089	18 588	(16 285)	-	175	1 841 062
Increase of share capital	80 000	-	-	-	-	-	-	-	-	80 000
Total comprehensive income for the year, net of tax	-	-	-	-	264 194	275	4 254	(27)	(1 117)	267 579
	-	-	-	-	-	-	-	-	-	-
Losses on the sale of shares at FVOCI	-	-	-	-	34	-	(34)	-	-	-
Gain on disposal of property and equipment	-	-	-	-	1 613	(1 613)	-	-	-	-
Exchange difference	-	-	-	-	1	-	-	-	-	1
Transactions with owners, recorded directly in equity	-	-	-	-	(72 226)	-	-	-	-	(72 226)
Dividends to shareholders	-	-	-	-	*(70 546)*	-	-	-	-	*(73 318)*
Reversal of dividends distributed but not collected	-	-	-	-	*320*	-	-	-	-	*320*
At 31 December 2023	510 819	13 719	8 464	87 493	1 493 705	17 250	(12 065)	(27)	(942)	2 144 524

(Table continues on the next page)

Separate statement of changes in equity for the year ended 31 December 2023

(In thousands of EUR)

(continued)

	Share capital	Share premium	Other capital funds	Legal reserve fund	Retained earnings	Reva-luation surplus of buildings and land	Financial assets at FVOCI	Cash flow hedges	Translation of foreign operation	Total
At 1 January 2022	430 819	13 719	8 464	87 493	1 168 151	17 215	7 392	-	100	1 733 353
Increase of share capital			-					-		
Total comprehensive income for the year, net of tax	-	-	-	-	141 092	1 373	(24 660)	-	75	117 880
Transfers	-	-	-	-	-	-	-	-	-	-
Losses on the sale of shares at FVOCI	-	-	-	-	(983)	-	983	-	-	-
Gain on disposal of property and equipment	-	-	-	-	-	-	-	-	-	-
Exchange difference	-	-	-	-	219	-	-	-	-	219
Transactions with owners, recorded directly in equity	-	-	-	-	(10 390)	-	-	-	-	(10 390)
Dividends to shareholders	-	-	-	-	*(10 534)*	-	-	-	-	*(10 534)*
Reversal of dividends distributed but not collected	-	-	-	-	*144*	-	-	-	-	*144*
At 31 December 2022	430 819	13 719	8 464	87 493	1 298 089	18 588	(16 285)	-	175	1 841 062

The accompanying notes on pages 254 to 441 form an integral part of these financial statements.

Separate statement of cash flows for the year ended 31 December 2023

(In thousands of EUR)

	Note	2023	2022
Cash flows from operating activities:			
Profit before tax		341 620	185 635
Adjustments for:			
(Interest income)	24	(873 973)	(436 367)
Interest expense	24	357 862	100 713
(Dividend income)		(2 772)	(8 003)
(Gain)/Loss from sale/revaluation of financial assets at fair value through other comprehensive income		(56 196)	103 592
Loss on sale of intangible assets and property and equipment	28	(94)	102
Loss/(Gain) from revaluation of debt securities in issue		68 359	(247 844)
Amortisation	15	24 937	18 305
Depreciation	14	11 713	11 643
Impairment losses and similar charges	32, 33	122 998	126 814
Exchange difference on translation of foreign operations	35, 36	(1 116)	294
Interest received		849 363	424 568
(Interest paid)		(327 088)	(86 506)
Tax (paid)		(66 172)	(40 554)
Decrease/(Increase) in financial assets at fair value through profit or loss		3 582	(27 005)
Decrease/(Increase) in derivatives - hedge accounting (assets)		168 588	(296 691)
Financial assets at amortized cost:			
(Increase)/Decrease in due from other banks		(83 196)	1 670 665
(Increase) in due from customers		(1 069 220)	(976 277)
(Increase)/Decrease in fair value changes of the hedged items in portfolio hedge of interest rate risk (assets)		(69 005)	129 711
(Increase)/Decrease in other assets		(2 916)	21 794
(Decrease)/Increase in financial liabilities at fair value through profit or loss		(20 013)	30 600
(Decrease)/Increase in derivatives - hedge accounting (liabilities)		(70 497)	284 647
Financial liabilities measured at amortized cost:			
Increase/(Decrease) in due to banks		11 063	(2 461 623)
Increase in due to customers		643 280	1 500 963
Increase/(Decrease) in fair value changes of the hedged items in portfolio hedge of interest rate risk (liabilities)		7 618	(22 352)
Increase in provisions		4 318	972
Increase in other liabilities		25 549	7 441
Net cash (used in)/from operating activities		(1 408)	15 237
Cash flows from investing activities:			
Purchase of financial assets at fair value through other comprehensive income		(353 446)	(967 225)
Disposal of financial assets at fair value through other comprehensive income		409 382	293 292
Repayments of financial assets at fair value through other comprehensive income		180 019	802 803
Purchase of intangible assets and property and equipment		(23 417)	(30 548)
Disposal of intangible assets and property and equipment		5 028	5 638
Dividends received		2 772	8 003
Increase in share capital		80 000	-
Investments in Monilogi, s.r.o.		-	(1 787)
Investments in VÚB Generali d.s.s., a. s.		(579)	(4 519)
Net cash from investing activities		299 759	105 657

(Table continues on the next page)

Separate statement of cash flows for the year ended 31 December 2023

(In thousands of EUR)

(continued)

	Note	2023	2022
Cash flows from financing activities:			
Proceeds from issue of debt securities		1 000 000	500 000
Repayments of debt securities in issue		(420 000)	(300 000)
Proceeds from loans received from other banks		50 000	350 000
Repayments of loans received from other banks		(108 687)	(205 294)
Repayments of lease liabilities		(7 091)	(7 355)
Dividends paid		(70 546)	(10 534)
Net cash from financing activities		443 676	326 817
Net change in cash and cash equivalents		742 027	447 711
Cash and cash equivalents at the beginning of the year	7	3 060 496	2 612 785
Cash and cash equivalents at 31 December	7	3 802 523	3 060 496

The accompanying notes on pages 254 to 441 form an integral part of these financial statements.

1. Basis of preparation

1.1. Reporting entity general information

Všeobecná úverová banka, a. s. ('the Bank' or 'VUB') provides retail and commercial banking services. The Bank is domiciled in the Slovak Republic with its registered office at Mlynské nivy 1, 829 90 Bratislava 25, with the identification number (IČO) 313 20 155 and the tax identification number (DIČ) 2020411811.

At 31 December 2023, the Bank had a network of 167 points of sale (including Retail Branches, Corporate Branches and Mortgage centres) located throughout Slovakia (31 December 2022: 170). The Bank also has one branch in the Czech Republic (31 December 2022: 1).

The Bank's ultimate parent company is Intesa Sanpaolo S.p.A. ('ISP' or 'the Parent Company'), which is a joint-stock company and which is incorporated and domiciled in Italy. The consolidated financial statements of the company are available at the address of its registered office at Piazza San Carlo 156, 10121 Torino, Italy.

At 31 December 2023, the members of the Management Board are Jozef Kausich (Chairman), Gabriele Pace, Andrej Viceník, Peter Magala, Martin Techman, Marie Kovářová and Darina Kmeťová.

At 31 December 2023, the members of the Supervisory Board are Ignacio Jaquotot (Chairmain), Elena Kohútiková (Vice Chairwoman), Marco Fabris, Luca Leoncini Bartoli, Christian Schaack, Peter Gutten, Dana Kondrótová, Andrea Fumačová and Draginja Duric.

At 31 December 2023, the Bank had in total 3,312 employees (31 December 2022: 3,328). The average number of employees of the Bank during the year ended 31 December 2023 was 3,318 (31 December 2022: 3,340).

1.2. Basis of accounting

The separate financial statements of the Bank ('the financial statements') have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') and with interpretations issued by the International Financial Reporting Interpretations Committee of the IASB ('IFRIC') as approved by the European Union Commission in accordance with the Regulation of the European Parliament and the Council of European Union and in accordance with the Act No. 431/2002.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value though profit or loss, financial assets at fair value through other comprehensive income, derivatives - hedge accounting, buildings and land in property and equipment under revaluation model to fair value and in the case of the financial assets or financial liabilities designated as hedged items in qualifying fair value hedge relationships modified by the changes in fair value attributable to the risk being hedged.

The financial statements were prepared using the going concern assumption that the Bank will continue in operation for the foreseeable future.

1.3. Functional and presentation currency

The financial statements are presented in thousands of EUR ('€'), unless indicated otherwise. EUR is the functional and presentation currency of the Bank.

Negative balances are presented in brackets.

1.4. Use of judgements and estimates

In preparing the financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

1.4.1. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes. The most significant judgements relate to the classification of financial instruments.

- Classification of financial instruments: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (‘SPPI’) on the principal amount outstanding. (note 3.4.2)
- Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (‘ECL’) and selection and approval of models used to measure ECL. (note 4.1.2)
- Valuation of lease liabilities (note 11.5) and right-of-use assets (note 14)

The application of International Financial Reporting Standard 16 Leases (‘IFRS 16’) requires the Bank to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets (note 3.16). These include: determining contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the Bank generally comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Bank is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Bank is reasonably certain not to exercise that option. The same term is applied as economic useful life of right-of-use assets.

For contracts relating to branch and office premises, the Bank has concluded that there are a number of scenarios where the Bank might elect not to exercise the extension options. Therefore, the IFRS 16 criterion of being reasonably certain to exercise the extension options is not fulfilled. The periods covered by a potential use of an option to extend the lease were excluded from the lease term.

For leases of branch and office premises with indefinite term the Bank generally estimates the length of the contract to be five years. The Bank monitors these assumptions, reviews the industry practice and the evolution of the accounting interpretations in relation to the estimation of the lease terms among peer financial entities and is prepared to make adjustments, if necessary.

The present value of the lease payment is determined using the discount rate representing the rate of interest rate swap applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Bank’s rating, observed in the period when the lease contract commences or is modified.

1.4.2. Assumptions and estimation uncertainties

Estimates are used for, but not limited to: fair values of financial instruments, fair value of buildings and land under the revaluation model, impairment losses on due from other banks and due from customers and impairment losses related to financial assets at fair value through other comprehensive income, provisions for off-balance sheet risks, useful lives and residual values of tangible and intangible assets, impairment losses on tangible and intangible assets, valuation of lease liabilities and right-of-use assets, liabilities from employee benefits, provisions for legal claims and deferred tax assets.

Information about assumptions and estimation uncertainties that run a significant risk of resulting in a material adjustment is included in the following notes.

– Determination of the fair value of financial instruments with significant unobservable inputs. (note 5) Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques which include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments.
– Impairment of financial instruments: determining inputs into the expected credit loss (ECL) measurement model, including incorporation of forward-looking information. (note 4.1.2)

The Bank reviews its loans and advances at each reporting date to assess whether any individually assessed impairment loss should be recorded in the statement of profit or loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment loss required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the individually assessed impairment losses.

– Recognition and measurement of legal claims: key assumptions about the likelihood and magnitude of an outflow of resources.
– Recognition of deferred tax assets: availability of future taxable profit against which deferred tax assets can be used.
– Impairment testing for cash generating units containing goodwill: key assumptions underlying recoverable amounts.

2. Changes in accounting policies

A number of the new standards are also effective from 1 January 2023 but they do not have a material effect on the financial statements.

Except for the changes below, the Bank has consistently applied the accounting policies as set out in Note 3 to all periods presented in the financial statements.

2.1. Standards and interpretations relevant to the Bank's operations issued that are effective for current year and have been endorsed by the European Union

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)

The Bank also adopted Disclosure of Accounting Policies (Amendments to lAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)

The Bank has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to lAS 12) from 1 January 2023.The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences — e.g. leases. For leases, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Bank previously accounted for deferred tax on leases by applying the 'integrally linked' approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Bank has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised (see Note 17).

The following new and amended standards that the Bank is required to follow do not have a significant impact on the Group's consolidated financial statements:

- IFRS 17: Insurance Contracts,
- Definition of Accounting Estimates - Amendments to IAS 8,
- International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12.

2.2. Standards and interpretations issued but not yet effective or not early adopted by the Bank

A number of new standards and amendments to standards are not yet effective or not yet adopted by the European Union. Early application is permitted. However, the Bank has not yet adopted the new and amended standards in preparing these separate financial statements. The Bank intends to adopt these standards when they become effective.

IFRS 16 Lease: Lease Liability in a Sale and Leaseback (Amendments)

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier adoption permitted.

Initially, the IFRS Interpretations Committee concluded that the right-of-use asset and lease liability are unlikely to be measured at zero. IFRS 16 requires a seller-lessee to estimate the variable lease payments it expects to make over the lease term. However, the Committee recommended that the International Accounting Standards Board consider amending IFRS 16 to address the subsequent accounting issues.

The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements when subsequent accounting for the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

Under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments.

The Bank enters into sale-and-leaseback agreements, but usually is able to measure right-of-use asset and lease liability reliably. Therefore, the Bank expects that the standard, when initially adopted, will not have a material impact on the financial statements of the Bank.

The following new and amended standards are not expected to have a significant impact on the Bank's consolidated financial statements:

- Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1),
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7),
- Lack of Exchangeability (Amendments to IAS 21),
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures).

2.3. Changes in presentation

During the second quarter of the year 2023, the Bank advanced the method of tracking and reporting its portfolio of financial assets at amortised costs due from customers, other than banks. The new tracking and reporting divides clients into the following main portfolios, according to the legal form and size of the client: **Corporate clients, Retail clients, Public administration**. Corporations are further divided into **Financial Corporations** and **Non-Financial Corporations**.

These individual portfolios in terms of legal form and size are then followed by the type of products in each of them, which are the following main product categories: **Loans** (other than mortgage), **Mortgages, Overdrafts to current accounts, Credit cards, Factoring, Leasing**, **Debt securities**.

This new portfolio breakdown replaces the previous view, which was as follows and was a combination of size and products:

Retail clients: Small Business, Consumer Loans, Mortgage Loans, Credit Cards, Overdrafts, Flat Owners Associations, Leasing; Corporate clients: Large corporate clients with a turnover of more than EUR 500 million, Large corporate clients with a turnover of up to EUR 500 million, Small and Medium-sized Enterprises ("SME") Non-bank Institutions, Public Sector Entities, "Slotting" models (for specialized businesses, i.e. "Special Purpose Vehicles" or "SPV" and development company, i.e. "Real Estate Development" or "RED"); Banks, Municipalities, Government and Public Sector.

The changes are applied to the following tables and chapters of the financial statements, where, in addition to the current period and comparable period reported according to the new methodology, we present the state in the comparable period according to the previous methodology:

- **Credit portfolio into the individually and portfolio assessed,** note 4.1.2. Impairment losses,
- **Credit portfolio in terms of classification categories**, note 4.1.3. Non-performing loan classification,
- **Credit portfolio in terms of delinquency of payments,** note 4.1.3. Non-performing loan classification,
- **The three-stage approach based on changes in credit quality by class of assets for all financial assets exposed to credit risk,** note 4.1.3. Non-performing loan classification,
- **The three-stage approach based on changes in credit quality by days past due for all financial assets exposed to credit risk,** note 4.1.3. Non-performing loan classification,
- **The forbearance policy**, note 4.1.4. Loans with renegotiated terms and forbearance policy,
- **Concentrations of credit risk by geographic location,** note 4.1.8. Concentrations of credit risk,
- **An analysis of exposures based on the carrying amounts by industry sector,** note 4.1.8. Concentrations of credit risk,
- **The quality of the credit portfolio in terms of internal ratings**, note 4.1.9. Internal and external ratings,
- **The sensitivity of ECL calculation to a decrease and increase of PD parameter by 10%,** note 4.1.10. Sensitivity analysis of impairment losses,
- **Financial assets at amortised cost due from customers**, note 11.2. Due from customers.

3. Material accounting policies

3.1. Foreign currency transactions

Transactions in foreign currencies are translated into the EUR at the official European Central Bank ('ECB') spot exchange rate at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into EUR at the official ECB spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into EUR at the official ECB spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the official ECB spot exchange rate at the date of the transaction.

The foreign currency gain or loss is the difference between the contractual exchange rate of a transaction and the official ECB exchange rate at the date of the transaction. Foreign currency gain or loss is included in 'Net trading result', as well as gains or losses arising from movements in exchange rates after the date of the transaction.

Foreign currency differences arising on translation are generally recognized in profit or loss. However, foreign currency differences arising from the translation of the following items are recognized in other comprehensive income ('OCI'):

- qualifying cash flow hedges to the extent that the hedge is effective; and
- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI.

3.2. Foreign operations

The financial statements include foreign operations in the Czech Republic. The assets and liabilities of foreign operations are translated into EUR at the spot exchange rate at the reporting date. The income and expenses of foreign operations are translated to EUR at rates approximating the foreign exchange rates at the dates of the transactions.

Foreign currency differences arising on these translations are recognized in OCI, and accumulated in the foreign currency translation reserve ('Translation of foreign operation' reserve).

3.3. Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand, balances held with central banks, including compulsory minimum reserves, and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

'Cash and cash equivalents' are carried at amortized cost in the statement of financial position (note 7).

3.4. Financial assets and financial liabilities

3.4.1. Recognition and initial measurement

The Bank initially recognises loans and advances (e.g. 'Due from other banks', 'Due from customers'), deposits (e.g. 'Due to banks', 'Due to customers'), debt securities issued and subordinated debt on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

3.4.2. Classification

On initial recognition, a financial asset is classified as measured at:

– Amortised cost ('AC'), (note 3.21)
– Fair value through other comprehensive income ('FVOCI'), or
– Fair value through profit or loss ('FVTPL').

A financial asset is measured at AC, if it meets both of the following conditions and is not designated as at FVTPL:

– The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

– The asset is held within a business model whose objective is achieved by both collecting 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 SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI (note 3.6.2). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise (note 3.4.7).

Business model assessment

The Bank uses the following business models:

– Held to collect,
– Held to collect and sell,
– Held for trading/Other.

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

– The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
– How the performance of the portfolio is evaluated and reported to the Bank's management;
– The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
– How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
– The frequency, volume and timing of sales, in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank states objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes 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. In making the assessment, the Bank considers:

– Contingent events that would change the amount and timing of cash flows;
– Leverage features;
– Prepayment and extension terms;
– Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
– Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. Financial liabilities are never reclassified.

3.4.3. Subsequent measurement

After initial recognition, the Bank measures financial assets and financial liabilities in accordance to the classification at fair value through profit or loss (note 3.5), fair value through other comprehensive income (note 3.6) or at amortized cost (note 3.7).

3.4.4. Derecognition

Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the factors such as change in currency of the loan, introduction of an equity feature, change in counterparty, whether the modification is such that the instrument would no longer meet the SPPI criterion.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

Derecognition other than due to substantial modification

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Any cumulative gain or loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities, as explained above. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale-and-repurchase transactions. (note 3.8)

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

3.4.5. Modifications

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized (see above under Derecognition other than due to substantial modification) and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

– Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset;
– Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy, note 4.1.5). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss in ´Impairment losses´. For floating-rate as well as fixed-rate financial assets, where reset to market is expected, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. The effective interest rate is therefore altered. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (note 4.1.2), then the gain or loss is presented together with impairment losses.

3.4.6. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

3.4.7. Fair value measurement

'Fair value' is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date in the principal on the main market, or if such a market does not exist, the most advantageous market to which the VUB Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The hierarchy of valuation techniques is explained in note 5.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received.

If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value according to model, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

3.5. Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss comprise financial assets held for trading, including derivative financial instruments and financial assets at fair value through profit or loss.

3.5.1. Financial assets and financial liabilities held for trading

The Bank classifies trading portfolio as financial assets or financial liabilities measured at fair value through profit or loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Financial assets and financial liabilities held for trading are recorded and measured in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the 'Fair value gains and losses arising from the Bank's own credit risk related to derivative liabilities' and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVTPL is presented in 'Other interest income'. Dividend income from equity instruments measured at FVTPL is considered to be incidental to the Bank's trading operations and is recorded in profit or loss as 'Net trading result' when the right to the payment has been established.

Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling in the near term.

The Bank monitors changes in fair values on a daily basis and recognises unrealised gains and losses in the statement of profit or loss in 'Net trading result'.

Derivative financial instruments

In the normal course of business, the Bank is a party to contracts with derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. The derivative financial instruments used include forward rate agreements, foreign exchange and commodity forwards, interest rate, foreign exchange and commodity swaps, interest rate, foreign exchange, equity options, cross currency swaps and futures. The Bank also uses financial instruments to hedge interest rate risk and currency exposures associated with its transactions in the financial markets. They are accounted for as trading derivatives if they do not fully comply with the definition of a hedging derivative as prescribed by IFRS. The Bank also acts as an intermediary provider of these instruments to certain customers.

Derivative financial instruments not used for hedge accounting purposes are initially recognized and subsequently re-measured in the statement of financial position at fair value as part of 'Financial assets held for trading'.

All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives are included in 'Net trading result'.

Fair values are obtained from quoted market prices. If such values are not available, discounted cash flow models and option pricing models are used. The fair values of derivative positions are computed using standard formulas and prevailing interest rates applicable for respective currencies available on the market at reporting dates.

Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

The Bank assesses whether any embedded derivatives contained in a given contract are required to be separated from the host contract and accounted for as derivatives.

Derivatives may be embedded in another contractual arrangement (a host contract). The Bank accounts for an embedded derivative separately from the host contract when:

– the host contract is not an asset in the scope of International Financial Reporting Standard 9 Financial Instruments ('IFRS 9');
– the host contract is not itself carried at FVTPL;
– the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
– the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognized in profit or loss in net trading result unless they form part of a qualifying cash flow hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with other derivatives.

3.5.2. Financial assets at fair value through profit or loss

Financial assets in this category are those that are not held for trading and are required to be measured at fair value under IFRS 9, as they do not meet the requirements of the SPPI test.

Financial assets at fair value also comprises equity instruments not held for trading where the Bank did not elect the option to classify investments at FVOCI. Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recognized in 'Net trading result'. Interest income is recorded in 'Other interest income' and dividend income in 'Net trading result' according to the terms of the contract, or when the right to payment has been established.

3.6. Financial assets at fair value through other comprehensive income

3.6.1. Debt instruments measured at fair value through other comprehensive income

The Bank applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

Debt instruments at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in equity. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as is applicable for financial assets at amortized cost. The Bank applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognized in equity are reclassified from equity to profit or loss.

The fair value of debt instruments, for which an active market exists, and a market value can be estimated reliably, is measured at quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using the present value of future cash flows.

In the case of debt instruments measured at fair value through other comprehensive income, impairment is assessed based on the same criteria as financial assets carried at amortized cost. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in 'Impairment losses' in the statement of profit or loss and other comprehensive income, the impairment loss is reversed through the statement of profit or loss.

3.6.2. Equity instruments measured at fair value through other comprehensive income

Upon initial recognition, the Bank occasionally elects to irrevocably classify some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognized in profit or loss as 'Net trading result' when the right to the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to any impairment assessment.

3.7. Financial assets and financial liabilities at amortized costs

Financial assets at amortized costs comprise balances due from other banks and due from customers including debt securities. Financial liabilities at amortized costs comprise balances due to banks, due to customers, subordinated debt and debt securities in issue.

3.7.1. Financial assets at amortized costs: Due from other banks and Due from customers

The Bank only measures 'Due from other banks' and 'Due from customers' at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- 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.

Due from other banks

Due from other banks include receivables from current accounts in other than central banks, term deposits, loans provided and securities purchased from commercial banks. Balances are presented at amortized cost including interest accruals less any impairment losses.

Due from customers

Due from customers balances comprise loans and advances and securities with fixed or determinable payments and fixed maturities. These receivables are recorded at amortized cost less any impairment losses. (note 12.2).

Impairment

The detailed description of policy is in the note 4.1.2.

The Bank writes off 'Due from other banks' and 'Due from customers' when it determines that the loans and advances are uncollectible. Loans and advances are written off against the Impairment losses on Financial Assets in amortized cost with the remaining part being written-off against profit or loss reported under 'Net loss arising from the derecognition of financial assets at amortized cost'. Any recoveries of written off loans are credited to the same line in the statement of profit or loss on receipt.

3.7.2. Financial liabilities at amortized costs: Due to banks, Due to customers, Subordinated debt and Debt securities in issue

Deposits, debt securities issued and subordinated liabilities are the Bank's sources of debt funding.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest rate method.

Due to customers covers also lease liabilities (note 3.16).

In 2021 the Bank entered into Targeted Long Term Refinancing Operation (TLTRO) with central bank and is presented under line item Due to central banks. As at 31 December 2023 the Bank has a liability in form of loans received in TLTRO in amount of 60 million EUR (note 11.3).

The Bank assessed the best accounting option for the TLTRO. The VUB Group decided that such instrument does not qualify as below-market interest rate loans. This is the reason why this was not entered under the IAS 20 government grants accounting scheme. TLTRO III transactions are entered into books in accordance with IFRS 9. The refinancing conditions established by the ECB are treated as market rates due to the Eurosystem´s monetary policy measures.

3.8. Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase agreements ('repo transactions') remain as assets in the statement of financial position under the original caption while the liability from the received loan is included in 'Financial assets at amortized cost: Due to banks' or 'Financial assets at amortized cost: Due to customers'.

Securities purchased under agreements to purchase and resell ('reverse repo transactions') are recorded only in the off-balance sheet and the loan provided is reported in the statement of financial position in 'Cash, cash balances at central banks', 'Financial assets at amortized cost: Due from other banks' or 'Financial assets at amortized cost: Due from customers', as appropriate.

The price differential between the purchase and sale price of securities is treated as interest income or expense and deferred over the life of the agreement.

3.9. Derivatives - Hedge accounting

When initially applying IFRS 9, the Bank has elected to continue to apply the requirements of IAS 39 instead of those of IFRS 9.

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position in ‘Derivatives - Hedge accounting’.

The Bank makes use of derivative instruments to manage exposures to interest rate risks, foreign currency risk, inflation risk and credit risk including exposures arising from highly probable transactions. In order to manage individual risks, the Bank applies hedge accounting for transactions which meet the specified criteria.

At the inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also, at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each month. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%.

In situations where that hedged item is an expected transaction, the Bank assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the statement of profit or loss.

Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized in other comprehensive income as ‘Cash flow hedges’. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately as gain or loss in the statement of profit or loss in ‘Net trading result’.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument is reclassified from other comprehensive income to profit or loss as a reclassification adjustment in ‘Net trading result’. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting and the hedged cash flows are still probable, any cumulative gain or loss that has been recognized in other comprehensive income remains separately in equity and is reclassified from other comprehensive income to statement of profit or loss as a reclassification adjustment when the hedged expected transaction is ultimately recognized. When an expected transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified from other comprehensive income to statement of profit or loss as a reclassification adjustment.

Fair value hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognized in the statement of profit or loss in ‘Net trading result’. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of profit or loss in ‘Net trading result’.

In case of macro hedge, the change in the fair value of the hedged items attributable to the risk hedged is presented separately as ‘Fair value changes of the hedged items in portfolio hedge of interest rate risk’.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortized cost, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the effective interest rate (‘EIR’). If the hedged item is derecognized, the unamortised fair value adjustment is recognized immediately in profit or loss when the item is derecognized.

Specific policies for hedges affected by IBOR reform

The Phase 1 amendments

If a hedging relationship is directly affected by IBOR reform, then certain exceptions can be applied (referred to as 'the Phase 1 amendments') to the general hedge accounting policy.

All hedges affected by IBOR reform either matured or were discontinued. Therefore the VUB Group ceased to follow the respective Phase 1 amendments.

The Phase 2 amendments

Policies specific to non-contractually specified risk portions

When the Bank designates an alternative benchmark rate as a hedged risk and the alternative benchmark rate is a non-contractually specified risk portion that is not separately identifiable at the date it is designated, the Bank deems that the rate meets the separately identifiable criterion if it reasonably expects that the alternative benchmark rate will be separately identifiable within a 24-month period. The 24-month period applies on a rate-by-rate basis and starts from the date when the Bank first designates the alternative benchmark rate as a hedged risk.

If the Bank subsequently expects that a non-contractually specified alternative benchmark rate risk component will not be separately identifiable within the 24-month period, then it discontinues hedge accounting prospectively from the date of that reassessment for all hedging relationships in which the alternative benchmark rate is designated as a non-contractually specified risk portion.

Policies specific to cash flow hedges

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Bank deems that the hedging reserve recognized in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

3.10. Transactions under common control

Transactions under common control refer to business combinations involving entities belonging to the same group. More specifically, a combination of entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The Bank follows the accounting treatment of such transactions in continuity of values (pooling of interests) that consists of maintaining the book values of the acquiree in the financial statements of the acquirer. Assets and liabilities of the acquired company are recognized at the carrying amounts compliant with IFRS. Any differences between net equity of the acquired company and the investment in subsidiaries carried at cost are recorded in retained earnings of the acquirer.

Comparative periods are not subject to restatement since the Bank was not consolidating the results of the acquiree in its separate financial statements before the date of the combination.

3.11. Property and equipment

Land and buildings are recognized at fair value based on periodic, but at least annual, valuations by external independent specialized companies, less subsequent depreciation for buildings.

If the new fair value is higher than the carrying amount, the value of the asset on the balance sheet is increased through other comprehensive income and accumulated in equity under the heading 'Buildings and land'. In case that an impairment loss was previously recorded in the income statement, the reversal of this impairment is recorded in the income statement up to the amount previously recognized in the income statement. If the new fair value is lower than the carrying amount, the decrease is recognized in profit or loss. The ISP Group chose to apply the elimination approach, which means that the accumulated depreciation is eliminated against the gross carrying amount of the asset at revaluation date. The assets subject to the revaluation model are depreciated based on their revalued value.

All other property and equipment is recorded at historical cost less accumulated depreciation and impairment losses. Acquisition cost includes the purchase price plus other costs related to acquisition such as freight, duties or commissions. The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency are capitalised. Repairs and renovations are charged to the statement of profit or loss when the expenditure is incurred.

Depreciation is calculated on a straight-line basis in order to write off the cost of each asset to its residual value over its estimated useful economic life as follows:

	Years
Buildings	10 - 29
Equipment	4 - 12
Other tangibles	4 - 12

Land, assets in progress and art collections are not depreciated. The depreciation of assets in progress begins when the related assets are put into use.

The Bank tests its assets for impairment on annual basis. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to this recoverable amount.

Depreciation methods, useful lives and residual values are reassessed at the reporting date. Property and equipment contains also right-of-use assets. (note 3.16).

3.12. Intangible assets

Intangible assets are recorded at historical cost less accumulated amortization and impairment losses. Amortisation is calculated on a straight-line basis in order to write off the cost of each asset to its residual value over its estimated useful economic life as follows:

	Years
Software and Other intangible assets	7 - 10

Amortisation methods, useful lives and residual values are reassessed at the reporting date.

3.13. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Bank’s share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition.

Goodwill is measured at cost less impairment, if any. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

3.14. Leasing

Leases in which the Bank is a lessor

In case of lease contracts based on which the Bank is acting as a lessor each of its leases is classified as either operating or finance lease. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Finance leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Examples of situations where the risks and rewards of ownership are considered as having been transferred to the lessee are as follows:

– The lease transfers ownership of the asset to the lessee by the end of the lease term,
– The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised,
– The lease term is for at least 3/4 of the economic life of the asset even if title is not transferred,
– At the inception of the lease the present value of the minimum lease payments amounts to at least 90% of the fair value of the leased asset, or
– The leased assets are of such a specialized nature that only the lessee can use them without major modifications.

Lease classification is made at the inception date and is reassessed only if there is a lease modification.

At the commencement date, receivable from finance equal to the net investment in the lease is recognized in the statement of financial position in 'Due from customers'.

Initial measurement of the lease payments included in the net investment in the lease

- fixed payments, less any lease incentives payable;
- any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent measurement

Interest income is recognized in profit or loss statement in 'Other interest income' over the lease term using rate implicit in the lease, which represents the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments and the unguaranteed residual value to be equal to the sum of the fair value of the leased asset and any initial direct costs of the lessor.

The lease payments are applied against the gross investment in the lease and reduce both the principal and the unearned finance income.

The detailed description of impairment of the net investment in the lease is described in the note 4.1.2.

Unguaranteed residual values are reviewed and estimated regularly in order to calculate the gross investment in the lease. If there has been a reduction in the estimated unguaranteed residual value, income allocation over the lease term is revised and any reduction in respect of amounts accrued is recognized immediately.

3.15. Provisions

Provisions comprise litigations and claims, financial guarantees and loan commitments.

Provisions for litigations and claims are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when it falls due, in accordance with the terms of a debt instrument consisting of letters of credit, guarantees and acceptances.

Provisions for financial guarantees are initially recognized in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the in the statement of profit or loss in 'Fee and commission income' on a straight-line basis over the lifetime of the guarantee, and an ECL allowance.

ECL allowances for financial guarantees are recognized based on stage of financial instrument (three-stage approach) which affects expected loss calculation for the financial guarantee. Any increase or decrease in the provision deriving from changes in ECL allowances relating to financial guarantees is recorded in the statement of profit or loss in 'Impairment losses'.

In case when the Bank is called to fulfil the guarantee and the guarantee is paid to the holder of the guarantee it ceases to exist. Instead, a receivable against the counterparty for which the Bank issued the guarantee is created and the former provision for financial guarantees is converted into impairment losses allowance on such receivable along with the movement, if any, within 'Impairment losses'.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

For loan commitments the VUB Group also recognises Provisions based on stage of financial instrument. Any increase or decrease in the provision relating to Loan commitments is reflected in the statement of profit or loss in 'Impairment losses'.

3.16. Provisions for employee benefits

The Bank's obligation in respect of retirement and jubilee employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Employee benefit reserves are disclosed in the statement of financial position in 'Other liabilities'. All gains or losses in relation to the employee benefits are recognized in 'Salaries and employee benefits'.

3.17. Equity reserves

The reserves recorded in equity that are disclosed in the statement of financial position include:

– 'Revaluation surplus of buildings and land' reserve which consists of the revaluation surplus of buildings and land measured at fair value using a revaluation model.
– 'Cash flow hedges' reserve which comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.
– 'Financial assets at fair value through other comprehensive income' reserve which comprises changes in the fair value of financial assets at FVOCI.
– 'Translation of foreign operation' reserve which is used to record exchange differences arising from the translation of the net investment in foreign operations.

3.18. Net interest income

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information.

Interest income and expense is recognized in the statement of profit or loss on an accrual basis using the effective interest rate method (EIR) for all financial instruments measured at amortized cost (note 3.7.1. and 3.7.2).

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortized cost, interest rate derivatives for which hedge accounting is applied and the related amortization/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortized cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortized cost (AC) of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of 'fixed rate financial assets' or 'liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognized at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

In case of hedging relationship (as defined in note 3.9) interest from interest rate swap effectively replaces the contractual interest rate of the hedged item and such interest is disclosed under in 'Interest income calculated using the effective interest method'.

The IBOR reform Phase 2 amendments allow as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

Other interest income includes interest received on financial assets at fair value through profit or loss other than interest on derivatives using the contractual interest rate and finance leases where the rate implicit in the lease is being used.

Interest income/expense on all derivatives is recognized as a part of the fair value change in 'Net trading result'.

Negative interest arising from financial assets is presented in interest expense and negative interest arising from financial liabilities is presented in interest income.

In 2021 the Bank entered into Targeted Long Term Refinancing Operation (TLTRO) with the central bank. This is presented under line item Due to banks.

According to the VUB Group´s accounting policy, the revision of the conditions of the instrument by the ECB is considered as a change to a floating rate pursuant to par. B5.4.5 of IFRS 9, with a forward-looking adjustment to the interest rate, considering the fact that the ECB has the option to change interest rates at its discretion in defining monetary policy rates (as it did in October 2022). The interest is therefore recognised periodically based on the interest rate of the instrument for each period (-0.5% until 24 June 2020, -1% until 23 June 2022, and, thereafter, based on existing conditions) as required by paragraph B5.4.5 of IFRS 9.

Interest expense from TLTRO, presented under line "Interest Income".

3.19. Net fee and commission income

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

Fee and commission income and expense such as up-front and commitment fees that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see note 3.21).

Other fee and commission income arises on financial services provided by the Bank including account maintenance, cash management services, brokerage services, administrative services regarding loans, investment advice and financial planning, investment banking services, project finance transactions, asset management services, factoring services and other. Fee and commission income and expense is recognized when the corresponding service is provided. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognized on a straight-line basis over the commitment period.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank´s revenue contracts do not include multiple performance obligations.

The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

Nature and timing of satisfaction of performance obligations, including significant payment terms:

Current accounts	Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis.
Cards	Credit card and debit card fees relate to both fees for issuance of credit card for the period of card's validity as well as fees for specific transactions.
Payments and cash management	Transaction-based fees for interchange and foreign currency transactions are charged to the customer's account when the transaction takes place.
Loans	Services for loans comprise mainly fees for overdrafts, which are recognized on a straight-line basis over the overdraft duration. They also include other servicing fees which are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.
Indirect deposits	These fees mainly relate to providing Bank's retail network for the mediation of investments into funds. These fees are paid to the Bank by VUB Asset Management, správ. spol., a. s. Since the Bank does not have any ongoing performance obligation regarding these fees, they are recognized in full when charged.
Insurance	The Bank provides insurance mediation along with selling its products. Except for life insurance mediation, only aliquot part of commission is sent by the insurance company on a monthly basis. Therefore, the Bank only recognises aliquot part of commission as income with the passage of time. In case a client cancels insurance contract with the insurance company, the insurance company stops paying the aliquot part of the commission and the Bank therefore stops to recognise these fees. The Bank is not liable to return aliquot part of commissions recognized in fees to insurance company. Regarding life insurance mediation the Bank is exposed to clawbacks if client cancels the insurance contract within certain periods. The Bank calculated effect of International Financial Reporting Standard 15 Revenue from Contracts with Customers ('IFRS 15') impact and evaluated this impact as non-material and continues to recognise income on these fees as the related mediation service is provided.
Trade finance, Structured finance	Fees for loan commitments which are not expected to result in the draw-down of a loan are recognized on a straight-line basis over the commitment period. Administration of a loan syndication, execution of client transactions with exchanges and securities underwriting, charges for premature termination of loans and other are charged when transaction takes place.
Factoring	Services related to factoring include: – Facility commitment, where fee is recognized on a straight-line basis over the commitment period; – Invoice processing fee, where fixed amount for each processed invoice is charged; – Factoring fee, where fee represent a percentage on a total receivable amount factored.

Revenue recognition under IFRS 15:

Current accounts	Revenue from account service and servicing fees is recognized over time as the services are provided.
Cards	Revenue from card issuance is recognized over time as the services are provided.
	Revenue related to transactions is recognized at the point in time when the transaction takes place.
Payments and cash management	Revenue related to transactions is recognized at the point in time when the transaction takes place.
Loans	Overdraft fee is recognized on a straight-line basis over the overdraft duration.
	Revenue related to transactions is recognized at the point in time when the transaction takes place.
Indirect deposits	Revenue related to transactions is recognized at the point in time when the transaction takes place.
Insurance	Revenue from insurance mediation services is recognized over time for the duration of contract, except for life insurance mediation where service fee is recognized when service is provided and clawbacks are recognized when they occur.
Trade finance, Structured finance	Loan commitment fee is recognized on a straight-line basis over the commitment period.
	Revenue related to transactions is recognized at the point in time when the transaction takes place.
Factoring	Facility fee is recognized on a straight-line basis over the commitment period.
	Revenues related to invoice processing and factoring fee are recognized at the point in time when the transaction takes place.

3.20. Net trading result

'Net trading result' includes gains and losses arising from purchases, disposals and changes in the fair value of Financial assets and financial liabilities including securities and derivative instruments. It also includes the result of all foreign currency transactions.

3.21. Current and deferred income tax

Income tax is calculated in accordance with the regulations of the Slovak Republic and other jurisdictions, in which the Bank operates.

Income tax expense is recognized at each time interval during the accounting year based on the best estimate of the weighted average annual income tax rate expected for the entire accounting year. In the event of a change in the estimate of the annual income tax rate, the accrued amount of income tax costs in one of the time intervals during the accounting year may be adjusted in the following period of the given accounting year.

Deferred income tax assets and liabilities are recognized, using the balance sheet method, for all temporary differences arising between the carrying amounts of assets and liabilities and their tax bases. Expected tax rates, applicable for the periods when assets and liabilities are realised, are used to determine deferred tax.

The Bank is also subject to various indirect operating taxes, which are included in 'Other operating expenses'.

4. Financial and operational risk management

This note presents information about the Bank's exposure to the risks related to the use of financial instruments, the Bank's objectives, policies and processes for measuring and managing risk.

The Management Board is the statutory body governing the executive management of the Bank, and has absolute authority over all matters concerning risk. The Management Board has primary responsibility for the creation and dissolution of risk-related governance bodies. The primary governance bodies overseeing risk-related issues are:

- Assets and Liabilities Management Committee ('ALCO'),
- Credit Risk Governance Committee ('CRGC'),
- Operational Risk Committee ('ORC').

The Management Board delegates its risk authority to these governance bodies through statutes, which identify members of the governance bodies, competencies and responsibilities of the members. The competency of each governance body is established in relevant Charters.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Bank's Internal Audit Department is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures.

4.1. Credit risk

Credit risk is the risk of a financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and banks as well as investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). For risk management purposes, the credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

The Credit Risk Charter ('CRC') establishes the guidelines for measurement, control and management of credit risk by defining the legal framework, main responsibilities, policies and methodologies that support the credit risk management process of VUB Bank.

More specifically, CRC defines both the general and specific (retail, corporate) credit risk requirements for applied methodologies and procedures, and includes, as separate sections, the policies governing the key aspects of the Bank's credit risk management process:

- Authorised Approval Authority,
- Collateral Management Policy,
- Provisioning Policy,
- Credit Concentration Limits,
- Default Definition,
- Risk Management Client Segmentation Policy,
- Corporate Credit Policy, Retail Credit Policy,
- Retail and Corporate Remedial Management and Collections.

4.1.1. Management of credit risk

The Risk Management Division is established within the Bank as a Control Unit and managed by the Chief Risk Officer, who is a member of the Bank's Management Board. The Risk Management Division is organisationally structured to provide support to the Business Units, as well as to provide reporting of credit, market and operational risks to the Supervisory Board and Management Board. The Risk Management Division is responsible for overseeing the Bank's credit risk including:

- The development of credit risk strategies, policies, processes and procedures covering rules for credit assessment, collateral requirements, risk grading and reporting;
- Setting limits for the concentration of exposure to counterparties, related parties, countries and total assets and monitoring compliance with those limits;
- Establishment of the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are set in the CRC;
- Credit risk assessment according to defined policy;
- Monitoring of quality portfolio performance and its compliance with set limits (regulatory, internal). Regular reports are provided to the Management Board and the CRC on the credit quality of the Bank's portfolios;
- Development, maintenance and validation of scoring and rating models - both application and behavioural;
- Development, maintenance and back-testing of impairment loss models.

4.1.2. Impairment losses

The Bank establishes an allowance for impairment losses, which represents its ECL in its loan portfolio.

If there is evidence of impairment for any individually significant client of the Bank, such as a breach of contract, problems with repayments or collateral, the Bank transfers such a client to management of the Recovery Department for pursuing collection activities. Such clients exceeding significant thresholds (€500 thousand) are considered to be individually impaired. For collective impairment (other than individually significant client), the Bank uses historical evidence of impairment and forward-looking information on a portfolio basis, mainly based on the payment discipline of the clients.

