



**Interim condensed consolidated financial statements
for the six months ended 30 June 2023**

Prepared in accordance with International Accounting Standard
IAS 34 Interim Financial Reporting

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Independent Auditor's Review report for 6-months period
ending 30 June 2023

INDEPENDENT AUDITORS REVIEW REPORT

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Všeobecná úverová banka, a.s. and its subsidiaries, that comprise the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity for the 6-months period then ended and the notes, which includes a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review


We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union.

15 August 2023
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 30 June 2023 (In thousands of EUR)

	Note	June 2023	December 2022
Assets			
Cash and cash equivalents	7	2 814 602	3 060 496
Financial assets at fair value through profit or loss:	8		
Financial assets held for trading		117 509	60 404
Non-trading financial assets at fair value through profit or loss		4 198	3 991
Derivatives - Hedge accounting	9	280 350	352 265
Financial assets at fair value through other comprehensive income	10	1 594 525	1 427 578
<i>of which pledged as collateral</i>		<i>645 846</i>	<i>1 283 417</i>
Financial assets at amortized cost:	11		
Due from other banks		224 446	153 294
Due from customers		17 788 230	17 497 930
<i>of which pledged as collateral</i>		<i>72 825</i>	<i>77 233</i>
Fair value changes of the hedged items in portfolio hedge of interest rate risk	12	(114 592)	(126 410)
Investments in joint ventures and associates	13	1 445	1 885
Property and equipment	14	117 209	121 404
Intangible assets	15	190 769	198 671
Goodwill	16	29 305	29 305
Current income tax assets	17	1 206	441
Deferred income tax assets	17	50 586	50 446
Other assets	18	36 169	35 717
Non-current assets classified as held for sale	14	5 946	5 946
		<u>23 141 903</u>	<u>22 873 363</u>
Liabilities			
Financial liabilities at fair value through profit or loss:			
Financial liabilities held for trading	8	108 208	61 463
Derivatives - Hedge accounting	9	309 065	316 157
Financial liabilities at amortized cost:	11		
Due to banks		917 664	1 005 068
Due to customers		15 272 826	15 407 863
Lease liabilities		17 553	19 322
Subordinated debt		300 443	250 368
Debt securities in issue		3 940 168	3 784 008
Fair value changes of the hedged items in portfolio hedge of interest rate risk	12	(18 397)	(19 536)
Current income tax liabilities	17	46 238	24 231
Provisions	19	21 476	18 888
Other liabilities	20	141 541	135 436
		<u>21 056 785</u>	<u>21 003 268</u>
Equity			
Share capital	22	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		1 457 936	1 327 769
Equity reserves		6 687	1 831
		<u>2 085 118</u>	<u>1 870 095</u>
		<u>23 141 903</u>	<u>22 873 363</u>

The accompanying notes on pages 12 to 70 form an integral part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2023 (In thousands of EUR)

	Note	June 2023	June 2022
Interest income calculated using the effective interest method		387 499	180 386
Other interest income		2 840	2 315
Interest and similar expense		(143 495)	(34 942)
Net interest income	24	246 844	147 759
Fee and commission income		104 014	98 771
Fee and commission expense		(16 982)	(16 149)
Net fee and commission income	25	87 032	82 622
Net trading result	26	7 876	6 705
Other operating income	27	2 778	3 706
Other operating expenses	28	(16 831)	(21 767)
Special levy of selected financial institutions	29	-	-
Salaries and employee benefits	30	(64 782)	(59 767)
Other administrative expenses	31	(41 029)	(37 055)
Amortisation	15	(12 657)	(9 019)
Depreciation	14	(6 900)	(7 180)
Profit before provisions impairment and tax		202 331	106 004
Net modification losses		(154)	(17)
Provisions	19, 32	(1 288)	(63)
Impairment losses	21, 33	(30 202)	(30 920)
Net loss arising from the derecognition of financial assets at amortised cost	33	3 799	8 387
		174 486	83 391
Share of the profit or loss of investments in joint ventures and associates accounted for using the equity method		(1 040)	1 306
Profit before tax		173 446	84 697
Income tax expense	34	(39 782)	(20 932)
Net profit before Minority Interest		133 664	63 765
Net profit attributable to Minority Interest		(1 271)	-
NET PROFIT FOR THE SIX MONTHS		132 393	63 765

(Table continues on the next page.)

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2023 (In thousands of EUR)

(continued)

	Note	June 2023	June 2022
Other comprehensive income for the six months, after tax:	35		
<i>Items that shall not be reclassified to profit or loss in the future:</i>			
Net revaluation gain from property and equipment		-	-
Reversal of deferred income tax on disposed property and equipment		-	-
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)		28	(541)
		<u>28</u>	<u>(541)</u>
<i>Items that may be reclassified to profit or loss in the future:</i>			
Change in value of financial assets at fair value through other comprehensive income (debt instruments)		5 054	(19 730)
Exchange difference on translation of foreign operations		(208)	(92)
		<u>4 846</u>	<u>(19 822)</u>
Other comprehensive income for the six months, net of tax		<u>4 874</u>	<u>(20 363)</u>
TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS		<u><u>137 267</u></u>	<u><u>43 402</u></u>

The accompanying notes on pages 12 to 70 form an integral part of these financial statements.

Consolidated statement of changes in equity

for the six months ended 30 June 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	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	-	-	-	-	132 393	-	5 082	(208)	137 267
Transfers	-	-	-	-	-	-	-	-	-
Losses on the sale of shares at FVOCI	-	-	-	-	18	-	(18)	-	-
Gain on disposal of property and equipment	-	-	-	-	-	-	-	-	-
Exchange difference	-	-	-	-	528	-	-	-	528
Transactions with owners, recorded directly in equity	-	-	-	-	(2 772)	-	-	-	(2 772)
<i>Dividends to shareholders</i>	-	-	-	-	(2 772)	-	-	-	(2 772)
<i>Reversal of dividends distributed but not collected</i>	-	-	-	-	-	-	-	-	-
At 30 June 2023	<u>510 819</u>	<u>13 719</u>	<u>8 464</u>	<u>87 493</u>	<u>1 457 936</u>	<u>18 588</u>	<u>(11 868)</u>	<u>(33)</u>	<u>2 085 118</u>

(Table continues on the next page)

Consolidated statement of changes in equity

for the six months ended 30 June 2023 (In thousands of EUR)

(continued)

	Share capital	Share premium	Other capital funds	Legal reserve fund	Retained earnings	Revaluation surplus of buildings and land	Financial assets at FVOCI	Translation of foreign operation	Total
At 31 December 2021	430 819	13 719	8 464	89 778	1 167 119	17 215	7 710	100	1 734 924
	-	-	-	(2 285)	2 608	-	-	-	323
At 1 January 2022	430 819	13 719	8 464	87 493	1 169 727	17 215	7 710	100	1 735 247
Increase of share capital	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year, net of tax	-	-	-	-	63 765	-	(20 271)	(92)	43 402
Transfers	-	-	-	-	-	-	-	-	-
Losses on the sale of shares at FVOCI	-	-	-	-	-	-	-	-	-
Gain on disposal of property and equipment	-	-	-	-	-	-	-	-	-
Exchange difference	-	-	-	-	(104)	-	-	-	(104)
Transactions with owners, recorded directly in equity	-	-	-	-	(10 390)	-	-	-	(10 390)
<i>Dividends to shareholders</i>	-	-	-	-	(10 534)	-	-	-	(10 534)
<i>Reversal of dividends distributed but not collected</i>	-	-	-	-	144	-	-	-	144
At 30 June 2022	<u>430 819</u>	<u>13 719</u>	<u>8 464</u>	<u>87 493</u>	<u>1 222 998</u>	<u>17 215</u>	<u>(12 561)</u>	<u>8</u>	<u>1 768 155</u>

The accompanying notes on pages 12 to 70 form an integral part of these financial statements.

Consolidated statement of cash flows for the six months ended 30 June 2023 (In thousands of EUR)

	Note	June 2023	June 2022
Cash flows from operating activities:			
Profit before tax		173 446	84 697
Adjustments for:			
(Interest income)	24	(390 339)	(182 701)
Interest expense	24	143 495	34 942
(Gain)/Loss from sale/revaluation of financial assets at fair value through other comprehensive income		(7 415)	55 525
(Gain) on sale of intangible assets and property and equipment	27	(432)	(729)
Loss/(Gain) from revaluation of debt securities in issue		10 579	(162 316)
Amortisation	15	12 657	9 019
Depreciation	14	6 900	7 180
Impairment losses and similar charges	32, 33	58 454	64 947
Share of the profit or loss of investments in joint ventures and associates accounted for using the equity method and related items		440	7 729
Profit attributable to minority interest		(1 271)	-
Exchange difference on translation of foreign operations	35	320	(196)
Interest received		393 815	184 433
(Interest paid)		(135 761)	(50 863)
Tax (paid)		(18 680)	(13 205)
(Increase) in financial assets at fair value through profit or loss		(57 174)	(16 499)
Decrease/(Increase) in derivatives - hedge accounting (assets)		71 915	(139 695)
Financial assets at amortized cost:			
(Increase) in due from other banks		(72 432)	(23 159)
(Increase) in due from customers		(352 159)	(401 025)
(Increase)/Decrease in fair value changes of the hedged items in portfolio hedge of interest rate risk (assets)		(11 818)	50 757
(Increase) in other assets		(123)	(1 534)
Increase in financial liabilities at fair value through profit or loss		46 745	15 442
(Decrease)/Increase in derivatives - hedge accounting (liabilities)		(7 092)	163 623
Financial liabilities measured at amortized cost:			
Increase/(Decrease) in due to banks		10 928	(376 420)
(Decrease)/Increase in due to customers		(90 881)	198 698
Increase/(Decrease) in fair value changes of the hedged items in portfolio hedge of interest rate risk (liabilities)		1 139	(14 236)
Increase in provisions		2 091	169
Increase in other liabilities		6 105	(2 791)
Net cash used in operating activities		(206 548)	(508 208)
Cash flows from investing activities:			
Purchase of financial assets at fair value through other comprehensive income		(326 721)	(483 390)
Disposal of financial assets at fair value through other comprehensive income		78 240	294 275
Repayments of financial assets at fair value through other comprehensive income		95 200	286 803
Purchase of intangible assets and property and equipment		(6 727)	1 054 713
Disposal of intangible assets and property and equipment		1 386	(1 058 079)
Increase in share capital		80 000	-
Investments in Monilogi, s.r.o.		-	(75)
Net cash (used in)/from investing activities		(78 622)	94 247