Rules for identification of significant clients and methodology for calculation are set in the Credit Risk Charter or stated in the Provisioning Policy procedure.

The individual assessment of exposures is based on the detailed review and analysis of the borrower's situation, including the critical review of the following sources of information, without limitation to:

- The latest financial statements available (including consolidated ones, if any) accompanied by the report on operations and audit report, if any, as well as previous years' financial statements;
- Information on specific corporate events (e.g. extraordinary transactions);
- The current and forecast financial position and results, analysis of variances between forecasts and actuals;
- For borrowers belonging to economic groups, information on their internal and external relationships (to assess the risk of contamination or its deterioration);
- The list of bank relationships (credit lines/utilisation/transaction status);
- The customer's short and medium-term plans and strategies supplemented by financial projections (at least three-year), the statement of expected cash flows, product analysis, sector and market studies, etc.;
- Any documentation by third-party experts on the reasons for the borrower's deterioration, and potential actions to reorganise the company and exit from the crisis;
- Updated business profiles from the Chamber of Commerce, Corporate Registry or equivalent, cadastral surveys concerning all debtors and guarantors;
- Nature and validity of the collaterals, appraisal for each asset, presence of mortgage/pledge registrations other than the Bank's;
- Latest and historical Credit Bureau reports.

The individual assessment, formulated analytically for each exposure, shall be based on the detailed and comprehensive review of all elements that are available.

Inputs, assumptions and techniques used for estimating impairment

Calculation of ECL on a collective basis is based on particular regulatory segment, exposure at default ('EAD'), probability of default ('PD'), loss given default ('LGD'), credit conversion factor ('CCF'). For each segment were developed models for such risk parameters. These models are regularly reviewed by development function, Department Internal Validation and Controls and Department Internal Audit.

The Bank identified the following portfolios: Retail, Corporate, SME Retail (including Group of flat owners), Large corporate above €500 million turnover, Banks (including Non-Banking Financial Institutions), Municipalities, Sovereigns and Public Sector Entities, Slotting models (for Special Purpose Vehicles ('SPV')).

The methodology of risk parameters used by ECL calculation is compliant with the ISP Group methodology provided by the Parent Company.

For PD models of the portfolios where the Bank uses internal models, the advanced approach is used. The modelling approach consists of the following steps:

- Creation of migration matrices using the internal ratings;
- Removal of macroeconomic effect from the migration matrices using the Merton formula;
- Creation of Through-the-cycle ('TTC') matrix computed as the average of the annual migration matrices obtained after the removal of the macroeconomic effect;
- Creation of the future Point-in-Time ('PIT') matrices obtained by conditioning the TTC matrix using Merton formula and forward-looking information;
- Obtaining the final Lifetime PD vectors by multiplying the predicted PIT and TTC matrices adjusted by an add-on for incorporation of various economic scenarios.

For LGD models of the portfolios where the Bank uses internal models, the modelling approach consists of the following steps:

- Calculation of nominal LGD values;
- Incorporation of forward-looking information using coefficients calculated based on Path-generator issued by the European Banking Authority ('EBA') or using internally developed macroeconomic satellite models;
- Obtaining the final LGD values by discounting the recovery rates using effective interest rate and average time to recovery.

For the portfolios, where it is unable to follow this approach (unavailability of internal model, low number of observations, low number of defaults, unavailability of macroeconomic model for the portfolio) the Bank follows a simplified approach, e.g. final values provided from the Parent Company, notching criteria, using the country rating and LGD, etc.

The counterparties with low number of observations and with low numbers of observed defaults, where the Bank was unable to create reliable migration matrices or develop the macroeconomic satellite models for prediction of default rate, were defined as the Low default portfolio. The parameters for these portfolios are obtained from the Parent Company.

EAD is calculated separately for amortizing and non-amortizing products. EAD for amortizing products is based on the repayment plans, while EAD for non-amortizing products is calculated using Credit Conversion Factor (CCF). Currently, the Bank uses CCF models only for Retail Credit Cards and Retail Overdrafts. For all other segments regulatory CCF values are used.

Days past due ('DPD') methodology

The Bank follows Guidelines on the application of the definition of default EBA/GL/2016/07 according to Article 178 of Regulation (EU) No. 575/2013. The default methodology counts days past due on obligor level. For the purpose of assessing the materiality of past-due credit obligations, the bank takes into account any amount of principal, interest or fee that has not been paid at the date it was due. In case of modifications of the schedule of credit obligations, the counting of days past due is based on the modified schedule of payments.

Where the credit arrangement explicitly allows the obligor to change the schedule, suspend or postpone the payments under certain conditions and the obligor acts within the rights granted in the contract, the bank does not consider changed, suspended or postponed instalments as past due and bases the counting of days past due on the new schedule once it is specified.

The assessment of the materiality of past due credit obligations is performed daily. The information about the days past due and default is up-to-date whenever it is being used for decision making, internal risk management, internal or external reporting and the own funds requirements calculation processes.

The calculation of days past due starts at the moment when the obligor-level overdue exposure breaches both absolute and relative thresholds. Materiality threshold is composed of both an absolute and a relative component according to the Commission Delegated Regulation (EU) 2018/171 of 19 October 2017 on supplementing the Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the materiality threshold for credit obligations past due.

The absolute threshold is exceeded when:

overdue exposure > absolute threshold

The absolute threshold refers to the sum of all past due amounts related to the credit obligations of the borrower towards the Bank. The absolute threshold is set to €100 for retail exposures and €500 for non-retail exposures.

The relative threshold is exceeded when:

overdue exposure/total obligor’s on-balance sheet exposure > relative threshold

The relative threshold is defined as a percentage of a credit obligation past due in relation to the total on balance-sheet exposures to the obligor excluding equity exposures. The relative threshold is set at the level of 1% for both retail and non-retail exposures.

Staging methodology

According to the IFRS 9, paragraph 5.5.9 “At each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, an entity shall use the change in the risk of a default occurring over the expected life of the financial instrument“.

IFRS 9 introduced the three-stage approach based on changes in credit quality since initial recognition:

- Stage 1 includes financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk at the reporting date.
- Stage 2 includes financial instruments that have deteriorated significantly in credit quality since initial recognition but that do not have objective evidence of a credit loss event.
- Stage 3 includes financial assets that have objective evidence of impairment at the reporting date.

The Bank implemented internal rules using significant days past due, significant increase of PD, forbearance measures, early warning system, proactive credit management (‘PCM’) process, non-performing categories to assess correct stage for expected loss calculation. These indicators are described in more detail below.

The Bank’s classification of exposures into the stages is based on the following criteria:

STAGE 1	STAGE 2	STAGE 3
Performing exposures with DPD less than 30	Performing non-defaulted contracts with more than 30 days past due	Non-performing Past Due
	Forborne performing exposures	Non-performing Unlikely to Pay
	Performing exposures under PCM	Non-performing Doubtful
	Performing exposures with significant increase in PD	

In general, the following rules are applied:

- At origination financial instruments are classified in Stage 1, except instruments which are credit-impaired at the date of acquisition, which are classified in the relevant stage;
- If there is not enough information to determine if credit has deteriorated significantly since origination, a financial instrument is classified into Stage 2.

As at 31 December 2023 and 31 December 2022 the Bank did not classify any financial assets as Purchased or Originated Credit Impaired ('POCI').

Stage 2 criterion: Performing exposures with more than 30 past due days

According to IFRS 9 Principle par. 5.5.11: '…there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.' To comply with this requirement the Bank adopts a days past due criterion according to the Days past due methodology described above.

Stage 2 criterion: Forborne performing exposures

Forborne status for performing exposures is identified as another criterion of credit deterioration since it represents concessions towards a client facing or about to face difficulties in meeting its financial commitments. Forborne performing exposures represent Forborne performing (originally) and Forborne performing stemming from Non-performing. The minimum probation period for these contracts is 24 months, after this period the contract might migrate to Stage 1 if it meets exit criteria from Forborne classification (for example there is not more than 30 DPD, contract is Performing or counterparty has repaid more than significant amount of its debt since entering to Forborne).

Stage 2 criterion: Performing exposures under proactive credit management

Exposures under PCM are classified in Stage 2 since they can be considered as exposures that have deteriorated significantly in credit quality since their recognition.

Stage 2 criterion: Performing exposures with significant increase in PD

A significant increase of PD between origination (or initial recognition) and reporting date is used as indicator of credit quality deterioration according to the IFRS 9 principle par. 5.5.9: 'At each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, an entity shall use the change in the risk of a default occurring over the expected life of the financial instrument.' PD at origination is used solely for the purposes of staging.

This criterion is applied for all the portfolios. The thresholds for each portfolio can vary. In order to assess whether credit risk has increased significantly since the origination, it is necessary to compare Lifetime PD between origination and reporting date.

This criterion is set individually for each portfolio however the main features of the methodology are common.

According to the methodology, the comparison should be performed between:

- PDorigination - the lifetime PD over the residual maturity related to the rating to which the instrument belonged at the origination (if some other risk drivers e.g. year of life are used in addition to the rating, the values as of the reporting date are taken) and
- PDreporting - the lifetime PD over the residual maturity related to the rating to which the instrument belongs at the reporting date.

The relative change of the lifetime PD is calculated as $PD_{reporting}/PD_{origination-1}$. If this relative change is greater than the set PD threshold then the exposure should be classified to the stage 2.

The proper setting of PD threshold is the core of this criterion. The Group methodology states the PD threshold could be different based on portfolio/model, residual maturity, rating class or other potential drivers. Indeed, the cumulative PDs and their relative differences (between some two rating grades) are changing very swiftly with increasing residual maturity. That's why the one common threshold for all maturities would not lead to proper staging. The differentiation of thresholds between rating classes is important, too generally, the worse rating leads to the lower threshold.

Stage 3 criterion

Stage 3 financial assets are considered credit impaired. It is when one or more events that have a detrimental impact on the estimated future cash flows have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment.

Staging criteria for debt securities

Staging process for bonds is performed in parallel to the staging of loans. The criteria used to assess whether the credit quality of the bond has deteriorated significantly since origination is Lifetime PDs comparison.

The following criteria are approved for each stage for debt securities:

STAGE 1	STAGE 2	STAGE 3
Bonds with no significant credit quality deterioration	Bonds with significant increase in PD since origination	Defaulted bonds
Investment grade bonds (Low Credit Risk Exemption rule valid only for FVOCI Bonds for First Time Adoption of IFRS 9 ('FTA'))		

In addition to the above-mentioned criteria, the following rules should be followed for Stage Assignment:

- at origination financial instruments are classified in Stage 1;
- if there is not enough information to determine if credit has deteriorated significantly since origination, a financial instrument is classified into Stage 2.

Staging criteria for Low Default Portfolio and Intragroup exposures

Low Default Portfolio consists of exposures with the following parties:

- Sovereign (Central Banks, Governments, Municipalities, Public Sector Entities);
- Institutions (Banks, and Other Non-banking Financial Institutions);
- Large Corporate (Corporate with turnover more than € 500 million).

Intragroup exposures are exposures with the following parties:

- Parent Company;
- Bank's own subsidiaries;
- Other ISP Group subsidiaries.

Given their particular nature (exposures are within own bank group with low risk profile), intragroup transactions are always classified as Stage 1 with a 12-months ECL.

Since the models for Low Default Portfolio were developed by the Parent Company, the staging rules for Low Default Portfolio and Intragroup exposures are set by the Parent Company for loans and bonds and valid at ISP Group level. Exposures are classified to Stage 2 based on the significant increase of the credit risk criterion measured by Lifetime PD comparison. This criterion for Low Default Portfolio is defined based on the specific rating and residual maturity of exposure. Thresholds are provided by the Parent Company. The thresholds are applied in the same way as described above in Stage 2 criterion: Performing exposures with significant increase in PD.

Expected credit loss calculation

Stage 1

The Expected Loss for exposures in Stage 1 is calculated as:

$$EL_{12m} = PD_{12m} \times LGD_{12m} \times EAD_{12m}$$

where:

- PD12m = 1 year prediction PD estimated at time 0 (time 0 is the reporting date);
- LGD12m = percentage of loss in case of default, estimated at time 0;
- EAD12m = exposure at default, estimated at the beginning of the observation period.

In the calculation of Expected Credit Loss for positions expiring during the first year, in order to avoid the counting of an entire PD on yearly basis and to consider the real expiration date, PD can be adjusted as follows:

$$PD_n = 1 - {}^{12/n}\sqrt{1 - PD_{1year}}$$

where n is the number of months to maturity.

For the transactions without a maturity date, it is assumed that they are subjected to annual review and their maturity is assumed to be equal to one year.

Stage 2

The formula of Lifetime Expected Loss, calculated considering the residual maturity with respect to the reporting date, is summarized as follows:

For exposures with remaining maturity less than or equal to one year (see Stage 1):

$$EL_{12m} = PD_{12m} \times LGD_{12m} \times EAD_{12m}$$

For exposures with remaining maturity greater than one year:

$$EL_{lifetime} = \sum_{t=1}^{M} \frac{EAD_t \times (PD_t - PD_{t-1}) \times LGD_t}{(1+EIR)^{t-1}}$$

where:

– PDt is cumulative PD estimated between time 0 and time t (time 0 is the reporting date, time t is the number of years till maturity);
– LGDt is percentage of loss in case of default, estimated at time t;
– EADt is exposure at default, estimated at the beginning of the year t;
– EIR is Effective Interest Rate;
– M is residual maturity in years.

To illustrate the application of formula 2 for ECL calculation for exposures in Stage 2 with residual maturity of three years, the following example is provided:

$$EL_{lifetime} = EAD_1 \times PD_1 \times LGD_1 + \frac{EAD_2 \times (PD_2 - PD_1) \times LGD_2}{(1+EIR)^1} + \frac{EAD_3 \times (PD_3 - PD_2) \times LGD_3}{(1+EIR)^2}$$

where:

– EAD1, EAD2, EAD3 are exposure at default at the beginning of each residual year;
– PD1 is probability that exposure enters in default during the first year of residual maturity;
– PD2 - PD1 is marginal Lifetime PD that represents the probability that exposure enters in default during its second year of residual maturity;
– PD3 - PD2 is marginal Lifetime PD that represents the probability that exposure enters in default during its third year of residual maturity;
– LGD1, LGD2, LGD3 is percentage of loss in case of default of each residual year;
– EIR is Effective Interest Rate.

In the calculation of Expected Credit Loss for position expiring during the first year in order to avoid the counting of an entire PD on yearly basis and to consider the real expiration date, PD should be adjusted.

For the transactions without a maturity date, it is assumed that they are subjected to annual review and their maturity is assumed to be equal to one year.

Additionally, for cases when residual maturity is a fraction of years, the VUB Group can choose to use the maturity as follows:

– When the portion of residual maturity that exceeds the year is greater than six months, the maturity will be rounded to the year immediately after;
– When the portion of residual maturity that exceeds the year is equal or lower than six months, the maturity will be rounded to the previous year.

Stage 3

The VUB Group decided to determine the provision for Non Performing exposures (transactions in Stage 3) including an Add-on, which estimation is based on forward looking elements, increasing the current level of coverage on NPLs.

The calculation of provision on Stage 3 exposures is based on the following formula:

$$EL_{Stage3} = PCBS * (1 + \text{Add-on}_{Performing})$$

where:

- PCBS is the provision calculated based on scenarios determined by the VUB Group on NPLs;
- Add-onPerforming is calculated as the average of Add-ons estimated for performing Lifetime LGD obtained with Best, Most-Likely and Worst scenarios given by EBA coefficients for corresponding segment.

Incorporation of forward-looking information

The VUB Group incorporates forward-looking information by using the Base scenario from the internal satellite models or the Baseline stress test coefficients, which are obtained from EBA Path-generator. Other scenarios are incorporated in the form of "add-on". Add-on is calculated as a combination of final PD or LGD values calculated for all three scenarios for 3 upcoming years.

The VUB Group uses internally developed satellite models for the prediction of default rate for various segments. These models are based on relevant macroeconomic variables. The output of these models contains the model for the base scenario as well as the models for the other scenarios, which are used to calculate the add-on. This approach is used for most of the PD models.

The VUB Group also uses the stress test coefficients, which are the result of EBA Path-generator for stress testing. As the result, we get the coefficients only for Adverse and Baseline scenario and, therefore, the Best coefficient is calculated additionally based on these two scenarios. The scenarios are then used for the calculation of the add-on. Using the EBA coefficients is characteristic for LGD models for non-retail portfolio. Moreover, a similar approach is used for the calculation of add-on for the exposures in stage 3. For retail portfolio, the bank uses internally developed macroeconomic satellite models for inclusion of forward-looking information into LGD parameter. The outputs of those models are the predicted values of loss given default for base scenario increased by add-on, which incorporates the other scenarios.

The satellite models for prediction of default rates are also used for other purpose such as stress testing. The base scenario represents a most-likely outcome. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the VUB Group carries out recalibration of the satellite models.

The VUB Group identified risk drivers which are the main inputs for the models for each portfolio. The relevant drivers were selected to obtain the final models for each portfolio. The predicted values of macro variables used in the models are delivered by the Parent Company.

The split of the **Stage 1** credit portfolio into individually and portfolio assessed is shown below:

2023	Portfolio assessed			Individually assessed		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Stage 1						
Financial assets at AC:						
Due from banks	161 470	(5)	161 465	-	-	-
Due from customers:						
Financial corporations	1 053 801	(244)	1 053 557	-	-	-
Non-financial corporations	5 159 394	(25 302)	5 134 092	-	-	-
Retail	10 254 276	(15 626)	10 238 650	-	-	-
Public administration	266 863	(1 411)	265 452	-	-	-
	16 895 804	(42 588)	16 853 216	-	-	-
Financial assets at FVOCI – debt securities	1 246 816	(232)	1 246 584	-	-	-
Financial commitments and contingencies	4 634 050	(4 722)	4 629 328	-	-	-

2022 - restated

€ '000	Portfolio assessed Gross amount	Impair-ment losses	Net amount	Individually assessed Gross amount	Impair-ment losses	Net amount
Stage 1						
Financial assets at AC:						
Due from banks	71 598	(10)	71 588	-	-	-
Due from customers:						
Financial corporations	796 230	(244)	795 986	-	-	-
Non-financial corporations	5 013 027	(24 492)	4 988 535	-	-	-
Retail	9 965 586	(19 071)	9 946 515	-	-	-
Public administration	177 914	(1 355)	176 559	-	-	-
	16 024 355	(45 172)	15 979 183	-	-	-
Financial assets at FVOCI – debt securities	1 412 476	(276)	1 412 200	-	-	-
Financial commitments and contingencies	5 645 886	(5 819)	5 640 067	-	-	-

2022 - original

€ '000	Portfolio assessed Gross amount	Impairment losses	Net amount	Individually assessed Gross amount	Impairment losses	Net amount
Stage 1						
Financial assets at AC:						
Due from other banks	71 598	(10)	71 588	-	-	-
Due from customers:						
Public administration	182 440	(1 310)	181 130	-	-	-
Corporate	5 677 056	(21 967)	5 655 089	-	-	-
Retail	10 100 813	(25 685)	10 075 128	-	-	-
	16 031 907	(48 972)	15 982 935	-	-	-
Financial assets at FVOCI – debt securities	1 412 476	(276)	1 412 200	-	-	-
Financial commitments and contingencies	5 645 409	(5 149)	5 640 260	-	-	-

The split of the **Stage 2** credit portfolio into individually and portfolio assessed is shown below:

2023	Portfolio assessed			Individually assessed		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Stage 2						
Financial assets at AC:						
Due from customers:						
Financial corporations	1	-	1	-	-	-
Non-financial corporations	1 110 232	(60 326)	1 049 906	-	-	-
Retail	613 466	(61 562)	551 904	-	-	-
Public administration	45 759	(1 861)	43 898	-	-	-
	1 769 458	(123 749)	1 645 709	-	-	-
Financial commitments and contingencies	683 854	(7 776)	676 078	-	-	-

2022 - restated						
	Portfolio assessed			Individually assessed		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Stage 2						
Financial assets at AC:						
Due from banks	80 511	(88)	80 423	-	-	-
Due from customers:						
Financial corporations	3	-	3	-	-	-
Non-financial corporations	1 005 614	(46 193)	959 421	-	-	-
Retail	579 629	(56 288)	523 341	-	-	-
Public administration	8 053	(325)	7 728	-	-	-
	1 673 810	(102 894)	1 570 916	-	-	-
Financial commitments and contingencies	154 179	(3 178)	151 001	-	-	-

2022 - original						
	Portfolio assessed			Individually assessed		
€ '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Stage 2						
Financial assets at AC:						
Due from other banks	80 511	(88)	80 423	-	-	-
Due from customers:						
Public administration	7 976	(325)	7 651	-	-	-
Corporate	878 491	(37 332)	841 159	-	-	-
Retail	702 838	(65 106)	637 732	-	-	-
	1 669 816	(102 851)	1 566 965	-	-	-
Financial commitments and contingencies	155 049	(3 181)	151 868	-	-	-

The split of the **Stage 3** credit portfolio into individually and portfolio assessed is shown below:

2023	Portfolio assessed			Individually assessed		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Stage 3						
Financial assets at AC:						
Due from banks	3	(1)	2	74 502	(5 103)	69 399
Due from customers:						
Financial corporations	8	(3)	5	-	-	-
Non-financial corporations	32 944	(15 556)	17 388	70 225	(40 595)	29 630
Retail	223 014	(145 123)	77 891	10 212	(4 408)	5 804
Public administration	3 473	(1)	3 472	-	-	-
	259 442	(160 684)	98 758	154 939	(50 106)	104 833
Financial commitments and contingencies	4 639	(326)	4 313	11 601	(4 064)	7 537

2022 - restated						
	Portfolio assessed			Individually assessed		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Stage 3						
Financial assets at AC:						
Due from banks	-	-	-	536	(267)	269
Due from customers:						
Non-financial corporations	30 376	(21 455)	8 921	73 417	(45 389)	28 028
Retail	216 687	(150 445)	66 242	3 852	(2 150)	1 702
Public administration	1 751	(4)	1 747	-	-	-
	248 814	(171 904)	76 910	77 805	(47 806)	29 999
Financial commitments and contingencies	7 100	(658)	6 442	14 143	(4 752)	9 391

2022 - original						
	Portfolio assessed			Individually assessed		
€ '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Stage 3						
Financial assets at AC:						
Due from customers:						
Public administration	15	(4)	11	-	-	-
Corporate	5 336	(3 315)	2 021	70 806	(43 591)	27 215
Retail	239 832	(164 466)	75 366	6 536	(4 310)	2 226
	245 183	(167 785)	77 398	77 878	(48 168)	29 710
Financial commitments and contingencies	6 707	(1 325)	5 382	14 143	(4 752)	9 391

The reconciliation from the opening balance to the closing balance of the **impairment losses** to explain the changes in the impairment losses and the reasons for those changes:

2023 € '000	1 January	Origina-tion	Changes in credit risk (net)	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Derecog-nition	Assets written-off/sold	Other	31 December
Stage 1										
Financial assets at FVOCI	276	21	(91)	57	(1)	-	(30)	-	-	232
Financial assets at AC:										
Due from other banks	10	58	2	-	-	-	(65)	-	-	5
Due from customers	48 962	31 986	(76 800)	81 431	(37 396)	(232)	(5 368)	-	-	42 583
	48 972	32 044	(76 798)	81 431	(37 396)	(232)	(5 433)	-	-	42 588
Financial commitments and contingencies	5 149	13 742	(14 518)	9 581	(6 762)	(3)	(2 467)	-	-	4 722
Stage 2										
Financial assets at FVOCI	-	-	56	(57)	1	-	-	-	-	-
Financial assets at AC:										
Due from other banks	88	-	2 841	-	-	(2 929)	-	-	-	-
Due from customers	102 763	-	95 753	(78 942)	40 824	(31 897)	(4 752)	-	-	123 749
	102 851	-	98 594	(78 942)	40 824	(34 826)	(4 752)	-	-	123 749
Financial commitments and contingencies	3 181	-	9 377	(9 022)	6 887	(930)	(1 717)	-	-	7 776
Stage 3										
Financial assets at AC:										
Due from other banks	267	-	1 908	-	-	2 929	-	-	-	5 104
Due from customers	215 686	-	3 319	(2 490)	(3 427)	32 129	14 932	(54 463)	-	205 686
	215 953	-	5 227	(2 490)	(3 427)	35 058	14 932	(54 463)	-	210 790
Financial commitments and contingencies	6 077	-	899	(558)	(126)	933	(2 835)	-	-	4 390

(Table continues on the next page)

2023 € '000	1 January	Origina-tion	Changes in credit risk (net)	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Derecog-nition	Assets written-off/sold	Other	31 December
Total										
Financial assets at FVOCI	276	21	(35)	-	-	-	(30)	-	-	232
Financial assets at AC:										
Due from other banks	365	58	4 751	-	-	-	(65)	-	-	5 109
Due from customers	367 411	31 986	22 272	(1)	1	-	4 812	(54 463)	-	372 018
	367 776	32 044	27 023	(1)	1	-	4 747	(54 463)	-	377 127
Financial commitments and contingencies	14 407	13 742	(4 242)	1	(1)	-	(7 019)	-	-	16 888

2022 € '000	1 January*	Origina-tion	Changes in credit risk (net)	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Derecog-nition	Assets written-off/sold	Other	31 December
Stage 1										
Financial assets at FVOCI	329	84	(221)	108	-	-	(24)	-	-	276
Financial assets at AC:										
Due from other banks	90	23	(11)	-	(70)	-	(22)	-	-	10
Due from customers	72 948	42 909	(77 192)	45 717	(30 133)	(87)	(5 197)	-	(3)	48 962
	73 038	42 932	(77 203)	45 717	(30 203)	(87)	(5 219)	-	(3)	48 972
Financial commitments and contingencies	5 060	14 031	(12 032)	6 562	(6 200)	(7)	(2 267)	-	2	5 149
Stage 2										
Financial assets at FVOCI	-	-	108	(108)	-	-	-	-	-	-
Financial assets at AC:										
Due from other banks	19	-	20	-	70	(21)	-	-	-	88
Due from customers	45 173	-	98 596	(43 214)	35 120	(26 316)	(6 596)	-	-	102 763
	45 192	-	98 616	(43 214)	35 190	(26 337)	(6 596)	-	-	102 851
Financial commitments and contingencies	6 683	-	4 411	(6 444)	6 236	(4 023)	(3 682)	-	-	3 181
Stage 3										
Financial assets at AC:										
Due from other banks	-	-	246	-	-	21	-	-	-	267
Due from customers	227 100	-	26 796	(2 502)	(4 987)	26 404	(6 394)	(50 731)	-	215 686
	227 100	-	27 042	(2 502)	(4 987)	26 425	(6 394)	(50 731)	-	215 953
Financial commitments and contingencies	8 705	-	(2 674)	(119)	(36)	4 029	(3 828)	-	-	6 077

(Table continues on the next page)

2022 € '000	1 January	Origina-tion	Changes in credit risk (net)	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Derecog-nition	Assets written-off/sold	Other	31 December
Total										
Financial assets at FVOCI	329	84	(113)	-	-	-	(24)	-	-	276
Financial assets at AC:										
Due from other banks	109	23	255	-	-	-	(22)	-	-	365
Due from customers	345 221	42 909	48 200	1	-	1	(18 187)	(50 731)	(3)	367 411
	345 330	42 932	48 455	1	-	1	(18 209)	(50 731)	(3)	367 776
Financial commitments and contingencies	20 448	14 031	(10 295)	(1)	-	(1)	(9 777)	-	2	14 407

*The opening balances include previous year closing balances of VUB Leasing merged into VUB Bank at beginning of 2023

When there is transfer between stages, the original amount of the provision is transferred first and then the change in credit risk is reflected in the new stage.

The changes due to modifications that does not result in derecognition of the financial assets were immaterial.

The changes in the **gross carrying amount** of financial instruments during the year contributed to changes in the impairment losses:

2023 € '000	1 January	Origina-tion	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Derecog-nition	Assets written-off/sold	31 December
Stage 1								
Financial assets at FVOCI	1 412 200	385 063	248 674	(247 563)	-	(146 500)	(405 058)	1 246 816
Financial assets at AC:								
Due from banks	71 598	7 255 675	-	-	-	(7 165 803)	-	161 470
Due from customers	15 960 309	8 168 960	2 049 387	(2 696 194)	(29 474)	(6 718 654)	-	16 734 334
	16 031 907	15 424 635	2 049 387	(2 696 194)	(29 474)	(13 884 457)	-	16 895 804
Financial commitments and contingencies	5 645 409	1 377 338	735 137	(1 370 905)	(7 168)	(1 745 761)	-	4 634 050
Stage 2								
Financial assets at FVOCI	-	1 111	(248 674)	247 563	-	-	-	-
Financial assets at AC:								
Due from banks	80 511	-	-	-	(79 766)	(745)	-	-
Due from customers	1 589 305	-	(2 034 076)	2 708 403	(127 875)	(366 299)	-	1 769 458
	1 669 816	-	(2 034 076)	2 708 403	(207 641)	(367 044)	-	1 769 458
Financial commitments and contingencies	155 049	181 318	(730 369)	1 372 533	(11 780)	(282 897)	-	683 854
Stage 3								
Financial assets at AC:								
Due from banks	-	806	-	-	79 766	(6 067)	-	74 505
Due from customers	322 525	-	(15 311)	(12 208)	157 348	(57 684)	(54 794)	339 876
	322 525	806	(15 311)	(12 208)	237 114	(63 751)	(54 794)	414 381
Financial commitments and contingencies	20 850	-	(4 768)	(1 629)	18 949	(17 162)	-	16 240

(Table continues on the next page)

2023 € '000	1 January	Origina-tion	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Derecog-nition	Assets written-off/sold	31 December
Total								
Financial assets at FVOCI	1 412 200	386 174	-	-	-	(146 500)	(405 058)	1 246 816
Financial assets at AC:								
Due from banks	152 109	7 256 481	-	-	-	(7 172 615)	-	235 975
Due from customers	17 872 139	8 168 960	-	1	(1)	(7 142 637)	(54 794)	18 843 668
	18 024 248	15 425 441	-	1	(1)	(14 315 252)	(54 794)	19 079 643
Financial commitments and contingencies	5 821 308	1 558 656	-	(1)	1	(2 045 820)	-	5 334 144

2022 € '000	1 January	Origina-tion	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Derecog-nition	Assets written-off/sold	31 December
Stage 1								
Financial assets at FVOCI	1 670 857	634 554	119 913	(126 024)	-	(596 830)	(290 270)	1 412 200
Financial assets at AC:								
Due from other banks	2 191 690	10 122 861	-	(80 691)	-	(12 162 262)	-	71 598
Due from customers	15 919 633	7 258 844	1 531 586	(2 617 845)	(10 862)	(6 121 047)	-	15 960 309
	18 111 323	17 381 705	1 531 586	(2 698 536)	(10 862)	(18 283 309)	-	16 031 907
Financial commitments and contingencies	5 432 800	4 847 601	525 496	(571 295)	(4 362)	(4 584 831)	-	5 645 409
Stage 2								
Financial assets at FVOCI	-	-	(119 913)	126 024	-	(6 111)	-	-
Financial assets at AC:								
Due from other banks	701	-	-	80 691	(707)	(174)	-	80 511
Due from customers	909 302	2 667	(1 522 160)	2 635 473	(112 013)	(323 964)	-	1 589 305
	910 003	2 667	(1 522 160)	2 716 164	(112 720)	(324 138)	-	1 669 816
Financial commitments and contingencies	186 418	102 493	(522 553)	572 028	(12 486)	(170 851)	-	155 049
Stage 3								
Financial assets at AC:								
Due from customers	360 778	11	(9 426)	(17 627)	122 875	(84 449)	(49 637)	322 525
Financial commitments and contingencies	23 521	-	(2 943)	(734)	16 848	(15 842)	-	20 850

(Table continues on the next page)

2022 € '000	1 January	Origina-tion	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Derecog-nition	Assets written-off/sold	31 December
Total								
Financial assets at FVOCI	1 670 857	634 554	-	-	-	(602 941)	(290 270)	1 412 200
Financial assets at AC:								
Due from other banks	2 192 391	10 122 861	-	-	-	(12 163 143)	-	152 109
Due from customers	17 189 713	7 261 522	-	1	-	(6 529 460)	(49 637)	17 872 139
	19 382 104	17 384 383	-	1	-	(18 692 603)	(49 637)	18 024 248
Financial commitments and contingencies	5 642 739	4 950 094	-	(1)	-	(4 771 524)	-	5 821 308

4.1.3. Non-performing loan classification

The Bank considers a financial asset to be in Non-performing status in compliance with the Commission's Implementing Regulation (EU) No 680/2014 and its further amendments (Implementing Technical Standards, 'ITS') when:

– The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
– The borrower is more than 90 days past due on any material credit obligations to the Bank.

The Bank uses the definitions of non-performing loans derived from the Harmonisation project. The Harmonisation project was driven by Intesa Sanpaolo in order to unify the definitions and categories of non-performing loans across the foreign subsidiaries of the ISP Group. The definition of non-performing loans, which comprise three classification categories (past due, unlikely to pay, doubtful), is based on delinquency (days past due) and judgemental criteria for the categories doubtful and unlikely to pay. In case of the past due category, DPD and materiality thresholds of borrower are taken into account.

The description of the classification categories of loans is as follows:

Classification category	Description
Doubtful	Exposures to borrowers being in a state of insolvency (although not yet legally) or in a de facto equivalent status, regardless of any loss forecasts made by the Bank.
Unlikely to pay	Exposures to borrowers assessed as improbable to thoroughly meet their credit obligations without recourse to actions such as the enforcement of guarantees/ collateral.
Past due	Exposures other than those classified as doubtful or unlikely to pay that, as at the reporting date, are past due (DPD methodology above) for over 90 days
Performing	All exposures that are not classified as doubtful, unlikely to pay or past due.

For the category **Unlikely to pay** are taken into account qualitative indicators such as:

– Borrowers facing difficulties in meeting payment obligations in a timely manner (thus exposed to their creditors' tolerance), despite the confident expectation of positive future operating cash flows;
– Borrowers under negotiations with the Bank for defining an Out-of-Court restructuring/ settlement agreement;
– Borrowers which signed Out-of-Court restructuring/settlement agreements and that are regularly servicing their financial obligations;
– Borrowers whose credit quality indicators significantly worsened and where future cash flows are not expected to fully service the debt toward the Bank;
– Serious difficulties in borrower's business (additional equity required, liquidity seriously stretched).

For the category **Doubtful** are taken into account qualitative indicators such as:

– If the borrower is under voluntary dissolution or under any legally binding liquidation, without possibility to operate on 'going concern basis';
– If the Court already ordered the legal liquidation, even if the borrower's operations are not suspended under the legal procedures;
– If according to any public Registry or by Court order the borrower ceases to exist as legal entity;
– If the borrower has been registered (has to be registered) in the Fraud/Black List;
– Borrowers which expected cash flows will not be generated from the borrowers' operations, but from the enforcement of collateral/ guarantees ('gone concern' approach);
– Borrowers (typically individuals) against whom the Bank initiates receivership or enforcement proceedings.
– Non-performing status is carried out at borrower level following the united rules of the Parent Company.

The following table describes the Bank's credit portfolio in terms of classification categories:

2023	Category	Gross amount	Impairment losses	Net amount
Financial assets at AC:				
Due from banks				
	Performing	161 470	(5)	161 465
	Unlikely to pay	74 502	(5 103)	69 399
	Doubtful	3	(1)	2
		235 975	(5 109)	230 866
Due from customers:				
Corporate:				
Financial corporations				
	Performing	1 053 802	(244)	1 053 558
	Doubtful	8	(3)	5
		1 053 810	(247)	1 053 563
Non-financial corporations				
	Performing	6 269 626	(85 628)	6 183 998
	Past due	10 325	(3 487)	6 838
	Unlikely to pay	56 096	(26 773)	29 323
	Doubtful	36 748	(25 891)	10 857
		6 372 795	(141 779)	6 231 016
		7 426 605	(142 026)	7 284 579
Retail				
	Performing	10 867 742	(77 188)	10 790 554
	Past due	35 524	(18 181)	17 343
	Unlikely to pay	45 743	(22 615)	23 128
	Doubtful	151 959	(108 735)	43 224
		11 100 968	(226 719)	10 874 249
Public administration				
	Performing	312 622	(3 272)	309 350
	Past due	1	-	1
	Doubtful	3 472	(1)	3 471
		316 095	(3 273)	312 822
		18 843 668	(372 018)	18 471 650
		19 079 643	(377 127)	18 702 516
Financial assets at FVOCI – debt securities				
	Performing	1 246 816	(232)	1 246 584
Financial commitments and contingencies				
	Performing	5 317 904	(12 498)	5 305 406
	Past due	1 311	(15)	1 296
	Unlikely to pay	12 272	(4 292)	7 980
	Doubtful	2 657	(83)	2 574
		5 334 144	(16 888)	5 317 256

2022 - restated € '000	Category	Gross amount	Impairment losses	Net amount
Financial assets at AC:				
Due from other banks				
	Performing	152 109	(98)	152 011
	Past due	536	(267)	269
		152 645	(365)	152 280
Due from customers:				
Corporate:				
Financial corporations				
	Performing	796 234	(244)	795 990
Non-financial corporations				
	Performing	6 018 641	(70 685)	5 947 957
	Past due	8 454	(4 718)	3 736
	Unlikely to pay	44 765	(17 689)	27 076
	Doubtful	50 574	(44 437)	6 136
		6 122 434	(137 529)	5 984 905
		6 918 668	(137 773)	6 780 895
Retail				
	Performing	10 545 214	(75 359)	10 469 855
	Past due	33 697	(18 345)	15 352
	Unlikely to pay	32 427	(19 507)	12 920
	Doubtful	154 415	(114 743)	39 672
		10 765 753	(227 954)	10 537 799
Public administration				
	Performing	185 967	(1 680)	184 287
	Doubtful	1 751	(4)	1 747
		187 718	(1 684)	186 034
		17 872 139	(367 411)	17 504 728
		18 024 784	(367 776)	17 657 008
Financial assets at FVOCI – debt securities				
	Performing	1 412 476	(276)	1 412 200
Financial commitments and contingencies				
	Performing	5 800 065	(8 997)	5 791 068
	Past due	1 972	(7)	1 965
	Unlikely to pay	14 400	(4 521)	9 879
	Doubtful	4 871	(882)	3 989
		5 821 308	(14 407)	5 806 901

2022 - original € '000	Category	Gross amount	Impairment losses	Net amount
Financial assets at AC:				
Due from other banks				
	Performing	152 109	(98)	152 011
	Past due	536	(267)	269
		152 645	(365)	152 280
Due from customers:				
Public administration				
	Performing	190 416	(1 635)	188 781
	Doubtful	15	(4)	11
		190 431	(1 639)	188 792
Corporate				
	Performing	6 555 547	(59 299)	6 496 248
	Past due	1 498	(279)	1 219
	Unlikely to pay	38 516	(13 985)	24 531
	Doubtful	36 128	(32 642)	3 486
		6 631 689	(106 205)	6 525 484
Retail				
	Performing	10 803 651	(90 791)	10 712 860
	Past due	40 464	(22 621)	17 843
	Unlikely to pay	38 232	(22 864)	15 368
	Doubtful	167 672	(123 291)	44 381
		11 050 019	(259 567)	10 790 452
		17 872 139	(367 411)	17 504 728
		18 024 784	(367 776)	17 657 008
Financial assets at FVOCI – debt securities				
	Performing	1 412 476	(276)	1 412 200
Financial commitments and contingencies				
	Performing	5 800 458	(8 330)	5 792 128
	Past due	2 693	(666)	2 027
	Unlikely to pay	14 402	(4 521)	9 881
	Doubtful	3 755	(890)	2 865
		5 821 308	(14 407)	5 806 901

The following table shows the Bank's credit portfolio in terms of delinquency of payments:

2023 € '000	Gross amount	Impairment losses	Net amount
Financial assets at AC:			
Due from banks			
No delinquency	161 470	(5)	161 465
Over 181 days	74 505	(5 104)	69 401
	235 975	(5 109)	230 866
Due from customers:			
Corporate			
Financial corporations			
No delinquency	1 053 750	(244)	1 053 506
1 – 30 days	52	-	52
Over 181 days	8	(3)	5
	1 053 810	(247)	1 053 563
Non-financial corporations			
No delinquency	6 235 192	(98 202)	6 136 990
1 – 30 days	62 881	(2 797)	60 084
31 – 60 days	11 107	(1 018)	10 089
61 – 90 days	4 256	(1 426)	2 830
91 – 180 days	6 274	(2 814)	3 460
Over 181 days	53 085	(35 522)	17 563
	6 372 795	(141 779)	6 231 016
	7 426 605	(142 026)	7 284 579
Retail			
No delinquency	10 746 708	(77 618)	10 669 090
1 – 30 days	165 936	(24 453)	141 483
31 – 60 days	37 101	(10 915)	26 186
61 – 90 days	18 289	(7 069)	11 220
91 – 180 days	25 219	(14 162)	11 057
Over 181 days	107 715	(92 502)	15 213
	11 100 968	(226 719)	10 874 249
Public administration			
No delinquency	316 093	(3 273)	312 820
1 – 30 days	1	-	1
Over 181 days	1	-	1
	316 095	(3 273)	312 822
	18 843 668	(372 018)	18 471 650
	19 079 643	(377 127)	18 702 516
Financial assets at FVOCI – debt securities			
No delinquency	1 246 816	(232)	1 246 584
Financial commitments and contingencies			
No delinquency	5 334 144	(16 888)	5 317 256

2022 - restated € '000	Gross amount	Impairment losses	Net amount
Financial assets at AC:			
Due from banks			
No delinquency	152 109	(98)	152 011
Over 181 days	536	(267)	269
	152 645	(365)	152 280
Due from customers:			
Corporate			
Financial corporations			
No delinquency	796 225	(244)	795 981
31 – 60 days	8	-	8
	796 233	(244)	795 989
Non-financial corporations			
No delinquency	6 001 024	(83 115)	5 917 909
1 – 30 days	55 710	(4 031)	51 679
31 – 60 days	5 258	(1 331)	3 927
61 – 90 days	6 247	(2 873)	3 374
91 – 180 days	5 870	(3 189)	2 681
Over 181 days	48 325	(42 990)	5 335
	6 122 434	(137 529)	5 984 905
	6 918 667	(137 773)	6 780 894
Retail			
No delinquency	10 453 231	(86 139)	10 367 092
1 – 30 days	145 281	(24 333)	120 948
31 – 60 days	30 953	(10 244)	20 709
61 – 90 days	16 141	(6 519)	9 622
91 – 180 days	21 552	(12 874)	8 678
Over 181 days	98 596	(87 845)	10 751
	10 765 754	(227 954)	10 537 800
Public administration			
No delinquency	187 347	(1 682)	185 665
1 – 30 days	333	-	333
91 – 180 days	37	(2)	35
Over 181 days	1	-	1
	187 718	(1 684)	186 034
	17 872 139	(367 411)	17 504 728
	18 024 784	(367 776)	17 657 008
Financial assets at FVOCI – debt securities			
No delinquency	1 412 476	(276)	1 412 200
Financial commitments and contingencies			
No delinquency	5 821 308	(14 407)	5 806 901

2022 - original € '000	Gross amount	Impairment losses	Net amount
Financial assets at AC:			
Due from other banks			
No delinquency	152 109	(98)	152 011
Over 181 days	536	(267)	269
	152 645	(365)	152 280
Due from customers:			
Public administration			
No delinquency	189 725	(1 637)	188 088
1 – 30 days	705	(2)	703
31 – 60 days	1	-	1
	190 431	(1 639)	188 792
Corporate			
No delinquency	6 558 946	(71 078)	6 487 868
1 – 30 days	28 233	(278)	27 955
31 – 60 days	2 439	(298)	2 141
61 – 90 days	4 426	(1 875)	2 551
91 – 180 days	4 099	(4 024)	75
Over 181 days	33 546	(28 652)	4 894
	6 631 689	(106 205)	6 525 484
Retail			
No delinquency	10 774 475	(99 708)	10 674 767
1 – 30 days	71 982	(13 713)	58 269
31 – 60 days	14 588	(4 086)	10 502
61 – 90 days	10 862	(3 689)	7 173
91 – 180 days	22 520	(15 513)	7 007
Over 181 days	155 592	(122 858)	32 734
	11 050 019	(259 567)	10 790 452
	17 872 139	(367 411)	17 504 728
	18 024 784	(367 776)	17 657 008
Financial assets at FVOCI – debt securities			
No delinquency	1 412 476	(276)	1 412 200
Financial commitments and contingencies			
No delinquency	5 821 308	(14 407)	5 806 901

The table below shows the three-stage approach based on changes in credit quality by class of assets for all financial assets exposed to credit risk.