(Table continues on the next page)

Consolidated statement of cash flows for the six months ended 30 June 2023 (In thousands of EUR)

(continued)

	Note	June 2023	June 2022
Cash flows from financing activities:			
Proceeds from issue of debt securities		500 000	500 000
Repayments of debt securities in issue		(350 000)	(14 000)
Proceeds from loans received from other banks		-	450 000
Repayments of loans received from other banks		(104 566)	(5 280)
Repayments of lease liabilities		(3 386)	(3 490)
Dividends paid		(2 772)	(10 534)
<i>Net cash from financing activities</i>		39 276	916 696
Net change in cash and cash equivalents		(245 894)	502 735
Cash and cash equivalents at the beginning of the year	7	3 060 496	2 612 787
Cash and cash equivalents at 30 June	7	2 814 602	3 115 522

The accompanying notes on pages 12 to 70 form an integral part of these financial statement.

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.

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 30 June 2023, the VUB Group had a network of 169 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).

At 30 June 2023, the total number of employees of the VUB Group was 3,344 (31 December 2022: 3,358). The average number of employees of the VUB Group during the year ended as at 30 June 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 June 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

These interim condensed consolidated financial statements for the six months ended 30 June 2023 (hereinafter referred to as the "interim financial statements") have been prepared in accordance with IAS 34 Interim financial reporting and are intended to update the Bank's last regular annual financial statements prepared for the period ending on December 31, 2022 (hereinafter referred to as the "last regular financial statements"). The information presented in these interim financial statements focuses on selected explanatory notes intended to inform users of these interim financial statements about events and transactions that are significant for understanding changes in the financial position and operational performance of the bank since the date of the last regular financial statements and do not duplicate previously reported information. These interim financial statements do not contain all the required disclosures for regular annual financial statements prepared in accordance with IFRS as adopted by the EU, and it is therefore necessary to interpret them together with the last regular financial statements.

The financial statements have been prepared under the historical prices adjusted by the revaluation of financial assets and liabilities at fair value through 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. 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.

2. Changes in accounting policies

Apart from the impact of the changes described in note 2.1., the accounting policies and accounting methods in these interim financial statements were applied consistently with those applied in the last regular financial statements of the VUB Group for the accounting period ending on December 31, 2022.

The accounting policy for reporting current and deferred income tax within the interim financial statements is described in note 3.3. and was applied consistently with the previous period for which the financial statements were prepared.

2.1. Standards and interpretations relevant to the VUB Group's operations issued that are effective for the current year

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

The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier adoption permitted.

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) gives rise to taxable and deductible temporary differences that are not equal. The amendments have not yet been endorsed by the EU.

For leases, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period reported, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period reported.

The VUB Group accounts for deferred tax on leases applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the VUB Group will recognise a separate deferred tax asset and a deferred tax liability. As at 30 June 2023, the taxable temporary difference in relation to the right-of-use asset is €17,114 thousand and the deductible temporary difference in relation to the lease liability is €17,395 thousand, resulting in a net deferred tax asset of €281 thousand.

Under the amendments, the VUB Group will present a separate deferred tax liability of €3,594 thousand and a deferred tax asset of €3,653 thousand. There will be no impact on retained earnings on adoption of the amendments.

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:

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16),

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37),
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16),
- Reference to conceptual framework (Amendments to IFRS 3),
- IFRS 17: Insurance Contracts,
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments).

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.

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

- Definition of Accounting Estimates (Amendments to IAS 8),
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1),
- 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),
- IFRS 16 Lease: Lease Liability in a Sale and Leaseback (Amendments).

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 interim 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 in terms of classification categories**, note [4.1.1. 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 [4.1.1. 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 [4.1.1. Non-performing loan classification](#),
- **The forbearance policy**, note [4.1.2. Loans with renegotiated terms and forbearance policy](#),
- **Financial assets at amortised cost due from customers**, note [11.2](#).

3. Significant accounting policies

3.1. 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 or the most advantageous 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.

3.2. 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.

3.3. 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

4.1. Credit risk

4.1.1. Non-performing loan classification

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

June 2023 € '000	Category	Gross amount	Impairment losses	Net amount
Financial assets at AC:				
Due from other banks				
	Performing	146 560	(12)	146 548
	Unlikely to pay	80 314	(2 416)	77 898
		<u>226 874</u>	<u>(2 428)</u>	<u>224 446</u>
Due from customers:				
Corporate:				
Financial corporations				
	Performing	906 277	(524)	905 753
		8	(6)	2
		<u>906 285</u>	<u>(530)</u>	<u>905 755</u>
Non-financial corporations				
	Performing	6 005 188	(77 025)	5 928 163
	Past due	9 204	(5 317)	3 887
	Unlikely to pay	38 979	(15 014)	23 965
	Doubtful	49 959	(40 456)	9 503
		<u>6 103 330</u>	<u>(137 812)</u>	<u>5 965 518</u>
		7 009 615	(138 342)	6 871 273
Retail				
	Performing	10 753 051	(78 587)	10 674 464
	Past due	36 635	(19 546)	17 089
	Unlikely to pay	35 325	(21 479)	13 846
	Doubtful	145 395	(109 328)	36 067
		<u>10 970 406</u>	<u>(228 940)</u>	<u>10 741 466</u>
Public administration				
	Performing	174 264	(1 556)	172 708
	Past due	1	-	1
	Doubtful	2 784	(2)	2 782
		<u>177 049</u>	<u>(1 558)</u>	<u>175 491</u>
		<u>18 157 070</u>	<u>(368 840)</u>	<u>17 788 230</u>
		<u>18 383 944</u>	<u>(371 268)</u>	<u>18 012 676</u>
Financial assets at FVOCI – debt securities				
	Performing	1 594 647	(276)	1 594 371
Financial commitments and contingencies				
	Performing	5 979 039	(11 119)	5 967 920
	Past due	2 233	(22)	2 211
	Unlikely to pay	11 233	(4 535)	6 698
	Doubtful	3 365	(148)	3 217
		<u>5 995 870</u>	<u>(15 824)</u>	<u>5 980 046</u>

December 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
		<u>153 659</u>	<u>(365)</u>	<u>153 294</u>
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
		<u>6 136 659</u>	<u>(137 834)</u>	<u>5 998 825</u>
		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
		<u>10 766 058</u>	<u>(228 055)</u>	<u>10 538 003</u>
Public administration				
	Performing	185 967	(1 680)	184 287
	Doubtful	1 751	(4)	1 747
		<u>187 718</u>	<u>(1 684)</u>	<u>186 034</u>
		<u>17 865 744</u>	<u>(367 814)</u>	<u>17 497 930</u>
		<u>18 019 403</u>	<u>(368 179)</u>	<u>17 651 224</u>
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
		<u>5 817 224</u>	<u>(14 407)</u>	<u>5 802 817</u>

December 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
		<u>153 659</u>	<u>(365)</u>	<u>153 294</u>
Due from customers:				
Public administration				
	Performing	190 416	(1 635)	188 781
	Doubtful	15	(4)	11
		<u>190 431</u>	<u>(1 639)</u>	<u>188 792</u>
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
		<u>6 624 990</u>	<u>(106 508)</u>	<u>6 518 482</u>
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
		<u>11 050 324</u>	<u>(259 668)</u>	<u>10 790 656</u>
		<u>17 865 745</u>	<u>(367 815)</u>	<u>17 497 930</u>
		<u>18 019 404</u>	<u>(368 180)</u>	<u>17 651 224</u>
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
		<u>5 817 224</u>	<u>(14 407)</u>	<u>5 802 817</u>

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.

June 2023		Stage 1			Stage 2			Stage 3	
€ '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Financial assets at AC:									
Due from other banks	146 560	(12)	146 548	-	-	-	80 314	(2 416)	77 898
Due from customers:									
Corporate:									
Financial corporations									
Loans	554 037	(142)	553 895	12 169	(317)	11 852	7	(6)	1
Overdrafts	19 672	(1)	19 671	-	-	-	-	-	-
Debt securities	320 303	(64)	320 239	-	-	-	-	-	-
Leasing	<u>97</u>	<u>-</u>	<u>97</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	894 109	(207)	893 902	12 169	(317)	11 852	7	(6)	1
Non-financial corporations									
Loans	3 667 739	(25 296)	3 642 443	925 288	(47 348)	877 940	52 156	(30 639)	21 517
Mortgages	7 787	(30)	7 757	3 431	(347)	3 084	590	(429)	161
Overdrafts	814 122	(949)	813 173	102 666	(1 180)	101 486	29 810	(19 009)	10 801
Factoring	142 515	(54)	142 461	4 002	(2)	4 000	3 214	(1 150)	2 064
Debt securities	105 011	(54)	104 957	44 166	(645)	43 521	-	-	-
Leasing	<u>148 804</u>	<u>(315)</u>	<u>148 489</u>	<u>39 658</u>	<u>(805)</u>	<u>38 853</u>	<u>12 371</u>	<u>(9 560)</u>	<u>2 811</u>
	<u>4 885 978</u>	<u>(26 698)</u>	<u>4 859 280</u>	<u>1 119 211</u>	<u>(50 327)</u>	<u>1 068 884</u>	<u>98 141</u>	<u>(60 787)</u>	<u>37 354</u>
	5 780 087	(26 905)	5 753 182	1 131 380	(50 644)	1 080 736	98 148	(60 793)	37 355