2023	Stage 1			Stage 2			Stage 3		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:									
Due from other banks	161 470	(5)	161 465	-	-	-	74 505	(5 104)	69 401
Due from customers:									
Corporate									
Financial corporations									
Loans	676 342	(170)	676 172	1	-	1	8	(3)	5
Overdrafts	17 735	(2)	17 733	-	-	-	-	-	-
Credit cards	4	-	4	-	-	-	-	-	-
Debt securities	359 687	(72)	359 615	-	-	-	-	-	-
Leasing	33	-	33	-	-	-	-	-	-
	1 053 801	(244)	1 053 557	1	-	1	8	(3)	5
Non-financial corporations									
Loans	4 261 860	(23 806)	4 238 054	729 149	(56 869)	672 280	60 290	(29 927)	30 363
Mortgages	7 135	(23)	7 112	2 797	(200)	2 597	445	(298)	147
Overdrafts	489 435	(768)	488 667	333 501	(2 502)	330 999	31 001	(20 311)	10 690
Credit Cards	1 106	(6)	1 100	462	(74)	388	97	(64)	33
Factoring	136 197	(80)	136 117	4 781	(9)	4 772	2 317	(988)	1 329
Debt securities	124 500	(209)	124 291	-	-	-	-	-	-
Leasing	139 161	(410)	138 751	39 542	(672)	38 870	9 019	(4 563)	4 456
	5 159 394	(25 302)	5 134 092	1 110 232	(60 326)	1 049 906	103 169	(56 151)	47 018
	6 213 195	(25 546)	6 187 649	1 110 233	(60 326)	1 049 907	103 177	(56 154)	47 023

(Table continues on the next page)

2023	Stage 1			Stage 2			Stage 3		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:									
Due from customers:									
Retail									
Loans	1 275 921	(10 912)	1 265 009	211 156	(27 454)	183 702	118 575	(97 951)	20 624
Mortgages	8 838 942	(4 415)	8 834 527	359 819	(32 982)	326 837	102 780	(44 325)	58 455
Overdrafts	57 605	(139)	57 466	28 530	(432)	28 098	7 997	(5 282)	2 715
Credit Cards	74 676	(111)	74 565	10 259	(547)	9 712	3 264	(1 842)	1 422
Factoring	53	-	53	-	-	-	-	-	-
Leasing	7 079	(49)	7 030	3 702	(147)	3 555	610	(131)	479
	10 254 276	(15 626)	10 238 650	613 466	(61 562)	551 904	233 226	(149 531)	83 695
Public administration									
Loans	157 517	(1 396)	156 121	44 791	(1 859)	42 932	3 472	(1)	3 471
Overdrafts	1 746	-	1 746	858	(2)	856	1	-	1
Credit Cards	4	-	4	-	-	-	-	-	-
Debt securities	106 799	(15)	106 784	-	-	-	-	-	-
Leasing	797	-	797	110	-	110	-	-	-
	266 863	(1 411)	265 452	45 759	(1 861)	43 898	3 473	(1)	3 472
	16 734 334	(42 583)	16 691 751	1 769 458	(123 749)	1 645 709	339 876	(205 686)	134 190
	16 895 804	(42 588)	16 853 216	1 769 458	(123 749)	1 645 709	414 381	(210 790)	203 591
Financial assets at FVOCI - debt securities	1 246 816	(232)	1 246 584	-	-	-	-	-	-
Financial commitments and contingencies	4 634 050	(4 722)	4 629 328	683 854	(7 776)	676 078	16 240	(4 390)	11 850

2022 - restated	Stage 1			Stage 2			Stage 3		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:									
Due from other banks	71 598	(10)	71 588	80 511	(88)	80 423	536	(267)	269
Due from customers:									
Corporate:									
Financial corporations									
Loans	507 842	(161)	507 681	2	-	2	-	-	-
Overdrafts	20 940	(3)	20 937	1	-	1	-	-	-
Debt securities	261 017	(80)	260 937	-	-	-	-	-	-
Other	6 400	-	6 400	-	-	-	-	-	-
Leasing	31	-	31	-	-	-	-	-	-
	796 230	(244)	795 986	3	-	3	-	-	-
Non-financial corporations									
Loans	3 744 753	(22 929)	3 721 824	856 064	(43 270)	812 794	56 166	(31 570)	24 596
Mortgages	8 850	(38)	8 811	3 979	(367)	3 612	506	(372)	134
Overdrafts	860 910	(1 161)	859 749	67 898	(950)	66 948	30 606	(23 455)	7 151
Factoring	154 769	(63)	154 706	4 006	(2)	4 004	2 402	(1 140)	1 262
Debt securities	103 146	(53)	103 093	43 887	(866)	43 021	-	-	-
Leasing	140 599	(248)	140 351	29 780	(738)	29 042	14 113	(10 307)	3 806
	5 013 027	(24 492)	4 988 535	1 005 613	(46 193)	959 421	103 793	(66 844)	36 949
	5 809 257	(24 736)	5 784 521	1 005 616	(46 193)	959 424	103 793	(66 844)	36 949

(Table continues on the next page)

2022 - restated	Stage 1			Stage 2			Stage 3		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:									
Due from customers:									
Retail									
Loans	1 143 124	(13 768)	1 129 356	203 920	(24 622)	179 298	105 757	(95 392)	10 365
Mortgages	8 671 518	(4 844)	8 666 643	342 413	(30 200)	312 213	96 301	(40 300)	56 001
Overdrafts	68 047	(208)	67 839	20 748	(467)	20 281	7 221	(6 471)	750
Credit Cards	73 469	(169)	73 300	9 908	(897)	9 011	10 715	(10 036)	679
Factoring	45	-	45	2	-	2	-	-	-
Leasing	9 383	(82)	9 301	2 638	(102)	2 536	545	(396)	149
	9 965 586	(19 071)	9 946 515	579 629	(56 288)	523 341	220 540	(152 595)	67 944
Public administration									
Loans	176 290	(1 352)	174 938	7 910	(325)	7 585	1 750	(4)	1 746
Overdrafts	1 096	(2)	1 094	2	-	2	1	-	1
Other	-	-	-	-	-	-	-	-	-
Leasing	528	(1)	527	141	-	141	-	-	-
	177 914	(1 355)	176 559	8 053	(325)	7 728	1 751	(4)	1 747
	15 952 757	(45 162)	15 907 595	1 593 299	(102 806)	1 490 493	326 083	(219 443)	106 640
	16 024 355	(45 172)	15 979 183	1 673 810	(102 894)	1 570 916	326 619	(219 710)	106 909
Financial assets at FVOCI – debt securities	1 412 476	(276)	1 412 200	-	-	-	-	-	-
Financial commitments and contingencies	5 645 886	(5 819)	5 640 067	154 179	(3 178)	151 001	21 243	(5 410)	15 833

2022 - original	Stage 1			Stage 2			Stage 3		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:									
Due from other banks	71 598	(10)	71 588	80 511	(88)	80 423	536	(267)	269
Due from customers:									
Public administration									
State administration	79 706	(647)	79 059	-	-	-	-	-	-
Municipalities	102 459	(662)	101 797	7 912	(325)	7 587	15	(4)	11
Municipalities – Leasing	274	(1)	273	65	-	65	-	-	-
	182 439	(1 310)	181 129	7 977	(325)	7 652	15	(4)	11
Corporate									
Large Corporates	2 183 197	(1 527)	2 181 670	502 801	(22 314)	480 487	237	(173)	64
Large Corporates - debt securities	103 146	(52)	103 094	43 886	(867)	43 019	-	-	-
Specialized Lending	883 705	(17 281)	866 424	40 483	(6 646)	33 837	4 886	(3 936)	950
SME	1 493 918	(2 644)	1 491 274	269 144	(7 069)	262 075	59 041	(34 355)	24 686
Other Non-banking Financial Institutions	471 296	(141)	471 155	2	-	2	-	-	-
Other Non-banking Financial Institutions	261 018	(80)	260 938	-	-	-	-	-	-
Public Sector Entities	2 943	-	2 943	417	(1)	416	-	-	-
Leasing	118 977	(178)	118 799	21 758	(436)	21 322	9 610	(7 313)	2 297
Factoring	158 857	(65)	158 792	-	-	-	2 367	(1 127)	1 240
	5 677 057	(21 968)	5 655 089	878 491	(37 333)	841 158	76 141	(46 904)	29 237

(Table continues on the next page)

2022 - original	Stage 1			Stage 2			Stage 3		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:									
Due from customers:									
Retail									
Small Business	359 623	(9 193)	350 430	147 423	(10 431)	136 992	31 204	(22 636)	8 568
Small Business – Leasing	27 755	(184)	27 571	10 031	(397)	9 634	4 956	(3 327)	1 629
Consumer Loans	976 843	(11 027)	965 816	195 345	(26 597)	168 748	123 452	(102 371)	21 081
Mortgages	8 572 225	(4 706)	8 567 519	323 500	(26 408)	297 092	70 154	(24 706)	45 448
Credit Cards	77 211	(165)	77 046	9 560	(845)	8 715	10 408	(9 909)	499
Overdrafts	44 136	(172)	43 964	16 274	(422)	15 852	6 163	(5 802)	361
Leasing	3 594	(7)	3 587	705	(6)	699	31	(24)	7
Flat Owners Associations	39 426	(232)	39 194	-	-	-	-	-	-
	10 100 813	(25 686)	10 075 127	702 838	(65 106)	637 732	246 368	(168 775)	77 593
	15 960 309	(48 964)	15 911 345	1 589 306	(102 764)	1 486 542	322 524	(215 683)	106 841
	16 031 907	(48 974)	15 982 933	1 669 817	(102 852)	1 566 965	323 060	(215 950)	107 110
Financial assets at FVOCI - debt securities	1 412 476	(276)	1 412 200	-	-	-	-	-	-
Financial commitments and contingencies	5 645 409	(5 149)	5 640 260	155 049	(3 181)	151 868	20 850	(6 077)	14 773

The table below shows the three-stage approach based on changes in credit quality by days past due for all financial assets exposed to credit risk.

€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:									
Due from other banks									
No delinquency	161 470	(5)	161 465	-	-	-	-	-	-
Over 181 days	-	-	-	-	-	-	74 505	(5 104)	69 401
	161 470	(5)	161 465	-	-	-	74 505	(5 104)	69 401
Due from customers:									
Corporate:									
Financial corporations									
No delinquency	1 053 749	(244)	1 053 505	1	-	1	-	-	-
1 – 30 days	52	-	52	-	-	-	-	-	-
Over 181 days	-	-	-	-	-	-	8	(3)	5
	1 053 801	(244)	1 053 557	1	-	1	8	(3)	5
Non-financial corporations									
No delinquency	5 130 657	(25 111)	5 105 546	1 070 315	(58 470)	1 011 845	34 220	(14 621)	19 599
1 – 30 days	28 631	(175)	28 456	30 483	(1 284)	29 199	3 767	(1 338)	2 429
31 – 60 days	55	(1)	54	8 167	(463)	7 704	2 885	(554)	2 331
61 – 90 days	-	-	-	1 177	(81)	1 096	3 079	(1 345)	1 734
91 – 180 days	-	-	-	30	(8)	22	6 244	(2 806)	3 438
Over 81 days	51	(15)	36	60	(20)	40	52 974	(35 487)	17 487
	5 159 394	(25 302)	5 134 092	1 110 232	(60 326)	1 049 906	103 169	(56 151)	47 018
	6 213 195	(25 546)	6 187 649	1 110 233	(60 326)	1 049 907	103 177	(56 154)	47 023

(Table continues on the next page.)

2023	Stage 1			Stage 2			Stage 3		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:									
Due from customers:									
Retail									
No delinquency	10 195 098	(14 238)	10 180 860	496 114	(40 573)	455 541	55 496	(22 807)	32 689
1 – 30 days	55 873	(1 297)	54 576	89 487	(14 163)	75 324	20 576	(8 993)	11 583
31 – 60 days	2 037	(56)	1 981	19 710	(4 375)	15 335	15 354	(6 484)	8 870
61 – 90 days	587	(25)	562	6 151	(1 899)	4 252	11 551	(5 145)	6 406
91 – 180 days	340	(1)	339	1 777	(498)	1 279	23 102	(13 663)	9 439
Over 181 days	341	(9)	332	227	(54)	173	107 147	(92 439)	14 708
	10 254 276	(15 626)	10 238 650	613 466	(61 562)	551 904	233 226	(149 531)	83 695
Public administration									
No delinquency	266 863	(1 411)	265 452	45 758	(1 861)	43 897	3 472	(1)	3 471
1 – 30 days	-	-	-	1	-	1	-	-	-
Over 181 days	-	-	-	-	-	-	1	-	1
	266 863	(1 411)	265 452	45 759	(1 861)	43 898	3 473	(1)	3 472
	16 734 334	(42 583)	16 691 751	1 769 458	(123 749)	1 645 709	339 876	(205 686)	134 190
	16 895 804	(42 588)	16 853 216	1 769 458	(123 749)	1 645 709	414 381	(210 790)	203 591
Financial assets at FVOCI - debt securities									
No delinquency	1 246 816	(232)	1 246 584	-	-	-	-	-	-
Financial commitments and contingencies									
No delinquency	4 634 050	(4 722)	4 629 328	683 854	(7 776)	676 078	16 240	(4 390)	11 850

2022 - restated	Stage 1			Stage 2			Stage 3		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:									
Due from banks									
No delinquency	71 598	(10)	71 588	80 511	(88)	80 423	-	-	-
Over 181 days	-	-	-	-	-	-	536	(267)	269
	71 598	(10)	71 588	80 511	(88)	80 423	536	(267)	269
Due from customers:									
Corporate:									
Financial corporations									
No delinquency	796 222	(244)	795 978	3	-	3	-	-	-
31 - 60 days	9	-	9	-	-	-	-	-	-
	796 231	(244)	795 987	3	-	3	-	-	-
Non-financial corporations									
No delinquency	4 979 203	(24 197)	4 955 006	984 777	(44 987)	939 790	37 044	(13 931)	23 113
1 - 30 days	31 821	(249)	31 572	17 077	(946)	16 131	6 812	(2 836)	3 976
31 - 60 days	15	(1)	14	2 849	(146)	2 703	2 394	(1 184)	1 210
61 - 90 days	2	(1)	1	729	(75)	654	5 516	(2 797)	2 719
91 - 180 days	1 729	(20)	1 709	102	(11)	91	4 039	(3 158)	881
Over 181 days	258	(25)	233	79	(26)	53	47 988	(42 939)	5 049
	5 013 028	(24 493)	4 988 535	1 005 613	(46 191)	959 422	103 793	(66 845)	36 948
	5 809 259	(24 737)	5 784 522	1 005 616	(46 191)	959 425	103 793	(66 845)	36 948

(Table continues on the next page.)

2022 - restated	Stage 1			Stage 2			Stage 3		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Impair-ment losses
Financial assets at AC:									
Due from customers:									
Retail									
No delinquency	9 919 084	(17 902)	9 901 182	477 210	(37 120)	440 090	56 936	(31 117)	25 819
1 - 30 days	44 892	(1 106)	43 786	79 285	(13 324)	65 961	21 104	(9 903)	11 201
31 - 60 days	1 032	(40)	992	14 462	(3 362)	11 100	15 459	(6 842)	8 617
61 - 90 days	92	(5)	87	6 234	(1 939)	4 295	9 815	(4 575)	5 240
91 - 180 days	209	(5)	204	2 132	(467)	1 665	19 211	(12 402)	6 809
Over 181 days	275	(12)	263	306	(77)	229	98 015	(87 756)	10 259
	9 965 584	(19 070)	9 946 514	579 629	(56 289)	523 340	220 540	(152 595)	67 945
Public administration									
No delinquency	177 584	(1 355)	176 229	8 011	(323)	7 688	1 752	(4)	1 748
1 - 30 days	329	-	329	4	-	4	-	-	-
91 - 180 days	-	-	-	37	(2)	35	-	-	-
Over 181 days	-	-	-	1	-	1	-	-	-
	177 913	(1 355)	176 558	8 053	(325)	7 728	1 752	(4)	1 748
	15 952 756	(45 162)	15 907 594	1 593 298	(102 805)	1 490 493	326 085	(219 444)	106 641
	16 024 354	(45 172)	15 979 182	1 673 809	(102 893)	1 570 916	326 621	(219 711)	106 910
Financial assets at FVOCI - debt securities									
No delinquency	1 412 476	(276)	1 412 200	-	-	-	-	-	-
Financial commitments and contingencies									
No delinquency	5 645 886	(5 819)	5 640 067	154 179	(3 178)	151 001	21 243	(5 410)	15 833

2022 - original	Stage 1			Stage 2			Stage 3		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:									
Due from other banks									
No delinquency	71 598	(10)	71 588	80 511	(88)	80 423	-	-	-
Over 180 days	-	-	-	-	-	-	536	(267)	269
	71 598	(10)	71 588	80 511	(88)	80 423	536	(267)	269
Due from customers:									
Public administration									
No delinquency	181 771	(1 310)	180 461	7 939	(323)	7 616	15	(4)	11
1 – 30 days	668	-	668	37	(2)	35	-	-	-
31 – 60 days	-	-	-	1	-	1	-	-	-
	182 439	(1 310)	181 129	7 977	(325)	7 652	15	(4)	11
Corporate									
No delinquency	5 653 169	(21 894)	5 631 275	871 651	(37 033)	834 618	34 126	(12 151)	21 975
1 – 30 days	22 703	(44)	22 659	5 013	(213)	4 800	517	(21)	496
31 – 60 days	383	(1)	382	1 510	(76)	1 434	546	(221)	325
61 – 90 days	5	-	5	317	(11)	306	4 104	(1 864)	2 240
91 – 180 days	-	-	-	-	-	-	4 099	(4 024)	75
Over 181 days	797	(29)	768	-	-	-	32 749	(28 623)	4 126
	5 677 057	(21 968)	5 655 089	878 491	(37 333)	841 158	76 141	(46 904)	29 237

(Table continues on the next page)

2022 - orginal	Stage 1			Stage 2			Stage 3		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:									
Due from customers:									
Retail									
No delinquency	10 077 687	(24 686)	10 053 001	648 891	(52 820)	596 071	47 897	(22 202)	25 695
1 – 30 days	23 126	(1 000)	22 126	36 364	(7 636)	28 728	12 492	(5 077)	7 415
31 – 60 days	-	-	-	10 190	(2 414)	7 776	4 398	(1 672)	2 726
61 – 90 days	-	-	-	7 393	(2 236)	5 157	3 469	(1 453)	2 016
91 – 180 days	-	-	-	-	-	-	22 520	(15 513)	7 007
Over 181 days	-	-	-	-	-	-	155 592	(122 858)	32 734
	10 100 813	(25 686)	10 075 127	702 838	(65 106)	637 732	246 368	(168 775)	77 593
	15 960 309	(48 964)	15 911 345	1 589 306	(102 764)	1 486 542	322 524	(215 683)	106 841
	16 031 907	(48 974)	15 982 933	1 669 817	(102 852)	1 566 965	323 060	(215 950)	107 110
Financial assets at FVOCI - debt securities									
No delinquency	1 412 476	(276)	1 412 200	-	-	-	-	-	-
Financial commitments and contingencies									
No delinquency	5 645 409	(5 149)	5 640 260	155 049	(3 181)	151 868	20 850	(6 077)	14 773

4.1.4. Loans with renegotiated terms and forbearance policy

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position, where the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially. The revised terms usually include extending maturity, changing timing of interest payments and amendments to the terms of loan covenants. The Bank implements a forbearance policy in order to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, an exposure is identified as forborne if both of these two conditions are satisfied:

- The Bank has identified financial difficulties that the debtor is facing or is about to face;
- The exposure has been subject to renegotiation or refinancing, granted in relation to the borrower's current financial difficulties or financial difficulties that would have occurred in the absence of the renegotiation or refinancing measures.

The bank follows rules in ECB Guidance to banks on non-performing loans issued in March 2017.

Forborne exposures are those falling into the "Non-performing exposures with forbearance measures" and "Performing Forborne exposures" categories.

Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties").

Forbearance measures entail:

- favourable contractual modifications granted to the debtor solely in consideration of its financial difficulties **(modification)**;
- the granting, in favour of a debtor in financial difficulties, of a new loan to allow the fulfilment of the pre-existing obligation **(refinancing);**
- contractual modifications which may be requested by a debtor within the scope of a contract already subscribed and granted by the Bank in the knowledge that the debtor is in financial difficulties (so-called "**embedded forbearance clauses").**

Therefore, the definition of forborne exposure excludes the renegotiations made for commercial reasons/practices. The qualification of "Forborne Exposure" refers to the individual transactions subject to renegotiation and/or refinancing and should not be extended to the entire counterparty. The financial difficulty, however, shall be assessed at a debtor level.

The financial distress is always assumed if the counterparty is classified as non-performing (absolute presumption).

The aim of forborne exposures is to prevent potential financial difficulties of the debtor or to allow the return of the exposure to a situation of sustainable repayment. In case of performing borrowers, such a measure should not be used to delay the reclassification to non-performing statuses of a borrower whose financial conditions already justify a downgrade of its risk classification.

The extension of Forbearance Measures does not automatically lead to the classification of the forborne exposures as Non-Performing. Instead, a net present value (NPV) test is performed by Finevare to identify whether a forbearance measure leads to a diminished financial obligation according to:

$$DO = \frac{NPV_0 - NPV_1}{NPV_0}$$

where:

- DO is diminished financial obligation;
- NPV0 is net present value of cash flows (including unpaid interest and fees) expected under contractual obligations before the changes in terms and conditions of the contract discounted using the customer's original effective interest rate;
- NPV1 is net present value of the cash flows expected based on the new arrangement discounted using the customer's original effective interest rate.

Then, if the diminished financial obligation is higher than the threshold of 1%, the exposure is classified as Non-performing, otherwise it is Performing.

In order to identify forborne exposures, the European regulation envisages a distinction between **absolute presumptions** and **relative presumptions (rebuttable).** Absolute presumptions refer to circumstances which always fall within the concept of forborne, and don't admit contrary evidence. Relative presumptions refer to circumstances that fall within the concept of forborne until proven otherwise. Exclusively on the basis of specific analyses the Bank can prove that a certain circumstance does not give rise to a forbearance measure.

Listed below are some examples of the most common forms of contractual modifications which may be qualified as forbearance measures, when referred to counterparties in "financial difficulties" (the list is not exhaustive):

- Short term credit facilities subject to debt consolidation/debt rescheduling plan;
- Medium/long-term loans subject to:
  - restructuring of the amortization plan with reductions or temporary suspensions of the instalments;
  - extension of the maturity;
  - extension of the pre-amortization period;
  - conversion of the repayment terms from instalments into bullet repayment at maturity
  - consolidation.
- Contractual modification/renegotiation resulting from the breach of financial covenants (waiver, amendment, cancellation) refinancing;
- Restructuring of performing exposures, or past due exposures not yet classified as non-performing, involving a pool of banks
- Contractual modification of the economic conditions i.e. granting a borrower a new, more favourable interest rate ("off-market conditions");
- Refinancing of exposure, even short-term, with new financing that allow the debtor to postpone repayment to the bank;
- Conversion of Debt to Equity;
- In case of the Sale and Repurchase Agreements (REPOs), the capitalization of outflows when mark to market is negative.

Furthermore, according to the European regulation, the following cases have to be recognized as forborne exposures (they therefore represent "absolute" presumptions):

- Contractual modifications that imply partial or total write-off of exposure;
- The exercise of clauses which, when enforced at the discretion of the debtor, enable him to change the terms of the contract ("embedded forbearance clauses");
- Providing new financing to the debtor simultaneously (or almost) to the payment of principal and/or interest on another exposure;

Both retail and corporate customers are subject to the forbearance policy:

2023	Performing forborne			Non-performing forborne		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:						
Due from banks	-	-	-	74 502	(5 103)	69 399
Due from customers:						
Financial corporations	1	-	1	-	-	-
Non-financial corporations	100 538	(7 060)	93 478	42 353	(26 145)	16 208
Retail	92 548	(8 663)	83 885	35 925	(23 841)	12 084
Public administration	13	-	13	-	-	-
	193 100	(15 723)	177 377	152 780	(55 089)	97 691
Financial commitments and contingencies	1 885	(12)	1 873	2 881	(1 191)	1 690

2022 - restated	Performing forborne			Non-performing forborne		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:						
Due from banks	80 511	(88)	80 423	-	-	-
Due from customers:						
Financial corporations	2	-	2	-	-	-
Non-financial corporations	75 106	(4 845)	70 261	44 929	(31 949)	12 980
Retail	90 525	(8 221)	82 304	25 545	(18 638)	6 907
Public administration	22	-	22	-	-	-
	246 166	(13 154)	233 012	70 474	(50 587)	19 887
Financial commitments and contingencies	1 690	(1)	1 689	3 928	(1 140)	2 788

2022 - original	Performing forborne			Non-performing forborne		
€ '000	Gross amount	Impair-ment losses	Net amount	Gross amount	Impair-ment losses	Net amount
Financial assets at AC:						
Due from other banks	80 511	(88)	80 423	-	-	-
Corporate	68 916	(4 480)	64 436	39 392	(28 177)	11 215
Retail	96 672	(8 548)	88 124	30 871	(22 205)	8 666
	246 099	(13 116)	232 983	70 263	(50 382)	19 881
Financial commitments and contingencies	1 690	1	1 691	3 928	1 140	5 068

4.1.5. Write-off Policy

The Bank writes off a loan or security balance when it determines that the loans or securities are uncollectible. In principle, the Bank considers the credit balances to be uncollectible based on the past due days (1,080 days past due). Credit balances may be written off only if the collateral has already been realized. Receivables subject to write-off are being collected by external collection agencies until they qualify for write-off.

The credit balance can be written off earlier than defined under the conditions described above if there is evidence that the receivable cannot be collected. The write-off of such receivables is subject to the approval of the Credit Risk Officer.

Financial assets that are written-off are subject of continuous enforcement process. The majority of such assets are subject of sale to third parties for the best offered prices.

The amount of loans written off during the year that are still subject to enforcement activity is €32,165 thousand (31 December 2022: €1,613 thousand).

4.1.6. Collateral Policy

The Bank's collateral policy is an integral and indispensable part of the credit risk management and credit risk mitigation for VUB Bank. Collateral is used primarily to provide the Bank with the means for repayment of an exposure in the event of the default of the borrower. The principal objective of the policy is to clearly set up rules for a common and standard set of collateral types used by the Bank in its lending activities. The rules, as the minimum, describe and state:

- Conditions for legal enforceability;
- Conditions for the process of valuation and the maximum values accepted by the Bank at the origination for specific types of collaterals; and
- Conditions for the process of revaluation.

However, collateral management has a wider meaning than the simple taking of collateral in order to secure the repayment of the Bank's exposures. This includes the following:

- The establishment and maintenance of a collateral policy defining the types of collateral taken by the Bank, the legal documentation used by the Bank to secure its right to this collateral in the event of default and the valuation of this collateral at origination. These aspects of collateral management are addressed in the internal policy document;
- The relevant and proper implementation and registration of collateral to secure the Bank's right to collateral in the event of default by the borrower;
- The regular monitoring and re-valuation of collateral held by the Bank during the life of the exposure;
- The analysis, monitoring and review of realization rates achieved by Recovery Department activities in order to assess the effectiveness of the collateral policy as a risk mitigant.

The Bank's decision on the enforcement of collateral is individual and depends on factors such as the actual amount of the receivable, the current condition and value of the collateral, the length of the collateral realization period or collection related costs. The relevant competent body of the Bank decides which collateral instrument will be used.

The Bank mainly uses the following means of enforcement of collateral:

- Voluntary auction,
- Foreclosure procedure,
- Realization of the collateral for the receivable in a bankruptcy procedure,
- Sale of receivables including collateral.

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The collateral against loans and advances to customers is held in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and the Bank updates the fair value on a regular basis.

The Bank mitigates the credit risk of derivatives, reverse sale and repurchase agreements by entering into master netting agreements and holding collateral in the form of cash and marketable securities. Derivative transactions are either transacted on an exchange or entered into under International Swaps and Derivatives Association ('ISDA') master netting agreements. Under ISDA master netting agreements in certain circumstances, e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

The value of collateral accepted by the Bank (fair value adjusted by internal haircuts limited to outstanding amount of credit exposure) and other security enhancements held against financial assets is shown below:

€ '000	2023 Clients	2023 Banks	2022 Clients	2022 Banks
Property	10 337 722	-	10 128 795	-
of which covering mortgages:	9 227 671	-	9 026 361	-
LTV* lower than 60%	4 823 321	-	3 465 997	-
LTV higher than 60% and lower than 80%	3 297 272	-	4 279 547	-
LTV higher than 80% and lower than 100%	1 100 158	-	1 276 087	-
LTV higher than 100%	6 920	-	4 730	-
Debt securities	25 723	33 678	34 149	15 180
Other	593 778	71 239	556 889	78 043
	10 957 223	104 917	10 719 833	93 223

The value of collateral and other security enhancements held against Stage 3 financial assets:

€ '000	2023 Clients	2023 Banks	2022 Clients	2022 Banks
Property	121 087	-	117 925	-
of which covering mortgages:	101 000	-	94 779	-
LTV* lower than 60%	84 060	-	56 520	-
LTV higher than 60% and lower than 80%	12 843	-	33 269	-
LTV higher than 80% and lower than 100%	3 890	-	4 228	-
LTV higher than 100%	207	-	762	-
Debt securities	277	-	-	-
Other	17 667	71 239	9 310	5 096
	139 031	71 239	127 235	5 096

* LTV (loan to value) is the ratio of the current balance sheet balance of a loan to the currently allocated value of collateral for a given contract.

4.1.7. Offsetting financial assets and financial liabilities

Offsetting financial assets and financial liabilities relates to financial assets and financial liabilities that are:

- Offset in the statement of financial position; or
- Subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

In general, the similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the tables below unless they are offset in the statement of financial position.

The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties or following other predetermined events. In addition, the Bank and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The Bank receives and gives collateral in the form of cash and marketable securities in respect of the following transactions:

– Derivatives,
– Sale and repurchase, and reverse sale and repurchase agreements.

Such collateral is subject to standard industry terms including, when appropriate, an ISDA / Credit Support Annex (CSA) and Global Master Repurchase Agreement ('GMRA'). This means that securities received or given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

The following tables show the financial assets and financial liabilities that are subject to enforceable master netting arrangements and similar agreements in the statement of financial position ('SOFP'):

2023					Related amounts not offset in SOFP		
€ '000	Note	Gross amount	Gross amount offset in SOFP	Net amount presented in SOFP	Financial instrument and non-cash collateral	Cash collateral received	Net amount
Types of financial assets							
Reverse repo transactions	7	849 221	-	849 221	(849 221)	-	-
Derivative financial instruments	8, 9	215 710	-	215 710	-	(1 840)	213 870

2023					Related amounts not offset in SOFP		
€ '000	Pozn.	Hrubá hodnota	Hrubá hodnota započítaná v SOFP	Čistá hodnota v SOFP	Finančné nástroje a nepeňažné zabezpečenie	Peňažné zabezpečenie prijaté	Čistá hodnota
Types of financial liabilities							
Derivative financial instruments	8, 9	277 208	-	277 208	-	(109 424)	167 784

2022					Related amounts not offset in SOFP		
€ '000	Pozn.	Hrubá hodnota	Hrubá hodnota započítaná v SOFP	Čistá hodnota v SOFP	Finančné nástroje a nepeňažné zabezpečenie	Peňažné zabezpečenie prijaté	Čistá hodnota
Types of financial assets							
Reverse repo transactions	7	373 437	-	373 437	(373 437)	-	-
Derivative financial instruments	8, 9	405 067	-	405 067	-	(2 360)	402 707

2022					Related amounts not offset in SOFP		
€ '000	Pozn.	Hrubá hodnota	Hrubá hodnota započítaná v SOFP	Čistá hodnota v SOFP	Finančné nástroje a nepeňažné zabezpečenie	Peňažné zabezpečenie prijaté	Čistá hodnota
Types of financial liabilities							
Derivative financial instruments	8, 9	360 848	-	360 848	-	(10 327)	350 521

Below is the reconciliation of the net amount of financial instruments subject to enforceable master netting arrangements and similar agreements to the total carrying amount presented in the statement of financial position:

				2023			2022
€ '000	Note	Total carrying amount presented in SOFP	In scope of off-setting disclosure	Not in scope of off-setting disclosure	Total carrying amount presented in SOFP	In scope of off-setting disclosure	Not in scope of off-setting disclosure
Financial assets							
Cash and cash equivalents	7	3 802 523	849 221	2 953 302	3 060 496	373 437	2 687 059
Financial assets at FVTPL:	8						
Financial assets held for trading		38 334	32 033	6 301	58 872	52 802	6 070
Derivatives - Hedge accounting	9	183 677	183 677	-	352 265	352 265	-
Financial liabilities							
Financial liabilities at FVTPL:	8						
Financial liabilities held for trading		41 450	31 548	9 902	61 463	44 691	16 772
Derivatives - Hedge accounting	9	245 660	245 660	-	316 157	316 157	-

4.1.8. Concentrations of credit risk

The Bank monitors concentrations of credit risk by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below.

2023 € '000	Gross amount	Impairment losses/ provisions	Net amount
Slovakia			
Financial assets at AC:			
Due from banks	65	-	65
Due from customers:			
Financial corporations	115 731	(9)	115 722
Non-financial corporations	4 289 177	(116 400)	4 172 777
Retail	10 852 268	(223 803)	10 628 465
Public administration	279 630	(1 659)	277 971
	15 536 806	(341 871)	15 194 935
	15 536 871	(341 871)	15 195 000
Financial assets at FVOCI – debt securities	763 205	(101)	763 104
Financial commitments and contingencies	3 399 592	(15 548)	3 384 044
Czech republic			
Financial assets at AC:			
Due from banks	134	-	134
Due from customers:			
Financial corporations	335 698	(98)	335 600
Non-financial corporations	900 139	(3 401)	896 738
Retail	21 213	(1 186)	20 027
	1 257 050	(4 685)	1 252 365
	1 257 184	(4 685)	1 252 499
Financial assets at FVOCI – debt securities	31 237	-	31 237
Financial commitments and contingencies	1 316 303	(811)	1 315 492
Other European countries			
Financial assets at AC:			
Due from banks	160 094	(6)	160 088
Due from customers:			
Financial corporations	602 381	(140)	602 241
Non-financial corporations	1 025 675	(21 968)	1 003 707
Retail	201 739	(1 416)	200 323
	1 829 795	(23 524)	1 806 271
	1 989 889	(23 530)	1 966 359
Financial assets at FVOCI – debt securities	345 282	(126)	345 156
Financial commitments and contingencies	515 226	(449)	514 777

(Table continues on the next page)

2023 € '000	Gross amount	Impairment losses/ provisions	Net amount
America			
Financial assets at AC:			
Due from banks	74 502	(5 103)	69 399
Due from customers:			
Retail	5 843	(43)	5 800
	80 345	(5 146)	75 199
Financial assets at FVOCI – debt securities	107 092	(5)	107 087
Financial commitments and contingencies	722	(1)	721
Asia			
Financial assets at AC:			
Due from banks	1 180	-	1 180
Due from customers:			
Non-financial corporations	157 087	(10)	157 077
Retail	15 879	(244)	15 635
	172 966	(254)	172 712
	174 146	(254)	173 892
Financial commitments and contingencies	101 974	(79)	101 895
Rest of the World			
Financial assets at AC:			
Due from customers:			
Non-financial corporations	717	-	717
Retail	4 026	(27)	3 999
Public administration	36 465	(1 614)	34 851
	41 208	(1 641)	39 567
	41 208	(1 641)	39 567
Financial commitments and contingencies	327	-	327

2022 - restated € '000	Gross amount	Impairment losses/ provisions	Net amount
Slovakia			
Financial assets at AC:			
Due from customers:			
Financial corporations	75 840	(17)	75 823
Non-financial corporations	4 188 625	(112 884)	4 075 741
Retail	10 579 763	(225 198)	10 354 565
Public administration	149 971	(1 055)	148 916
	14 994 199	(339 154)	14 655 045
	14 994 199	(339 154)	14 655 045
Financial assets at FVOCI – debt securities	837 576	(106)	837 470
Financial commitments and contingencies	3 651 766	(13 688)	3 638 078
Czech republic			
Financial assets at AC:			
Due from banks	124	-	124
Due from customers:			
Financial corporations	253 326	(60)	253 266
Non-financial corporations	748 738	(6 468)	742 270
Retail	21 277	(1 654)	19 623
	1 023 341	(8 182)	1 015 159
	1 023 465	(8 182)	1 015 283
Financial commitments and contingencies	1 556 267	(391)	1 555 876
Other European countries			
Financial assets at AC:			
Due from banks	66 237	(277)	65 960
Due from customers:			
Financial corporations	467 067	(167)	466 900
Non-financial corporations	1 009 305	(18 155)	991 150
Retail	144 048	(970)	143 078
	1 620 420	(19 292)	1 601 128
	1 686 657	(19 569)	1 667 088
Financial assets at FVOCI – debt securities	483 589	(169)	483 420
Financial commitments and contingencies	449 035	(291)	448 744

(Table continues on the next page)

2022 - restated € '000	Gross amount	Impairment losses/ provisions	Net amount
America			
Financial assets at AC:			
Due from banks	80 434	(88)	80 346
Due from customers:			
Non-financial corporations	55	-	55
Retail	6 018	(65)	5 953
	6 073	(65)	6 008
	86 507	(153)	86 354
Financial assets at FVOCI – debt securities	91 311	(1)	91 310
Financial commitments and contingencies	164	-	164
Asia			
Financial assets at AC:			
Due from banks	5 850	-	5 850
Due from customers:			
Non-financial corporations	175 579	(22)	175 557
Retail	11 946	(57)	11 889
	187 525	(79)	187 446
	193 375	(79)	193 296
Financial commitments and contingencies	163 309	(35)	163 274
Rest of the World			
Financial assets at AC:			
Due from customers:			
Non-financial corporations	132	-	132
Retail	2 702	(10)	2 692
Public administration	37 747	(629)	37 118
	40 581	(639)	39 942
	40 581	(639)	39 942
Financial commitments and contingencies	767	(2)	765

2022 - original € '000	Gross amount	Impairment losses/ provisions	Net amount
Slovakia			
Financial assets at AC:			
Due from customers:			
Public administration	152 684	(1 011)	151 673
Corporate	3 983 749	(81 338)	3 902 411
Retail	10 866 113	(256 801)	10 609 312
	15 002 546	(339 150)	14 663 396
Financial assets at FVOCI – debt securities	837 576	(106)	837 470
Financial commitments and contingencies	3 651 516	(13 439)	3 638 077
Czech republic			
Financial assets at AC:			
Due from other banks	124	-	124
Due from customers:			
Corporate	1 002 253	(6 525)	995 728
Retail	21 426	(1 661)	19 765
	1 023 679	(8 186)	1 015 493
Financial commitments and contingencies	1 556 512	(640)	1 555 872
Other European countries			
Financial assets at AC:			
Due from other banks	66 237	(277)	65 960
Due from customers:			
Corporate	1 469 913	(18 320)	1 451 593
Retail	140 414	(947)	139 467
	1 610 327	(19 267)	1 591 060
	1 676 564	(19 544)	1 657 020
Financial assets at FVOCI – debt securities	483 589	(169)	483 420
Financial commitments and contingencies	435 852	(291)	435 561

(Table continues on the next page)

2022 - original € '000	Gross amount	Impairment losses/ provisions	Net amount
North America			
Financial assets at AC:			
Due from customers:			
Corporate	55	-	55
Retail	2 990	(4)	2 986
	3 045	(4)	3 041
Financial assets at FVOCI – debt securities	91 311	(1)	91 310
Financial commitments and contingencies	164	-	164
Asia			
Financial assets at AC:			
Due from other banks:	5 850	-	5 850
Due from customers			
Corporate	175 587	(22)	175 565
Retail	14 960	(83)	14 877
	190 547	(105)	190 442
	196 397	(105)	196 292
Financial commitments and contingencies	176 492	(35)	176 457
Rest of the World			
Financial assets at AC:			
Due from other banks	80 434	(88)	80 346
Due from customers:			
Public administration	37 747	(628)	37 119
Corporate	132	-	132
Retail	4 116	(71)	4 045
	41 995	(699)	41 296
	122 429	(787)	121 642
Financial commitments and contingencies	772	(2)	770

An analysis of concentrations of credit risk of debt securities at the reporting date is shown below:

€ '000	2023 Gross amount	2023 Impairment losses	2023 Net amount	2022 Gross amount	2022 Impairment losses	2022 Net amount
Europe						
Slovakia	763 205	(101)	763 104	837 578	(107)	837 471
Italy	122 887	(54)	122 833	198 799	(101)	198 699
Hungary	100 662	(66)	100 596	90 097	(59)	90 038
Poland	35 072	-	35 071	39 349	-	39 349
Great Britain	32 029	(1)	32 028	30 837	-	30 836
Czech Republic	31 237	-	31 236	-	-	-
France	30 222	(1)	30 221	33 705	(8)	33 698
Estonia	21 576	(3)	21 573	20 827	-	20 827
Austria	2 834	-	2 834	-	-	-
Spain	-	-	-	69 974	(1)	69 973
	1 139 724	(227)	1 139 497	1 321 166	(276)	1 320 890
Severná Amerika						
Kanada	107 092	(5)	107 087	91 309	-	91 309

An analysis of exposures based on the carrying amounts by industry sector is shown in the table below.