(Table continues on the next page)

June 2023		Stage 1			Stage 2			Stage 3	
€ '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Financial assets at AC:									
Due from customers:									
Retail									
Loans	1 196 967	(14 848)	1 182 119	200 507	(25 178)	175 329	104 197	(95 317)	8 880
Mortgages	8 799 832	(5 133)	8 794 699	371 691	(31 539)	340 152	96 486	(39 649)	56 837
Overdrafts	67 016	(185)	66 831	25 618	(598)	25 020	6 499	(5 963)	536
Credit Cards	69 883	(145)	69 738	9 762	(771)	8 991	9 692	(9 056)	636
Factoring	113	-	113	-	-	-	-	-	-
Leasing	9 028	(105)	8 923	2 633	(84)	2 549	482	(369)	113
	<u>10 142 839</u>	<u>(20 416)</u>	<u>10 122 423</u>	<u>610 211</u>	<u>(58 170)</u>	<u>552 041</u>	<u>217 356</u>	<u>(150 354)</u>	<u>67 002</u>
Public administration									
Loans	162 051	(1 269)	160 782	8 716	(283)	8 433	2 784	(2)	2 782
Overdrafts	1 160	(2)	1 158	32	(1)	31	1	-	1
Credit cards	2	-	2	-	-	-	-	-	-
Factoring	1 406	-	1 406	-	-	-	-	-	-
Leasing	796	(1)	795	101	-	101	-	-	-
	<u>165 415</u>	<u>(1 272)</u>	<u>164 143</u>	<u>8 849</u>	<u>(284)</u>	<u>8 565</u>	<u>2 785</u>	<u>(2)</u>	<u>2 783</u>
	<u>16 088 341</u>	<u>(48 593)</u>	<u>16 039 748</u>	<u>1 750 440</u>	<u>(109 098)</u>	<u>1 641 342</u>	<u>318 289</u>	<u>(211 149)</u>	<u>107 140</u>
	<u>16 234 901</u>	<u>(48 605)</u>	<u>16 186 296</u>	<u>1 750 440</u>	<u>(109 098)</u>	<u>1 641 342</u>	<u>398 603</u>	<u>(213 565)</u>	<u>185 038</u>
Financial assets at FVOCI – debt securities									
	1 594 647	(276)	1 594 371	-	-	-	-	-	-
Financial commitments and contingencies									
	5 583 574	(6 121)	5 577 453	395 465	(4 998)	390 467	16 831	(4 705)	12 126

December 2022 - restated	Stage 1			Stage 2			Stage 3			
	€ '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount	Gross amount	Impairment 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	-	-	-	-	-	-	-
	<u>775 306</u>	<u>(241)</u>	<u>775 065</u>	<u>3</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	(39)	8 811	3 979	(366)	3 613	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	<u>153 738</u>	<u>(261)</u>	<u>153 477</u>	<u>30 581</u>	<u>(746)</u>	<u>29 835</u>	<u>14 398</u>	<u>(10 591)</u>	<u>3 807</u>	
	<u>5 026 167</u>	<u>(24 506)</u>	<u>5 001 661</u>	<u>1 006 414</u>	<u>(46 199)</u>	<u>960 215</u>	<u>104 078</u>	<u>(67 129)</u>	<u>36 949</u>	
	5 801 473	(24 747)	5 776 726	1 006 417	(46 199)	960 218	104 078	(67 129)	36 949	

(Table continues on the next page)

December 2022 - restated		Stage 1			Stage 2			Stage 3	
€ '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Financial assets at AC:									
Due from customers:									
Retail									
Loans	1 143 124	(13 767)	1 129 357	203 920	(24 623)	179 297	105 757	(95 392)	10 365
Mortgages	8 671 517	(4 844)	8 666 673	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	73 468	(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
	<u>9 965 772</u>	<u>(19 071)</u>	<u>9 946 701</u>	<u>579 642</u>	<u>(56 289)</u>	<u>523 353</u>	<u>220 644</u>	<u>(152 695)</u>	<u>67 949</u>
Public administration									
Loans	176 289	(1 352)	174 937	7 910	(325)	7 585	1 751	(4)	1 747
Overdrafts	1 096	(2)	1 094	2	-	2	1	-	1
Leasing	528	(1)	527	141	-	141	-	-	-
	<u>177 913</u>	<u>(1 355)</u>	<u>176 558</u>	<u>8 053</u>	<u>(325)</u>	<u>7 728</u>	<u>1 752</u>	<u>(4)</u>	<u>1 748</u>
	<u>15 945 158</u>	<u>(45 173)</u>	<u>15 899 985</u>	<u>1 594 112</u>	<u>(102 813)</u>	<u>1 491 299</u>	<u>326 474</u>	<u>(219 828)</u>	<u>106 646</u>
	<u>16 017 770</u>	<u>(45 183)</u>	<u>15 972 587</u>	<u>1 674 623</u>	<u>(102 901)</u>	<u>1 571 722</u>	<u>327 010</u>	<u>(220 095)</u>	<u>106 915</u>
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

December 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	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.)

December 2022 - restated			Stage 1			Stage 2			Stage 3
€ '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount	Gross amount	Impairment 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	-	-	-	-	-	-
	<u>10 101 002</u>	<u>(25 686)</u>	<u>10 075 316</u>	<u>702 851</u>	<u>(65 106)</u>	<u>637 745</u>	<u>246 471</u>	<u>(168 876)</u>	<u>77 595</u>
	<u>15 952 712</u>	<u>(48 976)</u>	<u>15 903 736</u>	<u>1 590 120</u>	<u>(102 770)</u>	<u>1 487 350</u>	<u>322 913</u>	<u>(216 069)</u>	<u>106 844</u>
	<u>16 025 324</u>	<u>(48 986)</u>	<u>15 976 338</u>	<u>1 670 631</u>	<u>(102 858)</u>	<u>1 567 773</u>	<u>323 449</u>	<u>(216 336)</u>	<u>107 113</u>
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.

June 2023		Stage 1			Stage 2			Stage 3		
€ '000	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount	
Financial assets at AC:										
Due from other banks										
No delinquency	146 560	(12)	146 548	-	-	-	-	-	-	
91 - 180 days							80 136	(2 395)	77 741	
Over 181 days	-	-	-	-	-	-	178	(21)	157	
	<u>146 560</u>	<u>(12)</u>	<u>146 548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80 314</u>	<u>(2 416)</u>	<u>77 898</u>	
Due from customers:										
Corporate:										
Financial corporations										
No delinquency	894 028	(207)	893 821	12 169	(317)	11 852	-	-	-	
1 - 30 days	81	-	81	-	-	-	-	-	-	
91 - 180 days	-	-	-	-	-	-	7	(6)	1	
	<u>894 109</u>	<u>(207)</u>	<u>893 902</u>	<u>12 169</u>	<u>(317)</u>	<u>11 852</u>	<u>7</u>	<u>(6)</u>	<u>1</u>	
Non-financial corporations										
No delinquency	4 857 608	(26 449)	4 831 159	1 080 567	(48 441)	1 032 126	28 990	(10 365)	18 625	
1 - 30 days	28 312	(232)	28 080	23 841	(994)	22 847	3 805	(1 298)	2 507	
31 - 60 days	2	-	2	4 304	(249)	4 055	1 694	(902)	792	
61 - 90 days	4	-	4	3 174	(234)	2 940	2 099	(982)	1 117	
91 - 180 days	2	(1)	1	7 290	(399)	6 891	9 749	(5 353)	4 396	
Over 181 days	<u>50</u>	<u>(16)</u>	<u>34</u>	<u>35</u>	<u>(10)</u>	<u>25</u>	<u>51 804</u>	<u>(41 887)</u>	<u>9 917</u>	
	<u>4 885 978</u>	<u>(26 698)</u>	<u>4 859 280</u>	<u>1 119 211</u>	<u>(50 327)</u>	<u>1 068 884</u>	<u>98 141</u>	<u>(60 787)</u>	<u>37 354</u>	
	5 780 087	(26 905)	5 753 182	1 131 380	(50 644)	1 080 736	98 148	(60 793)	37 355	

(Table continues on the next page.)

June 2023	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	10 099 333	(19 257)	10 080 076	499 561	(37 130)	462 431	45 952	(21 239)	24 713
1 - 30 days	42 259	(1 099)	41 160	83 823	(14 161)	69 662	20 228	(9 225)	11 003
31 - 60 days	808	(46)	762	14 446	(3 591)	10 855	15 942	(6 858)	9 084
61 - 90 days	34	(3)	31	9 440	(2 541)	6 899	10 859	(5 409)	5 450
91 - 180 days	83	(1)	82	2 602	(622)	1 980	21 219	(13 853)	7 366
Over 181 days	322	(10)	312	339	(125)	214	103 156	(93 770)	9 386
	<u>10 142 839</u>	<u>(20 416)</u>	<u>10 122 423</u>	<u>610 211</u>	<u>(58 170)</u>	<u>552 041</u>	<u>217 356</u>	<u>(150 354)</u>	<u>67 002</u>
Public administration									
No delinquency	161 917	(1 271)	160 646	8 849	(284)	8 565	2 785	(2)	2 783
1 - 30 days	3 497	(1)	3 496	-	-	-	-	-	-
Over 181 days	1	-	1	-	-	-	-	-	-
	<u>165 415</u>	<u>(1 272)</u>	<u>164 143</u>	<u>8 849</u>	<u>(284)</u>	<u>8 565</u>	<u>2 785</u>	<u>(2)</u>	<u>2 783</u>
	<u>16 088 341</u>	<u>(48 593)</u>	<u>16 039 748</u>	<u>1 750 440</u>	<u>(109 098)</u>	<u>1 641 342</u>	<u>318 289</u>	<u>(211 149)</u>	<u>107 140</u>
	<u>16 234 901</u>	<u>(48 605)</u>	<u>16 186 296</u>	<u>1 750 440</u>	<u>(109 098)</u>	<u>1 641 342</u>	<u>398 603</u>	<u>(213 565)</u>	<u>185 038</u>
Financial assets at FVOCI - debt securities									
No delinquency	1 594 647	(276)	1 594 371	-	-	-	-	-	-
Financial commitments and contingencies									
No delinquency	5 583 574	(6 121)	5 577 453	395 465	(4 998)	390 467	16 831	(4 705)	12 126

December 2022 - restated	Stage 1			Stage 2			Stage 3		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
€ '000									
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
	<u>72 612</u>	<u>(10)</u>	<u>72 602</u>	<u>80 511</u>	<u>(88)</u>	<u>80 423</u>	<u>536</u>	<u>(267)</u>	<u>269</u>
Due from customers:									
Corporate:									
Financial corporations									
No delinquency	775 297	(241)	775 056	3	-	3	-	-	-
31 - 60 days	9	-	9	-	-	-	-	-	-
	<u>775 306</u>	<u>(241)</u>	<u>775 065</u>	<u>3</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-financial corporations									
No delinquency	4 992 342	(24 210)	4 968 132	985 552	(44 995)	940 557	37 044	(13 930)	23 114
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	79	(26)	53	48 273	(43 224)	5 049
	<u>5 026 167</u>	<u>(24 506)</u>	<u>5 001 661</u>	<u>1 006 414</u>	<u>(46 199)</u>	<u>960 215</u>	<u>104 078</u>	<u>(67 129)</u>	<u>36 949</u>
	5 801 473	(24 747)	5 776 726	1 006 417	(46 199)	960 218	104 078	(67 129)	36 949

(Table continues on the next page.)

December 2022 - restated		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	9 919 272	(17 903)	9 901 369	477 223	(37 120)	440 103	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	19 226	(12 413)	6 813	
Over 181 days	275	(12)	263	306	(77)	229	98 104	(87 845)	10 259	
	<u>9 965 772</u>	<u>(19 071)</u>	<u>9 946 701</u>	<u>579 642</u>	<u>(56 289)</u>	<u>523 353</u>	<u>220 644</u>	<u>(152 695)</u>	<u>67 949</u>	
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	-	-	-	
	<u>177 913</u>	<u>(1 355)</u>	<u>176 558</u>	<u>8 053</u>	<u>(325)</u>	<u>7 728</u>	<u>1 752</u>	<u>(4)</u>	<u>1 748</u>	
	<u>15 945 158</u>	<u>(45 173)</u>	<u>15 899 985</u>	<u>1 594 112</u>	<u>(102 813)</u>	<u>1 491 299</u>	<u>326 474</u>	<u>(219 828)</u>	<u>106 646</u>	
	<u>16 017 770</u>	<u>(45 183)</u>	<u>15 972 587</u>	<u>1 674 623</u>	<u>(102 901)</u>	<u>1 571 722</u>	<u>327 010</u>	<u>(220 095)</u>	<u>106 915</u>	
Financial assets at FVOCI - debt securities										
No delinquency	1 427 714	(277)	1 427 437	-	-	-	-	-	-	
Financial commitments and contingencies										
No delinquency	5 641 802	(5 819)	5 635 983	154 179	(3 178)	151 001	21 243	(5 410)	15 833	

December 2022 - original	Stage 1			Stage 2			Stage 3		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
€ '000									
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)

December 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
	<u>10 101 002</u>	<u>(25 686)</u>	<u>10 075 316</u>	<u>702 851</u>	<u>(65 106)</u>	<u>637 745</u>	<u>246 471</u>	<u>(168 876)</u>	<u>77 595</u>
	<u>15 952 712</u>	<u>(48 976)</u>	<u>15 903 736</u>	<u>1 590 120</u>	<u>(102 770)</u>	<u>1 487 350</u>	<u>322 913</u>	<u>(216 069)</u>	<u>106 844</u>
	<u>16 025 324</u>	<u>(48 986)</u>	<u>15 976 338</u>	<u>1 670 631</u>	<u>(102 858)</u>	<u>1 567 773</u>	<u>323 449</u>	<u>(216 336)</u>	<u>107 113</u>
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	-	-	-

4.1.2. Loans with renegotiated terms and forbearance policy

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

June 2023	Performing forborne			Non-performing forborne		
	Gros amount	Impairment	Net amount	Gros amount	Impairment	Net amount
€ '000						
Financial assets at AC:						
Due from other banks	-	-	-	80 136	(2 395)	77 741
Financial corporations	1	-	1	-	-	-
Non-financial corporations	103 009	(9 128)	93 881	40 579	(26 889)	13 690
Retail	92 408	(8 358)	84 050	30 121	(21 370)	8 751
Public administration	18	-	18	-	-	-
	<u>195 436</u>	<u>(17 486)</u>	<u>177 950</u>	<u>150 836</u>	<u>(50 654)</u>	<u>100 182</u>
Financial commitments and contingencies	783	(7)	776	2 119	(639)	1 480

December 2022 - restated	Performing forborne			Non-performing forborne		
	Gros amount	Impairment	Net amount	Gros amount	Impairment	Net amount
€ '000						
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	-	-	-
	<u>246 166</u>	<u>(13 154)</u>	<u>233 012</u>	<u>70 743</u>	<u>(50 857)</u>	<u>19 886</u>
Financial commitments and contingencies	1 690	(1)	1 689	3 928	(1 140)	2 788

December 2022 - original	Performing forborne			Non-performing forborne		
	Gros amount	Impairment	Net amount	Gros amount	Impairment	Net amount
€ '000						
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
	<u>246 099</u>	<u>(13 116)</u>	<u>232 983</u>	<u>70 263</u>	<u>(50 382)</u>	<u>19 881</u>
Financial commitments and contingencies	1 690	1	1 691	3 928	1 140	5 068

4.1.3. Write-off Policy

The amount of loans written off during the year that are still subject to enforcement activity is €12,044 thousand (31 December 2022: €25,863 thousand).

4.1.4. 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 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.

4.1.5. Credit risk of financial derivatives

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	June 2023	December 2022
Financial assets		
Financial assets at fair value through profit or loss:		
Financial assets held for trading:		
Derivative financial instruments	119 634	(8 336)
Derivatives - Hedge accounting	344 929	419 583
	<u>464 563</u>	<u>411 247</u>

4.2. Market risk

4.2.1. Interest rate benchmark reform

The Interbank offered rate ('IBOR') replacement represents one of the major undertakings for the financial services industry. For the VUB Group the impact is not material. The Bank is currently in the final stages of IT implementation, which would fully align the bank to the regulation. The full alignment is expected to be ready in the year 2023.

5. Estimated fair value of financial assets and financial liabilities

See accounting policy in note 3.1.

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.

June 2023		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	2 814 602	-	2 814 602	-	2 814 602	-	2 814 602
Financial assets at FVTPL	8	-	121 707	121 707	4 198	117 509	-	121 707
Derivatives - Hedge accounting	9	-	280 350	280 350	-	280 350	-	280 350
Financial assets at FVOCI	10	-	1 594 525	1 594 525	1 582 340	109	-	1 582 449
Financial assets at AC:	11							
Due from other banks		224 446	-	224 446	-	224 446	-	224 446
Due from customers		<u>17 788 230</u>	-	<u>17 788 230</u>	-	<u>266 911</u>	<u>18 286 191</u>	<u>18 553 102</u>
		<u>20 827 278</u>	<u>1 996 582</u>	<u>22 823 860</u>	<u>1 586 538</u>	<u>3 703 927</u>	<u>18 286 191</u>	<u>23 576 656</u>
Financial liabilities								
Financial liabilities at FVTPL	8	-	108 208	108 208	-	108 208	-	108 208
Derivatives - Hedge accounting	9	-	309 065	309 065	-	309 065	-	309 065
Financial liabilities at AC:	11							
Due to banks		917 664	-	917 664	-	917 664	-	917 664
Due to customers		15 272 826	-	15 272 826	-	15 258 201	-	15 258 201
Lease liabilities		17 553	-	17 553	-	17 553	-	17 553
Subordinated debt		300 443	-	300 443	-	342 795	-	342 795
Debt securities in issue		<u>3 940 168</u>	-	<u>3 940 168</u>	-	<u>3 803 807</u>	-	<u>3 803 807</u>
		<u>20 448 654</u>	<u>417 273</u>	<u>20 865 927</u>	-	<u>20 757 293</u>	-	<u>20 757 293</u>

December 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		<u>17 497 930</u>	-	<u>17 497 930</u>	-	<u>220 133</u>	<u>17 662 869</u>	<u>17 883 002</u>
		<u>20 711 720</u>	<u>1 844 238</u>	<u>22 555 958</u>	<u>1 416 229</u>	<u>3 846 694</u>	<u>17 662 869</u>	<u>22 925 792</u>
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		<u>3 784 008</u>	-	<u>3 784 008</u>	-	<u>3 636 835</u>	-	<u>3 636 835</u>
		<u>20 466 629</u>	<u>377 620</u>	<u>20 844 249</u>	-	<u>20 722 405</u>	-	<u>20 722 405</u>

6. Segment reporting

June 2023						
€ '000	Retail Banking	Corporate Banking	Central Treasury	Total reportable segments	Other	Total
External revenue:						
Interest and similar income	131 867	150 951	106 022	388 840	1 499	390 339
Interest and similar expense	(12 963)	(62 624)	(60 481)	(136 068)	(7 427)	(143 495)
Inter-segment revenue	26 880	(4 980)	(50 239)	(28 339)	28 339	-
Net interest income	145 784	83 347	(4 698)	224 433	22 411	246 844
Net fee and commission income (note 25)	61 594	20 645	839	83 078	3 954	87 032
Dividend income	-	-	-	-	-	-
Net trading result	3 165	3 622	117	6 904	972	7 876
Other operating income	(3 400)	2 670	(765)	(1 495)	4 273	2 778
Other operating expense	(9 059)	(1 054)	19	(10 094)	(6 737)	(16 831)
Salaries and employee benefit	(23 115)	(5 535)	(386)	(29 036)	(35 746)	(64 782)
Other administrative expenses*	-	344	111	455	(41 484)	(41 029)
Amortisation	(4 378)	(363)	-	(4 741)	(7 916)	(12 657)
Depreciation	(1 008)	(959)	7	(1 960)	(4 940)	(6 900)
Profit before provisions, impairment and tax	169 583	102 717	(4 756)	267 544	(65 213)	202 331
Net modification gains or losses	-	-	-	-	(154)	(154)
Provisions*	-	-	-	-	(1 288)	(1 288)
Impairment losses	(21 417)	(7 229)	(2 065)	(30 711)	509	(30 202)
Net (loss)/ gain arising from the derecognition of financial assets at amortized cost	3 521	273	-	3 794	5	3 799
Profit before tax	151 687	95 761	(6 821)	240 627	(66 141)	174 486
Segment assets	10 982 171	6 980 825	4 558 597	22 521 593	620 310	23 141 903
Segment liabilities	10 009 536	6 463 431	4 141 056	20 614 023	442 762	21 056 785

* The Bank does not allocate these items to the individual segments.