2023 € '000	Banks	Finanicial corporations	Non-financial corporations	Retail*	Financial assets at AC: Public administra-tion	Financial assets at FVOCI – debt securities	Financial commit-ments and contingen-cies
Agriculture, forestry and fishing	-	-	272 391	18 688	182	-	146 051
Mining and quarrying	-	-	31 482	6	-	-	104 279
Manufacturing	-	-	1 067 132	23 055	-	-	853 643
Electricity, gas, steam and air conditioning supply	-	-	607 419	4	-	-	730 561
Water supply	-	-	71 883	367	328	-	25 649
Construction	-	-	370 718	22 944	-	-	670 106
Wholesale and retail trade	-	52	1 205 130	56 538	-	-	536 558
Transport and storage	-	-	577 575	8 202	5 547	-	310 086
Accommodation and food service activities	-	-	46 682	5 921	-	-	6 256
Information and communication	-	19	71 610	1 960	-	-	63 529
Financial and insurance activities**	230 801	1 041 414	127 825	1 145	-	414 180	666 799
Real estate activities	-	-	818 504	39 359	51	-	177 525
Professional, scientific and technical activities	-	-	246 726	10 091	-	-	154 776
Administrative and support service	-	-	273 711	3 344	-	-	77 674
Public administration and defense, compulsory social security	-	-	712	24	278 504	832 404	54 509
Education	-	-	4 874	635	20	-	347
Human health services and social work activities	-	-	60 837	4 059	27 225	-	9 042
Arts, entertainment and recreation	-	-	9 676	2 149	960	-	4 077
Other services	-	12 074	354 751	42 101	1	-	114 542
Activities of households as employers; undifferentiated goods - and services - producing activities of households for own use	-	-	-	121 766	-	-	47
Credit Cards***	65	4	1 522	87 274	4	-	156 441
Consumer Loans	-	-	-	1 204 798	-	-	142 089
Mortgage Loans***	-	-	9 856	9 219 819	-	-	312 670
	230 866	1 053 563	6 231 016	10 874 249	312 822	1 246 584	5 317 256

* 'Retail' includes Small Business and Flat Owners Associations.
** 'Financial and insurance activities' involves financial services, leasing and insurance.
*** Credit cards and mortgages are presented only within segments. Credit cards were originally reported to individuals and were part of consumer loans.

2022 - restated € '000	Banks	Finanicial corporations	Non-financial corporations	Financial assets at AC: Retail*	Public administra-tion	Financial assets at FVOCI – debt securities	Financial commit-ments and contingen-cies
Agriculture, forestry and fishing	-	-	252 074	22 829	307	-	114 524
Mining and quarrying	-	-	48 854	30	-	-	163 617
Manufacturing	-	-	940 635	23 570	-	-	879 254
Electricity, gas, steam and air conditioning supply	-	-	644 997	7	-	-	726 224
Water supply	-	-	81 354	273	227	-	16 089
Construction	-	-	392 703	20 892	-	-	601 650
Wholesale and retail trade	-	70	1 095 321	54 736	-	-	556 835
Transport and storage	-	-	573 386	7 965	11 094	-	318 832
Accommodation and food service activities	-	-	45 593	6 055	-	-	3 498
Information and communication	-	-	72 057	2 168	-	-	55 919
Financial and insurance activities**	152 280	760 267	106 182	1 075	-	262 777	803 117
Real estate activities	-	-	758 755	42 584	11	-	293 004
Professional, scientific and technical activities	-	-	237 320	9 319	11	-	195 850
Administrative and support service	-	-	259 160	2 856	-	-	50 443
Public administration and defense, compulsory social security	-	-	891	7	142 123	1 149 423	48 275
Education	-	-	4 867	550	2	-	951
Human health services and social work activities	-	-	54 550	4 430	30 603	-	13 519
Arts, entertainment and recreation	-	-	1 039	61	-	-	8
Other services	-	35 652	402 610	7 100	1 656	-	78 242
Activities of households as employers; undifferentiated goods - and services - producing activities of households for own use	-	-	-	69 505	-	-	36 111
Credit Cards***	-	-	-	82 989	-	-	156 668
Consumer Loans	-	-	-	1 143 912	-	-	148 049
Mortgage Loans***	-	-	12 557	9 034 887	-	-	546 222
	152 280	795 989	5 984 905	10 537 800	186 034	1 412 200	5 806 901

* 'Retail' includes Small Business and Flat Owners Associations.
** 'Financial and insurance activities' involves financial services, leasing and insurance.
*** Credit cards and mortgages are presented only within segments. Credit cards were originally reported to individuals and were part of consumer loans.

2022 - original € '000	Financial assets at AC: Banks	Public administration	Corporate	Retail*	Financial assets at FVOCI – debt securities	Financial commitments and contingencies
Agriculture, forestry and fishing	-	53	205 594	26 946	114 587	-
Mining and quarrying	-	-	44 832	394	163 956	-
Manufacturing	-	-	899 307	37 951	896 901	-
Electricity, gas, steam and air conditioning supply	-	-	751 554	1 404	715 924	-
Water supply	-	-	77 611	2 580	16 101	-
Construction	-	-	321 643	43 358	602 359	-
Wholesale and retail trade	-	-	1 066 030	123 447	578 545	-
Transport and storage	-	272	667 409	153 087	219 635	-
Accommodation and food service activities	-	-	30 604	13 491	3 630	-
Information and communication	-	6	115 340	9 853	89 412	-
Financial and insurance activities**	152 280	-	826 046	445	712 704	262 777
Real estate activities	-	-	678 338	65 577	293 093	-
Professional, scientific and technical activities	-	8	215 419	37 862	206 839	-
Administrative and support service	-	-	145 838	13 943	50 983	-
Public administration and defense, compulsory social security	-	186 787	587	195	209 725	1 149 423
Education	-	1	3 348	1 427	970	-
Human health services and social work activities	-	-	17 533	29 610	12 589	-
Arts, entertainment and recreation	-	1 664	18 364	10 542	412	-
Other services	-	1	440 087	6 199	78 041	-
Consumer Loans	-	-	-	1 302 082	294 273	-
Mortgage Loans	-	-	-	8 910 059	546 222	-
	152 280	188 792	6 525 484	10 790 452	5 806 901	1 412 200

* 'Retail' includes Small Business and Flat Owners Associations.
** 'Financial and insurance activities' involves financial services, leasing and insurance.

4.1.9. Internal and external ratings

The overview of the internal rating scales according to the risk profile applicable for the corporate exposures and the retail exposures from small business, flat owners associations and public administrations is shown below.

Risk Profile	Description
Very Low	Good quality of assets, strong market penetration, steady activity, proven distinctive managerial skills, broad debt coverage capacity.
Low	Satisfactory quality and chargeability of assets, market penetration and managerial quality on the average; well set solvency, capital structure and debt composition; above average debt coverage capacity.
Lower - Intermediate	Acceptable quality and chargeability of available assets, even if with a not negligible degree of risk; well-balanced solvency, capital structure and debt composition with slight liquidity surplus and weaker debt coverage capacity.
Intermediate	Acceptable quality and chargeability of available assets even if with a significant degree of risk; vulnerable margin at times, capital structure and debt composition that show worsening signals; low level of liquidity and short debt coverage margin.
Upper - Intermediate	Still acceptable asset quality even if with possible liquidity stress; high level of gearing; managerial weakness, little market penetration and positioning; margins and competitiveness under pressure.
High	In addition to riskiness features for Upper - Intermediate profile, there are evident difficulties as well as problematic debt management.
Default	A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place: - the obligor is past due more than 90 days (Days past due methodology) on any material credit obligation to the Bank, the Parent Company undertaking or any of its subsidiaries; - the Bank considers that the obligor is unlikely to pay its credit obligations to the banking group in full, without recourse by the Bank to actions such as realizing security (if held).

Specialized Lending comprises of rating segments SPV. For Specialized Lending the Slotting approach is used by the Bank. Clients are assigned into five slotting categories based on a qualitative valuation and information about the risk of default. Risk weights and expected loss used for the capital requirement calculation are also defined for each category. Categories are predefined by the Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms ('CRR') and internally, the categories used are as follows:

Specialized Lending - SPV

- Strong
- Good
- Satisfactory
- Weak
- Default

For mortgages and unsecured retail, the retail segment incorporates many individually insignificant exposures with various characteristics, therefore the description of ratings correlates with these risk profiles.

Risk Profile	Description
Very Low	High level of client's socio-demographic information and financial discipline.
Low	Above average level of client's socio-demographic information and financial discipline.
Lower - Intermediate	Acceptable level of client's socio-demographic information and financial discipline.
Intermediate	Acceptable level of client's socio-demographic information and financial discipline, but there are some signals of worsening credit quality.
Upper - Intermediate	Acceptable level of client's socio-demographic information and financial discipline, but there is worsening credit quality.
High	Acceptable level of client's socio-demographic information and financial discipline, but there is negative credit behaviour.
Default	A default is considered to have occurred with regard to a particular mortgage/obligor when either or both of the two following events have taken place: - The obligor is past due more than 90 days (Days past due methodology) on any material credit obligation to the Bank (absolute threshold is set according to NBS directive); - The Bank considers that the obligor is unlikely to pay its credit obligations to the banking group in full, without recourse by the Bank to actions such as realizing security (if held).

In the segments of the Single Resolution Fund, public sector entities and factoring, the bank does not assign an internal rating to the client.

Capital requirement calculation

The Bank generally uses the standardized approach for the calculation of the capital requirements. However, for the calculation of the credit and counterparty risk capital requirements, the Bank, having received authorisation from the Supervisory Authority NBS, uses the Advanced IRB approach for its portfolio of residential mortgages from July 2012 and for the Corporate segment, Small and Medium size enterprises (SME) and for Retail Small Business from June 2014. In December 2022, VUB Group received authorisation to use IRB approach also for Unsecured retail segment. Slotting approach is used for portfolio of Specialised lending exposures. Simple IRB approach is used for equity exposures and methodology for this capital requirement is in line with Article 155 of the CRR Regulation. The Bank is also proceeding with the development of rating models for other segments, to which the standard methods are currently applied, and also with the extension of the scope to subsidiaries in accordance with the gradual rollout plan for the advanced approaches presented to the Supervisory Authority.

The following table shows the quality of the Bank's **Stage 1** credit portfolio in terms of internal ratings:

2023 € '000	Risk Profile	Gross Sount	Impairment losses	Net amount
Stage 1				
Financial assets at AC:				
Due from banks				
	Very Low	65 854	(5)	65 849
	Lower - Intermediate	95 466	-	95 466
	Unrated	150	-	150
		161 470	(5)	161 465
Due from customers:				
Corporate:				
Financial corporations				
	Very Low	702 633	(74)	702 559
	Low	286 170	(93)	286 077
	Lower - Intermediate	32 366	(70)	32 296
	Intermediate	32 630	(7)	32 623
	Upper - Intermediate	2	-	2
		1 053 801	(244)	1 053 557
Non-financial corporations				
	Very Low	1 006 635	(431)	1 006 204
	Low	1 452 469	(414)	1 452 055
	Lower - Intermediate	1 379 401	(3 894)	1 375 507
	Intermediate	437 045	(2 393)	434 652
	Upper - Intermediate	122 065	(1 126)	120 939
	High	1 849	(154)	1 695
	Unrated	8 261	(117)	8 144
		4 407 725	(8 529)	4 399 196
Non-financial corporations - specialised lending				
	Strong	191 713	(1 277)	190 436
	Good	328 424	(4 366)	324 058
	Satisfactory	225 778	(10 714)	215 064
	Weak	5 754	(416)	5 338
		751 669	(16 773)	734 896
		6 213 195	(25 546)	6 187 649
Retail				
	Very Low	6 207 047	(1 363)	6 205 684
	Low	1 553 002	(656)	1 552 346
	Lower - Intermediate	1 921 421	(7 417)	1 914 004
	Intermediate	242 709	(2 505)	240 204
	Upper - Intermediate	60 818	(1 840)	58 978
	High	18 269	(1 560)	16 709
	Default	5	-	5
	Unrated	251 005	(285)	250 720
		10 254 276	(15 626)	10 238 650

(Table continues on the next page)

2023 € '000	Risk Profile	Gross Sount	Impairment losses/ Provisions	Net amount
Stage 1				
Financial assets at AC:				
Due from customers:				
Public administration				
	Very Low	71 465	(27)	71 438
	Low	27 640	(13)	27 627
	Intermediate	13 434	(11)	13 423
	Upper - Intermediate	11 442	(52)	11 390
	High	1 934	(69)	1 865
	Unrated	140 948	(1 239)	139 709
		266 863	(1 411)	265 452
		16 734 334	(42 583)	16 691 751
		16 895 804	(42 588)	16 853 216
Financial assets at FVOCI – debt securities				
	Unrated	1 246 816	(232)	1 246 584
Financial commitments and contingencies:				
Due from banks				
	Very Low	12 009	(1)	12 008
	Lower - Intermediate	225 424	(6)	225 418
	Upper - Intermediate	167	-	167
	Unrated	1 627	-	1 627
		239 227	(7)	239 220
Due from customers:				
Corporate:				
Financial corporations				
	Very Low	225 715	(3)	225 712
	Low	47 265	(2)	47 263
	Lower - Intermediate	73 692	(92)	73 600
	Intermediate	12 912	(14)	12 898
		359 584	(111)	359 473
Non-financial corporations				
	Very Low	1 547 981	(231)	1 547 750
	Low	825 516	(45)	825 471
	Lower - Intermediate	632 652	(815)	631 837
	Intermediate	151 087	(389)	150 698
	Upper - Intermediate	13 540	(182)	13 358
	Default	1	-	1
	Unrated	387	-	387
		3 171 164	(1 662)	3 169 502

(Table continues on the next page)

2023 € '000	Risk Profile	Gross Sount	Provisions	Net amount
Stage 1				
Financial commitments and contingencies:				
Due from customers:				
Corporate:				
Non-financial corporations - specialised lending				
	Strong	23 199	(93)	23 106
	Good	83 539	(835)	82 704
	Satisfactory	38 255	(1 336)	36 919
		144 993	(2 264)	142 729
Retail				
	Very Low	256 257	(44)	256 213
	Low	93 887	(28)	93 859
	Lower - Intermediate	180 480	(209)	180 271
	Intermediate	19 198	(115)	19 083
	Upper - Intermediate	4 154	(75)	4 079
	High	1 081	(119)	962
	Default	1	-	1
	Unrated	2 364	11	2 375
		557 422	(579)	556 843
Public administration				
	Very Low	80 782	(13)	80 769
	Low	6 138	(1)	6 137
	Intermediate	2 650	(1)	2 649
	Upper - Intermediate	2 135	(4)	2 131
	High	12	-	12
	Unrated	69 943	(80)	69 863
		161 660	(99)	161 561
		4 634 050	(4 722)	4 629 328

2022 - restated € '000	Risk Profile	Gross Sount	Impairment losses	Net amount
Stage 1				
Financial assets at AC:				
Due from banks				
	Very Low	11 817	-	11 817
	Low	51 289	(6)	51 283
	Lower - Intermediate	356 590	-	356 590
	Default	559	-	559
	Unrated	(348 657)	(4)	(348 661)
		71 598	(10)	71 588
Due from customers:				
Corporate:				
Financial corporations				
	Very Low	464 550	(103)	464 447
	Low	254 698	(107)	254 591
	Lower - Intermediate	34 880	(14)	34 866
	Intermediate	35 503	(19)	35 484
	Unrated	6 599	(1)	6 598
		796 230	(244)	795 986
Non-financial corporations				
	Very Low	680 931	(102)	680 829
	Low	1 307 729	(516)	1 307 213
	Lower - Intermediate	727 741	(757)	726 984
	Intermediate	677 423	(1 650)	675 773
	Upper - Intermediate	281 762	(1 536)	280 226
	High	12 090	(341)	11 749
	Unrated	440 640	(2 299)	438 341
		4 128 316	(7 201)	4 121 115
Non-financial corporations - specialised lending				
	Strong	301 520	(1 611)	299 909
	Good	289 145	(3 117)	286 028
	Satisfactory	265 176	(9 606)	255 570
	Weak	28 870	(2 957)	25 913
		884 711	(17 291)	867 420
		5 809 257	(24 736)	5 784 521
Retail				
	Very Low	6 186 314	(1 828)	6 184 486
	Low	1 513 392	(803)	1 512 589
	Lower - Intermediate	1 703 303	(4 175)	1 699 128
	Intermediate	221 220	(2 604)	218 616
	Upper - Intermediate	50 562	(1 862)	48 700
	High	4 816	(1 148)	3 668
	Default	332	-	332
	Unrated	285 647	(6 651)	278 996
		9 965 586	(19 071)	9 946 515

(Table continues on the next page)

2022 - restated € '000	Risk Profile	Gross Sount	Impairment losses/ Provisions	Net amount
Stage 1				
Financial assets at AC:				
Due from customers:				
Public administration				
	Very Low	18 960	(3)	18 957
	Low	52 297	(23)	52 274
	Intermediate	37 747	(628)	37 119
	Upper - Intermediate	36 867	(54)	36 813
	High	1 255	(46)	1 209
	Unrated	30 788	(601)	30 187
		177 914	(1 355)	176 559
		15 952 757	(45 162)	15 907 595
		16 024 355	(45 172)	15 979 183
Financial assets at FVOCI – debt securities				
	Unrated	1 412 476	(276)	1 412 200
Financial commitments and contingencies:				
Due from banks				
	Very Low	12 006	(1)	12 005
	Lower - Intermediate	226 465	(7)	226 458
	Unrated	1 664	-	1 664
		240 135	(8)	240 127
Due from customers:				
Corporate:				
Financial corporations				
	Very Low	390 206	(24)	390 182
	Lower - Intermediate	2 000	-	2 000
	Intermediate	4 596	(7)	4 589
	Unrated	39 553	(23)	39 530
		436 355	(54)	436 301
Non-financial corporations				
	Very Low	8 943	(1)	8 942
	Low	28 277	(6)	28 271
	Lower - Intermediate	16 560	(6)	16 554
	Intermediate	14 380	(27)	14 353
	Upper - Intermediate	6 152	(58)	6 094
	High	254	(14)	240
	Default	72	-	72
	Unrated	3 614 488	(2 052)	3 612 436
		3 689 126	(2 164)	3 686 962

(Table continues on the next page)

2022 - restated € '000	Risk Profile	Gross Sount	Provisions	Net amount
Stage 1				
Financial commitments and contingencies:				
Due from customers:				
Corporate: Non-financial corporations - specialised lending				
	Strong	102 208	(413)	101 795
	Good	88 780	(727)	88 053
	Satisfactory	24 695	(705)	23 990
		215 683	(1 845)	213 838
Retail				
	Very Low	400 387	(111)	400 276
	Low	130 801	(57)	130 744
	Lower - Intermediate	246 900	(294)	246 606
	Intermediate	27 807	(221)	27 586
	Upper - Intermediate	6 314	(143)	6 171
	High	637	(38)	599
	Default	49	-	49
	Unrated	45 243	(674)	44 569
		858 138	(1 538)	23 523
Public administration				
	Very Low	23 526	(3)	23 523
	Low	8 661	(1)	8 660
	Intermediate	62 250	(5)	62 245
	Upper - Intermediate	704	(4)	700
	High	97	(1)	96
	Unrated	111 211	(196)	111 015
		206 449	(210)	206 239
		5 645 886	(5 819)	5 640 067

2022 - original € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 1				
Financial assets at AC:				
Due from other banks				
	Unrated	71 598	(10)	71 588
		71 598	(10)	71 588
Due from customers:				
Public administration				
	Very Low	40 542	(9)	40 533
	Low	56 948	(29)	56 919
	Intermediate	50 565	(639)	49 926
	Upper – Intermediate	10 917	(42)	10 875
	High	1 255	(46)	1 209
	Unrated	22 213	(545)	21 668
		182 440	(1 310)	181 130
Corporate				
Large, SME, Other Non-banking Financial and Public Corporates and Factoring				
	Very Low	1 019 584	(187)	1 019 397
	Low	1 509 274	(581)	1 508 693
	Lower – Intermediate	832 173	(800)	831 373
	Intermediate	768 138	(1 606)	766 532
	Upper – Intermediate	265 178	(1 194)	263 984
	High	13 315	(192)	13 123
	Unrated	384 677	(117)	384 560
Specialized Lending – SPV, RED				
	Strong	301 520	(1 610)	299 910
	Good	289 141	(3 117)	286 024
	Satisfactory	265 186	(9 607)	255 579
	Weak	28 870	(2 956)	25 914
		5 677 056	(21 967)	5 655 089

(Table continues on the next page)

2022 – original € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 1				
Financial assets at AC:				
Due from customers:				
Retail				
Small Business, Flat Owners Associations				
	Very Low	19 744	(6)	19 738
	Low	36 047	(33)	36 014
	Lower – Intermediate	107 450	(7 811)	99 639
	Intermediate	189 009	(716)	188 293
	Upper – Intermediate	75 392	(707)	74 685
	High	2 719	(342)	2 377
	Unrated	36	-	36
Mortgages				
	Very Low	6 012 939	(1 736)	6 011 203
	Low	1 425 715	(718)	1 424 997
	Lower – Intermediate	1 087 281	(1 725)	1 085 556
	Intermediate	39 009	(342)	38 667
	Upper – Intermediate	6 544	(137)	6 407
	High	713	(47)	666
	Unrated	24	-	24
Unsecured Retail				
	Very Low	162 443	(87)	162 356
	Low	78 980	(76)	78 904
	Lower – Intermediate	626 036	(2 508)	623 528
	Intermediate	117 546	(2 030)	115 516
	Upper – Intermediate	40 952	(1 721)	39 231
	High	8 704	(1 084)	7 620
	Unrated	63 530	(3 859)	59 671
		10 100 813	(25 685)	10 075 128
		15 960 309	(48 962)	15 911 347
Financial assets at FVOCI – debt securities				
	Unrated	1 412 476	(276)	1 412 200

(Table continues on the next page)

2022 – original € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 1				
Financial commitments and contingencies:				
Due from other banks				
	Very Low	12 006	(1)	12 005
	Lower – Intermediate	226 465	(7)	226 458
		238 471	(8)	238 463
Due from customers:				
Public administration				
	Very Low	123 526	(15)	123 511
	Low	10 027	(2)	10 025
	Intermediate	62 213	(5)	62 208
	Upper – Intermediate	704	(4)	700
	High	97	(1)	96
	Unrated	9 857	(183)	9 674
		206 424	(210)	206 214
Corporate				
Large, SME, Other Non-banking Financial and Public Corporates and Factoring				
	Very Low	1 856 369	(114)	1 856 255
	Low	970 932	(166)	970 766
	Lower – Intermediate	493 485	(294)	493 191
	Intermediate	497 840	(832)	497 008
	Upper – Intermediate	62 805	(281)	62 524
	High	5 103	(119)	4 984
	Unrated	225 958	(306)	225 652
Specialized Lending – SPV, RED		-	-	-
	Strong	102 208	(413)	101 795
	Good	88 770	(726)	88 044
	Satisfactory	24 685	(705)	23 980
	Unrated	20	-	20
		215 683	(1 844)	213 839
Retail				
	Very Low	404 321	(111)	404 210
	Low	148 055	(60)	147 995
	Lower – Intermediate	262 672	(299)	262 373
	Intermediate	42 114	(249)	41 865
	Upper – Intermediate	12 413	(201)	12 212
	High	798	(52)	746
	Unrated	1 966	(3)	1 963
		872 339	(975)	871 364
		5 406 938	(5 141)	5 401 797

The following table shows the quality of the Bank's **Stage 2** credit portfolio in terms of internal ratings:

2023 € '000	Risk Profile	Gross Sount	Impairment losses	Net amount
Stage 2				
Financial assets at AC:				
Due from customers:				
Corporate:				
Financial corporations				
	Intermediate	1	-	1
Non-financial corporations				
	Very Low	55 609	(103)	55 506
	Low	3 910	(17)	3 893
	Lower - Intermediate	263 472	(3 433)	260 039
	Intermediate	263 290	(3 156)	260 134
	Upper - Intermediate	255 343	(7 623)	247 720
	High	124 532	(22 640)	101 892
	Unrated	5 009	(37)	4 972
		971 165	(37 009)	934 156
Non-financial corporations - specialised lending				
	Good	3 411	(37)	3 374
	Satisfactory	59 417	(3 767)	55 650
	Weak	76 239	(19 513)	56 726
		139 067	(23 317)	115 750
		1 110 233	(60 326)	1 049 907
Retail				
	Very Low	27 467	(767)	26 700
	Low	25 171	(633)	24 538
	Lower - Intermediate	231 177	(13 298)	217 879
	Intermediate	141 326	(11 215)	130 111
	Upper - Intermediate	89 357	(9 422)	79 935
	High	96 652	(26 091)	70 561
	Unrated	2 316	(136)	2 180
		613 466	(61 562)	551 904

(Table continues on the next page)

2023 € '000	Risk Profile	Gross Sount	Impairment losses/ Provisions	Net amount
Stage 2				
Financial assets at AC:				
Due from customers:				
Public administration				
	Very Low	32	-	32
	Low	2 545	(5)	2 540
	Lower - Intermediate	181	-	181
	Intermediate	492	(2)	490
	Upper - Intermediate	4 834	(156)	4 678
	High	1 119	(82)	1 037
	Unrated	36 556	(1 616)	34 940
		45 759	(1 861)	43 898
		1 769 458	(123 749)	1 645 709
		1 769 458	(123 749)	1 645 709
Financial commitments and contingencies:				
Due from banks				
	Unrated	10	-	10
Due from customers:				
Corporate:				
Non-financial corporations				
	Very Low	199 444	(2 386)	197 058
	Low	34 437	(81)	34 356
	Lower - Intermediate	178 963	(922)	178 041
	Intermediate	69 567	(695)	68 872
	Upper - Intermediate	69 735	(1 524)	68 211
	High	19 523	(195)	19 328
	Unrated	400	-	400
		572 069	(5 803)	566 266

(Table continues on the next page)

2023 € '000	Risk Profile	Gross Sount	Provisions	Net amount
Stage 2				
Financial commitments and contingencies:				
Due from customers:				
Corporate:				
Non-financial corporations - specialised lending				
	Good	22 244	(508)	21 736
	Satisfactory	9 147	(149)	8 998
	Weak	3 180	(187)	2 993
		34 571	(844)	33 727
Retail				
	Very Low	5 010	(164)	4 846
	Low	6 027	(83)	5 944
	Lower - Intermediate	52 462	(261)	52 201
	Intermediate	4 827	(267)	4 560
	Upper - Intermediate	3 733	(242)	3 491
	High	682	(108)	574
		72 741	(1 125)	71 616
Public administration				
	Very Low	728	-	728
	Low	2 143	(1)	2 142
	Lower - Intermediate	188	-	188
	Intermediate	828	(1)	827
	Upper - Intermediate	436	(1)	435
	High	140	(1)	139
		4 463	(4)	4 459
		683 854	(7 776)	676 078

2022 - restated € '000	Risk Profile	Gross Sount	Impairment losses	Net amount
Stage 2				
Financial assets at AC:				
Due from banks				
	High	80 511	(88)	80 423
Due from customers:				
Corporate:				
Financial corporations				
	Intermediate	1	-	1
	Unrated	2	-	2
		3	-	3
Non-financial corporations				
	Very Low	1 050	-	1 050
	Low	42 604	(222)	42 382
	Lower - Intermediate	26 848	(171)	26 677
	Intermediate	376 595	(5 965)	370 630
	Upper - Intermediate	187 167	(6 526)	180 641
	High	261 878	(24 331)	237 547
	Unrated	67 321	(2 254)	65 067
		963 463	(39 469)	923 994
Non-financial corporations - specialised lending				
	Strong	177	(1)	176
	Good	398	(17)	381
	Satisfactory	26 354	(3 025)	23 329
	Weak	15 222	(3 681)	11 541
		42 151	(6 724)	35 427
		1 005 617	(46 193)	959 424
Retail				
	Very Low	24 421	(619)	23 802
	Low	15 004	(403)	14 601
	Lower - Intermediate	214 712	(8 340)	206 372
	Intermediate	134 681	(10 443)	124 238
	Upper - Intermediate	85 070	(10 264)	74 806
	High	83 306	(24 390)	58 916
	Default	24	(1)	23
	Unrated	22 411	(1 828)	20 583
		579 629	(56 288)	523 341

(Table continues on the next page)

2022 - restated € '000	Risk Profile	Gross Sount	Impairment losses/ Provisions	Net amount
Stage 2				
Financial assets at AC:				
Due from customers:				
Public administration				
	Upper - Intermediate	5 562	(192)	5 370
	High	1 819	(127)	1 692
	Unrated	672	(6)	666
		8 053	(325)	7 728
		1 593 299	(102 806)	1 490 493
		1 673 810	(102 894)	1 570 916
Financial commitments and contingencies:				
Due from banks				
Due from customers:				
Corporate:				
Financial corporations				
	Intermediate	5 034	(109)	4 925
Non-financial corporations				
	Very Low	245	-	245
	Low	222	-	222
	Lower - Intermediate	478	(2)	476
	Intermediate	2 650	(128)	2 522
	Upper - Intermediate	3 695	(83)	3 612
	High	848	(146)	702
	Unrated	88 655	(1 237)	87 418
		96 793	(1 596)	95 197

(Table continues on the next page)

2022 - restated € '000	Risk Profile	Gross Sount	Provisions	Net amount
Stage 2				
Financial commitments and contingencies:				
Due from customers:				
Corporate: Non-financial corporations - specialised lending				
	Good	3 772	(516)	3 256
	Satisfactory	980	(52)	928
	Weak	36	(7)	29
		4 788	(575)	4 213
Retail				
	Very Low	1 760	(83)	1 677
	Low	588	(33)	555
	Lower - Intermediate	35 268	(241)	35 027
	Intermediate	3 131	(155)	2 976
	Upper - Intermediate	1 456	(167)	1 289
	High	744	(177)	567
	Unrated	1 387	(24)	1 363
		44 334	(880)	43 454
Public administration				
	Low	621	(2)	619
	Intermediate	597	(1)	596
	Upper - Intermediate	1 932	(15)	1 917
	High	80	-	80
		3 230	(18)	3 212
		154 179	(3 178)	151 001

2022 - original € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 2				
Financial assets at AC:				
Due from other banks				
	High	80 511	(88)	80 423
		80 511	(88)	80 423
Due from customers:				
Public administration				
	Low	492	(1)	491
	Intermediate	464	(2)	462
	Upper - Intermediate	5 142	(192)	4 950
	High	1 819	(127)	1 692
	Unrated	59	(3)	56
Corporate		7 976	(325)	7 651
Large, SME, Other Non-banking Financial and Public Corporates and Factoring				
	Very Low	1 868	(1)	1 867
	Low	44 359	(219)	44 140
	Lower – Intermediate	34 382	(114)	34 268
	Intermediate	361 079	(5 411)	355 668
	Upper – Intermediate	143 216	(2 673)	140 543
	High	251 011	(22 228)	228 783
	Unrated	492	(1)	491
Specialized Lending – SPV, RED				
	Strong	177	(1)	176
	Good	398	(17)	381
	Satisfactory	26 287	(2 986)	23 301
	Weak	15 222	(3 681)	11 541
		878 491	(37 332)	841 159

(Table continues on the next page)

2022 - original € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 2				
Financial assets at AC:				
Due from customers:				
Retail				
Small Business, Flat Owners Associations				
	Very Low	880	(1)	879
	Low	941	(7)	934
	Lower – Intermediate	17 783	(2 071)	15 712
	Intermediate	38 232	(911)	37 321
	Upper – Intermediate	83 073	(4 831)	78 242
	High risk	17 250	(3 013)	14 237
Mortgages				
	Very Low	23 595	(616)	22 979
	Low	13 532	(396)	13 136
	Lower – Intermediate	135 121	(6 474)	128 647
	Intermediate	82 019	(7 572)	74 447
	Upper - Intermediate	42 285	(5 636)	36 649
	High	26 948	(5 715)	21 233
Unsecured Retail				
	Very Low	748	(3)	745
	Low	1 370	(7)	1 363
	Lower – Intermediate	79 503	(1 885)	77 618
	Intermediate	45 289	(2 728)	42 561
	Upper – Intermediate	37 061	(4 486)	32 575
	High	57 190	(18 752)	38 438
	Unrated	18	(2)	16
		702 838	(65 106)	637 732
		1 589 305	(102 763)	1 486 542

(Table continues on the next page)

2022 - original € ’000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 2				
Financial commitments and contingencies:				
Due from customers:				
Public administration				
	Low	621	(2)	619
	Intermediate	597	(1)	596
	Upper - Intermediate	1 932	(15)	1 917
	High	80	-	80
Corporate		3 230	(18)	3 212
Large, SME, Other Non-banking Financial and Public Corporates and Factoring				
	Very Low	605	-	605
	Low	9 476	(31)	9 445
	Lower – Intermediate	2 045	(27)	2 018
	Intermediate	37 589	(233)	37 356
	Upper – Intermediate	28 148	(407)	27 741
	High	10 442	(590)	9 852
	Unrated	7 601	(83)	7 518
Specialized Lending – SPV, RED				
	Good	3 772	(517)	3 255
	Satisfactory	980	(52)	928
	Weak	36	(7)	29
		100 694	(1 947)	98 747
Retail				
	Very Low	2 004	(83)	1 921
	Low	810	(33)	777
	Lower – Intermediate	35 766	(244)	35 522
	Intermediate	5 724	(284)	5 440
	Upper – Intermediate	5 077	(253)	4 824
	High	1 401	(314)	1 087
	Unrated	343	(5)	338
		51 125	(1 216)	49 909
		155 049	(3 181)	151 868

The following table shows the quality of the Bank's **Stage 3** credit portfolio in terms of internal ratings:

2023 € '000	Risk Profile	Gross Sount	Impairment losses/ Provisions	Net amount
Stage 3				
Financial assets at AC:				
Due from banks:				
	Default	74 505	(5 104)	69 401
Due from customers:				
Corporate:				
Financial corporations				
	Default	8	(3)	5
Non-financial corporations				
	Default	98 550	(52 395)	46 155
Non-financial corporations - specialised lending				
	Default	4 619	(3 756)	863
		103 177	(56 154)	47 023
Retail				
	Default	233 226	(149 531)	83 695
Public administration				
	Default	3 473	(1)	3 472
		339 876	(205 686)	134 190
		414 381	(210 790)	203 591
Financial commitments and contingencies:				
Due from customers:				
Corporate:				
Non-financial corporations				
	Default	12 888	(4 368)	8 520
Retail				
	Default	3 352	(22)	3 330
		16 240	(4 390)	11 850

2022 - restated € '000	Risk Profile	Gross Sount	Impairment losses/ Provisions	Net amount
Stage 3				
Financial assets at AC:				
Due from banks:				
	Default	536	(267)	269
Due from customers:				
Corporate:				
Non-financial corporations				
	Default	98 888	(62 908)	35 980
Non-financial corporations - specialised lending				
	Default	4 905	(3 936)	969
		103 793	(66 844)	36 949
Retail				
	Default	220 539	(152 595)	67 944
Public administration				
	Default	1 751	(4)	1 747
		326 083	(219 443)	106 640
		326 619	(219 710)	106 909
Financial commitments and contingencies:				
Due from customers:				
Corporate:				
Non-financial corporations				
	Default	14 813	(5 153)	9 660
Non-financial corporations - specialised lending				
	Default	116	(116)	-
Retail				
	Default	6 314	(141)	6 173
		21 243	(5 410)	15 833

2022 - original € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Stage 3				
Financial assets at AC:				
Due from banks:				
	Default	536	(267)	269
Due from customers:				
Public administration				
	Default	15	(4)	11
Corporate				
Large, SME, Other Non-banking Financial and Public Corporates and Factoring				
	Default	73 869	(43 018)	30 851
Specialized Lending – SPV, RED				
	Default	2 273	(3 888)	(1 615)
		76 142	(46 906)	29 236
Retail				
Small Business, Flat Owners Associations				
	Default	36 192	(25 988)	10 204
Mortgages				
	Default	70 154	(24 706)	45 448
Unsecured Retail				
	Default	140 022	(118 082)	21 940
		246 368	(168 776)	77 592
		322 525	(215 686)	106 839
Financial commitments and contingencies:				
Due from customers:				
Corporate				
Large, SME, Other Non-banking Financial and Public Corporates and Factoring				
	Default	14 824	(5 144)	9 680
Specialized Lending – SPV, RED				
	Default	116	(116)	-
		14 940	(5 260)	9 680
Retail				
	Default	5 910	(817)	5 093
		20 850	(6 077)	14 773

The following table shows the quality of the Bank's **total credit portfolio** in terms of **internal ratings**:

2023 € '000	Risk Profile	Gross Sount	Impairment losses	Net amount
Financial assets at AC:				
Due from banks				
	Very Low	65 854	(5)	65 849
	Lower - Intermediate	95 466	-	95 466
	Default	74 505	(5 104)	69 401
	Unrated	150	-	150
		235 975	(5 109)	230 866
Due from customers:				
Corporate:				
Financial corporations				
	Very Low	702 633	(74)	702 559
	Low	286 170	(93)	286 077
	Lower - Intermediate	32 366	(70)	32 296
	Intermediate	32 631	(7)	32 624
	Upper - Intermediate	2	-	2
	Default	8	(3)	5
		1 053 810	(247)	1 053 563
Non-financial corporations				
	Very Low	1 062 244	(534)	1 061 710
	Low	1 456 379	(431)	1 455 948
	Lower - Intermediate	1 642 873	(7 327)	1 635 546
	Intermediate	700 335	(5 549)	694 786
	Upper - Intermediate	377 408	(8 749)	368 659
	High	126 381	(22 794)	103 587
	Default	98 550	(52 395)	46 155
	Unrated	13 270	(154)	13 116
		5 477 440	(97 933)	5 379 507
Non-financial corporations - specialised lending				
	Strong	191 713	(1 277)	190 436
	Good	331 835	(4 403)	327 432
	Satisfactory	285 195	(14 481)	270 714
	Weak	81 993	(19 929)	62 064
	Default	4 619	(3 756)	863
		895 355	(43 846)	851 509
		7 426 605	(142 026)	7 284 579
Retail				
	Very Low	6 234 514	(2 130)	6 232 384
	Low	1 578 173	(1 289)	1 576 884
	Lower - Intermediate	2 152 598	(20 715)	2 131 883
	Intermediate	384 035	(13 720)	370 315
	Upper - Intermediate	150 175	(11 262)	138 913
	High	114 921	(27 651)	87 270
	Default	233 231	(149 531)	83 700
	Unrated	253 321	(421)	252 900
		11 100 968	(226 719)	10 874 249

(Table continues on the next page)

2023 € '000	Risk Profile	Gross Sount	Impairment losses/ Provisions	Net amount
Financial assets at AC:				
Due from customers:				
Public administration				
	Very Low	71 497	(27)	71 470
	Low	30 185	(18)	30 167
	Lower - Intermediate	181	-	181
	Intermediate	13 926	(13)	13 913
	Upper - Intermediate	16 276	(208)	16 068
	High	3 053	(151)	2 902
	Default	3 473	(1)	3 472
	Unrated	177 504	(2 855)	174 649
		316 095	(3 273)	312 822
		18 843 668	(372 018)	18 471 650
		19 079 643	(377 127)	18 702 516
Financial assets at FVOCI – debt securities				
	Unrated	1 246 816	(232)	1 246 584
Financial commitments and contingencies:				
Due from banks				
	Very Low	12 009	(1)	12 008
	Lower - Intermediate	225 424	(6)	225 418
	Upper - Intermediate	167	-	167
	Unrated	1 637	-	1 637
		239 237	(7)	239 230
Due from customers:				
Corporate:				
Financial corporations				
	Very Low	225 715	(3)	225 712
	Low	47 265	(2)	47 263
	Lower - Intermediate	73 692	(92)	73 600
	Intermediate	12 912	(14)	12 898
		359 584	(111)	359 473
Non-financial corporations				
	Very Low	1 747 425	(2 617)	1 744 808
	Low	859 953	(126)	859 827
	Lower - Intermediate	811 615	(1 737)	809 878
	Intermediate	220 654	(1 084)	219 570
	Upper - Intermediate	83 275	(1 706)	81 569
	High	19 523	(195)	19 328
	Default	12 889	(4 368)	8 521
	Unrated	787	-	787
		3 756 121	(11 833)	3 744 288

(Table continues on the next page)

2023 € '000	Risk Profile	Gross Sount	Provisions	Net amount
Financial commitments and contingencies:				
Due from customers:				
Corporate:				
Non-financial corporations - specialised lending				
	Strong	23 199	(93)	23 106
	Good	105 783	(1 343)	104 440
	Satisfactory	47 402	(1 485)	45 917
	Weak	3 180	(187)	2 993
		179 564	(3 108)	176 456
Retail				
	Very Low	261 267	(208)	261 059
	Low	99 914	(111)	99 803
	Lower - Intermediate	232 942	(470)	232 472
	Intermediate	24 025	(382)	23 643
	Upper - Intermediate	7 887	(317)	7 570
	High	1 763	(227)	1 536
	Default	3 353	(22)	3 331
	Unrated	2 364	11	2 375
		633 515	(1 726)	631 789
Public administration				
	Very Low	81 510	(13)	81 497
	Low	8 281	(2)	8 279
	Lower - Intermediate	188	-	188
	Intermediate	3 478	(2)	3 476
	Upper - Intermediate	2 571	(5)	2 566
	High	152	(1)	151
	Unrated	69 943	(80)	69 863
		166 123	(103)	166 020
		5 334 144	(16 888)	5 317 256

2022 - restated € '000	Risk Profile	Gross Sount	Impairment losses	Net amount
Financial assets at AC:				
Due from banks				
	Very Low	11 817	-	11 817
	Low	51 289	(6)	51 283
	Lower - Intermediate	356 590	-	356 590
	High	80 511	(88)	80 423
	Default	1 095	(267)	828
	Unrated	(348 657)	(4)	(348 661)
		152 645	(365)	152 280
Due from customers:				
Corporate:				
Financial corporations				
	Very Low	464 550	(103)	464 447
	Low	254 698	(107)	254 591
	Lower - Intermediate	34 880	(14)	34 866
	Intermediate	35 504	(19)	35 485
	Unrated	6 601	(1)	6 600
		796 233	(244)	795 989
Non-financial corporations				
	Very Low	681 981	(102)	681 879
	Low	1 350 333	(738)	1 349 595
	Lower - Intermediate	754 589	(928)	753 661
	Intermediate	1 054 018	(7 615)	1 046 403
	Upper - Intermediate	468 929	(8 062)	460 867
	High	273 968	(24 672)	249 296
	Default	98 888	(62 908)	35 980
	Unrated	507 961	(4 553)	503 408
		5 190 667	(109 578)	5 081 089
Non-financial corporations - specialised lending				
	Strong	301 697	(1 612)	300 085
	Good	289 543	(3 134)	286 409
	Satisfactory	291 530	(12 631)	278 899
	Weak	44 092	(6 638)	37 454
	Default	4 905	(3 936)	969
		931 767	(27 951)	903 816
		6 918 667	(137 773)	6 780 894
Retail				
	Very Low	6 210 735	(2 447)	6 208 288
	Low	1 528 396	(1 206)	1 527 190
	Lower - Intermediate	1 918 015	(12 515)	1 905 500
	Intermediate	355 901	(13 047)	342 854
	Upper - Intermediate	135 632	(12 126)	123 506
	High	88 122	(25 538)	62 584
	Default	220 895	(152 596)	68 299
	Unrated	308 058	(8 479)	299 579
		10 765 754	(227 954)	10 537 800

(Table continues on the next page)