June 2022						
€ '000	Retail Banking	Corporate Banking	Central Treasury	Total reportable segments	Other	Total
External revenue:						
Interest and similar income	93 840	76 106	(3 865)	166 081	16 620	182 701
Interest and similar expense	(2 479)	(10 394)	(3 698)	(16 571)	(18 371)	(34 942)
Inter-segment revenue	<u>(3 574)</u>	<u>(10 639)</u>	<u>16 099</u>	<u>1 886</u>	<u>(1 886)</u>	<u>-</u>
Net interest income	87 787	55 073	8 536	151 396	(3 637)	147 759
Net fee and commission income (note 25)	63 322	20 798	298	84 418	(1 796)	82 622
Dividend income	-	-	-	-	-	-
Net trading result	3 003	3 952	(450)	6 505	200	6 705
Other operating income	(1 638)	3 203	(856)	709	2 997	3 706
Other operating expense	(15 809)	(1 149)	19	(16 939)	(4 828)	(21 767)
Salaries and employee benefit	(22 265)	(6 069)	(332)	(28 666)	(31 101)	(59 767)
Other administrative expenses*	-	527	(96)	431	(37 486)	(37 055)
Amortisation	(3 469)	(274)	-	(3 743)	(5 276)	(9 019)
Depreciation	<u>(1 690)</u>	<u>(996)</u>	<u>6</u>	<u>(2 680)</u>	<u>(4 500)</u>	<u>(7 180)</u>
Profit before provisions, impairment and tax	109 241	75 065	7 125	191 431	(85 427)	106 004
Net modification gains or losses	-	-	-	-	(17)	(17)
Provisions*	-	-	-	-	(63)	(63)
Impairment losses	(23 040)	(7 911)	(113)	(31 064)	144	(30 920)
Net (loss)/ gain arising from the derecognition of financial assets at amortized cost	<u>8 057</u>	<u>317</u>	<u>-</u>	<u>8 374</u>	<u>13</u>	<u>8 387</u>
Profit before tax	<u>94 258</u>	<u>67 471</u>	<u>7 012</u>	<u>168 741</u>	<u>(85 350)</u>	<u>83 391</u>
Segment assets	10 175 340	7 005 378	6 295 631	23 476 349	540 299	24 016 648
Segment liabilities	8 933 113	4 726 588	8 224 126	21 883 827	364 667	22 248 494

* 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	June 2023	December 2022
Cash in hand	211 699	188 375
Balances at central banks:		
Compulsory minimum reserves	120 019	169 104
Current accounts	2	1
Term deposits	1 727 098	2 303 949
Loans and advances	<u>632 459</u>	<u>373 437</u>
	2 479 578	2 846 491
Due from other banks:		
Current accounts	<u>123 325</u>	<u>25 630</u>
	<u>2 814 602</u>	<u>3 060 496</u>

The compulsory minimum reserve is maintained as an interest-bearing deposit under the regulations of the NBS and Česká národní banka ('ČNB'). The amount of the compulsory minimum reserve depends on the level of customer deposits accepted by the Bank and the amount of issued bonds, both with a maturity of up to two years. The rate for the calculation of the compulsory minimum reserve is 1% for the reserves held at the NBS and 2% for the reserves held at ČNB. The required balance is calculated as the total of individual items multiplied by the valid rate.

The daily balance of the compulsory minimum reserve can vary significantly based on the amount of incoming and outgoing payments. The Bank's ability to withdraw the compulsory minimum reserve is restricted by local legislation. The compliance with the compulsory minimum reserve requirement is determined on the basis of the institutions' average daily reserve holdings over the maintenance period.

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

€ '000	June 2023	December 2022
Financial assets held for trading:		
Trading derivatives	105 950	58 872
Equity instruments	-	-
Government debt securities of European Union countries	<u>11 559</u>	<u>1 532</u>
	<u>117 509</u>	<u>60 404</u>
Non-trading financial assets at fair value through profit or loss:		
Equity instruments	4 198	3 991
Financial liabilities held for trading:		
Trading derivatives	108 208	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.

€ '000	June 2023 Assets	December 2022 Assets	June 2023 Liabilities	December 2022 Liabilities
Trading derivatives – Fair values				
Interest rate instruments:				
Forwards and swaps	100 070	55 616	99 804	54 596
Options	79	97	52	62
	<u>100 149</u>	<u>55 713</u>	<u>99 856</u>	<u>54 658</u>
Foreign currency instruments:				
Forwards and swaps	4 585	2 852	7 168	6 503
Options	1 216	92	1 184	91
	<u>5 801</u>	<u>2 944</u>	<u>8 352</u>	<u>6 594</u>
Equity and commodity instruments:				
Commodity forwards and swaps	-	215	-	211
	<u>-</u>	<u>215</u>	<u>-</u>	<u>211</u>
	<u>105 950</u>	<u>58 872</u>	<u>108 208</u>	<u>61 463</u>

€ '000	June 2023 Assets	December 2022 Assets	June 2023 Liabilities	December 2022 Liabilities
Trading derivatives – Notional values				
Interest rate instruments:				
Forwards and swaps	4 646 823	1 964 282	4 646 823	1 964 282
Options	76 574	73 073	76 574	73 073
Futures	46 117	1 556	46 117	1 556
	<u>4 769 514</u>	<u>2 038 911</u>	<u>4 769 514</u>	<u>2 038 911</u>
Foreign currency instruments:				
Forwards and swaps	502 191	406 523	505 027	411 118
Options	25 130	15 916	24 726	15 916
	<u>527 321</u>	<u>422 439</u>	<u>529 753</u>	<u>427 034</u>
Equity and commodity instruments:				
Commodity forwards and swaps	-	2 276	-	2 276
	<u>-</u>	<u>2 276</u>	<u>-</u>	<u>2 276</u>
	<u>5 296 835</u>	<u>2 463 626</u>	<u>5 299 267</u>	<u>2 468 221</u>

9. Derivatives - Hedge accounting

€ '000	June 2023 Assets	December 2022 Assets	June 2023 Liabilities	December 2022 Liabilities
Fair value hedges of interest rate, foreign currency and inflation risk	280 350	352 265	309 065	316 157

9.1. Fair value hedges of interest rate, foreign currency and inflation risk as of date of preparation of the financial statements

June 2023	Assets	Liabilities	Assets	Liabilities	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognized in profit or loss
€ '000	Fair values	Fair values	Notional values	Notional values		
Micro hedges						
Interest rate instruments:						
Swaps						
Hedge of debt securities at FVOCI	122 885	23 290	1 735 000	1 735 000	(5 961)	-
Hedge of corporate loans	18 282	249	279 744	279 744	(4 711)	(40)
Hedge of loans received from EIB	-	6 193	50 000	50 000	320	7
Hedge of covered bonds	81 650	251 857	3 442 400	3 442 400	25 181	-
Foreign currency instruments:						
Swaps						
Hedge of corporate loans	2 360	883	87 606	91 338	941	-
Hedge of corporate bonds at AC	-	5 198	38 817	42 579	(363)	-
Macro hedges						
Interest rate instruments:						
Swaps						
Hedge of mortgage loans	55 173	-	1 765 400	1 765 400	(8 972)	828
Hedge of corporate bonds at AC	-	2 938	77 443	79 976	16	-
Hedge of current accounts	-	18 457	166 500	166 500	1 105	(34)

December 2022	Assets	Liabilities	Assets	Liabilities		
€ '000	Fair values	Fair values	Notional values	Notional values	Change in fair value used for calculating hedge ineffectiveness	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:

June 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 ineffectiveness	Fair value adjustment after termination of hedging relationship*
Micro hedges					
Debt securities at FVOCI	Financial assets at FVOCI	1 382 041	-	5 961	208
Corporate loans	Financial assets at AC:				
	Due from customers	279 744	(21 341)	3 730	(54)
Corporate bonds at AC	Financial assets at AC:				
	Due from customers	189 740	-	363	
Loans received from EIB	Financial assets at AC:				
	Due to banks	50 000	(5 692)	313	-
Covered bonds	Financial liabilities at AC:				
	Debt securities in issue	2 246 388	(167 550)	25 181	(11 532)
Macro hedges					
Mortgage loans	Financial assets at AC:				
	Due from customers	1 765 400	(66 214)	9 800	(39 037)
Current accounts	Financial liabilities at AC:				
	Due to customers	166 500	(18 397)	1 139	-
Corporate bonds at AC	Financial assets at AC:				
	Due from customers	77 443	(9 341)	(16)	-

* 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.