2022 - restated € '000	Risk Profile	Gross Sount	Impairment losses/ Provisions	Net amount
Financial assets at AC:				
Due from customers:				
Public administration				
	Very Low	18 960	(3)	18 957
	Low	52 297	(23)	52 274
	Intermediate	37 747	(628)	37 119
	Upper - Intermediate	42 429	(246)	42 183
	High	3 074	(173)	2 901
	Default	1 751	(4)	1 747
	Unrated	31 460	(607)	30 853
		187 718	(1 684)	186 034
		17 872 139	(367 411)	17 504 728
		18 024 784	(367 776)	17 657 008
Financial assets at FVOCI – debt securities				
	Unrated	1 412 476	(276)	1 412 200
Financial commitments and contingencies:				
Due from banks				
	Very Low	12 006	(1)	12 005
	Lower - Intermediate	226 465	(7)	226 458
	Unrated	1 664	-	1 664
		240 135	(8)	240 127
Due from customers:				
Corporate:				
Financial corporations				
	Very Low	390 206	(24)	390 182
	Lower - Intermediate	2 000	-	2 000
	Intermediate	9 630	(116)	9 514
	Unrated	39 553	(23)	39 530
		441 389	(163)	441 226
Non-financial corporations				
	Very Low	9 188	(1)	9 187
	Low	28 499	(6)	28 493
	Lower - Intermediate	17 038	(8)	17 030
	Intermediate	17 030	(155)	16 875
	Upper - Intermediate	9 847	(141)	9 706
	High	1 102	(160)	942
	Default	14 885	(5 153)	9 732
	Unrated	3 703 143	(3 289)	3 699 854
		3 800 732	(8 913)	3 791 819

(Table continues on the next page)

2022 - restated € '000	Risk Profile	Gross Sount	Provisions	Net amount
Financial commitments and contingencies:				
Due from customers:				
Corporate:				
Non-financial corporations - specialised lending				
	Strong	102 208	(413)	101 795
	Good	92 552	(1 243)	91 309
	Satisfactory	25 675	(757)	24 918
	Weak	36	(7)	29
	Default	116	(116)	-
		220 587	(2 536)	218 051
Retail				
	Very Low	402 147	(194)	401 953
	Low	131 389	(90)	131 299
	Lower - Intermediate	282 168	(535)	281 633
	Intermediate	30 938	(376)	30 562
	Upper - Intermediate	7 770	(310)	7 460
	High	1 381	(215)	1 166
	Default	6 363	(141)	6 222
	Unrated	46 630	(698)	45 932
		908 786	(2 559)	906 227
Public administration				
	Very Low	23 526	(3)	23 523
	Low	9 282	(3)	9 279
	Intermediate	62 847	(6)	62 841
	Upper - Intermediate	2 636	(19)	2 617
	High	177	(1)	176
	Unrated	111 211	(196)	111 015
		209 679	(228)	209 451
		5 821 308	(14 407)	5 806 901

2022 - original € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Financial assets at AC:				
Due from other banks				
	High	80 511	(88)	80 423
	Default	536	(267)	269
	Unrated	71 598	(10)	71 588
		152 645	(365)	152 280
Due from customers:				
Public administration				
	Very Low	40 542	(9)	40 533
	Low	57 440	(30)	57 410
	Intermediate	51 029	(641)	50 388
	Upper – Intermediate	16 059	(234)	15 825
	High	3 074	(173)	2 901
	Default	15	(4)	11
	Unrated	22 272	(548)	21 724
		190 431	(1 639)	188 792
Corporate				
Large, SME, Other Non-banking Financial and Public Corporates and Factoring				
	Very Low	1 021 452	(188)	1 021 264
	Low	1 553 633	(800)	1 552 833
	Lower – Intermediate	866 555	(914)	865 641
	Intermediate	1 129 217	(7 017)	1 122 200
	Upper – Intermediate	408 394	(3 867)	404 527
	High	264 326	(22 420)	241 906
	Default	73 869	(43 018)	30 851
	Unrated	385 169	(118)	385 051
Specialized Lending – SPV, RED		-	-	-
	Strong	301 697	(1 611)	300 086
	Good	289 539	(3 134)	286 405
	Satisfactory	291 473	(12 593)	278 880
	Weak	44 092	(6 637)	37 455
	Default	2 273	(3 888)	(1 615)
		6 631 689	(106 205)	6 525 484

(Table continues on the next page)

2022 - original € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Financial assets at AC:				
Due from customers:				
Retail				
Small Business, Flat Owners Associations				
	Very Low	20 624	(7)	20 617
	Low	36 988	(40)	36 948
	Lower – Intermediate	125 233	(9 882)	115 351
	Intermediate	227 241	(1 627)	225 614
	Upper – Intermediate	158 465	(5 538)	152 927
	High	19 969	(3 355)	16 614
	Default	36 192	(25 988)	10 204
	Unrated	36	-	36
Mortgages				
	Very Low	6 036 534	(2 352)	6 034 182
	Low	1 439 247	(1 114)	1 438 133
	Lower – Intermediate	1 222 402	(8 199)	1 214 203
	Intermediate	121 028	(7 914)	113 114
	Upper – Intermediate	48 829	(5 773)	43 056
	High	27 661	(5 762)	21 899
	Default	70 154	(24 706)	45 448
	Unrated	24	-	24
Unsecured Retail				
	Very Low	163 191	(90)	163 101
	Low	80 350	(83)	80 267
	Lower – Intermediate	705 539	(4 393)	701 146
	Intermediate	162 835	(4 758)	158 077
	Upper – Intermediate	78 013	(6 207)	71 806
	High	65 894	(19 836)	46 058
	Default	140 022	(118 082)	21 940
	Unrated	63 548	(3 861)	59 687
		11 050 019	(259 567)	10 790 452
		17 872 139	(367 411)	17 504 728
Financial assets at FVOCI – debt securities				
	Unrated	1 412 476	(276)	1 412 200

(Table continues on the next page)

2022 - original € '000	Risk Profile	Gross amount	Impairment losses	Net amount
Financial commitments and contingencies:				
Due from other banks				
	Very Low	12 006	(1)	12 005
	Lower – Intermediate	226 465	(7)	226 458
		238 471	(8)	238 463
Due from customers:				
Public administration				
	Very Low	123 526	(15)	123 511
	Low	10 648	(4)	10 644
	Intermediate	62 810	(6)	62 804
	Upper – Intermediate	2 636	(19)	2 617
	High	177	(1)	176
	Unrated	9 857	(183)	9 674
		209 654	(228)	209 426
Corporate				
Large, SME, Other Non-banking Financial and Public Corporates and Factoring				
	Very Low	1 856 974	(114)	1 856 860
	Low	980 408	(197)	980 211
	Lower – Intermediate	495 530	(321)	495 209
	Intermediate	535 429	(1 065)	534 364
	Upper – Intermediate	90 953	(688)	90 265
	High	15 545	(709)	14 836
	Default	14 824	(5 144)	9 680
	Unrated	233 559	(389)	233 170
Specialized Lending – SPV, RED		-	-	-
	Strong	102 208	(413)	101 795
	Good	92 542	(1 243)	91 299
	Satisfactory	25 665	(757)	24 908
	Default	36	(7)	29
	Weak	116	(116)	-
	Unrated	20	-	20
		4 443 809	(11 163)	4 432 646
Retail				
	Very Low	406 325	(194)	406 131
	Low	148 865	(93)	148 772
	Lower – Intermediate	298 438	(543)	297 895
	Intermediate	47 838	(533)	47 305
	Upper – Intermediate	17 490	(454)	17 036
	High	2 199	(366)	1 833
	Default	5 910	(817)	5 093
	Unrated	2 309	(8)	2 301
		929 374	(3 008)	926 366
		5 582 837	(14 399)	5 568 438

For some portfolios, information from external credit reference agencies is also used. The credit quality for financial assets at amortized cost: due from other banks is in the rating scale from Aaa to Caa1 (31 December 2022: Aaa to Caa1). The following table sets out the credit quality of **FVOCI debt securities**. The analysis has been based on **Moody's** ratings.

2022 € '000	External rating	Gross amount	Impairment losses	Net amount
Financial assets at FVOCI – debt securities				
	Aaa	305 711	(16)	305 694
	Aa1	59 482	(3)	59 479
	Aa2	31 237	(0)	31 236
	Aa3	20 608	(3)	20 605
	A2	626 837	(92)	626 746
	Baa2	100 662	(66)	100 596
	Baa3	102 280	(52)	102 228
		1 246 816	(232)	1 246 584

2022 € '000	External rating	Gross amount	Impairment losses	Net amount
Financial assets at FVOCI – debt securities				
	Aaa	202 609	(9)	202 601
	Aa1	60 177	(1)	60 176
	Aa2	4 982	(0)	4 982
	A2	785 838	(106)	785 732
	Baa1	69 974	(1)	69 973
	Baa2	90 097	(59)	90 038
	Baa3	198 799	(101)	198 699
		1 412 475	(276)	1 412 200

4.1.10. Sensitivity analysis of impairment losses

In the tables below the Bank shows the sensitivity of ECL calculation to a **decrease** or **increase** of PD parameter by 10%:

2023	Basic scenario	Decrease PD by 10%			Increase PD by 10%		
€ '000	Impairment losses	Impairment losses	Abs. change	Rel. change	Impairment losses	Abs. change	Rel. change
Banks	5 109	5 108	(1)	(0,02)%	5 139	30	0,59%
Corporate							
Financial corporations							
Loans	173	156	(17)	(9,83)%	191	18	10,40%
Overdrafts	2	2	-	-	2	-	-
Credit cards	-	-	-	-	-	-	-
Debt securities	72	65	(7)	(9,72)%	79	7	9,72%
Other	-	-	-	-	-	-	-
Leasing	-	-	-	-	-	-	-
	247	223	(24)	(9,72)%	272	25	10,12%
Non-financial corporations							
Loans	110 602	102 535	(8 067)	(7,29)%	118 670	8 068	7,29%
Mortgages	521	499	(22)	(4,22)%	544	23	4,41%
Overdrafts	23 581	23 254	(327)	(1,39)%	23 908	327	1,39%
Credit Cards	144	135	(9)	(6,25)%	152	8	5,56%
Factoring	1 077	1 068	(9)	(0,84)%	1 086	9	0,84%
Debt securities	209	188	(21)	(10,05)%	230	21	10,05%
Other	-	-	-	-	-	-	-
Leasing	5 645	5 537	(108)	(1,91)%	5 753	108	1,91%
	141 779	133 216	(8 563)	(6,04)%	150 343	8 564	6,04%
Retail							
Loans	136 317	132 480	(3 837)	(2,81)%	140 154	3 837	2,81%
Mortgages	81 722	77 983	(3 739)	(4,58)%	85 462	3 740	4,58%
Overdrafts	5 853	5 796	(57)	(0,97)%	5 910	57	0,97%
Credit Cards	2 500	2 434	(66)	(2,64)%	2 566	66	2,64%
Factoring	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Leasing	327	307	(20)	(6,12)%	346	19	5,81%
	226 719	219 000	(7 719)	(3,40)%	234 438	7 719	3,40%
Public administration							
Loans	3 256	2 930	(326)	(10,01)%	3 581	325	9,98%
Overdrafts	2	2	-	-	3	1	50,00%
Credit Cards	-	-	-	-	-	-	-
Factoring	15	13	(2)	(13,33)%	16	1	6,67%
Debt securities	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Leasing	-	-	-	-	-	-	-
	3 273	2 945	(328)	(10,02)%	3 600	327	9,99%
Financial assets at FVOCI - debt securities	232	207	(25)	(10,78)%	253	21	9,05%

2022 - restated	Basic scenario	Decrease PD by 10%			Increase PD by 10%		
€ '000	Impairment losses	Impairment losses	Abs. change	Rel. change	Impairment losses	Abs. change	Rel. change
Banks	365	355	(10)	(2,74)%	375	10	2,74%
Corporate							
Financial corporations							
Loans	161	145	(16)	(9,94)%	177	16	9,94%
Overdrafts	3	3	-	-	3	-	-
Credit cards	-	-	-	-	-	-	-
Debt securities	80	72	(8)	(10,00)%	88	8	10,00%
Other	-	-	-	-	-	-	-
Leasing	-	-	-	-	-	-	-
	244	220	(24)	(9,84)%	268	24	9,84%
Non-financial corporations							
Loans	97 769	91 114	(6 655)	(6,81)%	104 347	6 578	6,73%
Mortgages	777	737	(40)	(5,15)%	818	41	5,28%
Overdrafts	25 566	25 355	(211)	(0,83)%	25 777	211	0,83%
Credit Cards	-	-	-	-	-	-	-
Factoring	1 205	1 198	(7)	(0,58)%	1 211	6	0,50%
Debt securities	919	827	(92)	(10,01)%	1 010	91	9,90%
Other	-	-	-	-	-	-	-
Leasing	11 293	11 228	(65)	(0,58)%	11 433	140	1,24%
	137 529	130 459	(7 070)	(5,14)%	144 596	7 067	5,14%
Retail							
Loans	133 782	129 565	(4 217)	(3,15)%	138 000	4 218	3,15%
Mortgages	75 344	71 840	(3 504)	(4,65)%	78 848	3 504	4,65%
Overdrafts	7 146	7 078	(68)	(0,95)%	7 213	67	0,94%
Credit Cards	11 102	10 996	(106)	(0,95)%	11 209	107	0,96%
Factoring	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Leasing	580	561	(19)	(3,28)%	598	18	3,10%
	227 954	220 040	(7 914)	(3,47)%	235 868	7 914	3,47%
Public administration							
Loans	1 681	1 512	(169)	(10,05)%	1 848	167	9,93%
Overdrafts	2	2	-	-	2	-	-
Credit Cards	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Leasing	1	1	-	-	1	-	-
	1 684	1 515	(169)	(10,04)%	1 851	167	9,92%
Financial assets at FVOCI - debt securities	276	248	(28)	(10,14)%	303	27	9,78%

2022 - original	Base scenario			Decrease PD by 10%
€ '000	Impairment losses	Impairment losses	Absolute change	Relative change
Financial assets at AC:				
Due from other banks	365	355	(10)	(2,74)%
Due from customers:				
Public administration				
Public administration	1 638	1 474	(164)	(10,01)%
Public administration-leasing	1	-	(1)	(100,00)%
	1 639	1 474	(165)	(10,68)%
Corporate				
Large Corporates	24 014	21 630	(2 384)	(9,93)%
Large Corporates - debt securities	919	827	(92)	(10,01)%
Specialized Lending	27 863	25 470	(2 393)	(8,59)%
SME	44 068	43 096	(972)	(2,21)%
Other Non-banking Financial Institutions	141	126	(15)	(10,64)%
Other Non-banking Financial Institutions - debt securities	80	72	(8)	(10,00)%
Public Sector Entities	1	1	-	-
Leasing	7 927	7 866	(61)	(0,77)%
Factoring	1 192	1 185	(7)	(0,59)%
	106 205	100 273	(5 932)	(5,59)%
Retail				
Small Business	42 260	40 298	(1 962)	(4,64)%
Small Business - leasing	3 908	3 850	-	-
Consumer Loans	139 995	136 232	(3 763)	(2,69)%
Mortgages	55 820	52 708	(3 112)	(5,58)%
Credit Cards	10 919	10 818	(101)	(0,92)%
Overdrafts	6 396	6 336	(60)	(0,94)%
Leasing	37	35	(2)	(5,41)%
Flat Owners Associations	232	209	(23)	(9,91)%
	259 567	250 486	(9 023)	(3,48)%
	367 411	352 233	(15 119)	(4,12)%
	367 776	352 588	(15 129)	(4,11)%
Financial assets at FVOCI - debt securities	276	248	(28)	(10,14)%

2022 - Original € '000	Base scenario Impairment losses	Increase PD by 10% Impairment losses	Absolute change	Relative change
Financial assets at AC:				
Due from other banks	365	375	10	2,74%
Due from customers:				
Public administration				
Public administration	1 638	1 802	164	10,01%
Public administration-leasing	1	1	-	-
	1 639	1 803	174	10,62%
Corporate				
Large Corporates	24 014	26 398	2 384	9,93%
Large Corporates - debt securities	919	1 011	92	10,01%
Specialized Lending	27 863	30 256	2 393	8,59%
SME	44 068	45 039	971	2,20%
Other Non-banking Financial Institutions	141	155	14	9,93%
Other Non-banking Financial Institutions - debt securities	80	88	8	10,00%
Public Sector Entities	1	1	-	-
Leasing	7 927	7 989	62	0,78%
Factoring	1 192	1 198	6	0,50%
	106 205	112 135	5 930	5,58%
Retail				
Small Business	42 260	44 223	1 963	4,65%
Small Business - leasing	3 908	3 966	58	1,48%
Consumer Loans	139 995	143 757	3 762	2,69%
Mortgages	55 820	58 931	3 111	5,57%
Credit Cards	10 919	11 020	101	0,92%
Overdrafts	6 396	6 455	59	0,92%
Leasing	37	38	1	2,70%
Flat Owners Associations	232	255	23	9,91%
	259 567	268 645	9 078	3,50%
	367 411	382 583	15 172	4,13%
	367 776	382 958	15 182	4,13%
Financial assets at FVOCI - debt securities	276	303	27	9,78%

4.1.11. Impact of the possible scenarios on the impairment losses and provisions

The behavior of the model is described by six possible scenarios simulating a worsening of the macroeconomic situation. The scenarios resulted in the increase of expected loss in both stage 1 and stage 2. The simulation was run on the Bank level on the whole Retail segment – mortgages, consumer loans, credit cards, overdrafts, former CFH products (Quatro, Slovenská požičovňa, SKK credit cards, HRL) and VUBL retail products and QCAR retail (the segment as of 31.12.2023 is summarized in the right-hand side table).

If the predicted qq change of GDP growth will be decreased by 3 bps (30% of the last available value at the time of development of the model) then the impact on the P&L effect will be 107.27 ths EUR for Stage 1 and 408.31 ths EUR for Stage 2. Other scenarios and their impact are depicted in the table below:

Scenarios and their impact:

2023 SCENARIO	SCENARIO DESCRIPTION	STAGE 1 (values in v € '000)					
		Imparment Losses / Provisions	expected loss	absolute change		relative change	
BASE	without stressing	15 627	16 144	- - -	- - -	- - -	- - -
		517		- - -		- - -	
GDP stress 10%	qq change of GDP growth decreased by 1 bps	15 248	15 767	-379	-377	-2,43%	-2,34%
		519		2		0,39%	
Bank Deposit rate stress 10%	qq change of Bank Deposit rate decreased by 15 bps	15 284	15 804	-343	-340	-2,19%	-2,11%
		520		3		0,58%	
ALL stress 10%	qq change of GDP growth decreased by 1 bps & of Bank Deposit rate decreased by 15 bps	15 292	15 814	-335	-330	-2,14%	-2,04%
		522		5		0,97%	
GDP stress 30%	qq change of GDP growth decreased by 3 bps	15 318	15 840	-309	-304	-1,98%	-1,88%
		522		5		0,97%	
Bank Deposit rate stress 30%	qq change of Bank Deposit rate decreased by 46 bps	15 425	15 951	-202	-193	-1,29%	-1,20%
		526		9		1,74%	
ALL stress 30%	qq change of GDP growth decreased by 3 bps & of Bank Deposit rate decreased by 46 bps	15 530	16 061	-97	-83	-0,62%	-0,51%
		531		14		2,71%	

2023 SCENARIO	SCENARIO DESCRIPTION	STAGE 2 (values in v € ’000)					
		Imparment Losses / Provisions	ECL	absolute change		relative change	
BASE	without stressing	7 484	7 484	- - -	- - -	- - -	- - -
		0		- - -		- - -	
GDP stress 10%	qq change of GDP growth decreased by 1 bps	96	96	-7 388	-7 388	-98,72%	-98,72%
		0		0		0,00%	
Bank Deposit rate stress 10%	qq change of Bank Deposit rate decreased by 15 bps	96	96	-7 388	-7 388	-98,72%	-98,72%
		0		0		0,00%	
ALL stress 10%	qq change of GDP growth decreased by 1 bps & of Bank Deposit rate decreased by 15 bps	96	96	-7 388	-7 388	-98,72%	-98,72%
		0		0		0,00%	
GDP stress 30%	qq change of GDP growth decreased by 3 bps	96	96	-7 388	-7 388	-98,72%	-98,72%
		0		0		0,00%	
Bank Deposit rate stress 30%	qq change of Bank Deposit rate decreased by 46 bps	96	96	-7 388	-7 388	-98,72%	-98,72%
		0		0		0,00%	
ALL stress 30%	qq change of GDP growth decreased by 3 bps & of Bank Deposit rate decreased by 46 bps	96	96	-7 388	-7 388	-98,72%	-98,72%
		0		0		0,00%	

2022 SCENARIO	SCENARIO DESCRIPTION	STAGE 1 (values in v € '000)					
		Imparment Losses / Provisions	ECL	absolute change		relative change	
BASE	without stressing	16 077	16 926	- - -	- - -	- - -	- - -
		849		- - -		- - -	
GDP stress 10%	qq change of GDP growth decreased by 1 bps	16 090	16 939	13	13	0,08%	0,08%
		849		0		0,00%	
Bank Deposit rate stress 10%	qq change of Bank Deposit rate decreased by 15 bps	16 327	17 193	250	267	1,56%	1,58%
		866		17		2,00%	
ALL stress 10%	qq change of GDP growth decreased by 1 bps & of Bank Deposit rate decreased by 15 bps	16 344	17 211	267	285	1,66%	1,68%
		867		18		2,12%	
GDP stress 30%	qq change of GDP growth decreased by 3 bps	16 113	16 964	36	38	0,22%	0,22%
		851		2		0,24%	
Bank Deposit rate stress 30%	qq change of Bank Deposit rate decreased by 46 bps	16 849	17 752	772	826	4,80%	4,88%
		903		54		6,36%	
ALL stress 30%	qq change of GDP growth decreased by 3 bps & of Bank Deposit rate decreased by 46 bps	16 883	17 788	806	862	5,01%	5,09%
		905		56		6,60%	

2022 SCENARIO	SCENARIO DESCRIPTION	STAGE 2 (values in v € '000)					
		Imparment Losses / Provisions	ECL	absolute change		relative change	
BASE	without stressing	54 278	**55 069**	- - -	- - -	- - -	- - -
		791		- - -		- - -	
GDP stress 10%	qq change of GDP growth decreased by 1 bps	54 304	**55 096**	26	**27**	0,05%	**0,05%**
		792		1		0,13%	
Bank Deposit rate stress 10%	qq change of Bank Deposit rate decreased by 15 bps	55 055	**55 854**	777	**785**	1,43%	**1,43%**
		799		8		1,01%	
ALL stress 10%	qq change of GDP growth decreased by 1 bps & of Bank Deposit rate decreased by 15 bps	55 093	**55 893**	815	**824**	1,50%	**1,50%**
		800		9		1,14%	
GDP stress 30%	qq change of GDP growth decreased by 3 bps	54 372	**55 164**	94	**95**	0,17%	**0,17%**
		792		1		0,13%	
Bank Deposit rate stress 30%	qq change of Bank Deposit rate decreased by 46 bps	56 672	**57 488**	2 394	**2 419**	4,41%	**4,39%**
		816		25		3,16%	
ALL stress 30%	qq change of GDP growth decreased by 3 bps & of Bank Deposit rate decreased by 46 bps	56 770	**57 587**	2 492	**2 518**	4,59%	**4,57%**
		817		26		3,29%	

4.1.12. Credit risk of financial derivatives

Credit exposure (or the replacement cost) of derivative financial instruments represents the Bank's credit exposure from contracts with a positive fair value. This indicates the estimated maximum potential losses in the event that counterparties fail to perform their obligations. It is usually a small proportion of the notional amounts of the contracts. The credit exposure of each contract is indicated by the credit equivalent calculated pursuant to the generally applicable methodology using the current exposure method and involves the market value of the contract (only if positive, otherwise a zero value is taken into account) and a portion of the nominal value, which indicates the potential change in market value over the term of the contract. The credit equivalent is established depending on the type of contract and its maturity. The Bank assesses the credit risk of all financial instruments on a daily basis.

With regard to IFRS 13 which contains a clarification in reference to non-performance risk in determining the fair value of over-the-counter derivatives, the Bank uses the bilateral Credit Value Adjustment model ('bCVA'). It takes into account the effects of changes in counterparty credit ratings as well as the changes in own credit rating. The bCVA has two addends, calculated by considering the possibility that both counterparties go bankrupt, known as the Credit Value Adjustment ('CVA') and Debit Value Adjustment ('DVA'):

– The CVA (negative) takes into account scenarios whereby the counterparty fails before the Bank that has a positive exposure to the counterparty. In these scenarios, the Bank suffers a loss equal to the cost of replacing/closing the derivative contract,
– The DVA (positive) takes into account scenarios whereby the Bank fails before the counterparty and has a negative exposure to the counterparty. In these scenarios the Bank achieves a gain equal to the cost of replacing/closing the derivative contract.

The bCVA depends on the exposure, probability of default and the loss given default of the counterparties. The Bank is selective in its choice of counterparties and sets limits for transactions with customers. The Bank takes its own and its counterparties' credit risk into consideration to the extent it believes the market participants would do so.

The table below shows the maximum amount of credit risk of derivative financial instruments. To express the maximum amount of credit risk, the fair value of derivative financial assets is increased by the value of the potential credit exposure ('add on') calculated as the nominal value of the derivative financial instrument multiplied by the respective coefficient depending on the type of the instrument. The credit risk of the remaining financial assets not reported in the table below approximates their carrying amounts.

€ '000	2023	2022
Financial assets		
Financial assets at fair value through profit or loss:		
Financial assets held for trading:		
Derivative financial instruments	53 533	(8 336)
Derivatives – Hedge accounting	240 134	419 583
	293 667	411 247

4.2. Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices or foreign exchange rate will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

4.2.1. Management of market risk

The Bank separates its exposures to market risk between trading ('trading book') and non-trading portfolios ('banking book'). Trading portfolios are held by the Trading sub-department while the Sales sub-department include positions arising from market-making and proprietary position taking. All foreign exchange risk within the Bank is transferred each day to the Trading sub-department and forms part of the trading portfolio for risk management purposes. The non-trading portfolios are managed by the sub-department Asset Liability Management ('ALM'), and include all positions which are not intended for trading.

Trading portfolios include derivative financial instruments used for both trading and hedging and debt securities classified as financial assets held for trading. Financial instruments with non-trading purpose are part of the banking book.

Overall authority for market risk is vested in ALCO. The Risk Management Department is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for their implementation and day-to-day market risk monitoring and reporting.

In the normal course of business, the Bank enters into derivative financial instrument transactions to hedge its liquidity, foreign exchange and interest rate risks. The Bank also enters into proprietary derivative financial transactions for the purpose of generating profits from short-term fluctuations in market prices. The Bank operates a system of market risk and counterparty limits, which are designed to restrict exposure to movements in market prices and counterparty concentrations. The Bank also monitors adherence to these limits on a daily basis.

4.2.2. Exposure to market risk - trading portfolios

The principal tool used to measure and control market risk exposures within the Bank's trading portfolio is Value at Risk ('VaR'). A derivation of VaR is the stress VaR ('sVaR'), which represents maximal VaR of a selected one-year period generating the highest value of VaR during a period of at least the last ten years. The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Bank is based upon a 99% confidence level and assumes a one-day holding period.

The VaR and sVaR models used are based on historical simulations. Taking into account market data from the previous year and in case of sVaR a one-year scenario from at least the last ten years of history and observed relationships between different markets and prices, the models generate a wide range of plausible future scenarios for market price movements evaluated in the model. The VaR model was approved by the NBS as a basis for the calculation of the capital charge for market risk of the trading book.

The Bank uses VaR limits for total market risk in the trading book, foreign exchange risk and interest rate risk. The overall structure of VaR and sVaR limits is subject to review and approval by ALCO and Intesa Sanpaolo. VaR is measured on a daily basis. Daily reports of utilisation of VaR and sVaR limits are submitted to the trading unit, the head of the Division Risk Management and the head of the Department Treasury and ALM. Regular summaries are submitted to Intesa Sanpaolo and ALCO.

A summary of the VaR and sVaR position of the Bank's trading portfolios:

				2023				2022
€ '000	Balance	Avg	Max	Min	Balance	Avg	Max	Min
Foreign currency risk	36	96	326	11	118	103	197	12
Interest rate risk	62	124	292	62	87	297	546	73
Total VaR	77	161	344	64	154	339	650	71
Total sVaR	235	406	957	125	322	438	977	153

Although VaR is a popular and widely used risk management tool, there are known limitations, among which the following are the most important ones:

- VaR does not measure the worst-case loss, since a 99% confidence interval means that in 1% of cases the loss is expected to be greater than the VaR amount;
- VaR calculated using a one day holding period assumes hedge or disposal of a position within one day, which might not be realistic in the case of a longer illiquid situation on the market;

These limitations are recognized by supplementing VaR limits with other structure position limits. In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on the Bank's position. Furthermore, integrating the sVaR measure into the VaR concept adds to mitigation of the limitation of using historical series and possibly omitting scenarios of an extraordinary nature.

4.2.3. Exposure to interest rate risk in the banking book (IRRBB)

Interest rate risk comprises of the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and the risk that the maturities of interest-earning assets differ from the maturities of interest-bearing liabilities used to fund those assets. The length of time for which the interest rate is fixed for a financial instrument therefore indicates the extent to which it is exposed to interest rate risk.

All the assumptions, methodologies and responsibilities are described in the internal documents 'Guidelines on the Governance of Interest Rate Risk in the Banking Book' and 'Rules on the Measurement and Control of Interest Rate Risk in the Banking Book in VUB Group' which are approved by the Management Board and are consistent with ISP Group IRRBB Guidelines and Rules.

The main risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows and fair values of financial instruments due to a change in market interest rates. Interest rate risk in the banking book is managed mainly through the monitoring of interest rate gaps. Financial instruments are mapped to repricing time buckets either by maturity for fixed rate instruments, or by next repricing date for floating rate instruments. Assets and liabilities that do not have a contractual maturity date are mapped according to internal models based on behavioural assumptions.

The Risk Management Department is responsible for monitoring and reporting of interest rate gaps at least on monthly basis. Interest rate risk in the banking book is measured using shift sensitivity of fair value analysis (change in present value). In line with the ISP Group methodology, the shift sensitivity analysis is performed for baseline, internal stress and regulatory scenarios. Baseline scenarios are defined as the parallel and instantaneous shift of +/-100 basis points of the yield curve and BCBS-like scenarios calibrated based on +100 bps shift of the yield curve. Internal stress scenarios measure the shift sensitivity through the parallel and instantaneous shift of +/-200 basis points. Six regulatory scenarios, as specified in Art. 114 of the EBA/GL/2018/02, include parallel up, parallel down, steepening, flattening, short rates up ad short rates down scenarios.

The sensitivity of the interest margin (net interest income sensitivity) is also measured using baseline, internal stress and regulatory scenarios. The baseline scenario is represented by parallel and instantaneous +/-50 bps shocks in the yield curve, in a period of the following 12 months. Internal stress scenarios include +/-100 bps, +/-200 bps shocks and six regulatory scenarios, mentioned above, are applied as well.

Overall interest rate risk positions in the banking book are managed by the Treasury and ALM Department, which uses different on balance and off-balance sheet instruments to manage the overall positions arising from the banking book activities.

Models applied for the interest rate risk in the banking book calculation

Each financial instrument is allocated to the time bucket based on its contractual or behavioural repricing date.

Contractual

This category includes instruments for which the Bank knows exactly when the maturity or next repricing takes place. This treatment is applied mainly to bought and issued securities, received loans and term deposits.

Behavioural

These are items for which it is not exactly known when the maturity or next repricing will take place (e.g. current accounts). There are also some items where the maturity or repricing period is known but it can be assumed that they will behave differently (e.g. prepayments can occur for mortgages and consumer loans). In this case, it is necessary to make certain assumptions to reflect the behavioural characteristics of such items. The assumptions are based on the detailed analysis of the Bank's historical time series data and statistical models.

At 31 December 2023, the interest margin sensitivity of the banking book on profit or loss in a one-year time frame, in the event of a 100 basis points rise in interest rates, was €45,066 thousand (31 December 2022: €(57,011) thousand).

At 31 December 2023, the interest margin sensitivity of the banking book on profit or loss in a one-year time frame, in the event of a 100 basis points decline in interest rates, was € (52,713) thousand (31 December 2022: € (47,795) thousand).

At 31 December 2023, the interest rate risk generated by the banking book, measured through shift sensitivity analysis of plus 100 basis points, reached the value of €(12,872) thousand (31 December 2022: €(30,003) thousand).

At 31 December 2023, the interest rate risk generated by the banking book, measured through shift sensitivity analysis of minus 100 basis points, reached the value of €5,313 thousand (31 December 2022: €22,364 thousand).

At 31 December 2023, the sensitivity of the FVOCI reserve in equity related to the non-hedged part of the portfolio to 100 basis points rise in interest rates was €(392) thousand (31 December 2022: € (2,799) thousand).

The re-pricing structure of interest rate bearing financial assets and financial liabilities based on contractual **discounted** cash-flows for the non-trading portfolios was as follows:

2023 €'000	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Interest rate bearing financial assets							
Cash and cash equivalents	3 802 523	-	-	-	-	-	3 802 523
Financial assets at FVTPL (excluding Trading derivatives)	-	-	5	6 327	11 480	(12 829)	4 983
Financial assets at FVOCI	37 877	45 229	105 462	762 280	295 736	159	1 246 743
Financial assets at AC:							
Due from other banks	(7 582)	739	-	49 995	-	187 714	230 866
Due from customers	3 215 405	2 474 837	3 184 691	8 186 426	1 209 519	200 772	18 471 650
	7 048 223	2 520 805	3 290 158	9 005 028	1 516 735	375 816	23 756 765
Interest rate bearing financial liabilities							
Financial liabilities measured at AC:							
Due to banks	(283 560)	(600 917)	(27 408)	(52 761)	-	-	(964 646)
Due to customers	(7 267 225)	(1 238 248)	(2 992 329)	(4 062 201)	(460 693)	-	(16 020 696)
Lease liabilities	(581)	(1 175)	(4 855)	(10 996)	(970)	-	(18 577)
Subordinated debt	-	(300 487)	-	-	-	-	(300 487)
Debt securities in issue	(250 832)	(541 098)	(16 148)	(2 967 092)	(661 144)	-	(4 436 314)
	(7 802 198)	(2 681 925)	(3 040 740)	(7 093 050)	(1 122 807)	-	(21 740 720)
Net position of financial instruments	(753 975)	(161 120)	249 418	1 911 978	393 928	375 816	2 016 045
Cumulative net position of financial instruments	(753 975)	(161 120)	249 418	1 911 978	393 928	375 816	2 016 045
	(753 975)	(915 095)	(665 677)	1 246 301	1 640 229	2 016 045	-
Cash inflow from derivatives							
Cash outflow from derivatives	1 429 203	2 437 399	1 942 221	1 955 396	1 024 541	-	8 788 760
Net position from derivatives	(994 193)	(2 483 730)	(1 351 020)	(3 021 568)	(953 091)	-	(8 803 602)
Total net position	435 010	(46 331)	591 201	(1 066 172)	71 450	-	(14 841)
Cumulative total net position	(318 965)	(207 451)	840 619	845 806	465 378	375 816	2 001 204

2022 €'000	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Interest rate bearing financial assets							
Cash and cash equivalents	3 060 496	-	-	-	-	-	3 060 496
Financial assets at FVTPL (excluding Trading derivatives)	-	-	10	-	1 522	2 459	3 991
Financial assets at FVOCI	75 439	71 448	202 156	656 586	406 571	141	1 412 341
Financial assets at AC:							
Due from other banks	13 771	83 097	928	53 891	-	593	152 280
Due from customers	2 724 575	2 095 824	2 536 160	8 783 834	1 173 103	191 232	17 504 728
	5 874 281	2 250 369	2 739 254	9 494 311	1 581 196	194 425	22 133 836
Interest rate bearing financial liabilities							
Financial liabilities measured at AC:							
Due to banks	(266 849)	(554 301)	(34 607)	(149 311)	-	-	(1 005 068)
Due to customers	(8 004 143)	(988 576)	(2 245 035)	(3 732 987)	(437 142)	-	(15 407 883)
Lease liabilities	(609)	(1 215)	(5 025)	(12 308)	(795)	-	(19 952)
Subordinated debt	-	(250 368)	-	-	-	-	(250 368)
Debt securities in issue	(6 507)	(105 280)	(325 063)	(2 694 492)	(652 666)	-	(3 784 008)
	(8 278 108)	(1 899 740)	(2 609 730)	(6 589 098)	(1 090 603)	-	(20 467 279)
Net position of financial instruments	(2 403 827)	350 629	129 524	2 905 213	490 593	194 425	1 666 557
Cumulative net position of financial instruments	(2 403 827)	(2 053 198)	(1 923 674)	981 539	1 472 132	1 666 557	-
Cash inflow from derivatives	2 180 936	3 749 842	2 191 562	2 572 804	1 130 045	-	11 825 189
Cash outflow from derivatives	(1 494 126)	(3 016 504)	(2 298 591)	(3 908 383)	(1 171 246)	-	(11 888 850)
Net position from derivatives	686 810	733 338	(107 029)	(1 335 579)	(41 201)	-	(63 661)
Total net position	(1 717 017)	1 083 967	22 495	1 569 634	449 392	194 425	1 602 896
Cumulative total net position	(1 717 017)	(633 050)	(610 555)	959 079	1 408 471	1 602 896	-

4.2.4. Currency denominations of assets and liabilities

Foreign exchange rate risk comprises the risk that the value of financial assets and financial liabilities will fluctuate due to changes in foreign exchange rates. It is the policy of the Bank to manage its exposure to fluctuations in exchange rates through regular monitoring and reporting of open foreign exchange positions and the application of a matrix of position exposure in single currencies and overall position limit.

2023 € '000	EUR	USD	CZK	Other	Total
Financial assets					
Cash and cash equivalents	2 850 913	5 275	939 416	6 919	3 802 523
Financial assets at FVTPL	48 452	4 949	1 401	6 327	61 129
Derivatives – Hedge accounting	178 766	-	3 684	1 227	183 677
Financial assets at FVOCI	1 246 743	-	-	-	1 246 743
Financial assets at AC:					
Due from other banks	230 594	-	(12 340)	12 612	230 866
Due from customers	17 206 010	296 291	706 555	262 794	18 471 650
Fair value changes of the hedged items in portfolio hedge of IRR	(57 405)	-	-	-	(57 405)
	21 704 073	306 515	1 638 716	289 879	23 939 183
Financial liabilities					
Financial liabilities at FVTPL	40 869	595	(117)	103	41 450
Derivatives – Hedge accounting	230 470	957	358	13 875	245 660
Financial liabilities at AC:					
Due to banks	908 308	48	39 368	16 922	964 646
Due to customers	14 152 399	271 793	1 541 137	73 944	16 039 273
Subordinated debt	300 487	-	-	-	300 487
Debt securities in issue	4 436 314	-	-	-	4 436 314
Fair value changes of the hedged items in portfolio hedge of IRR	(11 918)	-	-	-	(11 918)
	20 056 929	273 393	1 580 746	104 844	22 015 912
Net position	1 647 144	33 122	57 970	185 035	1 923 271

Receivables and payables from derivative financial instruments recorded in off-balance sheet:

2023 € '000	EUR	USD	CZK	Other	Total
Receivables	348 181	71 105	102 326	56 796	578 408
Payables	(418 590)	(67 308)	(101 827)	(56 781)	(644 506)
Net position from derivatives	(70 409)	3 797	499	15	(66 098)

2022 € '000	EUR	USD	CZK	Other	Total
Financial assets					
Cash and cash equivalents	2 549 365	4 007	501 879	5 245	3 060 496
Financial assets at FVTPL	55 953	5 025	3 417	-	64 395
Derivatives – Hedge accounting	337 450	-	12 206	2 609	352 265
Financial assets at FVOCI	1 412 341	-	-	-	1 412 341
Financial assets at AC:					
Due from other banks	147 079	999	(944)	5 146	152 280
Due from customers	16 253 202	365 104	691 199	195 223	17 504 728
Fair value changes of the hedged items in portfolio hedge of IRR	(126 410)	-	-	-	(126 410)
	20 628 980	375 135	1 207 757	208 223	22 420 095
Financial liabilities					
Financial liabilities at FVTPL	59 793	1 670	-	-	61 463
Derivatives – Hedge accounting	311 205	2 230	-	2 722	316 157
Financial liabilities at AC:					
Due to banks	910 292	1 153	93 623	-	1 005 068
Due to customers	13 921 890	384 953	1 046 521	74 471	15 427 835
Subordinated debt	250 368	-	-	-	250 368
Debt securities in issue	3 784 008	-	-	-	3 784 008
Fair value changes of the hedged items in portfolio hedge of IRR	(19 536)	-	-	-	(19 536)
	19 218 020	390 006	1 140 144	77 193	20 825 363
Net position	1 410 960	(14 871)	67 613	131 030	1 594 732

Receivables and payables from derivative financial instruments recorded in off-balance sheet:

2022 € '000	EUR	USD	CZK	Other	Total
Receivables	590 582	56 675	87 000	63 223	797 480
Payables	(60 976)	(247 819)	(317 455)	(178 032)	(804 282)
Net position from derivatives	529 606	(191 144)	(230 455)	(114 809)	(6 802)

4.2.5. Interest rate benchmark reform

The Interbank offered rate ('IBOR') replacement was one of the major undertakings for the financial services industry during the last years. For the Bank the impact was not material and the Bank successfully implemented all changes into its IT system to be fully aligned to the new regulation.

4.3. Liquidity risk

Liquidity risk is defined as the risk that the VUB Group is not able to meet its payment obligations when they fall due caused by its inability to obtain funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk). Normally, the VUB Group is able to cover cash outflows with cash inflows, highly liquid assets and its ability to obtain credit.

The Guidelines for Liquidity Risk Management adopted by the VUB Group outline the set of principles, methods, regulations and control processes required to prevent the occurrence of a liquidity crisis and call for the VUB Group to develop prudent approaches to liquidity management, making it possible to maintain the overall risk profile at low levels.

The basic principles underpinning the Liquidity Policy of the Bank are:

- The existence of an operating structure that works within set limits and early warning thresholds and of a control structure that is independent from the operating structure;
- A prudential approach to the estimate of the cash inflow and outflow projections for all the balance sheet and off-balance sheet items, especially those without a contractual maturity;
- An assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time;
- The maintenance of an adequate level of unencumbered high-quality liquid assets in relation to the chosen liquidity risk tolerance threshold, in order to enable ordinary operations, also on an intraday basis.

The Bank is regularly stress testing its liquidity position in order to simulate potential stress scenarios. The unencumbered high-quality liquid assets are kept at levels that should support the VUB Group also in case of these extraordinary events. The VUB Group is also able to seek short term funding from the Parent Company or interbank market to support its liquidity position.

All the assumptions, methodologies and responsibilities are described in internal documents 'VUB Liquidity Risk Management Guidelines' and 'VUB Liquidity Risk Management Implementing Procedure', which are approved by the Management Board and are consistent with the ISP Group Liquidity Policy.

The department of the VUB Group responsible for ensuring the correct application of the Liquidity Policy is the Treasury and ALM Department. Liquidity Policy is broken down into three macro areas - 'Short-Term Liquidity', 'Structural Liquidity' and 'Contingency Liquidity Plan' that constitute an integral part of the Internal Liquidity Adequacy Assessment Process. Treasury and ALM Department is responsible for liquidity management whereas the Risk Management Department is responsible for reporting and monitoring of liquidity risk indicators.