December 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 ineffectiveness	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.

10. Financial assets at fair value through other comprehensive income

€ '000	June 2023	December 2022
Government debt securities of European Union countries	1 182 102	1 149 424
<i>of which Italian government debt securities</i>	220 056	198 699
Bank debt securities	383 351	249 297
Other debt securities	28 918	28 716
Equity instruments:		
Visa Inc. Series A Preferred Stock	-	-
Visa Inc. Series C Preferred Stock	-	-
Intesa Sanpaolo S.p.A.	45	39
S.W.I.F.T.	109	102
	<u>154</u>	<u>141</u>
	<u>1 594 525</u>	<u>1 427 578</u>

At 30 June 2023, the bonds in the total nominal amount of €742,000 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	June 2023	December 2022
Term deposits:			
with contractual maturity over 90 days		3 318	6 036
Loans and advances:			
with contractual maturity over 90 days		133 645	137 296
Cash collateral		89 911	10 327
Impairment losses	21	(2 428)	(365)
		<u>224 446</u>	<u>153 294</u>

11.2. Due from customers

June 2023			
€ '000	Gross amount	Impairment losses (note 21)	Carrying amount
Corporate:			
Financial corporations			
Loans	566 213	(465)	565 748
Overdrafts	19 672	(1)	19 671
Debt securities	320 303	(64)	320 239
Leasing	97	-	97
	<u>906 285</u>	<u>(530)</u>	<u>905 755</u>
Non-financial corporations			
Loans	4 645 183	(103 283)	4 541 900
Mortgages	11 808	(806)	11 002
Overdrafts	946 598	(21 138)	925 460
Factoring	149 731	(1 206)	148 525
Debt securities	149 177	(699)	148 478
Leasing	200 833	(10 680)	190 153
	<u>6 103 330</u>	<u>(137 812)</u>	<u>5 965 518</u>
	7 009 615	(138 342)	6 871 273
Retail			
Loans	1 501 671	(135 343)	1 366 328
Mortgages	9 268 009	(76 321)	9 191 688
Overdrafts	99 133	(6 746)	92 387
Credit Cards	89 337	(9 972)	79 365
Factoring	113	-	113
Leasing	12 143	(558)	11 585
	<u>10 970 406</u>	<u>(228 940)</u>	<u>10 741 466</u>
Public administration			
Loans	173 551	(1 554)	171 997
Overdrafts	1 193	(3)	1 190
Credit cards	2	-	2
Factoring	1 406	-	1 406
Leasing	897	(1)	896
	<u>177 049</u>	<u>(1 558)</u>	<u>175 491</u>
	<u>18 157 070</u>	<u>(368 840)</u>	<u>17 788 230</u>

December 2022 - restated	Impairment losses		
€ '000	Gross amount	(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
	<u>775 309</u>	<u>(241)</u>	<u>775 068</u>
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
	<u>6 136 659</u>	<u>(137 834)</u>	<u>5 998 825</u>
	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
	<u>10 766 058</u>	<u>(228 055)</u>	<u>10 538 003</u>
Public administration			
Loans	185 950	(1 681)	184 269
Overdrafts	1 099	(2)	1 097
Leasing	669	(1)	668
	<u>187 718</u>	<u>(1 684)</u>	<u>186 034</u>
	<u>17 865 744</u>	<u>(367 814)</u>	<u>17 497 930</u>

December 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
	<u>190 431</u>	<u>(1 639)</u>	<u>188 792</u>
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
	<u>6 624 990</u>	<u>(106 508)</u>	<u>6 518 482</u>
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
	<u>11 050 324</u>	<u>(259 668)</u>	<u>10 790 656</u>
	<u>17 865 745</u>	<u>(367 815)</u>	<u>17 497 930</u>

11.3. Due to banks

€ '000	June 2023	December 2022
Due to central banks:		
Current accounts	997	964
Loans received from central banks	60 443	59 610
	<u>61 440</u>	<u>60 574</u>
Due to other banks:		
Current accounts	115 172	100 060
Term deposits	7 385	8 639
Loans received from other banks	734 569	839 440
Revaluation of fair value hedged loans received	(5 692)	(6 005)
Cash collateral received	4 790	2 360
	<u>856 224</u>	<u>944 494</u>
	<u>917 664</u>	<u>1 005 068</u>

11.4. Due to customers

€ '000	June 2023	December 2022
Current accounts	10 060 634	10 828 356
Term deposits	4 302 361	3 475 387
Government and municipal deposits	611 438	812 724
Savings accounts	137 484	167 748
Loans received	-	-
Other deposits	160 909	123 648
	<u>15 272 826</u>	<u>15 407 863</u>

11.5. Lease liabilities

€ '000	June 2023	December 2022
Lease liabilities	17 553	19 322

11.6. Subordinated debt

€ '000	June 2023	December 2022
Subordinated debt	300 443	250 368

11.7. Debt securities in issue

€ '000	June 2023	December 2022
Covered bonds	1 872 862	1 665 323
Covered bonds subject to fair value hedges	<u>2 246 388</u>	<u>2 308 346</u>
	4 119 250	3 973 669
Revaluation of fair value hedged covered bonds	(167 550)	(192 731)
Unamortised part of revaluation related to terminated	<u>(11 532)</u>	<u>3 070</u>
	<u>3 940 168</u>	<u>3 784 008</u>

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).

12. Fair value changes of the hedged items in portfolio hedge of interest rate risk

€ '000	June 2023	December 2022
Financial assets at AC:		
Due from other banks:		
Loans and advances	-	-
Due from customers:		
Retail		
Mortgages	(105 251)	(126 410)
Financial liabilities at AC:		
Due to customers	(18 397)	(19 536)

13. Investments in joint ventures and associates

June 2023 € '000	Share	Cost	Revaluation	Carrying amount
Monilogi, s.r.o.	30,00%	2 387	(1 043)	1 344
Slovak Banking Credit Bureau, s. r. o.	33,33%	3	98	101
		<u>2 390</u>	<u>(945)</u>	<u>1 445</u>

December 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
		<u>3</u>	<u>95</u>	<u>1 885</u>

14. Property and equipment and non-current assets classified as held for sale

June 2023				
€ '000	Owned and used	Owned and leased	Right-of-use	Total
Budovy a pozemky	78 005	-	15 006	93 011
Zariadenia	5 534	141	-	5 675
Ostatný hmotný majetok	(666)	11 791	2 265	13 390
Obstaranie	11 028	51	-	11 079
	<u>93 901</u>	<u>11 983</u>	<u>17 271</u>	<u>123 155</u>

December 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
	<u>96 321</u>	<u>11 983</u>	<u>19 046</u>	<u>127 350</u>

June 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
Additions	1 537	3	51	2 079	3 670
Disposals	(2 489)	(2 965)	(2 624)	(48)	(8 126)
Transfers	2 716	627	531	(3 874)	-
Exchange differences	16	2	-	-	18
At 30 June	119 597	34 741	41 316	11 079	206 733
Accumulated depreciation					
At 1 January	(24 261)	(31 331)	(27 796)	-	(83 388)
Depreciation for the year	(4 694)	(685)	(1 521)	-	(6 900)
Disposals	2 481	2 952	1 642	-	7 075
Exchange differences	-	(2)	-	-	(2)
At 30 June	(26 474)	(29 066)	(27 675)	-	(83 215)
Impairment losses (note 21)					
At 1 January	(112)	-	(321)	-	(433)
Creation	-	-	(16)	-	(16)
Release	-	-	86	-	86
At 30 June	(112)	-	(251)	-	(363)
Carrying amount					
At 1 January	93 444	5 743	15 241	12 922	127 350
At 30 June	93 011	5 675	13 390	11 079	123 155

15. Intangible assets

June 2023	Software	Total
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€ '000		Other intangible assets	Assets in progress	
Cost				
At 1 January	316 458	90 541	68 673	475 672
Additions	33	-	-	33
Disposals	-	-	(5 677)	(5 677)
Transfers	30 113	-	(30 113)	-
Exchange differences	17	(27)	-	(10)
At 30 June	346 621	90 514	32 883	470 018
Accumulated amortization				
At 1 January	(255 609)	(10 969)	-	(266 578)
Amortisation for the year	(11 227)	(1 430)	-	(12 657)
Exchange differences	(14)	-	-	(14)
At 30 June	(266 850)	(12 399)	-	(279 249)
Impairment losses				
At 1 January	-	-	(10 423)	(10 423)
Release	-	-	10 423	10 423
At 30 June	-	-	-	-
Carrying amount				
At 1 January	60 849	79 572	58 250	198 671
At 30 June	79 771	78 115	32 883	190 769

16. Goodwill

€ '000	June 2023	December 2022
Retail Banking	18 871	18 871
Corporate Banking	10 434	10 434
	<u>29 305</u>	<u>29 305</u>

17. Current and deferred income tax assets and liabilities

€ '000	June 2023	December 2022
Current income tax assets	1 206	441
Deferred income tax assets	50 586	50 446
Current income tax liabilities	46 238	24 231

Deferred income taxes are calculated on all temporary differences using a tax rate of 21% (31 December 2022: 21%) as follows:

€ '000	June 2023	Profit/ (loss) (note 34)	Equity	VUB Leasing and VUB General Merger	Exchange rate differences	December 2022
Financial assets at FVOCI	5 059	-	(1 363)	-	-	6 422
Financial assets at AC:						
Due from other banks	823	748	-	-	-	75
Due from customers	57 883	2 510	-	-	6	55 367
Property and equipment	(11 405)	2 047	-	-	-	(13 452)
Intangible assets	(16 355)	(1 890)	-	6	-	(14 471)
Other assets	7	-	-	-	-	7
Financial liabilities at AC:						
Lease liabilities	3 653	(360)	-	-	-	4 013
Provisions	3 223	303	-	-	-	2 920
Other liabilities	10 197	(1 422)	-	-	-	11 619
Other	(2 499)	(444)	-	-	-	(2 054)
	<u>50 586</u>	<u>1 492</u>	<u>(1 363)</u>	<u>6</u>	<u>6</u>	<u>50 446</u>