The Short-Term Liquidity Management includes a set of parameters, limits and thresholds that enable the measurement, both under normal and stressed market conditions, of liquidity risk exposure over the short term, setting the maximum level of risk to be assumed and ensuring the utmost prudence in its management.

The main regulatory indicator used for monitoring and managing short-term liquidity is the Liquidity Coverage Ratio. It is required by the CRR Regulation, more precisely defined in Delegated Regulation (EU) 2015/61. The purpose of Liquidity Coverage Ratio is to ensure that the Bank maintains an adequate stock of unencumbered high quality liquid assets (HQLA) to cover its short-term net cash outflows under stressed conditions lasting 30 calendar days.

The Structural Liquidity Management of the VUB Group incorporates a set of measures and limits designed to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities, essential for the strategic planning of liquidity management. This involves the adoption of internal limits for the transformation of maturity dates aimed at preventing the medium to long-term operations from giving rise to excessive imbalances to be financed in the short term. The main regulatory indicator used for monitoring and managing structural liquidity is the Net Stable Funding Ratio (NSFR). It is required by the CRR Regulation. The Net Stable Funding Ratio shall be equal to the ratio of the institution's available stable funding to the institution's required stable funding.

Together with the Short-Term and Structural Liquidity Management, the Guidelines provide for the management methods of a potential liquidity crisis, defined as a situation of difficulty or inability of the VUB Group to meet its cash commitments falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration.

The Contingency Liquidity Plan sets the objectives of safeguarding the Bank's capital and, at the same time, guarantees the continuity of operations under conditions of extreme liquidity emergency. It also ensures the identification of the pre-warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and intervention measures for the resolution of emergencies. The pre-warning indices, aimed at identifying signs of a potential liquidity strain, both systemic and specific, are continuously recorded and reported to the departments responsible for the management and monitoring of liquidity risk.

The liquidity position of the VUB Group is regularly presented by the Risk Management Department and discussed during the ALCO meetings.

The table below shows an analysis of assets and liabilities (discounted cash flow basis) according to when they are expected to be recovered or settled:

2023 € '000	Less than 12 months	Over 12 months	Total
Assets			
Cash and cash equivalents	3 802 523	-	3 802 523
Financial assets at FVTPL	10 138	50 991	61 129
Derivatives – Hedge accounting	11 847	171 830	183 677
Financial assets at FVOCI	63 427	1 183 316	1 246 743
Financial assets at AC:			
Due from other banks	111 772	119 094	230 866
Due from customers	3 633 972	14 837 678	18 471 650
Fair value changes of the hedged items in portfolio hedge of IRR	-	(57 405)	(57 405)
Investments in subsidiaries, joint ventures and associates	-	26 985	26 985
Property and equipment	-	109 141	109 141
Intangible assets	-	112 167	112 167
Goodwill	-	29 305	29 305
Current income tax assets	-	-	-
Deferred income tax assets	-	76 845	76 845
Other assets	31 053	-	31 053
Non-current assets classified as held for sale	1 552	-	1 552
	7 666 284	16 659 947	24 326 231
Liabilities			
Financial liabilities at FVTPL	(12 631)	(28 819)	(41 450)
Derivatives – Hedge accounting	(5 163)	(240 497)	(245 660)
Financial liabilities measured at AC:			
Due to banks	(282 497)	(682 149)	(964 646)
Due to customers	(2 019 533)	(14 001 163)	(16 020 696)
Lease liabilities	(6 611)	(11 966)	(18 577)
Subordinated debt	(487)	(300 000)	(300 487)
Debt securities in issue	(808 078)	(3 628 236)	(4 436 314)
Fair value changes of the hedged items in portfolio hedge of IRR	-	11 918	11 918
Current income tax liabilities	(46 948)	-	(46 948)
Provisions	-	(23 760)	(23 760)
Other liabilities	(116 782)	(4 413)	(121 195)
	(3 298 730)	(18 909 085)	(22 207 815)
Net position	4 367 554	(2 249 137)	2 118 416

2022 € '000	Less than 12 months	Over 12 months	Total
Assets			
Cash and cash equivalents	3 060 496	-	3 060 496
Financial assets at FVTPL	11 505	52 890	64 395
Derivatives – Hedge accounting	22 504	329 761	352 265
Financial assets at FVOCI	247 742	1 164 599	1 412 341
Financial assets at AC:			
Due from other banks	39 940	112 340	152 280
Due from customers	3 290 303	14 214 425	17 504 728
Fair value changes of the hedged items in portfolio hedge of IRR	-	(126 410)	(126 410)
Investments in subsidiaries, joint ventures and associates	-	26 406	26 406
Property and equipment	-	109 829	109 829
Intangible assets	-	119 261	119 261
Goodwill	-	29 305	29 305
Current income tax assets	-	-	-
Deferred income tax assets	-	65 382	65 382
Other assets	29 106	-	29 106
Non-current assets classified as held for sale	5 946	-	5 946
	6 707 542	16 097 788	22 805 330
Liabilities			
Financial liabilities at FVTPL	(14 992)	(46 471)	(61 463)
Derivatives – Hedge accounting	(1 293)	(314 864)	(316 157)
Financial liabilities measured at AC:			
Due to banks	(216 590)	(788 479)	(1 005 068)
Due to customers	(2 104 911)	(13 302 972)	(15 407 883)
Lease liabilities	(6 359)	(13 593)	(19 952)
Subordinated debt	(368)	(250 000)	(250 368)
Debt securities in issue	(436 637)	(3 347 371)	(3 784 008)
Fair value changes of the hedged items in portfolio hedge of IRR	-	19 536	19 536
Current income tax liabilities	(24 231)	-	(24 231)
Provisions	-	(18 708)	(18 708)
Other liabilities	(91 553)	(4 413)	(95 966)
	(2 896 934)	(18 067 334)	(20 964 268)
Net position	3 810 608	(1 969 546)	1 841 061

The remaining maturities of assets and liabilities based on contractual **undiscounted** cash-flows were as follows:

2023 € '000	Up to 1 month*	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Financial assets							
Cash and cash equivalents	3 802 523	-	-	-	-	-	3 802 523
Financial assets at FVTPL (excluding Trading derivatives)	-	375	-	8 444	13 642	4 964	27 425
Financial assets at FVOCI	36 398	24 018	11 734	989 341	350 611	158	1 412 260
Financial assets at AC							
Due from other banks	162 654	(1)	(719)	47 707	77 269	-	286 910
Due from customers	1 685 455	542 817	1 734 313	7 587 068	10 892 508	9 599	22 451 760
	5 687 030	567 209	1 745 328	8 632 560	11 334 030	14 721	27 980 878
Financial liabilities							
Financial liabilities measured at AC:							
Due to banks	(122 377)	(110 759)	(91 192)	(690 875)	(139 108)	-	(1 154 311)
Due to customers	(13 336 542)	(1 134 156)	(1 438 832)	(153 851)	-	-	(16 063 381)
Lease liabilities	(646)	(1 287)	(4 828)	(14 772)	(1 944)	-	(23 477)
Subordinated debt	-	(4 501)	(18 123)	(243 752)	(55 494)	-	(321 870)
Debt securities in issue	(251 250)	(544 656)	(53 626)	(3 219 287)	(741 987)	-	(4 810 806)
	(13 710 815)	(1 795 359)	(1 606 601)	(4 322 537)	(938 533)	-	(22 373 845)
Net position of financial instruments	(8 023 785)	(1 228 150)	138 727	4 310 023	10 395 497	14 721	5 607 033
Cash inflows from derivatives	181 178	10 323	88 426	151 068	-	-	430 995
Cash outflows from derivatives	(181 344)	(10 486)	(89 368)	(151 072)	-	-	(432 270)
Net position from derivatives	(166)	(163)	(942)	(4)	-	-	(1 275)
Net position from financial commitments and contingencies	(5 334 144)	-	-	-	-	-	(5 334 144)

2022 € '000	Up to 1 month*	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Not specified	Total
Financial assets							
Cash and cash equivalents	3 060 496	-	-	-	-	-	3 060 496
Financial assets at FVTPL (excluding Trading derivatives)	-	-	-	110	2 423	4 075	6 608
Financial assets at FVOCI	75 494	71 726	108 697	828 177	502 902	141	1 587 137
Financial assets at AC							
Due from other banks	39 532	12 957	11 722	120 846	576	-	185 633
Due from customers	1 413 239	510 723	1 576 260	7 224 043	10 976 256	18 083	21 718 604
	4 588 761	595 406	1 696 679	8 173 176	11 482 157	22 299	26 558 478
Financial liabilities							
Financial liabilities measured at AC:							
Due to banks	(102 966)	(167 760)	(28 881)	(829 395)	(110 003)	-	(1 239 005)
Due to customers	(13 552 976)	(961 185)	(787 890)	(122 456)	-	-	(15 424 507)
Lease liabilities	(646)	(1 287)	(4 828)	(14 772)	(1 944)	-	(23 477)
Subordinated debt	-	(3 340)	(17 610)	(271 420)	(73 158)	-	(365 528)
Debt securities in issue	(3 589)	(107 238)	(340 095)	(2 859 825)	(801 390)	-	(4 112 137)
	(13 660 177)	(1 240 810)	(1 179 304)	(4 097 868)	(986 495)	-	(21 164 654)
Net position of financial instruments	(9 071 416)	(645 404)	517 375	4 075 308	10 495 662	22 299	5 393 824
Cash inflows from derivatives	210 827	45 320	84 339	94 632	-	-	435 118
Cash outflows from derivatives	(211 876)	(46 102)	(85 637)	(95 856)	-	-	(439 471)
Net position from derivatives	(1 049)	(782)	(1 298)	(1 224)	-	-	(4 353)
Net position from financial commitments and contingencies	(5 821 308)	-	-	-	-	-	(5 821 308)

* The high negative liquidity gap in the first bucket is caused by a huge volume of deposits on demand (without contractual maturity) which are presented under 'Due to customers'. For the purpose of internal liquidity management monitoring the behavioural profile of on-demand deposits is taken into account based on a statistical model using internal historical data. According to when they are expected to be settled such deposits are then placed into later buckets (see the previous table).

4.4. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk and compliance risk, model risk, information and communication technology risk and financial reporting risk; strategic and reputational risk are not included. Operational risk can arise from legal and regulatory requirements, non-compliance with generally accepted standards of corporate behaviour and from all of the Bank's operations.

4.4.1. Operational risk management strategies and processes

The Bank, in coordination with Intesa Sanpaolo, has defined the overall operational risk management framework by setting up a VUB Group policy and organisational process for measuring, managing and controlling operational risk.

The control of operational risk was attributed to the Operational Risk Committee, which identifies risk management policies. The Supervisory and Management Boards of the Bank ensures the functionality, efficiency and effectiveness of the risk management and controls system.

The Operational Risk Committee (composed of the heads of the areas of the governance centre (Chief Executive Officer, Deputy Chief Executive Officer) and of the business areas more involved in operational risk management (voting members: CRO, CFO, COO, Head of Compliance and AML Department; permanent invitees without voting rights: Head of Corporate & SME Division, Head of Retail Division, Head of Risk Management Department, Head of Legal Department, Head of Human Resources & Organization Department, Head of Information Security sub-department), has the task of periodically reviewing the VUB Group's overall operational risk profile, authorising any corrective actions, coordinating and monitoring the effectiveness of the main mitigation activities and approving the operational risk transfer strategies.

4.4.2. Organisational structure of the associated risk management function

For some time, the Bank has had a centralised function within the Risk Management Division for the management of the Bank's operational risks. This function is responsible, in coordination with the Parent Company, for the definition, implementation and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to senior Management. In compliance with current requirements, the individual organisational units participate in the process and each of them is responsible for the identification, assessment, management and mitigation of its operational risks. Specific offices and departments have been identified within these organisational units to be responsible for Operational Risk Management. These functions are responsible for the collection and structured census of information relating to operational events, scenario analyses and evaluation of the level of risk associated with the business environment, including information and communication technology risk. The Risk Management Division carries out second-level monitoring of these activities.

4.4.3. Scope of application and characteristics of the risk measurement and reporting system

In February 2010 upon a VUB Group request, the Bank as part of the VUB Group received from the relevant Supervisory authorities an approval for usage and thus adopted the Advanced Measurement Approach ('AMA'), for Operational Risk management and measurement. Part of this decision has been an approval of the insurance effect inclusion, as well as approval of a new allocation mechanism, which led to fulfilment of a regulatory condition for the approval of diversification usage.

For the use of the AMA, the Bank has set up, in addition to the corporate governance mechanisms required by the Supervisory regulations, a system for the management of operational risk certified by the process of annual self-assessment carried out by the Bank. This process is verified by the Internal Audit Department. Relevant reports are submitted to the relevant Bank's Committee for the annual certification of compliance with the requirements established by the regulation.

Under the AMA approach, the capital requirement is calculated by an internal model, which combines all elements stipulated in Supervisory regulation, allowing to measure the exposure in a more risk-sensitive way. Monitoring of operational risks is performed by an integrated reporting system, which provides management with the information necessary for the management and/or mitigation of the operational risk.

4.4.4. Policies for hedging and mitigating risk

The Bank, in coordination with its Parent Company, has set up a traditional operational risk transfer policy (insurance) aimed at mitigating the impact of any unexpected losses. The AMA calculation includes the benefit from this transfer of operational risk through insurance policies, which contributes to reducing the risk capital calculated through the internal models.

5. Estimated fair value of financial assets and financial liabilities

See accounting policy in note 3.4.7.

The Bank uses the following fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value:

Level 1: inputs represented by quoted prices (unadjusted) in active markets for identical assets or liabilities accessible by the Bank as at the measurement date;

Level 2: inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the assets or liabilities to be measured; and

Level 3: inputs unobservable for the asset or liability.

The highest priority is attributed to effective market quotes (Level 1) for the valuation of assets and liabilities or for similar assets and liabilities measured using valuation techniques based on market-observable parameters other than financial instruments quotes (Level 2) and the lowest priority to unobservable inputs (Level 3). Following this hierarchy, where available, fair value estimates made by the Bank are based on quoted market prices. However, no readily available market prices exist for a significant portion of the Bank's financial instruments. In circumstances where the quoted market prices are not readily available, fair value is estimated using discounted cash flow models or other pricing models as appropriate.

Under Level 2, the principal valuation technique used by the Bank for debt instruments involves the method of discounting future cash flows. The calculation takes into account the time value of money (risk-free rate of interest) and the credit risk expressed in the form of credit spreads applied to the bonds' yield and representing the risk premium the investor claims against a risk-free investment. In the case of derivative financial instruments, the Bank uses standard fair value calculation models based on the principal net present value using the yield curve to discount all future cash flows from derivatives for all relevant currencies. The principal input parameters used by the models comprise interest rate curves, volatility curves, spot and forward prices and the correlation between underlying assets. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affect the estimates. The Bank also considers its own and counterparty's credit risk.

The valuation technique defined for a financial instrument is adopted over time and is modified only following significant changes in market conditions or the subjective conditions related to the issuer of the financial instrument. The Bank monitors the occurrence of these changes and accordingly reassesses the classification into the fair value hierarchy. For determining the timing of the transfers between the levels, the Bank uses the end of the reporting period as the day when the transfer is deemed to have occurred.

In estimating the fair value of the Bank's financial instruments, the following methods and assumptions were used:

(a) Cash and cash equivalents

The carrying values of cash and cash equivalents are deemed to approximate their fair value.

(b) Due from other banks

The fair value of due from other banks balances with maturities more than one year is estimated using discounted cash flow analyses, based upon the risk-free interest rate curve. For maturities up to one year and not significant balances, the carrying amounts of amounts due from other banks approximates their fair value. Impairment losses are taken into consideration when calculating fair values.

(c) Due from customers

The fair value of loans and advances to customers is estimated using discounted cash flow analyses, based upon the risk-free interest rate curve and risk reflecting credit-worthiness of the counterparty.

(d) Purchased debt securities and equities

The carrying values of cash and cash equivalents are deemed to approximate their fair value.

(e) Due to banks and Due to customers

The carrying amounts of due to banks approximates their fair value. The fair value of due to customers is estimated by discounting their future expected cash flows using the risk-free interest rate curve.

(f) Subordinated debt

The fair value of subordinated debt is discounted using the risk-free interest rate curve and own credit risk.

(g) Debt securities in issue

The fair value of debt securities issued by the Bank is based on quoted market prices. Where no market prices are available, the fair value was calculated by discounting future cash flows using the risk-free interest rate curve adjusted by credit spreads reflecting the credit quality of VUB as the issuer.

2023		Carrying amount						Fair value
€ '000	Note	At amortised cost	At fair value	Total carrying amount	Level 1	Level 2	Level 3	Total fair value
Financial assets								
Cash and cash equivalents	7	3 802 523	-	3 802 523	-	3 802 523	-	3 802 523
Financial assets at FVTPL	8	-	61 129	61 129	18 386	42 742	-	61 128
Derivatives – Hedge accounting	9	-	183 677	183 677	-	183 677	-	183 677
Financial assets at FVOCI	10	-	1 246 743	1 246 743	1 246 634	110	-	1 246 744
Financial assets at AC:	11	-	-	-	-	-	-	-
Due from other banks		230 866	-	230 866	-	230 865	-	230 865
Due from customers		18 471 650	-	18 471 650	-	584 422	18 928 050	19 512 472
		22 505 039	1 491 549	23 996 588	1 265 020	4 844 339	18 928 050	25 037 409
Financial liabilities								
Financial liabilities at FVTPL	8	-	41 450	41 450	-	41 450	-	41 450
Derivatives – Hedge accounting	9	-	245 660	245 660	-	245 660	-	245 660
Financial liabilities at AC:	11	-	-	-	-	-	-	-
Due to banks		964 646	-	964 646	-	964 646	-	964 646
Due to customers		16 020 696	-	16 020 696	-	16 010 156	-	16 010 156
Lease liabilities		18 577	-	18 577	-	18 577	-	18 577
Subordinated debt		300 487	-	300 487	-	339 816	-	339 816
Debt securities in issue		4 436 314	-	4 436 314	-	4 392 794	-	4 392 794
		21 740 720	287 110	22 027 830	-	22 013 099	-	22 013 099

2022				Carrying amount				Fair value
€ '000	Note	At amortized cost	At fair value	Total carrying amount	Level 1	Level 2	Level 3	Total fair value
Financial assets								
Cash and cash equivalents	7	3 060 496	-	3 060 496	-	3 060 496	-	3 060 496
Financial assets at FVTPL	8	-	64 395	64 395	1 961	62 434	-	64 395
Derivatives – Hedge accounting	9	-	352 265	352 265	-	352 265	-	352 265
Financial assets at FVOCI	10	-	1 412 341	1 412 341	1 412 239	102	-	1 412 341
Financial assets at AC:	11	-	-	-	-	-	-	-
Due from other banks		152 280	-	152 280	-	152 280	-	152 280
Due from customers		17 504 728	-	17 504 728	-	220 133	17 669 992	17 890 125
		20 717 504	1 829 001	22 546 505	1 414 200	3 847 710	17 669 992	22 931 902
Financial liabilities								
Financial liabilities at FVTPL	8	-	61 463	61 463	-	61 463	-	61 463
Derivatives – Hedge accounting	9	-	316 157	316 157	-	316 157	-	316 157
Financial liabilities at AC:	11	-	-	-	-	-	-	-
Due to banks		1 005 068	-	1 005 068	-	1 005 068	-	1 005 068
Due to customers		15 407 883	-	15 407 883	-	15 394 572	-	15 394 572
Lease liabilities		19 952	-	19 952	-	19 952	-	19 952
Subordinated debt		250 368	-	250 368	-	289 008	-	289 008
Debt securities in issue		3 784 008	-	3 784 008	-	3 636 835	-	3 636 835
		20 467 279	377 620	20 844 899	-	20 723 055	-	20 723 055

There were no other transfers of financial instruments among the levels during 2023 and 2022.

6. Segment reporting

The Bank reports financial and descriptive information about its operating segments in the financial statements. An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank), whose operating results are regularly reviewed by the Bank's management to make decisions about resources to be allocated to the segment and to assess its performance, and for which separate financial information is available.

The Bank operates in three operating segments - Retail Banking, Corporate Banking and Central Treasury. Each segment is exposed to different risks and differs in the nature of its services, business processes and types of customers for its products and services.

For all segments the Bank reports a measure of segment assets and liabilities and income and expense items, a reconciliation of total reportable segment revenues, total profit or loss, total assets, liabilities and other amounts disclosed for reportable segments to corresponding amounts in the financial statements.

Most of the transactions of the Bank are related to the Slovak market. However the group operates also on the Czech market via a foreign subsidiary in Prague performing activities especially in corporate banking and Treasury.

Operating segments pay and receive interest to and from the Central Treasury on an arm's length basis in order to reflect the costs of funding.

Retail Banking includes loans, deposits and other transactions and balances with households, sole traders and small business segment.

Corporate Banking comprises SME, the Corporate Customer Desk ('CCD'), Municipalities and Public Sector Entities. SME includes complex loan structures, deposits and other transactions and balances with SME (company revenue up to €50 million; if revenue information is not available, bank account turnover is used). The CCD includes complex loan structures, deposits and other transactions and balances with large corporate customers (company revenue over €50 million).

Central Treasury undertakes the Bank's funding, issues of debt securities as well as trading book.

The Bank reported within Other a Central Governance Centre that manages the Bank's premises, equity investments and own equity funds as well as Risk Management that operates the workout loan portfolio. Unclassified items are also reported within this column.

2023 € '000	Retail banking	Corporate banking	Central Treasury	Total reportable segments	Other	Total
External revenue:						
Interest and similar income	285 384	343 466	253 166	882 016	(8 043)	873 973
Interest and similar expense	(37 100)	(151 124)	(150 967)	(339 191)	(18 671)	(357 862)
Inter-segment revenue	64 857	(17 567)	(117 366)	(70 076)	70 076	-
Net interest income	313 141	174 775	(15 167)	472 749	43 362	516 111
Net fee and commission income (note 25)	123 946	41 999	1 060	167 005	(1 558)	165 447
Dividend income	-	-	-	-	2 772	2 772
Net trading result	6 383	6 873	391	13 647	(7 603)	6 044
Other operating income	(6 640)	(341)	-	(6 981)	8 978	1 997
Other operating expense	(9 037)	-	-	(9 037)	(17 654)	(26 691)
Salaries and employee benefit	(53 121)	(13 044)	(861)	(67 026)	(73 434)	(140 460)
Other administrative expenses*	-	-	-	-	(84 275)	(84 275)
Amortisation	(7 918)	(762)	(6)	(8 686)	(16 251)	(24 937)
Depreciation	(1 916)	(75)	-	(1 991)	(9 722)	(11 713)
Profit before provisions, impairment and tax	364 838	209 425	(14 583)	559 680	(155 385)	404 295
Net modification gains or losses	-	-	-	-	98	98
Provisions*	-	-	-	-	(3 042)	(3 042)
Impairment losses	(28 943)	(33 016)	(4 715)	(66 674)	(968)	(67 642)
Net (loss)/ gain arising from the derecognition of financial assets at amortised cost	7 940	326	-	8 266	(355)	7 911
Profit before tax	343 835	176 735	(19 298)	501 272	(159 652)	341 620
Segment assets	11 054 320	7 452 910	5 230 199	23 737 429	588 802	24 326 231
Segment liabilities	10 099 438	6 913 716	4 767 752	21 780 906	426 909	22 207 815

* The Bank does not allocate these items to the individual segments.

2022						
€ '000	Retail banking	Corporate banking	Central Treasury	Total reportable segments	Other	Total
External revenue:						
Interest and similar income	200 714	187 436	27 680	415 830	20 537	436 367
Interest and similar expense	(6 522)	(42 105)	(26 749)	(75 376)	(25 337)	(100 713)
Inter-segment revenue	3 990	(16 468)	6 479	(5 999)	5 999	-
Net interest income	198 182	128 863	7 410	334 455	1 199	335 654
Net fee and commission income (note 25)	123 377	40 706	707	164 790	(3 142)	161 648
Dividend income	-	-	-	-	8 003	8 003
Net trading result	6 269	7 842	(3 968)	10 143	528	10 671
Other operating income	(4 982)	480	(1)	(4 503)	8 774	4 271
Other operating expense	(22 150)	-	-	(22 150)	(14 733)	(36 883)
Salaries and employee benefit	(49 599)	(12 501)	(705)	(62 804)	(64 117)	(126 921)
Other administrative expenses*	-	-	-	-	(76 759)	(76 759)
Amortisation	(7 044)	(563)	-	(7 607)	(10 698)	(18 305)
Depreciation	(2 526)	(83)	(1)	(2 610)	(9 033)	(11 643)
Profit before provisions, impairment and tax	241 527	164 744	3 442	409 714	(159 978)	249 736
Net modification gains or losses	-	-	-	-	14	14
Provisions*	-	-	-	-	(116)	(116)
Impairment losses	(53 448)	(13 276)	(257)	(66 981)	(9 763)	(76 744)
Net (loss)/ gain arising from the derecognition of financial assets at amortized cost	12 008	1 099	-	13 107	(362)	12 745
Profit before tax	200 087	152 567	3 185	355 840	(170 205)	185 635
Segment assets	10 484 772	7 196 126	4 585 001	22 265 899	539 431	22 805 330
Segment liabilities	9 646 340	6 622 254	4 315 649	20 584 243	380 025	20 964 268

* The Bank does not allocate these items to the individual segments

7. Cash and cash equivalents

'Cash and cash equivalents' comprise the following balances:

€ '000	2023	2022
Cash in hand	224 137	188 375
Balances at central banks:		
Compulsory minimum reserves	239 168	169 104
Current accounts	2	1
Term deposits	2 459 473	2 303 949
Loans and advances	849 221	373 437
	3 547 856	2 846 491
Due from other banks:		
Current accounts	30 530	25 630
	3 802 523	3 060 496

8. Financial assets and financial liabilities at fair value through profit or loss

€ '000	2023	2022
Financial assets held for trading:		
Trading derivatives	38 334	58 872
Equity instruments	-	-
Government debt securities of European Union countries	17 812	1 532
	56 146	60 404
Non-trading financial assets at fair value through profit or loss:		
Equity instruments	4 983	3 991
Financial liabilities held for trading:		
Trading derivatives	41 450	61 463

Equities in 'Non-trading financial assets at fair value through profit or loss' are represented by shares of Intesa Sanpaolo S. p. A. and they form the part of the incentive plan introduced by the Parent Company in line with the Capital Directive ‚CRD III' (i.e. Directive 2010/76/EU amending the Capital Requirements Directives). The Bank did not elect the option to present these at FVOCI.

During the accounting year 2023, the Bank held in its assets the shares of the parent company (Art. 22, Sec. 3 of the Act no. 431/2002 Coll. on Accounting, as amended), Intesa Sanpaolo S.p.A. (ISP), with its registered office at Piazza San Carlo 156, Turin, Italy, ISIN IT0000072618, book-entered registered ordinary shares, with a nominal value of € 0,52 each, in a total number of 235,507 shares. This represents 0.03% of the nominal value of the bank's registered capital. These shares have been acquired by the Bank in order to adopt and implement ISP Group Remuneration Policies in line with the Capital Directive 'CRD V' (i.e. Directive 2019/878/EU, amending the Capital Requirements Directives). In 2023, the Bank transferred 11,472 shares in accordance with ISP Group Remuneration Policies.

The Bank is not aware of any information about the agreements between owners of securities, which may lead to the restrictions of transferability of securities and limitations of the rights to vote and during the reporting period.

€ '000	2023 Assets	2022 Assets	2023 Liabilities	2022 Liabilities
Trading derivatives – Fair values				
Interest rate instruments:				
Forwards and swaps	35 586	55 616	32 272	54 596
Options	64	97	38	62
	35 650	55 713	32 310	54 658
Foreign currency instruments:				
Forwards and swaps	2 200	2 852	3 657	6 503
Options	482	92	482	91
	2 682	2 944	4 139	6 594
Equity and commodity instruments:				
Equity options	-	-	5 000	-
Commodity forwards and swaps	2	215	1	211
	2	215	5 001	211
	38 334	58 872	41 450	61 463

€ '000	2023 Assets	2022 Assets	2023 Liabilities	2022 Liabilities
Trading derivatives – Notional values				
Interest rate instruments:				
Forwards and swaps	1 445 862	1 964 282	1 445 884	1 964 282
Options	57 090	73 073	57 090	73 073
Futures	-	1 556	-	1 556
	1 502 952	2 038 911	1 502 974	2 038 911
Foreign currency instruments:				
Forwards and swaps	349 371	406 523	350 788	411 118
Options	3 090	15 916	3 090	15 916
	352 461	422 439	353 878	427 034
Equity and commodity instruments:				
Equity options	-	-	38 029	-
Commodity forwards and swaps	-	2 276	-	2 276
	-	2 276	38 029	2 276
	1 855 413	2 463 626	1 894 881	2 468 221

9. Derivatives - Hedge accounting

€ '000	2023 Assets	2022 Assets	2023 Liabilities	2022 Liabilities
Cash flow hedge related to foreign currency risk	-	-	34	-
Fair value hedges related to interest rate, foreign currency and inflation risk	183 677	352 265	245 626	316 157
	183 677	352 265	245 660	316 157

9.1. Cash flow hedge related to foreign currency risk

The bank uses one currency forward to hedge the currency risk of an expected future transaction when transferring the economic result in CZK from the VÚB Prague branch to VÚB Bratislava, in the amount of 742,959 thousand CZK. The maturity of this hedging instrument is 12 January 2024. Due to the nature of the business, hedging inefficiency is not expected.

2023 € '000	Assets Fair value	Assets Fair value	Liabilities Notional value	Liabilities Notional value	Change in fair value used for calculating hedge ineffective-ness	Ineffective-ness recognised in profit or loss
Micro hedges						
Foreign currency instruments:						
Cash flow hedge in foreign currency	-	34	30 000	30 050	-	-

9.2. Fair value hedges related to interest rate, foreign currency and inflation risk as of date of preparation of the financial statements

2023 € '000	Assets Fair value	Liabilities Fair value	Assets Notional value	Liabilities Notional value	Change in fair value used for calculating hedge ineffective-ness	Ineffective-ness recognised in profit or loss
Micro hedges						
Interest rate instruments:						
Swaps						
Hedge of debt securities at FVOCI	75 594	31 264	1 438 000	1 438 000	(54 568)	-
Hedge of corporate loans	10 111	358	260 550	260 550	(13 179)	(54)
Hedge of loans received from EIB	-	4 367	50 000	50 000	2 251	15
Hedge of covered bonds	66 091	170 729	3 372 400	3 372 400	83 325	-
Hedge of state bonds HTC	-	5 786	99 600	99 600	(5 940)	(1)
Foreign currency instruments:						
Swaps						
Hedge of corporate loans	1 227	957	87 606	89 970	(1 811)	-
Hedge of corporate bonds at AC	-	9 071	115 273	121 903	(1 302)	-
Macro hedges						
Interest rate instruments:						
Swaps						
Hedge of mortgage loans	29 439	5 177	1 104 000	1 104 000	(37 981)	812
Hedge of corporate bonds at AC	-	4 803	77 444	81 807	(21)	-
Hedge of current accounts	1 215	13 114	211 500	211 500	7 650	32

2022 € '000	Assets Fair value	Liabilities Fair value	Assets Notional value	Liabilities Notional value	Change in fair value used for calculating hedge ineffective-ness	Ineffectiveness recognized in profit or loss
Micro hedges						
Interest rate instruments:						
Swaps						
Hedge of debt securities at FVOCI	126 491	24 211	1 408 200	1 408 200	96 703	-
Hedge of corporate loans	23 284	-	341 988	341 988	17 861	(46)
Hedge of loans received from EIB	-	6 330	50 000	50 000	(5 445)	15
Hedge of covered bonds	69 792	261 343	3 292 400	3 292 400	(211 307)	-
Foreign currency instruments:						
Swaps						
Hedge of corporate loans	2 609	2 230	87 606	91 205	9 249	-
Hedge of corporate bonds at AC	-	2 722	38 817	40 378	(647)	-
Macro hedges						
Interest rate instruments:						
Swaps						
Hedge of mortgage loans	130 089	-	3 830 400	3 830 400	127 783	(511)
Hedge of current accounts	-	19 321	166 500	166 500	(22 298)	53
Hedge of reverse REPO	-	-	-	-	150	70

The amounts relating to items designated as hedged items were as follows:

2023 € '000	Line item in SOFP	Carrying amount	Accumulated amount of fair value adjustments included in carrying amount	Change in fair value used for calculating hedge ineffective-ness	Fair value adjustment after termination of hedging relationship*
Micro hedges					
Debt securities at FVOCI	Financial assets at FVOCI	1 115 294	-	54 568	183
Corporate loans	Financial assets at AC: Due from customers	350 520	(15 407)	14 936	(332)
Corporate bonds at AC	Financial assets at AC: Due from customers	193 994	-	1 302	-
State bonds at AC	Financial assets at AC: Due from customers	100 845	-	5 939	-
Loans received from EIB	Financial assets at AC: Due to banks	50 000	(3 769)	2 236	(223)
Covered bonds	Financial liabilities at AC: Debt securities in issue	2 177 161	(109 406)	83 325	(11 869)
Macro hedges					
Mortgage loans	Financial assets at AC: Due from customers	1 104 000	(26 437)	38 793	(26 935)
Current accounts	Financial liabilities at AC: Due to customers	211 500	(11 918)	7 618	-
Reverse REPO	Financial assets at AC: Loans and advances to banks	81 807	(4 033)	21	-

* Interest rate risk hedging of covered bonds is sometimes closed before the original maturity of the interest rate swap. The reason is that the Interest rate risk position of the Bank changed in a way which required more fixed rate liabilities. And since the originally fixed rate covered bonds were in the past swapped into float rate, these swaps were early terminated in order to achieve the required interest risk position of the Bank.

2022 € '000	Line item in SOFP	Carrying amount	Accumulated amount of fair value adjustments included in carrying amount	Change in fair value used for calculating hedge ineffective-ness	Fair value adjustment after termination of hedging relationship*
Micro hedges					
Debt securities at FVOCI	Financial assets at FVOCI	1 114 137	-	(96 703)	233
Corporate loans	Financial assets at AC: Due from customers	433 193	(34 397)	(27 156)	(963)
Corporate bonds at AC	Financial assets at AC: Due from customers	-	-	647	-
Loans received from EIB	Financial assets at AC: Due to banks	50 000	(6 005)	(5 460)	-
Covered bonds	Financial liabilities at AC: Debt securities in issue	2 308 346	(192 731)	(211 307)	3 070
Macro hedges					
Mortgage loans	Financial assets at AC: Due from customers	3 830 400	(126 425)	(128 294)	15
Current accounts	Financial liabilities at AC: Due to customers	-	(19 536)	(22 351)	-
Reverse REPO	Financial assets at AC: Loans and advances to banks	166 500	-	(80)	-

* Interest rate risk hedging of covered bonds is sometimes closed before the original maturity of the interest rate swap. The reason is that the Interest rate risk position of the Bank changed in a way which required more fixed rate liabilities. And since the originally fixed rate covered bonds were in the past swapped into float rate, these swaps were early terminated in order to achieve the required interest risk position of the Bank.

Maturity of notional values of hedging instruments designated as fair value hedges and their average interest rates:

			2023
€ '000	Less than 1 year	1 - 5 years	More than 5 years
Interest rate instruments:			
Swaps			
Hedge of debt securities at FVOCI	47 400	816 000	318 600
	(0,01)%	1,06%	0,98%
Hedge of corporate loans	23 089	237 461	-
	3,31%	2,93%	-
Hedge of corporate bonds at AC	81 807	-	-
	0,00%	-	-
Hedge of state bonds at AC	-	-	99 600
	-	-	3,25%
Hedge of mortgage loans	-	1 104 000	-
	-	1,68%	-
Hedge of loans received from EIB	-	50 000	-
	-	(0,26)%	-
Hedge of current accounts	-	112 500	99 000
	-	0,64%	2,29%
Hedge of covered bonds	788 000	1 016 500	367 900
	1,75%	0,15%	0,88%
Foreign currency instruments:			
Swaps			
Hedge of corporate loans	-	89 970	-
	-	2,63%	-
Hedge of corporate bonds at AC	-	121 903	-
	-	0,00%	-

€ '000	Less than 1 year	1 - 5 years	2022 More than 5 years
Interest rate instruments:			
Swaps			
Hedge of debt securities at FVOCI	80 200	531 900	490 100
	(0,39)%	(0,04)%	0,71%
Hedge of corporate loans	85 733	256 254	-
	0,26%	2,84%	-
Hedge of mortgage loans	1 277 000	2 472 000	81 400
	(0,16)%	0,57%	1,72%
Headge of Loan received from EIB	-	50 000	-
	-	(0,26) %	-
Hedge of current account	-	112 500	54 000
	-	0,64%	(0,01)%
Hedge of covered bonds	170 000	1 824 500	367 900
	0,78 %	1.02 %	0,88 %
Foreign currency instruments:			
Swaps			
Hedge of corporate loans	-	91 206	-
	-	2,63%	-
Hedge of corporate bonds at AC	-	40 378	-
	-	0,00%	-

10. Financial assets at fair value through other comprehensive income

€ '000	2023	2022
Government debt securities of European Union countries	832 403	1 149 424
of which Italian government debt securities	*102 228*	*198 699*
Bank debt securities	383 960	234 060
Other debt securities	30 221	28 716
Equity instruments:	-	-
Visa Inc. Series A Preferred Stock	-	-
Visa Inc. Series C Preferred Stock	-	-
Intesa Sanpaolo S.p.A.	50	39
S.W.I.F.T.	109	102
	159	141
	1 246 743	1 412 341

At 31 December 2022, the bonds in the total nominal amount of €717,000 thousand were pledged by the Bank to secure collateralized transactions (31 December 2022: €1,404,950 thousand). These bonds were pledged in favour of the ECB within the pool of assets which can be immediately used as collateral for received funds needed for liquidity management purposes.

11. Financial assets and financial liabilities at amortized cost

11.1. Due from other banks

€ '000	Note	2023	2022
Term deposits:			
with contractual maturity over 90 days		139	5 022
Loans and advances:			
with contractual maturity over 90 days		126 412	137 296
Cash collateral		109 424	10 327
Impairment losses	21	(5 109)	(365)
		230 866	152 280

11.2. Due from customers

2023 € '000	Gross amount	Impairment losses (note 21)	Carrying amount
Corporate			
Financial corporations			
Loans	676 351	(173)	676 178
Overdrafts	17 735	(2)	17 733
Credit cards	4	-	4
Debt securities	359 687	(72)	359 615
Leasing	33	-	33
	1 053 810	(247)	1 053 563
Non-financial corporations			
Loans	5 051 299	(110 602)	4 940 697
Mortgages	10 377	(521)	9 856
Overdrafts	853 937	(23 581)	830 356
Credit Cards	1 665	(144)	1 521
Factoring	143 295	(1 077)	142 218
Debt securities	124 500	(209)	124 291
Leasing	187 722	(5 645)	182 077
	6 372 795	(141 779)	6 231 016
	7 426 605	(142 026)	7 284 579
Retail			
Loans	1 605 652	(136 317)	1 469 335
Mortgages	9 301 541	(81 722)	9 219 819
Overdrafts	94 132	(5 853)	88 279
Credit Cards	88 199	(2 500)	85 699
Factoring	53	-	53
Leasing	11 391	(327)	11 064
	11 100 968	(226 719)	10 874 249
Public administration			
Loans	205 780	(3 256)	202 524
Overdrafts	2 605	(2)	2 603
Credit Cards	4	-	4
Debt securities	106 799	(15)	106 784
Leasing	907	-	907
	316 095	(3 273)	312 822
	18 843 668	(372 018)	18 471 650

2022 - restated € '000	Gross amount	Impairment losses (note 21)	Carrying amount
Corporate:			
Financial corporations			
Loans	507 844	(161)	507 683
Overdrafts	20 941	(3)	20 938
Debt securities	261 018	(80)	260 938
Reserve Fund	6 400	-	6 400
Leasing	31	-	31
	796 234	(244)	795 990
Non-financial corporations			
Loans	4 656 983	(97 769)	4 559 214
Mortgages	13 335	(777)	12 558
Overdrafts	959 414	(25 566)	933 848
Factoring	161 177	(1 205)	159 972
Debt securities	147 033	(919)	146 114
Leasing	184 492	(11 293)	173 199
	6 122 434	(137 529)	5 984 905
	6 918 668	(137 773)	6 780 895
Retail			
Loans	1 452 801	(133 782)	1 319 019
Mortgages	9 110 231	(75 344)	9 034 887
Overdrafts	96 016	(7 146)	88 870
Credit Cards	94 092	(11 102)	82 990
Factoring	47	-	47
Leasing	12 566	(580)	11 986
	10 765 753	(227 954)	10 537 799
Public administration			
Loans	185 950	(1 681)	184 269
Overdrafts	1 099	(2)	1 097
Leasing	669	(1)	668
	187 718	(1 684)	186 034
	17 872 139	(367 411)	17 504 728

2022 - original € '000	Gross amount	Impairment losses (note 21)	Carrying amount
Public administration			
State administration	79 706	(647)	79 059
Municipalities	110 386	(991)	109 395
Municipalities – Leasing	339	(1)	338
	190 431	(1 639)	188 792
Corporate			
Large Corporates	2 686 235	(24 014)	2 662 221
Large Corporates – debt securities	147 032	(919)	146 113
Specialized Lending	929 074	(27 863)	901 211
SME	1 822 103	(44 068)	1 778 035
Other Non-banking Financial Institutions	471 298	(141)	471 157
Other Non-banking Financial Institutions – debt securities	261 018	(80)	260 938
Public Sector Entities	3 360	(1)	3 359
Leasing	150 345	(7 927)	142 418
Factoring	161 224	(1 192)	160 032
	6 631 689	(106 205)	6 525 484
Retail			
Small Business	538 250	(42 260)	495 990
Small Business – Leasing	42 742	(3 908)	38 834
Consumer Loans	1 295 640	(139 995)	1 155 645
Mortgages	8 965 879	(55 820)	8 910 059
Credit Cards	97 179	(10 919)	86 260
Overdrafts	66 573	(6 396)	60 177
Leasing	4 330	(37)	4 293
Flat Owners Associations	39 426	(232)	39 194
	11 050 019	(259 567)	10 790 452
	17 872 139	(367 411)	17 504 728

At 31 December 2023, the 20 largest corporate customers represented a total carrying amount of €1,375,124 thousand (31 December 2022: €1,418,666 thousand), respectively 7.44% (31 December 2022: 8.10%) of the total loan portfolio.

11.3. Due to banks

€ '000	2023	2022
Due to central banks:		
Current accounts	849	964
Loans received from central banks	61 622	59 610
	62 471	60 574
Due to other banks:		
Current accounts	109 978	100 060
Term deposits	13 531	8 639
Loans received from other banks	780 595	839 440
Revaluation of fair value hedged loans received	(3 769)	(6 005)
Cash collateral received	1 840	2 360
	902 175	944 494
	964 646	1 005 068

At 31 December 2023, 'Loans received from central banks' contains one loans from National Bank of Slovakia in the nominal amount of €60,000 thousand. The interest rate for these loans was 4% and the maturity is in 2024. The principal and interests are due at maturity of the loans.

The breakdown of 'Loans received from other banks' according to the counterparty is presented below:

€ '000	2023	2022
Intesa Sanpaolo S. p. A.	651 205	751 459
European Investment Bank	126 524	83 294
European Bank for Reconstruction and Development	2 866	4 687
	780 595	839 440

The disclosure of changes arising from cash flows and non-cash changes in liabilities arising from financing activities:

2023			Cash flow		Non-cash changes		
€ '000	1 January	Proceeds	Repayments	Accruals	Revaluation	Other	31 December
Loans received from other banks (including revaluation)	839 440	50 000	(108 687)	3 611	(3 769)	-	780 595

2022			Cash flow		Non-cash changes		
€ '000	1 January	Proceeds	Repayments	Accruals	Revaluation	Other	31 December
Loans received from other banks (including revaluation)	348 395	350 000	(205 294)	1 459	(6 005)	350 885*	839 440

* Loan provided to VUB Leasing recognized in VUB Bank after its merger during 2022.

11.4. Due to customers

€ '000	2023	2022
Current accounts	10 062 292	10 828 376
Term deposits	5 150 250	3 475 387
Government and municipal deposits	551 089	812 724
Savings accounts	119 282	167 748
Other deposits	137 783	123 648
	16 020 696	15 407 883

11.5. Lease liabilities

€ '000	2023	2022
Lease liabilities	18 577	19 952

The disclosure of changes arising from cash flows and non-cash changes in liabilities arising from financing activities:

2023		Cash flow		Non-cash changes			
€ '000	1 January	Repayments	New	Accruals	Revaluation	Other	31 December
Lease liabilities	19 952	5 716	(7 091)	-	-	-	18 577

2022		Cash flow		Non-cash changes			
€ '000	1 January	Repayments	New	Accruals	Revaluation	Other	31 December
Lease liabilities	20 474	(7 355)	6 833	-	-	-	19 952

11.6. Subordinated debt

€ '000	2023	2022
Subordinated debt	300 487	250 368

The balance of the subordinated debt as of December 31, 2023 consisted of two loans from INTESA SANPAOLO SPA with a total nominal value of 100,000 ths. EUR with maturities in 2032 and 2033 and interest rates of 7.366% and 7.211% and one loan from Intesa Sanpaolo Holding International in the nominal value of 200,000 ths. EUR with maturity in 2026 and an interest rate of 7.201%.

(At 31 December 2022, the balance of subordinated debt comprised of one loan from INTESA SANPAOLO SPA in the nominal amount of €50,000 thousand with maturity in 2032 and interest rate of 5.552% and of one loan from Intesa Sanpaolo Holding International in the nominal amount of €200,000 thousand with maturity in 2026 and interest rate of 5.366%.)

In accordance with the loan agreement, the loan may be used as an unsecured liability to pay the bank's debts and may not be repaid before all claims of the bank's unsubordinated creditors have been paid.

The disclosure of changes arising from cash flows and non-cash changes in liabilities arising from financing activities:

2023 € '000	1 January	Cash flow Proceeds	Repayments	Non-cash changes Accruals	Revaluation	Other	31 December
Subordinated debt	250 368	50 000	-	119	-	-	300 487

2022 € '000	1 January	Cash flow Proceeds	Repayments	Non-cash changes Accruals	Revaluation	Other	31 December
Subordinated debt	200 150	250 000	(200 000)	218	-	-	250 368

11.7. Debt securities in issue

€ '000	2023	2022
Covered bonds	2 380 428	1 665 323
Covered bonds subject to fair value hedges	2 177 161	2 308 346
	4 557 589	3 973 669
Revaluation of fair value hedged covered bonds	(109 406)	(192 731)
Unamortized part of revaluation related to terminated fair value hedges	(11 869)	3 070
	4 436 314	3 784 008

The repayment of covered bonds is funded by the mortgage loans denominated in EUR provided to customers of the Bank (note 11.2.) and debt securities in FVOCI portfolio (note 10).

The disclosure of changes arising from cash flows and non-cash changes in liabilities arising from financing activities:

2023 € '000	1 January	Proceeds from issue	Cash flow Repayments	Accruals	Non-cash changes Revaluation	Other	31 December
Covered bonds	3 784 008	1 000 000	(420 000)	181 712	(109 406)	-	4 436 314

2022 € '000	1 January	Proceeds from issue	Cash flow Repayments	Accruals	Non-cash changes Revaluation	Other	31 December
Covered bonds	3 829 056	500 000	(300 000)	15 781	(260 829)	-	3 784 008

12. Fair value changes of the hedged items in portfolio hedge of interest rate risk

€ '000	2023	2022
Financial assets at AC:		
Due from other banks:		
Loans and advances	-	-
Due from customers:		
Retail - Mortgages	(53 372)	(126 410)
Corporate - Loans and advances	(4 054)	-
Corporate - Debt securities	21	-
Financial liabilities at AC:		
Due to customers	(11 918)	(19 536)

13. Investments in subsidiaries, joint ventures and associates

2023 € '000	Share	Cost	Impairment losses	Carrying amount
Monilogi, s.r.o.	30,00%	2 387	-	2 387
VÚB Operating Leasing, a. s.	100,00%	3 500	-	3 500
VÚB Generali d. s. s., a. s.	55,26%	21 095	-	21 095
Slovak Banking Credit Bureau, s. r. o.	33,33%	3	-	3
		26 985	-	26 985

2022 € '000	Share	Cost	Impairment losses (note 21)	Carrying amount
Monilogi, s.r.o.	30,00%	1 787	-	1 787
VÚB Operating Leasing, a. s.	100,00%	3 500	-	3 500
VÚB Generali d. s. s., a. s.	55,26%	21 116	-	21 116
Slovak Banking Credit Bureau, s. r. o.	33,33%	3	-	3
		26 406	-	26 406

On May 10, 2022, the company Monilogi, s.r.o., in which VUB has a 30% share, was registered in the Commercial Register. It is a joint venture of five banks that created this company for the purpose of outsourcing cash processing operations and cost optimization.

VÚB Leasing, a. s., VÚB Operating Leasing, a.s., VÚB Generali d. s. s., a. s. and Slovak Banking Credit Bureau, s. r. o. are incorporated in the Slovak Republic.

14. Property and equipment and Non-current assets classified as held for sale

2023 € '000	Owned	Right-of-use	Total
Buildings and land	74 542	15 861	90 403
Equipment	5 294	-	5 294
Other tangibles	1 377	2 361	3 738
Assets in progress	11 258	-	11 258
	92 471	18 222	110 693

2022 € '000	Owned	Right-of-use	Total
Buildings and land	76 823	16 424	93 247
Equipment	5 534	-	5 534
Other tangibles	936	3 187	4 123
Assets in progress	12 871	-	12 871
	96 164	19 611	115 775

2023 € '000	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost or fair value					
At 1 January	117 423	36 764	25 880	12 871	192 938
Revaluation	(3 409)	-	-	-	(3 409)
Additions	5 638	6	95	5 473	11 212
Disposals	(8 186)	(4 149)	(3 405)	-	(15 740)
Transfers	5 252	1 007	827	(7 086)	-
Exchange differences	(24)	(2)	(1)	-	(27)
At 31 December	116 694	33 626	23 396	11 258	184 974
Accumulated depreciation					
At 1 January	(24 064)	(31 230)	(21 757)	-	(77 051)
Revaluation	3 329	-	-	-	3 329
Depreciation for the year	(9 231)	(1 237)	(1 245)	-	(11 713)
Disposals	3 762	4 132	3 344	-	11 238
Exchange differences	7	3	-	-	10
At 31 December	(26 197)	(28 332)	(19 658)	-	(74 187)
Impairment losses (note 21)					
At 1 January	(112)	-	-	-	(112)
Release	18	-	-	-	18
At 31 December	(94)	-	-	-	(94)
Carrying amount					
At 1 January	93 247	5 534	4 123	12 871	115 775
At 31 December	90 403	5 294	3 738	11 258	110 693

2022 € '000	Buildings and land	Equipment	Other tangibles	Assets in progress	Total
Cost or fair value					
At 1 January	113 201	46 036	27 657	6 470	193 364
Revaluation	(1 570)	-	-	-	(1 570)
Additions from merger	-	37	-	-	37
Additions	6 063	-	773	9 213	16 049
Disposals	(1 982)	(9 397)	(2 622)	-	(14 001)
Contribution to Monilogi	-	(955)	(8)	-	(963)
Transfers	1 695	1 038	79	(2 812)	-
Exchange differences	16	5	1	-	22
At 31 December	117 423	36 764	25 880	12 871	192 938
Accumulated depreciation					
At 1 January	(19 561)	(39 917)	(22 958)	-	(82 436)
Revaluation	3 307	-	-	-	3 307
Additions from merger	-	(23)	-	-	(23)
Depreciation for the year	(8 720)	(1 511)	(1 412)	-	(11 643)
Disposals	912	9 379	2 605	-	12 896
Contribution to Monilogi	-	846	8	-	854
Exchange differences	(2)	(4)	-	-	(6)
At 31 December	(24 064)	(31 230)	(21 757)	-	(77 051)
Impairment losses (note 21)					
At 1 January	(326)	-	-	-	(326)
Release	214	-	-	-	214
At 31 December	(112)	-	-	-	(112)
Carrying amount					
At 1 January	91 744	6 119	4 699	6 470	109 032
At 31 December	93 247	5 534	4 123	12 871	115 775

Of which right-of-use assets:

2023 € '000	Buildings and land	Other tangibles	Total
Cost			
At 1 January	37 278	5 556	42 834
Additions	5 638	95	5 733
Disposals	(3 503)	(1 785)	(5 288)
Exchange differences	(24)	(1)	(25)
At 31 December	39 389	3 865	43 254
Accumulated depreciation			
At 1 January	(20 854)	(2 369)	(23 223)
Depreciation for the period	(6 155)	(883)	(7 038)
Disposals	3 474	1 748	5 222
Exchange differences	7	-	7
At 31 December	(23 528)	(1 504)	(25 032)
Carrying amount			
At 1 January	16 424	3 187	19 611
At 31 December	15 861	2 361	18 222

2022 € '000	Buildings and land	Other tangibles	Total
Cost			
At 1 January	32 506	5 849	38 355
Additions	6 063	773	6 836
Disposals	(1 304)	(1 067)	(2 371)
Exchange differences	13	1	14
At 31 December	37 278	5 556	42 834
Accumulated depreciation			
At 1 January	(15 788)	(2 335)	(18 123)
Depreciation for the period	(6 272)	(1 081)	(7 353)
Disposals	1 207	1 047	2 254
Exchange differences	(1)	-	(1)
At 31 December	(20 854)	(2 369)	(23 223)
Carrying amount			
At 1 January	16 718	3 514	20 232
At 31 December	16 424	3 187	19 611

For 'Buildings and land' the Bank uses the revaluation model for subsequent measurement. Management determined that these constitute one class of asset, based on the nature, characteristics and risks. The Bank uses the income method, using market rents and yields as key inputs. Fair values are based on valuations performed by an accredited independent valuer. The revaluation model aligned the book value to the current market value. Level 3 revaluation was recognized due to significant unobservable estimated valuation inputs. During July 2023, the Bank updated the revaluation of buildings and land to their current market value.

Significant part of branch premises that the Bank uses is a result of sale and leaseback transactions. These leasebacks are recognized as rights of use assets and lease liabilities. Average lease term of these premises was estimated to four years.

In 2023 the Bank reviewed the carrying amount of its property and equipment. An impairment test was carried out to determine the recoverable amount. The recoverable amount is determined with reference to the fair value less costs to sell or the value in use, if determinable and if it is higher than fair value. For property and equipment other than buildings and land it is assumed that the carrying amount normally corresponds to the value in use, since it is determined by a depreciation process estimated on the basis of the effective contribution of the asset to the production process and since the determination of fair value is extremely subjective. The two values diverge and lead to impairment in case of damages, exit from the production process or other similar non-recurring circumstances. The Bank measures buildings and land according to the revaluation model; in this case, any impairment loss on a revalued asset must be treated as a decrease in the revaluation up to the relevant amount, after which any difference is taken to the income statement. As a result of the impairment test the Bank recognized an impairment loss in the amount of 18 thousand EUR (31 December 2022: €136 thousand).

If 'Buildings and land' were measured using the cost model, the carrying amounts would be, as follows:

€ '000	2023	2022
Cost	108 695	107 082
Accumulated depreciation	(58 975)	(57 447)
Impairment losses	(94)	(112)
	49 626	49 523

At 31 December 2023, the gross book value of fully depreciated tangible assets that are still used by the Bank amounted to €49,969 thousand (31 December 2022: €58,976 thousand).

There are no restrictions on title and no 'Property and equipment' is pledged as security for liabilities.

At 31 December 2023, the amount of irrevocable contractual commitments for the acquisition of tangible assets was € nil thousand (31 December 2022: € nil thousand).

The Bank's insurance program covers all standard risks to tangible and intangible assets (theft, robbery, natural hazards, vandalism and other damages).

15. Intangible assets

2023 € '000	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January	315 947	10 730	68 673	395 350
Additions	-	-	7 423	7 423
Transfers	42 061	-	(42 061)	-
Exchange differences	(25)	-	-	(25)
At 31 December	357 983	10 730	34 035	402 748
Accumulated amortisation				
At 1 January	(255 172)	(10 494)	-	(265 666)
Amortization for the year	(24 927)	(10)	-	(24 937)
Exchange differences	22	-	-	22
At 31 December	(280 077)	(10 504)	-	(290 581)
Impairment losses				
At 1 January	-	-	(10 423)	(10 423)
Release	-	-	10 423	10 423
31.december	-	-	-	-
Carrying amount				
At 1 January	60 775	236	58 250	119 261
At 31 December	77 906	226	34 035	112 167

2022 € '000	Software	Other intangible assets	Assets in progress	Total
Cost				
At 1 January	305 778	10 729	61 575	378 082
Additions from merger	1 965	-	178	2 143
Additions	-	-	16 209	16 209
Disposals	(1 115)	-	-	(1 115)
Transfers	9 290	-	(9 289)	1
Exchange differences	29	1	-	30
At 31 December	315 947	10 730	68 673	395 350
Accumulated amortization				
At 1 January	(236 760)	(10 474)	-	(247 234)
Additions from merger	(1 215)	-	-	(1 215)
Amortisation for the year	(18 286)	(19)	-	(18 305)
Disposals	1 115	-	-	1 115
Exchange differences	(26)	(1)	-	(27)
At 31 December	(255 172)	(10 494)	-	(265 666)
Impairment losses				
At 1 January	-	-	-	-
Release	-	-	(10 423)	(10 423)
31.december	-	-	(10 423)	(10 423)
Carrying amount				
At 1 January	69 018	255	61 575	130 848
At 31 December	60 775	236	58 250	119 261

The acquisition of assets mainly includes the development of new software applications and the costs of technical evaluation of software that have not yet been put into use.

At 31 December 2023, the gross book value of fully amortized intangible assets that are still used by the Bank amounted to €178,954 thousand (31 December 2022: €162,201 thousand).

At 31 December 2023, the amount of irrevocable contractual commitments for the acquisition of intangible assets was € nil thousand (31 December 2022: € nil thousand).

16. Goodwill

€ '000	2023	2022
Retail Banking	18 871	18 871
Corporate Banking	10 434	10 434
	29 305	29 305

The Bank has identified three cash-generating units - retail Banking, corporate Banking and Central Treasury, which also represent operating segments used in segment reporting (note 6). VUB Leasing, was part of the corporate Banking operating segment. Each represents the smallest group of assets generating independent cash inflows and also the minimum level monitored by the Bank for planning and reporting processes.

The calculation is based on the same procedures as for the impairment test of investments in subsidiaries and associated companies (note 13).

During the merger of Consumer Finance Holding, a. s. to the Bank in 2018 goodwill belonging to Consumer Finance Holding, a. s. was also merged into the Bank. The Bank assigned this goodwill to the cash-generating unit Retail Banking, as Consumer Finance Holding, a. s., worked in the field of consumer loans.

During the division of VUB Leasing (note 2.3), goodwill belonging to the company VUB Leasing was recognized in the Bank. This goodwill is further assessed within the corporate Banking segment.

The Bank uses CAPM for impairment testing, using cash flow projections based on the most recent financial budgets approved by senior management covering a budgeted five-year period. The discount rates applied to future cash flow projections beyond the five-year period are adjusted by the projected growth rate. Both discount rates and growth rates are determined on ISP Group level specifically for the Slovak market.

Investments in subsidiaries, joint ventures and associates are tested for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. No impairment losses were created during 2023 neither 2022.

The following rates are used by the Bank:

€ '000	2023	2022
Pre-tax discount rate - cash flows	11,74%	10,32%
Pre-tax discount rate - terminal value	12,42%	11,32%
Projected growth rate	4,55%	4,55%

The calculation considers the following key assumptions:

- interest margins - the development of margins and volumes by product line,
- discount rates - based on CAPM,
- market share during the budget period,
- projected growth rates used to extrapolate cash flows beyond the budget period,
- current local GDP,
- local inflation rates.

17. Current and deferred income tax assets and liabilities

€ '000	2023	2022
Current income tax assets	-	-
Deferred income tax assets	76 845	65 382
Current income tax liabilities	46 948	24 231

Deferred income taxes are calculated on all temporary differences using a tax rate of 21% (31 December 2022: 21%) as follows:

€ '000	2023	Profit/(loss) (note 34)	Equity	VUBL and DSS Generali Merger	Exchange rate differences	2022
Derivative financial instruments - CF Hedge	7	-	7	-	-	-
Financial assets at FVOCI	4 961	-	(1 110)	-	-	6 071
Financial assets at AC:						
Due from other banks	1 072	997	-	-	-	75
Due from customers	63 119	7 834	-	-	21	55 264
Property and equipment	(11 895)	2 222	356	-	-	(14 473)
Intangible assets	2 092	(97)	-	-	-	2 189
Other assets	7	-	-	-	-	7
Financial liabilities at AC:	-	-	-	-	-	-
Lease liabilities	3 882	(291)	-	-	-	4 173
Provisions	3 182	300	-	-	-	2 882
Other liabilities	13 194	1 664	-	-	-	11 530
Other	(2 776)	(450)	9	-	-	(2 336)
	76 845	12 179	(738)	-	21	65 382

18. Other assets

€ '000	Note	2023	2022
Operating receivables and advances		20 745	18 304
Prepayments and accrued income		11 279	9 928
Other tax receivables		1 274	2 597
Settlement of operations with financial instruments		1 027	680
Inventories		310	365
Other		225	175
Impairment losses	21	(3 807)	(2 943)
		31 053	29 106

19. Provisions

€ '000	Note	2023	2022
Financial guarantees and commitments	21	16 888	14 407
Restructuring provision		6 872	3 831
Litigation		-	470
		23 760	18 708

2023 € '000	Note	1 January	Net creation/ release	Use	Exchange difference	31 December
Litigation	23, 32	3 831	3 046	(4)	(1)	6 872
Restructuring provision	32	470	-	(470)	-	-
		4 301	-	(474)	(1)	6 872

2022 € '000	Note	1 January	Net creation/ release	Use	31 December
Litigation	23, 32	3 715*	120	(4)	3 831
Restructuring provision	32	900	352	(782)	470
		4 615	472	(786)	4 301

* Including provisions from VUB Leasing recognized in VUB Bank after its merger during 2022.

20. Other liabilities

€ '000	2023	2022
Various creditors	73 261	52 216
Settlement with employees	31 680	28 716
Severance and Jubilee benefits	4 413	4 413
Accruals and deferred income	3 344	2 799
VAT payable and other tax payables	2 950	614
Settlement of operations with financial instruments	2 523	4 160
Share remuneration scheme	574	429
Settlement with shareholders	350	678
Investment certificates	276	359
Other	1 824	1 582
	121 195	95 966

At 31 December 2023 and 31 December 2022 there were no overdue balances within 'Other liabilities'.

Severance and Jubilee benefits are discounted to determine their present value. The discount rate is determined by reference to yield curve on Slovak government bonds with a fifteen years duration that represents the period which is closest to the average benefit duration. The calculation is performed using the Projected Unit Credit Method. For the calculation the Bank used an average turnover rate which is based on historical data on employees' turnover at the Bank for the last three years. The average age-specific turnover rate is calculated as the ratio of number of terminations and the average number of employees. All employees are covered by the retirement and jubilee employee benefits program.

The movements in social fund liability presented within 'Settlement with employees' were as follows:

2023 € '000	1 January	Creation (note 31)	Use	31 December
Social fund	540	4 629	(4 388)	781

2022 € '000	1 January	Creation (note 31)	Use	31 December
Social fund	1 497	3 139	(4 096)	540

21. Movements in impairment losses and provisions for financial guarantees and commitments

2023 € '000	Note	1 January	Net creation/ release (note 33)	Assets Written off/sold	Exchange difference	Other*	31 December
Financial assets at FVOCI		276	(44)	-	-	-	232
Financial assets at AC:	11						
Due from other banks		365	4 752	-	(8)	-	5 109
Due from customers		367 411	61 231	(54 463)	(2 256)	95	372 018
Impairment losses according to IFRS 9		368 052	65 939	(54 463)	(2 264)	95	377 359
Financial guarantees and commitments	19	14 407	734	-	1 747	-	16 888
Impairment losses and provisions according to IFRS 9		382 459	66 673	(54 463)	(517)	95	394 247
Property and equipment and Non–current assets classified as held for sale		-	-	-	-	-	-
Property and equipment and Non–current assets classified as held for sale	14	10 535	-	(10 441)	-	-	94
Other assets	18	2 943	969	-	-	(105)	3 807
Total impairment losses and provisions for financial guarantees and commitments		395 937	67 642	(64 904)	(517)	(10)	398 148

* 'Other' represents: the interest portion (unwinding of interest).

2022 € '000	Note	1 January	Net creation/ release (note 33)	Assets Written off/sold	Exchange difference	Other*	31 December
Financial assets at FVOCI		329	(53)	-	-	-	276
Financial assets at AC:	11						
Due from other banks		109	256	-	-	-	365
Due from customers		345 220	74 104	(50 731)	(1 182)	-	367 411
Impairment losses according to IFRS 9		345 658	74 307	(50 731)	(1 182)	-	368 052
Financial guarantees and commitments	19	20 448	(7 326)	-	1 285	-	14 407
Impairment losses and provisions according to IFRS 9		366 106	66 981	(50 731)	103	-	382 459
Property and equipment and Non–current assets classified as held for sale		-	-	-	-	-	-
Property and equipment and Non–current assets classified as held for sale	14	326	10 422	(213)	-	-	10 535
Other assets	18	3 093	(659)	-	509	-	2 943
Total impairment losses and provisions for financial guarantees and commitments		369 525	76 744	(50 944)	612	-	395 937

* 'Other' represents: the interest portion (unwinding of interest).

22. Equity

€ '000	2023	2022
Share capital – authorised, issued and fully paid:		
80 additional shares of 1mio EUR/each issued in 2023	80 000	-
89 ordinary shares of € 3 319 391,89 each, not traded	295 426	295 426
4 078 108 ordinary shares of € 33,2 each, publicly traded	135 393	135 393
	510 819	430 819
Share premium	13 719	13 719
Reserves	91 709	89 971
Other capital funds	8 464	8 464
Retained earnings (excluding net profit for the year)	1 229 511	1 156 997
	1 854 222	1 699 970

The registered share capital of the Bank amounts to €510,819,063.81 and was created by the contribution of the founder designated in the deed of foundation as of the day of its establishment.

The registered share capital is divided into 4,078,108 book-entered registered shares, each having the nominal value of €33,20, 89 book-entered registered shares, each having the nominal value of €3,319,391.89 and 80 book-entered registered shares, each having the nominal value of €1,000,000.00.

In accordance with the law and Articles of Association of the Bank, the Bank is obliged to contribute at least 10% of its annual net profit to the 'Legal reserve fund' until it reaches 20% of the share capital. Usage of the 'Legal reserve fund' is restricted by the law. The fund can be used for the coverage of the losses of the Bank.

€ '000	2023	2022
Net profit for the year attributable to shareholders in € '000	264 194	141 092
Divided by the weighted average number of ordinary shares, calculated as follows:		
80 additional shares of 1mio EUR/each issued in 2023	80 000 000	-
89 shares of € 3,319,391.89 each in €	295 425 878	295 425 878
4,078,108 shares of € 33.2 each in €	135 393 186	135 393 186
	510 819 064	430 819 064
Divided by the value of one ordinary share of € 33.2		
The weighted average number of ordinary shares of € 33.2 each	14 811 764	12 976 478
Basic and diluted earnings per € 33.2 share in €	17,84	10,87

The rights and responsibilities of shareholders are set out in the legal regulations and the Articles of Association of the Bank. The right of a shareholder to participate in the management of the Bank, the right to a share of the profits and the right to a share of the liquidation balance, in the event of the winding up of the Bank with liquidation, are attached to a registered share. Each shareholder is entitled to attend the General Meeting, to vote, to request information and seek explanations and submit proposals. The number of votes allocated to each shareholder is determined by the ratio of the nominal value of his share to the amount of registered capital. A shareholder may exercise the shareholder rights attached to book-entered shares at the General Meeting if the shareholder is entitled to exercise these rights as of the decisive date specified in the invitation to the General Meeting. The shareholder's voting rights may only be restricted or suspended by the law. The shares are freely transferable by registration of transfer in line with relevant regulation. The General Meeting of the Bank as the main decision-making body of the Bank is entitled to decide on share issues or on the acquisition of the Bank's own shares.

Information about the bank's shareholders is published quarterly, within 30 days of the end of the given quarter. The given data are as of December 31, 2023. The structure of shareholders is as follows:

€ '000	2023	2022
Intesa Sanpaolo Holding International S. A.	100,00 %	100,00 %

Detail of the shares issued by VUB:

Security name:	Shares of VÚB, a. s., 1
Total issue amount	EUR 135,393,185.60
Type, form of security	Ordinary registered shares in book-entry form
Number and nominal value per share	4,078,108 shares per EUR 33.20
ISIN	SK1110001437 series 01, 02, 03, 04, 05, 06
Share in capital%	26.51%
Admitted / not admitted for trading	Not admitted for trading

Security name:	Shares of VÚB, a. s., 2
Total issue amount	EUR 295,425,878.21
Type, form of security	Ordinary registered shares in book-entry form
Number and nominal value per share	89 shares per EUR 3,319,391.89
ISIN	SK1110003573 series 01
Share in capital%	57.83%
Admitted / not admitted for trading	Not admitted for trading

Security name:	Shares of VÚB, a. s., 3
Total issue amount	EUR 80,000,000.00
Type, form of security	Ordinary registered shares in book-entry form
Number and nominal value per share	80 shares per EUR 1,000,000.00
ISIN	SK1000026403
Share in capital%	15.66%
Admitted / not admitted for trading	Not admitted for trading

The qualifying holdings is at least 5% of the share capital of the Company. The shareholders disposing of qualifying holdings have the right to request the Management Board to include the matter they wish to raise in the agenda of the General Meeting. Furthermore, the shareholders with qualifying holdings have the right to request the convocation of the Extraordinary General Meeting in accordance with the Articles of Association of the Bank. Except for the sole shareholder - Intesa Sanpaolo Holding International S.A. Luxemburg, with its Registered Office at Luxembourg L-1821, 28 Boulevard de Kockelscheuer that holds a 100.00% stake in the registered capital, no other shareholder has qualifying holdings of the Company's share capital.

The Bank did not conclude any significant agreements, where it is the contractual party and which shall come into force, change or the validity of which shall terminate as a result of a change of its control circumstances, which have occurred in relation to an offer for a takeover, since no circumstances occurred in relation to an offer for a takeover.

The primary objectives of the Bank´s capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and adjusts it in the light of changes in economic conditions and the risk its activities entails. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders, issue capital securities or other capital instruments, classified as Additional Tier 1, or Tier2. No changes have been made in the objectives, policies and processes in the previous year.

The Bank's regulatory capital position was determined based on the rules for capital adequacy calculation set by the CRR Regulation:

€ '000	2023	2022
Tier 1 capital		
Share capital	510 819	430 819
Share premium	13 719	13 719
Retained earnings*	1 229 511	1 156 997
Profit or loss eligible	132 096	141 092
Legal reserve fund	87 493	87 493
Other capital funds	8 464	8 464
Accumulated other comprehensive income	4 216	2 478
(-) Value adjustments due to the requirements for prudent valuation	(76)	(43)
Other transitional adjustments to CET1 Capital	-	10 337
CET1 capital elements or deductions — other	-	(6 400)
Less goodwill and intangible assets	(104 878)	(132 133)
Less IRB shortfall of credit risk adjustments to expected losses	-	-
(-) Insufficient coverage for non-performing exposures	(1 702)	(157)
	1 879 663	1 712 666
Tier 2 capital		
IRB excess of provisions over expected losses eligible	51 088	45 225
Subordinated debt	219 515	209 726
Other transitional adjustments to T2 Capital	-	(2 570)
	270 604	252 381
Total regulatory capital	2 150 267	1 965 047

* Excluding net profit for the period/year, in approval and other capital funds.

€ '000	2023	2022
Retained earnings excl. Other capital funds	1 493 705	1 298 089
Net profit for the year	(264 194)	(141 092)
	1 229 511	1 156 997

€ '000	2023	2022	2023 Required	2022 Required
Tier 1 capital	1 879 663	1 712 666	854 191	803 859
Tier 2 capital	270 604	252 381	270 604	252 381
Total regulatory capital	2 150 267	1 965 047	854 191	803 859
Total Risk Weighted Assets	10 677 393	10 048 236	10 677 393	10 048 236
CET 1 capital ratio	17,60%	17,04%	12,34%	11,84%
Total capital ratio	20,14%	19,56%	16,50%	16,00%

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings, accumulated other comprehensive income, foreign currency translation and reserves. The deducted amounts in Tier 1 capital are goodwill, intangible assets, prudential filters, insufficient coverage for non-performing exposures and IRB shortfall, if negative. Certain adjustments are made to IFRSs-components as prescribed by the CRR Regulation. The other component of regulatory capital is Tier 2 capital, which includes subordinated long-term debt and IRB excess of provisions over expected losses.

Own Funds, risk-weighted assets and the capital ratios as at 31 December 2023 were calculated according to the harmonised rules and regulations for banks and investment companies containedin Directive 2013/36/EU ('CRD IV') and in the CRR Regulation of 26 June 2013 (in compliance with their amendments - Regulation (EU) 2019/876 and Directive (EU) 2019/878), which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws.

Following the Supervisory Review and Evaluation Process ('SREP'), the ECB annually makes a final decision on the capital requirement that the Bank must comply with on sub-consolidated and individual level. Starting from 1 January 2022, the overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 10.25%. This is the result:

– the SREP requirement comprising a minimum Pillar 1 capital requirement of 4.5% and an additional Pillar 2 capital requirement of 1.5%, entirely of Common Equity Tier 1 ratio;
– additional requirements, made up entirely of Common Equity Tier 1 ratio, relating to a Capital Conservation Buffer of 2.5%, and an Other Systemically Important Institutions Buffer ('O-SII Buffer') of 1.75% and Systemic Risk Buffer ('SRB') was cancelled effective from 1 January 2022.

For the sake of completeness, please note that CRD IV establishes the obligation for the designated national authorities to activate an operational framework for the definition of the ratio of the countercyclical capital buffer ('CCyB') starting from 1 January 2016. The ratio is subject to review on a quarterly basis. The European regulation was implemented in Slovakia by National Bank of Slovakia in relevant regulation, which contains suitable regulations concerning CCyB. Based on the analysis of the reference indicators, the National Bank of Slovakia decided to set the countercyclical ratio (relating to the exposures towards Slovak counterparties).

Due to COVID-19 pandemic, NBS has decreased countercyclical buffer to 1% since 1 August 2020 (previously 1.5%). However, NBS has increased the Countercyclical buffer from 1 August 2023 back to 1.5%. P2R composition based on CRD V rules has been updated to 75% Tier 1, out of which 75% should represent CET 1 (56.25% of P2R). These changes represent from 1 August 2023 capital requirement (without Pillar 2 Capital Guidance) for CET 1 of 11.09% and capital requirement for Tier 1 of 12.88%.

The Overall Capital Requirement was at VUB Group level, as of 31 December 2023 set at 16.50% and consists of:

– capital requirement for Pillar 1 (8%),
– capital requirement for Pillar 2 (SREP add on 1.5% and Pillar 2 Capital Guidance 1.25%),
– capital requirement for a combined buffer (5.75%), consisting of Capital Conservation Buffer of 2.5%, and Other Systemically Important Institutions Buffer of 1.75% and Countercyclical Buffer 1.5%.

Pillar 2 Capital Guidance has increased since 1 March 2022 to 1.25% and accordingly together with countercyclical buffer, the Overall Capital Requirement has increased to 16.5% (14.13% for Tier 1 capital ratio and 12.34% for CET1 capital ratio). However, NBS has announced decrease of P2G by -0.25% since 1.1.2024. Moreover, since November 2014, the Bank has been under the supervision of the European Central Bank.

Internally, within its Risk Appetite framework, the Bank has set internal limits for both OCR and CET1, managing the regulatory capital requirements additionally with an internal management buffer.

Impact of the introduction of IFRS 9 on own funds

In December 2017, the European Parliament and the European Council issued Regulation (EU) 2017/2395 amending the CRR Regulation as regard transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds, integrating the CRR Regulation with Article 473 "Introduction of IFRS 9". The new Article allows Banks to re-introduce in their Common Equity Tier 1 ('CET 1') a decreasing quota of the impact of IFRS 9 in a five-year transitional period (2018 - 2022). That amount shall be determined using the static approach which are adopted by the Bank. It refers only to the impact of FTA resulting from the comparison of IAS 39 impairments as at 31 December 2017 and IFRS 9 impairments as at 1 January 2018 - including both performing loans classified in Stages 1 and 2 and adjustments to non-performing loans (Stage 3) - to which is applied a decreasing factor (95% for 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022) to set the amount to be included in CET 1. There are no further impacts expected from the introduction of IFRS 9 from year 2023, since the transitional period has ended on 31.12.2022.

The static transitional approach is not applicable to the changes in valuation reserves deriving from re-classification of financial instruments during FTA (impact resulting from classification and measurement).

€ '000	2018	2019	2020	2021	2022
Decreasing factor	95%	85%	70%	50%	25%
Impact to CET 1	39,281	35,146	28,944	20,674	10,337

Furthermore, under paragraph 7 of Article 473 of the CRR Regulation, ISP Group companies adopting the transitional approach shall update calculation of the following components relevant to the determination of supervisory capital requirements, so as to avoid inappropriate benefits:

– Deferred tax assets deducted from CET 1 relating to Standard and Internal ratings-based ('IRB') exposures;
– Determination of Exposure At Default using the scaling factor to assess the Risk Weighted Assets of Standard exposures;
– Tier 2 elements relating to IRB weighted exposures.

The impact on own funds of the first-time adoption of IFRS 9 and the adoption of the "static" approach during the transitional period (2018 - 2022), as permitted by Regulation (EU) 2017/2395, resulted in the effects on regulatory capital and prudential ratios (with and without applying the transitional provisions for IFRS 9) following:

– the reduction of CET 1, due to the FTA impact linked to the first-time adoption of IFRS 9,
– the increase in CET 1 due to the re-inclusion of the gradually decreasing transitional component as a result of the adoption of the adjustment introduced by the aforementioned Regulation, aimed at mitigating the impact of FTA;
– the increase in the excess reserve, based on the provisions of the aforementioned Regulation, may be added to the Tier 2 capital, up to the amount of 0.6% of IRB RWA, solely for the part in excess of the amount re-included in CET 1 as a result of the adoption of said transitional adjustment;
– the reduction of the risk-weighted assets (RWA) on standard exposures as at 1 January 2018, which as a result of the increase in the provisions linked to the first-time adoption of IFRS 9, reduced the risk exposure (EAD);
– the increase in risk-weighted assets (RWA) on standard exposures due to the application, under said provisions, of the scaling factor set out in Regulation (EU) 2017/2395.

In compliance with Regulation (EU) 2020/873 of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) No 2019/876 as regards certain adjustments in response to the COVID-19 pandemic meaning amendments of the transitional arrangements for adoption of IFRS 9 (Art. 473a of CRR), the Bank continues to adopt the static approach as defined for the first-time adoption of IFRS 9 in relation to own funds calculation, which is also in line with ISP Group approach. Moreover, the Bank has decided not to adopt temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic (Art. 468).

The prudential treatment of software assets

The Bank has adopted prudential treatment of software assets based on the Final Report "Draft Regulatory Technical Standards on the prudential treatment of software assets under Article 36 of Regulation (EU) 575/2013 (CRR)", EBA/RTS/2020/07, regarding updated version of the Capital Requirements Regulation 2019/876 and Directive 2019/878 (CRR II/CRD V) published in June 2019 concerning the modified version of article 36(1)b (CRR II) with regard to own funds requirements for institutions. The Bank has adopted the prudential amortization approach for software assets for the calculation of CET1 at individual and consolidated level starting from December 2020 based on EBA/RTS/ 2020/07 methodology, which is in line with ISP Group Approach. The prudential amortization allows the banks not to deduct from CET1 software assets that are prudentially valued (i.e. when the value of software assets is not negatively affected by status of resolution, insolvency or liquidation of the bank). The residual portion of the carrying amount of software is risk-weighted (100%), in accordance with the current CRR provisions. This treatment has also been established by Commission delegated Regulation (EU) 2020/2176 of 12 November 2020 amending Delegated Regulation (EU) 241/2014 as regards the deduction of software assets from Common Equity Tier 1 items.

23. Financial commitments and contingencies

23.1. Issued guarantees and commitments and undrawn credit facilities

€ '000	2023	2022
Issued guarantees	1 145 593	1 181 884
Commitments and undrawn credit facilities	4 188 551	4 639 424
of which revocable	*1 512 190*	*1 695 190*
	5 334 144	5 821 308

Issued guarantees represent irrevocable assurances that the Bank will make payments in the event that a borrower cannot meet its obligations to third parties. These assurances carry the same credit risk as loans and therefore the Bank recognises provisions for these instruments. (note 19).

The primary purpose of commitments to extend credit is to ensure that funds are available to the customer as required. Commitments and undrawn credit facilities represent undrawn portions of commitments, credit facilities and approved overdraft loans.

23.2. Legal proceedings

In the normal course of business, the Bank is subject to a variety of legal actions. The Bank conducted a review of legal proceedings outstanding against it as of 31 December 2023. Pursuant to this review, management has recorded total provisions of €6,872 thousand (31 December 2022: €,3,831 thousand) in respect of such legal proceedings (note 19). The Bank will continue to defend its position in respect of each of these legal proceedings.

€ '000	2023	2022
Legal proceedings related to leasing contracts	3 442	3 369
Legal proceedings related to legal compensation	1 544	-
Legal proceedings related bankruptcy revocations	1 501	226
Legal proceedings related to credit contracts	236	228
Legal proceedings related to labour disputes	61	-
Legal proceedings related to different banking products than credit contracts	49	-
Legal proceedings related to other civil disputes	31	-
Legal proceedings on credit collection	8	8
	6 872	3 831

In addition to the legal proceedings covered by provisions, there are contingent liabilities arising from legal proceedings in the total amount of €32,729 thousand, as at 31 December 2023 (31 December 2022: €31,777 thousand). This amount represents existing legal proceedings against the Bank that will most probably not result in any payments due by the Bank.

24. Net interest income

€ '000	2023	2022
Interest and similar income		
Financial assets at FVTPL	434	10
Financial assets at FVOCI	21 035	4 803
Financial assets at AC:	-	-
Due from other banks	130 730	26 117
Due from customers	616 184	387 208
Derivatives – Hedge accounting	105 590	1 858
Interest income on liabilities	-	16 371
	873 973	436 367
Interest and similar expense		
Financial liabilities at AC:		
Due to banks	(41 288)	(10 587)
Due to customers and Subordinated debt	(211 669)	(56 586)
Lease liabilities	(231)	(211)
Debt securities in issue	(50 234)	(32 731)
Derivatives – Hedge accounting	(54 311)	12 084
Interest expense on assets	(129)	(12 682)
	(357 862)	(100 713)
	516 111	335 654

€ '000	2023	2022
Interest and similar income		
Total interest income calculated using the effective interest method	867 667	431 987
Other interest income – interest income on finance leases	5 872	4 370
Other interest income – interest income on financial assets at FVTPL	434	10
	873 973	436 367

€ '000	2023	2022
Net interest income		
Financial assets at FVOCI	21 035	4 803
Financial assets at AC	740 913	396 273
	761 948	401 076
Financial liabilities at AC	(303 191)	(83 533)

Interest income on impaired loans and advances to customers for 2023 amounted to €14,552 thousand (2022: €9,530 thousand).

25. Net fee and commission income

2023 € '000	Retail Banking	Corporate Banking	Central Treasury	Other	Total
Fee and commission income					
Current accounts	40 496	3 239	-	11	43 746
Cards	39 560	902	-	42	40 504
Indirect deposits	26 798	32	-	-	26 830
Payments and cash management	14 288	8 596	-	-	22 884
Insurance	17 230	563	-	-	17 793
Loans	6 552	8 587	-	(39)	15 100
Trade finance	17	9 358	1 846	-	11 221
Factoring	-	2 198	-	-	2 198
Structured finance	-	1 430	-	-	1 430
Other	458	5 246	1 808	-	7 512
	145 399	40 151	3 654	14	189 218
Fee and commission expense					
Cards	(19 484)	(91)	-	-	(19 575)
Payments and cash management	(1 095)	(8 209)	-	-	(9 304)
Current accounts	-	-	(679)	(654)	(1 333)
Factoring	-	(511)	-	-	(511)
Insurance	(501)	-	-	-	(501)
Loans	11	-	-	-	11
Other	(384)	-	(1 915)	(918)	(3 217)
	(21 453)	(8 811)	(2 594)	(1 572)	(34 430)
Net fee and commission income under IFRS 15	123 946	31 340	1 060	(1 558)	154 788
Income from guarantees under IFRS 9	-	10 659	-	-	10 659
Total net fee and commission income	123 946	41 999	1 060	(1 558)	165 447

2022 € '000	Retail Banking	Corporate Banking	Central Treasury	Other	Total
Fee and commission income					
Current accounts	38 980	4 192	-	9	43 181
Cards	34 655	777	-	36	35 468
Loans	16 362	11 103	-	180	27 645
Payments and cash management	15 170	11 225	-	1	26 396
Indirect deposits	24 441	39	-	-	24 480
Insurance	14 309	-	-	-	14 309
Trade finance	11	8 279	1 436	-	9 726
Structured finance	-	2 458	-	-	2 458
Factoring	-	2 184	-	-	2 184
Other	485	1 802	637	-	2 924
	144 413	42 059	2 073	226	188 771
Fee and commission expense					
Cards	(18 224)	(84)	-	-	(18 308)
Payments and cash management	(2 235)	(7 430)	-	-	(9 665)
Current accounts	-	-	(498)	(690)	(1 188)
Factoring	-	(603)	-	-	(603)
Insurance	(399)	-	-	-	(399)
Indirect deposits	-	-	-	-	-
Other	(178)	(2)	(868)	(2 678)	(3 726)
	(21 036)	(8 119)	(1 366)	(3 368)	(33 889)
Net fee and commission income under IFRS 15	123 377	33 940	707	(3 142)	154 882
Income from guarantees under IFRS 9	-	6 766	-	-	6 766
Total net fee and commission income	123 377	40 706	707	(3 142)	161 648

26. Net trading result

€ '000	2023	2022
Foreign currency derivatives and transactions	9 783	(5 297)
Customer foreign exchange margins	9 678	10 421
Financial assets held for trading – debt securities	1 703	(72)
Net result from hedging transactions	804	(419)
Non-trading financial assets measured at FVTPL	111	(51)
Dividends from equity shares measured at FVOCI	57	153
Dividends from equity shares held in FVTPL	(904)	1 343
Financial assets measured at FVOCI	(2 082)	7 649
Interest rate derivatives	(5 000)	-
Equity derivatives	(8 115)	(3 223)
Cross currency swaps	9	167
	6 044	10 671

27. Other operating income

€ '000	2023	2022
Net profit from sale of fixed assets	369	1 270
Financial revenues	292	737
Services	35	45
Income from operating leasing	-	-
Other	1 301	2 219
	1 997	4 271

28. Other operating expenses

€ '000	2023	2022
Contribution to the Single Resolution Fund	(7 437)	(16 067)
Contribution to the Deposit Protection Fund	(1 600)	(6 083)
Costs of product support – credit cards	(2 214)	(1 848)
Court fees and expenses and out-of-court settlements	(706)	(481)
Net loss from sale of fixed assets	-	-
Other damages	(3 213)	-
Other	(11 521)	(12 404)
	(26 691)	(36 883)

29. Special levy of selected financial institutions

As at 21 July 2020, the amendment to Act no. 67/2020 Coll. on certain emergency financial measures in relation to the spread of dangerous contagious human disease COVID-19 became effective. This amendment also covered measures in the area of special levy of selected financial institutions. According to these measures no more special levy payments were required from July 2020 until the end of 2023.