18. Other assets

€ '000	Note	June 2023	December 2022
Operating receivables and advances		20 121	19 078
Prepayments and accrued income		11 945	16 244
Other tax receivables		4 540	2 597
Inventories		1 589	365
Settlement of operations with financial instruments		744	680
Receivables from termination of leasing		21	14
Other		328	186
Impairment losses	21	(3 119)	(3 447)
		<u>36 169</u>	<u>35 717</u>

19. Provisions

€ '000	Note	June 2023	December 2022
Financial guarantees and commitments	21	15 824	14 407
Litigation	23	5 119	3 831
Restructuring provision		353	470
Other provisions		180	180
		<u>21 476</u>	<u>18 888</u>

June 2023				Net creation/ release		
€ '000	Note	1 January	Merger		Use	30 June
Litigation	23, 32	3 831	-	1 288	-	5 119
Restructuring provision	32	470	-	-	(117)	353
Other provisions	32	-	180	-	-	180
		<u>4 301</u>	<u>180</u>	<u>1 288</u>	<u>(117)</u>	<u>5 652</u>

20. Other liabilities

€ '000	June 2023	December 2022
Various creditors	60 279	52 491
NCI options schemes	38 396	38 396
Settlement with employees	26 743	28 804
Severance and Jubilee benefits	4 413	4 413
Settlement of operations with financial instruments	3 574	4 159
Accruals and deferred income	3 245	2 799
VAT payable and other tax payables	2 597	772
Settlement with shareholders	672	678
Investment certificates	276	359
Share remuneration scheme	157	429
Other	1 189	2 136
	<u>141 541</u>	<u>135 436</u>

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*	30 June
Financial assets at FVOCI		276	1	-	(1)	-	276
Financial assets at AC:	11						
Due from other banks		365	2 063	-	-	-	2 428
Due from customers		<u>367 815</u>	<u>28 040</u>	<u>(26 064)</u>	<u>(951)</u>	-	<u>368 840</u>
Impairment losses according to IFRS 9		368 456	30 104	(26 064)	(952)	-	371 544
Financial guarantees and commitments	19	<u>14 407</u>	<u>497</u>	-	<u>920</u>	-	<u>15 824</u>
Impairment losses and provisions according to IFRS 9		382 863	30 601	(26 064)	(32)	-	387 368
Property and equipment and Non-current assets classified as held for sale	14	10 856	(70)	(10 423)	-	-	363
Other assets	18	<u>3 447</u>	<u>(329)</u>	-	<u>1</u>	-	<u>3 119</u>
Total impairment losses and provisions for financial guarantees and commitments		<u><u>397 166</u></u>	<u><u>30 202</u></u>	<u><u>(36 487)</u></u>	<u><u>(31)</u></u>	-	<u><u>390 850</u></u>

* '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		<u>346 586</u>	<u>74 084</u>	<u>(51 672)</u>	<u>(1 183)</u>	-	<u>367 815</u>
Impairment losses according to IFRS 9		347 024	74 287	(51 672)	(1 183)	-	368 456
Financial guarantees and commitments	19	<u>20 447</u>	<u>(7 326)</u>	-	<u>1 286</u>	-	<u>14 407</u>
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	<u>3 473</u>	<u>(536)</u>	-	<u>510</u>	-	<u>3 447</u>
Total impairment losses and provisions for financial guarantees and commitments		<u><u>371 631</u></u>	<u><u>76 806</u></u>	<u><u>(51 885)</u></u>	<u><u>614</u></u>	-	<u><u>397 166</u></u>

* 'Other' represents: the interest portion (unwinding of interest).

22. Equity

€ '000	June 2023	December 2022
Share capital - authorized, 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
	<u>510 819</u>	<u>430 819</u>
Share premium	13 719	13 719
Reserves	94 180	89 324
Other capital funds	8 464	8 464
Retained earnings (excluding net profit for the year)	1 325 543	1 158 247
	<u>1 952 725</u>	<u>1 700 573</u>

€ '000	June 2023	December 2022
Net profit for the year attributable to shareholders in € '000	132 393	169 522

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	June 2023	December 2022
Tier 1 capital		
Share capital	510 819	430 819
Share premium	13 719	13 719
Retained earnings*	1 325 543	1 158 247
Profit or loss eligible	-	169 522
Legal reserve fund	87 493	87 493
Accumulated other comprehensive income	6 687	1 831
Other capital funds	8 464	8 464
(-) Value adjustments due to the requirements for prudent valuation	(60)	(43)
Other transitional adjustments to CET1 Capital	-	11 219
CET1 capital elements or deductions — other	-	(6 400)
Less goodwill and intangible assets	(183 372)	(211 543)
Less IRB shortfall of credit risk adjustments to expected losses	-	-
(-) Insufficient coverage for non-performing exposures	(1 026)	(157)
	<u>1 768 267</u>	<u>1 663 170</u>
Tier 2 capital		
IRB excess of provisions over expected losses eligible	50 737	44 858
Subordinated debt	239 621	209 726
Other transitional adjustments to T2 Capital	-	(2 570)
	<u>290 357</u>	<u>252 014</u>
Total regulatory capital	<u>2 058 624</u>	<u>1 915 184</u>

* Excluding net profit for the period, profit in approval and other capital funds.

€ '000	June 2023	December 2022
Retained earnings	1 457 936	1 336 233

Net profit for the year	-	(169 522)
Other capital funds	(132 393)	(8 464)
	<u>1 325 543</u>	<u>1 158 247</u>

€ '000	June 2023	December 2022	June 2023	December 2022
			Required	Required
Tier 1 capital	1 768 267	1 663 170	842 712	797 750
Tier 2 capital	290 357	252 014	290 357	252 014
Total regulatory capital	2 058 624	1 915 184	842 712	797 750
Total Risk Weighted Assets	10 533 896	9 971 874	10 533 896	9 971 874
CET 1 capital ratio	16,79%	16,68%	11,84%	11,84%
Total capital ratio	19,54%	19,21%	16,00%	16,00%

23. Financial commitments and contingencies

23.1. Issued guarantees and commitments and undrawn credit facilities

€ '000	June 2023	December 2022
Issued guarantees	1 250 857	1 181 884
Commitments and undrawn credit facilities	4 745 013	4 635 340
<i>of which revocable</i>	<u>1 792 693</u>	<u>1 691 107</u>
	<u>5 995 870</u>	<u>5 817 224</u>

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 30 June 2023. Pursuant to this review, management has recorded total provisions of €5,119 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.

In addition to the legal proceedings covered by provisions, there are contingent liabilities arising from legal proceedings in the total amount of €30,918 thousand, as at 30 June 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.

24. Net interest income

€ '000	June 2023	June 2022
Interest and similar income		
Financial assets at FVTPL	146	1
Financial assets at FVOCI	8 526	1 033
Financial assets at AC:		
Due from other banks	53 366	5 296
Due from customers	292 382	169 562
Derivatives - Hedge accounting	35 919	(7 295)
Interest income on liabilities	-	14 104
	<u>390 339</u>	<u>182 701</u>
Interest and similar expense		
Financial liabilities at AC:		
Due to banks	(17 312)	(2 158)
Due to customers and Subordinated debt	(86 551)	(15 834)
Lease liabilities	(104)	(82)
Debt securities in issue	(19 725)	(17 960)
Derivatives - Hedge accounting	(19 834)	10 380
Interest expense on assets	31	(9 288)
	<u>(143 495)</u>	<u>(34 942)</u>
	<u>246 844</u>	<u>147 759</u>
€ '000		
	June 2023	June 2022
Interest and similar income		
Total interest income calculated using the effective interest method	387 499	180 386
Other interest income - interest income on finance leases	2 694	2 314
Other interest income - interest income on financial assets at FVTPL	146	1
	<u>390 339</u>	<u>182 701</u>
€ '000		
	June 2023	June 2022
Net interest income		
Financial assets at FVOCI	8 526	1 033
Financial assets at AC	<u>343 085</u>	<u>163 256</u>
	351 611	164 289
Financial liabilities at AC	(123 588)	(21 848)

25. Net fee and commission income

June 2023 € '000	Retail Banking	Corporate Banking	Central Treasury	Other	Total
Fee and commission income					
Current accounts	19 865	1 617	-	6	21 488
Cards	19 652	492	-	19	20 163
Insurance	7 823	288	-	4 842	12 953
Indirect deposits	12 808	18	-	-	12 826
Payments and cash management	7 475	4 897	-	-	12 372
Loans	3 351	5 875	-	32	9 258
Trade finance	7	5 113	1 176	-	6 296
Factoring	-	1 152	-	-	1 152
Structured finance	-	566	-	-	566
Other	367	386	1 440	426	2 619
	71 348	20 404	2 616	5 325	99 693
Fee and commission expense					
Cards	(8 279)	(41)	-	-	(8 320)
Payments and cash management	(1 163)	(3 781)	-	-	(4 944)
Current accounts	-	-	(557)	(325)	(882)
Factoring	-	(258)	-	-	(258)
Insurance	(242)	-	-	-	(242)
Loans	38	-	-	-	38
Other	(108)	-	(1 220)	(1 046)	(2 374)
	(9 754)	(4 080)	(1 777)	(1 371)	(16 982)
Net fee and commission income under IFRS 15	61 594	16 324	839	3 954	82 711
Income from guarantees under IFRS 9	-	4 321	-	-	4 321
Total net fee and commission income	61 594	20 645	839	3 954	87 032