30. Salaries and employee benefits

€ '000	2023	2022
Remuneration	(97 131)	(90 167)
Social security costs	(39 170)	(34 642)
Social fund	(4 629)	(3 139)
Termination benefit	470	430
Severance and Jubilee benefits	-	597
	(140 460)	(126 921)

The Bank does not have any pension arrangements separate from the pension system established by law, which requires mandatory contributions of a certain percentage of gross salaries to the state-owned social insurance and privately owned pension funds. These contributions are recognized in the year when salaries are earned by employees. No further liabilities are arising for the Bank in terms of the payment of pensions to employees in the future.

31. Other administrative expenses

€ '000	2023	2022
Third parties' services	(21 347)	(20 587)
Information technologies systems maintenance	(16 258)	(14 608)
Advertising and sponsorship	(5 955)	(5 295)
Energy costs	(5 699)	(5 428)
Rental of buildings and related expenses	(4 299)	(3 816)
Transport	(3 994)	(1 393)
Maintenance and repairs	(3 860)	(6 338)
Indirect personnel costs and compensation	(3 340)	(2 110)
Postage costs	(2 991)	(2 832)
Forms and office supplies	(2 387)	(2 170)
Telephone and telecommunication costs	(2 290)	(2 675)
Electronic data processing system leasing	(2 092)	(1 902)
Cleaning of premises	(1 495)	(1 278)
Archives and documents	(1 488)	(970)
Security	(1 262)	(1 096)
Other rentals	(1 086)	(937)
Consultations and other fees*	(904)	(655)
Insurance	(839)	(1 016)
Cost of legal services	(761)	(691)
Value added tax and other taxes	(241)	295
Information and research	(214)	(229)
Other expenses	(2 243)	(1 940)
Reinvoicing	770	912
	(84 275)	(76 759)

* "Consulting and other fees" include remuneration for the statutory audit and financial statements of EUR 383 thousand (2022: EUR 321 thousand). The price also includes the fee for the audit of the annual group reporting, ancillary fees, the audit of the consolidated financial statements as well as the audit of the VÚB Prague branch.

Other audit-related services and non-audit services performed by the statutory auditor related to limited accounting review of statutory financial statements and report packages, limited review of financial statements and report packages as of March 31 and June 30, 2023, audit of prudential and business regulatory statements as required by Slovak legislation of the extended auditor's report for Národná banka Slovenska, Q2 Interim abbreviated control of FS ISRE 2410, procedures in relation to the adequacy of the bank's measures according to § 71h - 71k of Act no. 566/2001, the recommended list in connection with the verification of profit at the end of 2023 for the ECB and the recommended list in connection with the issues of covered bonds from March and September 2023 amounted to EUR 324 thousand. (2022: EUR 217 thousand). All amounts shown here are without VAT.

32. Provisions

€ '000	Note	2023	2022
Net release and use of provisions for litigations	19	(3 042)	(116)
		(3 042)	(116)

33. Impairment losses and Net (loss) / gain arising from the derecognition of financial assets at amortized cost

€ '000	Note	2023	2022
Net creation of impairment losses	21	(66 908)	(84 070)
Net (creation)/release of provisions for financial guarantees and commitments	21	(734)	7 326
		(67 642)	(76 744)
Net gain/(loss) arising from the derecognition of financial assets at AC		7 911	12 745

34. Income tax expense

€ '000	Note	2023	2022
Current income tax	17	(89 605)	(48 431)
Deferred income tax	17	12 179	3 888
		(77 426)	(44 543)

The movement in deferred taxes in the statement of profit or loss is as follows:

€ '000	2023	2022
Due from other banks	997	53
Due from customers	7 834	6 734
Property and equipment	2 222	(1 487)
Intangible assets	(97)	2 189
Lease liabilities	(291)	(521)
Provisions	300	(1 027)
Other liabilities	1 664	1 733
Other	(450)	(3 786)
	12 179	3 888

The effective tax rate differs from the statutory tax rate in 2022 and in 2022. The reconciliation of the Bank's profit before tax with the actual corporate income tax is as follows:

€ '000	2023	2022
Profit before tax	341 621	185 635
Theoretical tax calculated at the tax rate 21%	(71 740)	(38 983)
Tax impact:		
Non-taxable income	1 902	1 713
Tax non-deductible expenses	(14 658)	(3 463)
Impairment allowances and provisions, net	(3 730)	(8 058)
Additional tax of prior years	(1 409)	369
Creation/(release) of allowances for uncertain realization of deferred tax receivables	12 209	3 879
Income tax expense	(77 426)	(44 543)
Effective tax for the year	23,12%	23,99%

35. Other comprehensive income

€ '000	2023	2022
Items that shall not be reclassified to statement of profit or loss in the future		
Change in value of financial assets at FVOCI (equity instruments):		
Revaluation loss arising during the year	130	(2 528)
Reclassification adjustment for profit on sale of FVOCI equities within equity	(34)	983
	96	(1 545)
Net revaluation gain from property and equipment	(102)	1 738
Reversal of deferred income tax on disposed property and equipment	356	-
	350	193
Items that may be reclassified to statement of profit or loss in the future		
Change in value of cash flow hedges:		
Revaluation gain arising during the year	(34)	-
Change in value of financial assets at FVOCI (debt instruments):		
Revaluation (loss)/gain arising during the year	990	(33 415)
Reclassification adjustment for profit on sale of FVOCI bonds included in the profit or loss	4 290	4 006
	5 246	(29 409)
Exchange difference on translation foreign operation	(1 117)	75
	4 129	(29 334)
Total other comprehensive income	4 479	(29 141)
Income tax relating to components of other comprehensive income (note 36)	(1 094)	5 929
Other comprehensive income for the year after tax	3 385	(23 212)

36. Income tax effects relating to other comprehensive income

			2023			2022
€ '000	Before tax amount	Tax (expense) /benefit	Net of tax amount	Before tax amount	Tax (expense) /benefit	Net of tax amount
Items that shall not be reclassified to statement of profit or loss in the future						
Change in value of financial assets at FVOCI (equity instruments)	(102)	21	(81)	1 738	(365)	1 373
Reversal of deferred income tax on disposed property and equipment	356	-	356	-	-	-
Net revaluation gain from property and equipment	96	(13)	83	(1 545)	118	(1 427)
	350	8	358	193	(247)	(54)
Items that may be reclassified to statement of profit or loss in the future						
Change in value of financial assets at FVOCI (debt instruments)	5 280	(1 109)	4 171	(29 409)	6 176	(23 233)
Exchange differences on translation foreign operations	(1 117)	-	(1 117)	75	-	75
Change in value of cash flow hedges	(34)	7	(27)	-	-	-
	4 129	(1 102)	3 027	(29 334)	6 176	(23 158)
	4 479	(1 094)	3 385	(29 141)	5 929	(23 212)

37. Related parties

Related parties are those counterparties that represent:

(a) Enterprises that directly, or indirectly, through one or more intermediaries, control, or are controlled by, have a significant influence or are under the common control of the reporting enterprise;

(b) Associates - enterprises in which the Parent Company has significant influence and which are neither a subsidiary nor a joint venture;

(c) Individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank, and anyone expected to influence, or be influenced by, that person in their dealings with the Bank;

(d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, including directors and officers of the Bank and close members of the families of such individuals; and

(e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Bank and enterprises that have a member of key management in common 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. The stated transactions have been made under arms-length commercial and banking conditions.

In 2023, the remuneration and other benefits provided to members of the Management Board were €3,604 thousand (2022: €3,468 thousand), of which the severance benefits €0 (2022: €48 thousand), and to members of the Supervisory Board €82 thousand (202: €58 thousand).

As at 31 December 2023, the outstanding balances with related parties comprised:

2023 € '000	Key management personnel ('KMP')	Subsidiaries	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Assets							
Cash and cash equivalents	-	-	-	-	21 614	853	22 467
Financial assets at FVTPL:							
Financial assets held for trading	-	-	-	-	30 622	-	30 622
Non-trading financial assets at FVTPL	-	-	-	-	574	-	574
Derivatives – Hedge Accounting	-	-	-	-	182 450	-	182 450
Financial assets at FVOCI	-	-	-	-	50	-	50
Financial assets at AC:							
Due from banks	-	-	-	-	94 664	-	94 664
Due from customers	1 685	17 737	-	-	-	65 146	84 568
Property and equipment	-	299	-	-	-	-	299
Other assets	-	5	-	-	71	3 655	3 731
	1 685	18 041	-	-	330 045	69 654	419 425
Liabilities							
Financial liabilities at FVTPL:							
Financial liabilities held for trading	-	-	-	-	30 502	34	30 536
Derivatives – Hedge accounting	-	-	-	-	230 795	-	230 795
Financial liabilities at AC:							
Due to banks	-	-	-	-	754 915	2 810	757 725
Due to customers	1 782	-	-	276	-	12 741	14 799
Lease liabilities	-	373	-	-	-	-	373
Subordinated debt	-	-	-	-	100 091	200 396	300 487
Provisions	-	1	-	-	4	2	7
Other liabilities	574	823	-	-	1 479	2 275	5 151
	2 356	1 197	-	276	1 117 786	218 258	1 339 873

As at 31 December 2022, the outstanding balances with related parties comprised:

2022 € '000	Key management personnel ('KMP')	Subsidiaries	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Assets							
Cash and cash equivalents	-	-	-	-	15 683	765	16 448
Financial assets at FVTPL:							
Financial assets held for trading	-	-	-	-	50 234	-	50 234
Non-trading financial assets at FVTPL	-	-	-	-	429	-	429
Derivatives – Hedge Accounting	-	-	-	-	349 655	-	349 655
Financial assets at FVOCI	-	-	-	-	39	-	39
Financial assets at AC:							
Due from banks	-	-	-	-	45 109	-	45 109
Due from customers	919	20 914	-	-	-	50 211	72 044
Property and equipment	-	761	-	-	-	-	761
Other assets	-	25	-	-	72	3 115	3 212
	919	21 700	-	-	461 221	54 091	537 931
Liabilities							
Financial liabilities at FVTPL:							
Financial liabilities held for trading	-	-	-	-	42 853	38	42 891
Derivatives – Hedge accounting	-	-	-	-	311 205	-	311 205
Financial liabilities at AC:							
Due to banks	-	-	-	-	886 546	2 927	889 473
Due to customers	912	-	-	254	-	8 250	9 416
Lease liabilities	-	797	-	-	-	-	797
Subordinated debt	-	-	-	-	50 069	200 298	250 367
Provisions	-	-	-	-	6	2	8
Other liabilities	429	203	-	-	2 276	33	2 941
	1 341	1 000	-	254	1 292 955	211 548	1 507 098

As at 31 December 2023, the outstanding off-balance sheet balances with related parties comprised:

2023 € '000	KMP	Subsidiaries	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Commitments and undrawn credit facilities	1 023	7 282	-	-	179 710	10	188 025
Issued guarantees	-	-	-	-	31 747	12 943	44 690
Received guarantees	-	-	-	-	1 600	-	1 600
Derivative transactions (notional amount – receivable)	-	-	-	-	7 822 258	19 592	7 841 850
Derivative transactions (notional amount – payable)	-	-	-	-	7 821 709	19 609	7 841 318

As at 31 December 2022, the outstanding off-balance sheet balances with related parties comprised:

2022 € '000	KMP	Subsidiaries	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Commitments and undrawn credit facilities	257	4 097	-	-	187 532	8	191 894
Issued guarantees	-	-	-	-	30 579	7 880	38 459
Received guarantees	-	-	-	-	1 700	4 688	6 388
Derivative transactions (notional amount – receivable)	-	-	-	-	10 822 596	17 701	10 840 297
Derivative transactions (notional amount – payable)	-	-	-	-	10 822 894	17 729	10 840 623

For the year ended 31 December 2023, the outstanding balances with related parties comprised:

2023 € '000	KMP	Subsidiaries	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Income and expense items							
Interest and similar income	20	736	-	-	3 682	2 501	6 939
Interest and similar expense	(29)	(22)	-	-	(35 867)	(13 322)	(49 240)
Fee and commission income	1	259	-	2	128	23 734	24 124
Fee and commission expense	-	-	-	-	(768)	(16)	(784)
Dividend income	-	2 772	-	-	-	-	2 772
Net trading result	-	-	-	-	5 201	2 511	7 712
Other operating income	-	48	-	-	664	151	863
Other operating expenses	-	(129)	-	-	(534)	-	(663)
Other administrative expenses	-	(1 251)	-	-	(4 536)	(11 546)	(17 333)
Depreciation	-	(462)	-	-	-	-	(462)
Impairment losses	-	1	-	-	1	-	2
	(8)	1 952	-	2	(32 029)	4 013	(26 070)

For the year ended 31 December 2022, the outstanding balances with related parties comprised:

2022 € '000	KMP	Subsidiaries	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Income and expense items							
Interest and similar income	6	93	-	-	7	1 044	1 150
Interest and similar expense	(3)	(43)	-	-	(15 083)	(6 693)	(21 822)
Fee and commission income	1	3	-	1	178	20 902	21 085
Fee and commission expense	-	-	-	-	(488)	(4)	(492)
Dividend income	-	8 003	-	-	-	-	8 003
Net trading result	-	-	-	-	8 579	1 366	9 945
Other operating income	-	206	-	-	516	4 749	5 471
Other operating expenses	-	-	-	-	(8)	-	(8)
Other administrative expenses	-	(626)	-	-	(4 803)	(11 595)	(17 024)
Depreciation	-	(675)	-	-	-	-	(675)
Impairment losses	-	(3)	-	-	6	-	3
	4	6 958	-	1	(11 096)	9 769	5 636

38. Profit distribution

The Management Board will propose the following 2023 profit distribution:

€ ’000	
Legal reserve fund contribution	14 671
Dividends to shareholders	132 097
Retained earnings	117 426
	264 194

39. Events after the end of the reporting period

At the end of 2023, with effect from January 2024, a new set of measures to consolidate public finances, known as LEX CONSOLIDATION, will enter into force in Slovakia. It is a set of 18 measures worth €1.96 billion aimed at improving public finances. One of these measures is a new type of bank levy, which takes the form of an additional tax to reduce banks' profits by the level required by the government and transfer these profits to the country's state budget. For 2024, the amount of the special levy will be 30 percent of the pre-tax economic result, and subsequent years it will gradually decrease by five percent to 15 percent by 2027.

At the end of February 2024, Marie Kovářová will leave her position of Chief Operating Officer in the Operation and IT Division by mutual agreement. The division will be temporarily headed by Deputy Chief Officer Gabriele Pace. His support and expertise in the IT field is a guarantee of continuity and stability in the Operations and IT Division for the Bank.

From 31 December 2023, up to the date when these financial statements were authorized for issue, there were no further events identified that would require adjustments to or disclosure in these financial statements.

These financial statements were authorized for issue by the Management Board on 27 February 2024. These financial statements will be published 29 February 2024 and will be available at the registered office of the Bank.

Jozef Kausich
Chairman of the Management Board

Darina Kmeťová
Member of the Management Board

Annexes

Information on Securities issued by the Bank

Debt securities issued by the Bank

ISSUE NAME	ISIN	ISSUE DATE	MATURITY DATE	DENOMI-NATION	NOMINAL VALUE	PIECES	COUPON	COUPON PAYMENTS	PUT OPTION
Mortgage bonds VÚB, a.s., XXX.	SK4120005547	5.9.2007	5.9.2032	EUR	33,193.92	1,000	5.00%	annually	no
Mortgage bonds VÚB, a.s., 31	SK4120005679	29.11.2007	29.11.2037	EUR	33,193.92	600	4.90%	annually	no
Mortgage bonds VÚB, a.s., 43	SK4120006271	26.9.2008	26.9.2025	EUR	33,193.92	500	5.10%	annually	no
Mortgage bonds VÚB, a.s., 67	SK4120008228	29.11.2011	29.11.2030	EUR	50,000.00	300	5.35%	annually	no
Mortgage bonds VÚB, a.s., 72	SK4120008608	21.6.2012	21.6.2027	EUR	100,000.00	250	4.70%	annually	no
Mortgage bonds VÚB, a.s., 81	SK4120009887	27.3.2014	27.3.2024	EUR	1,000,000.00	38	2.55%	annually	no
Mortgage bonds VÚB, a.s., 85	SK4120010364	14.11.2014	14.11.2029	EUR	100,000.00	500	2.25%	annually	no
Mortgage bonds VÚB, a.s., 87	SK4120010794	9.6.2015	9.6.2025	EUR	100,000.00	1,000	1.25%	annually	no
Mortgage bonds VÚB, a.s., 89	SK4120011065	29.9.2015	29.9.2025	EUR	100,000.00	1,000	1.20%	annually	no
Mortgage bonds VÚB, a.s., 90	SK4120011149	29.10.2015	29.10.2030	EUR	100,000.00	1,000	1.60%	annually	no
Mortgage bonds VÚB, a.s., 93	SK4120012469	18.1.2017	18.1.2024	EUR	100,000.00	2,500	0.50%	annually	no
Mortgage bonds VÚB, a.s., 94	SK4120012824	27.4.2017	27.4.2027	EUR	100,000.00	2,500	1.05%	annually	no
Covered bonds VÚB, a.s., 2	SK4120014531	5.10.2018	15.12.2027	EUR	100,000.00	500	1.50%	annually	no
Covered bonds **VÚB, a.s., 3**	SK4120015108	26.3.2019	26.3.2024	EUR	100,000.00	5,000	0.25%	annually	no
Covered bonds **VÚB, a.s., 4**	SK4000015475	26.6.2019	26.6.2029	EUR	100,000.00	5,000	0.50%	annually	no
Covered bonds **VÚB, a.s., 5**	SK4000017455	23.6.2020	23.6.2025	EUR	100,000.00	5,000	0.01%	annually	no
Covered bonds VÚB, a.s., 6	SK4000018693	24.3.2021	24.3.2026	EUR	100,000.00	5,000	0.01%	annually	no
Covered bonds VÚB, a.s., 7	SK4000020491	22.3.2022	22.3.2027	EUR	100,000.00	5,000	0.875%	annually	no
Covered bonds VÚB, a.s., 8	SK4000022828	13.4.2023	13.10.2026	EUR	100 000.00	5,000	3.50%	annually	no
Covered bonds VÚB, a.s., 9	SK4000023685	5.9.2023	5.9.2028	EUR	100 000.00	5,000	3.875%	annually	no

All debt securities issued by VÚB, a.s., are bearer bonds in book entry form. No person took any guarantee for the repayment of the nominal value and/or coupon payment.

As of 31 December 2023 VÚB, a.s., did not issue and did not decide to issue bonds with pre-emption rights or convertible rights associated therewith.

The bonds are transferable to another holder without any restrictions and do not carry any pre-emption or exchange rights. The rights associated with the bonds are based on the terms and conditions of the bonds and relevant securities prospectus and in the applicable legal regulations of the Slovak Republic, especially in Act No. 530/1990 Coll. on Bonds as amended, Act No 483/2001 Coll. on Banks as amended, Act No 566/2001 Coll. on Securities as amended.

Investment certificates issued by the Bank

ISSUE NAME	ISIN	ISSUE DATE	MATURITY DATE	DENOMI-NATION	NOMINAL VALUE	PIECES	COUPON	COUPON PAYMENTS	PUT OPTION
Investment certificates VÚB, a.s., 2026	SK4000019402	30.6.2021	30.6.2026	EUR	1.00	20,400	0.00%	-	no
Investment certificates VÚB, a.s., 2027	SK4000021168	30.6.2022	30.6.2027	EUR	1.00	51,600	0.00%	-	no
Investment certificates VÚB, a.s., 2028	SK4000023370	28.6.2023	28.6.2028	EUR	1.00	204,300	0.00%	-	no

During the accounting year 2023, the company issued the Investment certificates VÚB, a.s., 2028. The reason for issuing investment certificates was to fulfil the obligations arising from the Act on Banks no. 483/2001 Coll. as amended in conjunction with Regulation EU No 2019/876, amending regulation 575/2013 on prudential requirements for credit institutions and investment firms (CRR) and the internal procedure of VÚB, a.s. - Remuneration Policy. Based on these documents, part of the variable component of total compensation, severance payments, retirement allowances and other compensation payable to selected personnel acc. to Section 23a par. 1 of the Act on Banks is provided in the form of securities or other financial instruments.

Investment certificates issued by VUB, a.s., are registered securities in book-entry form. No person has taken any guarantee for the repayment of the nominal value and/or coupon payment. No pre-emption or convertible rights are associated with investment certificates.

Investment certificates are not transferable to another holder. The rights associated with the investment certificates are based on the applicable legislation of the Slovak Republic, in particular Act No 566/2001 Coll. on Securities as amended and in the relevant issue conditions of the investment certificates.

List of VUB Retail Branches

Name	Postcode	Address
Regional Retail Business Network West region		
Bratislava – Devínska N. Ves	841 07	Eisnerova 48
Bratislava – Dolné Hony	821 06	Kazanská 41
Bratislava – Dúbravka	841 01	Sch. Trnavského 6/A
Bratislava – Rača	831 06	Detvianska 22
Bratislava – OC Aupark	851 01	Einsteinova 18
Bratislava – OC Avion	821 04	Ivánska cesta 16
Bratislava – OC BORY MALL	841 03	Lamač 6780
Bratislava – OC Vivo	831 04	Vajnorská 100
Bánovce nad Bebravou	957 01	Nám. Ľ. Štúra 5/5
Bytča	014 01	Sidónie Sakalovej 138/1
Čadca	022 24	Fraňa Kráľa 1504
Dubnica nad Váhom	018 41	Nám. Matice slov. 1712/7
Handlová	972 51	SNP 1
Hlohovec	920 01	Podzámska 37
Holíč	908 51	Bratislavská 1518/7
Ilava	019 01	Mierové nám. 77
Kysucké Nové Mesto	024 01	Nám. slobody 184
Malacky	901 01	Záhorácka 15
Myjava	907 01	Nám. M. R. Štefánika 525/21
Nové Mesto nad Váhom	915 01	Hviezdoslavova 19
Partizánske	958 01	L. Svobodu 4
Pezinok	902 01	Štefánikova 14
Piešťany	921 01	Nám. slobody 11
Považská Bystrica	017 01	Nám. A. Hlinku 23/28
Prievidza	971 01	Nám. slobody 10
Prievidza – Bojnická cesta	971 01	Bojnická cesta 15
Púchov	020 01	Nám. slobody 1657
Senica	905 33	Nám. oslobodenia 8
Skalica	909 01	Potočná 20
Stará Turá	916 01	SNP 275/67
Topoľčany – Moyzesova	955 19	Moyzesova 585/2
Trenčín – Legionárska	911 01	Legionárska 7158/5
Trenčín – OC Laugarício	911 01	Belá 7271
Trnava – Dolné bašty	917 01	Dolné bašty 2
Trnava – Hlavná	917 01	Hlavná 31
Trnava – OC Arkadia	917 01	Veterná 40/A
Žilina	010 01	Na bráne 1
Žilina – Nám. A. Hlinku	010 43	Nám. A. Hlinku 1
Žilina – OC Dubeň	010 08	Vysokoškolákov 52
Magnifica Centres		
Trenčín – Magnifica	911 01	Legionárska 7158/5
Trnava – Magnifica	917 01	Dolné bašty 2
Žilina – Magnifica	010 43	Na bráne 1

Mortgage Centres

Bratislava – OC Aupark	851 01	Einsteinova 18
Trnava	917 01	Dolné bašty 2
Trenčín	911 01	Legionárska 7158/5
Žilina	010 43	Na bráne 1

Regional Retail Business Network Central region

Bratislava – Centrum	811 06	Nám. SNP 15
Bratislava – Herlianska	821 03	Komárnická 11
Bratislava – OC Centrál	821 08	Metodova 6
Bratislava – OC Eurovea	811 09	Pribinova 8
Bratislava – Páričkova	821 08	Páričkova 2
Bratislava – Petržalka CIty	851 01	Rusovská cesta 50
Bratislava – Ružinov	827 61	Kaštieľska 2
Banská Bystrica	975 55	Nám. slobody 1
Banská Bystrica – OC Európa	974 01	Na troskách 26
Banská Štiavnica	969 01	Radničné nám. 15
Detva	962 11	M. R. Štefánika 65
Dunajská Streda	929 35	Alžbetínske nám. 328
Fiľakovo	986 01	Biskupická 2
Galanta	924 41	Mierové nám. 2
Komárno	945 23	Tržničné nám. 1
Krupina	963 01	Svätotrojičné nám. 8
Levice	934 01	Štúrova 21
Lučenec	984 35	T. G. Masaryka 24
Nitra – Štefánikova 44	949 31	Štefánikova 44
Nitra – OC Mlyny	949 01	Štefánikova 61
Nitra – OC Centro	949 01	Akademická 1/A
Nová Baňa	968 01	Nám. slobody 11
Nové Zámky	940 33	Hlavné nám. 5
Senec	903 01	Nám. 1. mája 25
Sereď	926 00	Cukrovarská 3013/1
Šaľa	927 00	Hlavná 5
Šamorín	931 01	Hlavná 64
Štúrovo	943 01	Hlavná 59
Šurany	942 01	SNP 25
Veľký Krtíš	990 20	Novohradská 7
Vráble	952 01	Levická 1288/16
Zlaté Moravce	953 00	Župná 10
Zvolen	960 94	Nám. SNP 2093/13
Želiezovce	937 01	Komenského 8
Žiar nad Hronom	965 01	Nám. Matice slov. 21

Magnifica Centres

Bratislava – MC Eurovea	811 09	Pribinova 8
Banská Bystrica – Magnifica	975 55	Nám. slobody 1
Nitra – Magnifica	949 31	Štefánikova 44

Mortgage Centres

Bratislava – Centrum	811 06	Nám. SNP 15
Bratislava – Páričkova	821 08	Páričkova 2
Nitra	949 31	Štefánikova 44
Banská Bystrica	975 55	Nám. slobody 1

Regional Retail Business Network East region

Bardejov	085 01	Kellerova 1
Brezno	977 01	Boženy Němcovej 1/A
Dolný Kubín	026 01	Radlinského 1712/34
Humenné	066 01	Nám. slobody 26/10
Hnúšťa	981 01	Francisciho 372
Kežmarok	060 01	Hviezdoslavova 5
Košice – Štúrova	040 01	Štúrova 27/A
Košice – Hlavná 1	042 31	Hlavná 1
Košice – Letná	040 01	Letná 40
Košice – OC Aupark	040 01	Nám. osloboditeľov 1
Košice – OC Galéria	040 11	Toryská 5
Košice – OC Optima	040 11	Moldavská cesta 32
Krompachy	053 42	Lorencova 20
Levoča	054 01	Nám. Majstra Pavla 38
Lipany	082 71	Nám. sv. Martina 2
Liptovský Mikuláš	031 31	Štúrova 19
Martin	036 01	M. R. Štefánika 2
Martin – OC Tulip	036 01	Pltníky 2
Medzilaborce	068 10	Mierová 289/1
Michalovce	071 80	Nám. slobody 3
Moldava nad Bodvou	045 01	Hviezdoslavova 13
Námestovo	029 01	Hviezdoslavovo nám. 200/5
Poprad	058 17	Mnoheľova 2832/9
Poprad – OC Forum	058 01	Nám. sv. Egídia 3290/124
Prešov	080 01	Masarykova 13
Prešov – Hlavná	080 01	Hlavná 61
Prešov – OC MAX	080 01	Vihorlatská 2A
Revúca	050 01	Nám. slobody 3
Rimavská Sobota	979 13	Francisciho 1
Rožňava	048 73	Šafárikova 21
Ružomberok	034 01	Podhora 48
Sabinov	083 01	Nám. slobody 90
Snina	069 01	Strojárska 2524
Spišská Nová Ves	052 14	Letná 33
Stará Ľubovňa	064 01	Nám. sv. Mikuláša 27
Stropkov	091 01	Mlynská 692/1
Svidník	089 27	Centrálna 584/5
Trebišov	075 17	M. R. Štefánika 3197/32
Trstená	028 01	Nám. M. R. Štefánika 15
Turčianske Teplice	039 01	Hájska 3
Tvrdošín	027 44	Trojičné nám. 191
Veľké Kapušany	079 01	Sídl. P. O. Hviezdoslava 79
Vranov nad Topľou	093 01	Nám. slobody 6

Magnifica Centres

Košice – Magnifica	042 31	Štúrova 27/A
Prešov – Magnifica	081 86	Masarykova 13

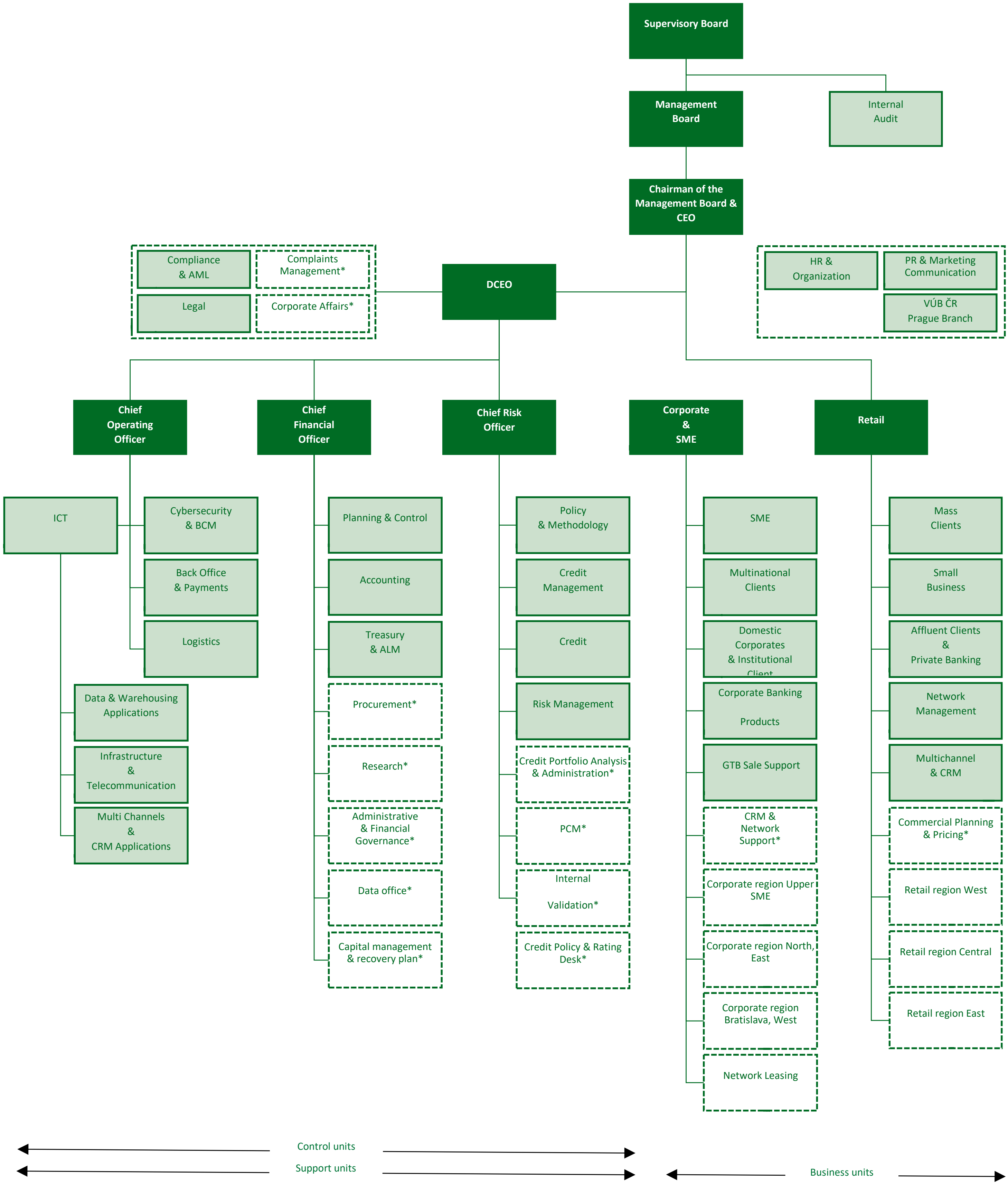
Mortgage Centres

Košice	042 31	Štúrova 27/A
Poprad	058 17	Mnoheľova 2832/9
Prešov	081 86	Masarykova 13

List of VUB Corporate branches

Corporate Business Centre Bratislava		
BRATISLAVA	Mlynské nivy 1	0904 751 310
BRATISLAVA – Avion	Ivanská cesta 16	0904 750 026
Corporate Business Centre Trnava		
TRNAVA	Dolné bašty 2	0904 755 170
SENICA	Nám. oslobodenia 8	0904 756 420
Corporate Business Centre Nitra		
NITRA	Štefánikova 44	0904 751 379
TOPOĽČANY	Moyzesova 585/2	0904 751 379
LEVICE	Štúrova 21	0904 757 796
Corporate Business Centre Nové Zámky		
NOVÉ ZÁMKY	Hlavné námestie 5	0904 750 611
KOMÁRNO	Tržničné nám. 1	0904 750 611
GALANTA	Mierové námestie 2	0904 755 804
DUNAJSKÁ STREDA	Alžbetínske nám. 328	0904 755 804
Corporate Business Centre Trenčín		
TRENČÍN	Legionárska 7158/5	0904 750 356
POVAŽSKÁ BYSTRICA	Nám. A. Hlinku 23/28	0904 750 009
PRIEVIDZA	Námestie slobody 10	0904 750 140
Corporate Business Centre Žilina		
ŽILINA	Na bráne 1	0904 751 242
MARTIN	M.R.Štefánika 2	0904 750 399
ČADCA	Fraňa Kráľa 1504	0904 755 443
DOLNÝ KUBÍN	Radlinského 1712/34	0904 755 762
Corporate Business Centre Banská Bystrica		
ŽIAR NAD HRONOM	Nám. Matice slovenskej 21	0904 751 097
ZVOLEN	Námestie SNP 2093/13	0904 754 085
BANSKÁ BYSTRICA	Námestie slobody 1	0904 754 085
LUČENEC	T.G. Masaryka 24	0904 751 152
RIMAVSKÁ SOBOTA	Francisciho 1	0904 751 152
Corporate Business Centre Poprad		
POPRAD	Mnoheľova 2832/9	0904 750 900
LIPTOVSKÝ MIKULÁŠ	Štúrova 19	0904 750 079
SPIŠSKÁ NOVÁ VES	Letná 33	0904 750 900
Corporate Business Centre Prešov		
PREŠOV	Masarykova 13	0904 750 680
BARDEJOV	Kellerova 1	0904 750 680
HUMENNÉ	Námestie slobody 26/10	0904 751 428
Corporate Business Centre Košice		
KOŠICE	Štúrova 27/A	0904 750 258
MICHALOVCE	Námestie slobody 3	0904 751 307

Organization Chart of VUB as at 31 December 2023



*Department in the direct reporting line to the Chief Executive.

Scope of business

Pursuant to Article 2 of Act No. 483/2001 Coll. on Banks, the Bank carries out, apart from taking deposits and providing loans, the following activities:

1. The provision of payment services and clearing;
2. The provision of investment services, investment activities and auxiliary services under the Act on Securities, and investing in securities for account;
3. Trading activities for the Bank's account:
   a) in financial instruments of the money market in EUR or foreign currency, including currency exchange services;
   b) in financial instruments of the capital market in EUR or foreign currency;
   c) in precious metal coins, commemorative coins and banknotes, sheets of banknotes and sets of circulation coinage;
4. The management of claims on behalf of clients, including advisory services;
5. Financial leasing;
6. The provision of guarantees, opening and endorsing of letters of credit;
7. The provision of business advisory services;
8. The issuance of securities, participation therein, and the provision of related services;
9. Financial intermediation;
10. The safe custody of assets;
11. The renting of safe deposit boxes;
12. The provision of banking information;
13. Mortgage transactions pursuant to Article 67(1) of the Act on Banks;
14. Performance of the functions of a depository under a separate regulation;
15. The processing of banknotes and coins;
16. The issuance and administration of electronic money;
17. Financial intermediation under a special regulation as an independent financial agent in the insurance and reinsurance sector, provision of loans, housing loans and consumer loans, and as a tied financial agent in the supplementary pension savings sector;

Pursuant to Article 79a and Article 6 of Act No. 566/2001 Coll. on Securities and Investment Services and on changes and amendments to some acts (Act on Securities)

Pursuant to Article 79a(1) and Article 6(1) and (2) of Act No. 566/2001 Coll. on Securities and Investment Services, the investment of securities on own account, the provision of investment services, investment activities and ancillary services in accordance with Article 79a(1) and in conjunction with Article 6(1) and (2) of the Act on Securities, within the following scope:

(i) Reception and transmission of client orders in relation to one or more financial instruments with respect to the following financial instruments:

a) transferable securities;
b) money market instruments;
c) fund shares or securities issued by foreign collective investment entities;
d) options, futures, swaps, forwards and other derivatives related to securities, currencies, interest rates or yields or other derivative instruments, financial indexes or financial rates which can be settled by delivery or in cash;

e) options, swaps and forwards related to commodities which must be settled in cash or can be settled at the option of one of the parties; this does not apply if the settlement is carried out due to insolvency or another event resulting in contract termination;
f) options and swaps related to commodities which can be settled in cash, if traded on a regulated market or within a multilateral trading system;
g) options, swaps and forwards related to emission licences, inflation rate which must be settled in cash or can be settled at the option of one of the parties, for a reason other than due to insolvency or another event resulting in contract termination;

(ii) execution of orders on behalf of clients with respect to financial instruments:

a) transferable securities,
b) money market instruments,
c) fund shares or securities issued by foreign collective investment entities;
d) options, futures, swaps, forwards and other derivatives related to securities, currencies, interest rates or yields or other derivative instruments, financial indexes or financial rates which can be settled by delivery or in cash;
e) options, swaps and forwards related to commodities which must be settled in cash or can be settled at the option of one of the parties; this does not apply if the settlement is carried out due to insolvency or another event resulting in contract termination;
f) options and swaps related to commodities which can be settled in cash, if traded on a regulated market or within a multilateral trading system;
g) options, swaps and forwards related to emission licences, inflation rate, which must be settled in cash or can be settled at the option of one of the parties, for a reason other than due to insolvency or another event resulting in contract termination;

(iii) dealing on own account with respect to financial instruments:

a) transferable securities,
b) money market instruments,
c) fund shares or securities issued by foreign collective investment entities;
d) options, futures, swaps, forwards and other derivatives related to securities, currencies, interest rates or yields or other derivative instruments, financial indexes or financial rates which can be settled by delivery or in cash;
e) options, swaps and forwards related to commodities which must be settled in cash or can be settled at the option of one of the parties; this does not apply if the settlement is carried out due to insolvency or another event resulting in contract termination;
f) options and swaps related to commodities which can be settled in cash, if traded on a regulated market or within a multilateral trading system;
g) options, swaps and forwards related to emission licences, inflation rate, which must be settled in cash or can be settled at the option of one of the parties, for a reason other than due to insolvency or another event resulting in contract termination;

(iv) portfolio management with respect to financial instruments:

a) transferable securities,
b) money market instruments,
c) fund shares or securities issued by foreign collective investment entities;

d) options, futures, swaps, forwards and other derivatives related to securities, currencies, interest rates or yields or other derivative instruments, financial indexes or financial rates which can be settled by delivery or in cash;

(v) investment advice with respect to financial instruments:
  a) transferable securities,
  b) money market instruments,
  c) fund shares or securities issued by foreign collective investment entities;

(vi) underwriting or placing of financial instruments on a firm commitment basis with respect to financial instruments:
  a) transferable securities,
  b) fund shares or securities issued by foreign collective investment entities;

(vii) placing of financial instruments without a firm commitment basis with respect to financial instruments:
  a) transferable securities,
  b) money market instruments,
  c) fund shares or securities issued by foreign collective investment entities;

(viii) safe custody and administration of financial instruments for the account of clients, including custodianship and related services, such as cash/collateral management with respect to financial instruments:
  a) transferable securities,
  b) money market instruments,
  c) fund shares or securities issued by foreign collective investment entities;

(ix) granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the provider of the credit or loans is involved in the transaction;

(x) advice on capital structure and business strategy, and advice and services relating to the merger, consolidation, transformation or splitting of undertakings or the purchase of undertakings;

(xi) foreign exchange transactions where these are connected to the provision of investment services;

(xii) investment survey and financial analysis or the other forms of general recommendation relating to transactions in financial instruments;

(xiii) services related to the underwriting of financial instruments;

(xiv) receipt and transmission of clients' orders concerning one or more financial instruments, execution of clients' order on their own account, trading on own account related to underlying derivative instruments - forwards related to emission licenses which must be settled in cash or can be settled at the option of one of the parties for a reason other than due to insolvency or other event resulting in contract termination, provided that they are connected with the provision of investment services or ancillary investment services for these derivatives.

Anna Štefanovičová
(1996, Skalica)
I Remember That Time
2023, oil and acrylic on canvas, 150x130cm

The artwork entitled *I Remember That Time* by Anna Štefanovičová has attained the finals of the Painting 2023 competition. This is part of a series in which the artist was inspired by the visual nature of objects bearing sentimental value. These objects often serve as souvenirs or gifts that we refuse to discard for emotional reasons. They decorate our interiors, return us to our childhood and awaken the memories associated with them.

The Maľba competition - *VÚB Foundation Prize for Painting for Young Artists* is one of the VÚB Foundation's profile projects and one of its initiatives with the longest tradition. Even after eighteen years of its existence, it is still accomplishing the mission for which it was founded: to introduce the public to the greatest talents among young professional painters in Slovakia, to improve and enrich the medium of painting and to help young artists to establish themselves on the art scene. The international jury, which evaluates the works, brings young Slovak painting into curators' awareness beyond Slovakia's borders and opens the door to the world for young artists.