June 2022 € '000	Retail Banking	Corporate Banking	Central Treasury	Other	Total
Fee and commission income					
Current accounts	19 475	2 403	-	4	21 882
Cards	15 986	361	-	13	16 360
Loans	10 745	5 355	-	114	16 214
Payments and cash management	7 312	8 415	-	-	15 727
Indirect deposits	12 393	20	-	-	12 413
Insurance	6 814	-	-	-	6 814
Trade finance	6	808	788	-	1 602
Factoring	-	1 055	-	-	1 055
Structured finance	-	1 408	-	-	1 408
Other	370	990	542	5	1 907
	<u>73 101</u>	<u>20 815</u>	<u>1 330</u>	<u>136</u>	<u>95 382</u>
Fee and commission expense					
Cards	(8 528)	(37)	-	-	(8 565)
Payments and cash management	(980)	(3 188)	-	-	(4 168)
Current accounts	-	-	(501)	(357)	(858)
Insurance	(186)	-	-	-	(186)
Factoring	-	(179)	-	-	(179)
Indirect deposits	-	-	-	-	-
Other	(85)	(2)	(531)	(1 575)	(2 193)
	<u>(9 779)</u>	<u>(3 406)</u>	<u>(1 032)</u>	<u>(1 932)</u>	<u>(16 149)</u>
Net fee and commission income under IFRS 15	<u>63 322</u>	<u>17 409</u>	<u>298</u>	<u>(1 796)</u>	<u>79 233</u>
Income from guarantees under IFRS 9	-	3 389	-	-	3 389
Total net fee and commission income	<u>63 322</u>	<u>20 798</u>	<u>298</u>	<u>(1 796)</u>	<u>82 622</u>

26. Net trading result

€ '000	June 2023	June 2022
Foreign currency derivatives and transactions	6 147	1 909
Customer foreign exchange margins	6 024	4 993
Net result from hedging transactions	761	(28)
Financial assets held for trading – debt securities	667	(725)
Non-trading financial assets measured at FVTPL	69	(99)
Dividends from equity shares measured at FVOCI	14	91
Other derivatives	7	114
Financial assets measured at FVOCI	(188)	1 343
Interest rate derivatives	(948)	3 154
Cross currency swaps	(4 677)	(4 047)
	<u>7 876</u>	<u>6 705</u>

27. Other operating income

€ '000	June 2023	June 2022
Income from operating leasing	1 725	2 030
Net profit from sale of fixed assets	433	729
Financial revenues	163	444
Services	1	5
Profit from the revaluation of the original participation in the Joint Venture	(22)	-
Other	478	498
	<u>2 778</u>	<u>3 706</u>

28. Other operating expenses

€ '000	June 2023	June 2022
Contribution to the Single Resolution Fund*	(7 437)	(9 666)
Contribution to the Deposit Protection Fund**	(1 600)	(6 083)
Costs of product support - credit cards	(1 058)	(846)
Court fees and expenses and out-of-court settlements	(410)	(295)
Other damages	(154)	(95)
Other	(6 172)	(4 782)
	<u>(16 831)</u>	<u>(21 767)</u>

* Starting from 1 January 2015 the new Bank Recovery and Resolution Directive No 2014/59/EU ('BRRD') is effective for all EU member states. The Directive was implemented to Slovak legislation by Act No 371/2014 on Resolution. The Directive sets an obligation for banks of the member states participating to the Banking Union to pay an annual contribution depending on the size and the risk profile of a bank to the National Resolution Fund in 2015 and to the Single Resolution Fund from 2016 up to the 2023.

** The annual contribution for 2023 was determined by the Deposit Protection Fund under the valid methodology. As at 30 June 2023, the VUB Group expensed the full amount of such contribution.

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 June 2023.

30. Salaries and employee benefits

€ '000	June 2023	June 2022
Remuneration	(45 458)	(42 944)
Social security costs	(18 136)	(16 704)
Social fund	(1 305)	(651)
Termination benefit	117	532
	<u>(64 782)</u>	<u>(59 767)</u>

31. Other administrative expenses

€ '000	June 2023	June 2022
Third parties' services	(10 410)	(10 130)
Information technologies systems maintenance	(7 406)	(7 284)
Maintenance and repairs	(1 803)	(2 947)
Advertising and sponsorship	(2 741)	(2 788)
Energy costs	(3 024)	(1 764)
Rental of buildings and related expenses	(2 115)	(1 764)
Postage costs	(1 664)	(1 628)
Telephone and telecommunication costs	(1 167)	(1 472)
Forms and office supplies	(1 185)	(1 136)
Electronic data processing system leasing	(1 117)	(961)
Indirect personnel costs and compensation	(1 305)	(819)
Transport	(2 207)	(778)
Cleaning of premises	(789)	(681)
Security	(532)	(541)
Insurance	(606)	(502)
Other rentals	(563)	(529)
Archives and documents	(763)	(370)
Consultations and other fees*	(425)	(285)
Cost of legal services	(347)	(305)
Information and research	(85)	(74)
Value added tax and other taxes	(279)	(45)
Other expenses	(1 228)	(872)
Reinvoicing	732	620
	<u>(41 029)</u>	<u>(37 055)</u>

32. Provisions

€ '000	Note	June 2023	June 2022
Net release and use of provisions for litigations	19	(1 288)	(63)

33. Impairment losses and Net loss arising from the derecognition of financial assets at amortized cost

€ '000	Note	June 2023	June 2022
Net (creation)/release of impairment losses	21	(29 705)	(35 477)
Net (creation)/release of provisions for financial guarantees and commitments	21	(497)	4 557
		<u>(30 202)</u>	<u>(30 920)</u>
Net gain/(loss) arising from the derecognition of financial assets at AC		3 799	8 387

34. Income tax expense

€ '000	Note	June 2023	June 2022
Current income tax	17	(41 274)	(17 503)
Deferred income tax	17	1 492	(3 429)
		<u>(39 782)</u>	<u>(20 932)</u>

35. Other comprehensive income

€ '000	June 2023	June 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)/gain arising during the year	49	(686)
Reclassification adjustment for profit on sale of FVOCI equities within equity	(18)	-
	<u>31</u>	<u>(686)</u>
Net revaluation gain from property and equipment	-	-
Reversal of deferred income tax on disposed property and equipment	-	-
	<u>31</u>	<u>(686)</u>
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	-	-
Change in value of financial assets at FVOCI (debt instruments):		
Revaluation loss arising during the year	6 257	(28 981)
Reclassification adjustment for profit on sale of FVOCI bonds included in the profit or loss	140	4 006
	<u>6 397</u>	<u>(24 975)</u>
Exchange difference on translation foreign operation	(208)	(92)
	<u>6 189</u>	<u>(25 067)</u>
Total other comprehensive income	6 220	(25 753)
Income tax relating to components of other comprehensive income	(1 346)	5 390
Other comprehensive income for the six months after tax	<u>4 874</u>	<u>(20 363)</u>

36. Related parties

As at 30 June 2023, the outstanding balances with related parties comprised:

June 2023						
€ '000	Key management personnel ('KMP')	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Assets						
Cash and cash equivalents	-	-	-	114 955	778	115 733
Financial assets at FVTPL:						
Financial assets held for trading	-	-	-	96 180	-	96 180
Non-trading financial assets at FVTPL	-	-	-	157	-	157
Derivatives - Hedge accounting	-	-	-	277 991	-	277 991
Financial assets at FVOCI	-	-	-	7 154	-	7 154
Financial assets at AC:						
Due from other banks	-	-	-	82 081	-	82 081
Due from customers	1 100	-	-	-	63 802	64 902
Other assets	-	-	-	2	-	2
	<u>1 100</u>	<u>-</u>	<u>-</u>	<u>578 520</u>	<u>64 580</u>	<u>644 200</u>
Liabilities						
Financial liabilities at FVTPL:						
Financial liabilities held for trading	-	-	-	96 358	4	96 362
Derivatives - Hedge accounting	-	-	-	300 045	-	300 045
Financial liabilities at AC:						
Due to banks	-	-	-	756 653	2 572	759 225
Due to customers	1 813	-	269	-	9 118	11 200
Leasing liability	-	-	-	-	-	-
Subordinated debt	-	-	-	100 107	200 336	300 443
Provisions	-	-	-	6	7	13
Other liabilities	157	-	-	3 095	1 983	5 235
	<u>1 970</u>	<u>-</u>	<u>269</u>	<u>1 256 264</u>	<u>214 020</u>	<u>1 472 523</u>

As at 31 December 2022, the outstanding balances with related parties comprised:

December 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
	<u>919</u>	<u>-</u>	<u>-</u>	<u>461 221</u>	<u>54 091</u>	<u>516 231</u>
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
Subordinated debt	-	-	-	58 978	200 298	259 276
Provisions	-	-	-	6	2	8
Other liabilities	429	-	-	2 276	33	2 738
	<u>1 341</u>	<u>-</u>	<u>254</u>	<u>1 301 864</u>	<u>211 548</u>	<u>1 515 007</u>

As at 30 June 2023, the outstanding off-balance sheet balances with related parties comprised:

June 2023 € '000	KMP	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Commitments and undrawn credit facilities	1 152	-	-	187 751	10 010	198 913
Issued guarantees	-	-	-	35 943	9 679	45 622
Received guarantees	-	-	-	1 700	3 681	5 381
Derivative transactions (notional amount - receivable)	-	-	-	12 118 221	13 443	12 131 664
Derivative transactions (notional amount - payable)	-	-	-	12 117 256	13 435	12 130 691

As at 31 December 2022, the outstanding off-balance sheet balances with related parties comprised:

December 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 30 June 2023, the outstanding balances with related parties comprised:

June 2023 € '000	KMP	Joint ventures	Associates	Intesa Sanpaolo	ISP Group companies	Total
Income and expense						
Interest and similar income	7	-	-	156	922	1 085
Interest and similar expense	(9)	-	-	(16 602)	(5 988)	(22 599)
Fee and commission income	1	-	1	51	11 437	11 490
Fee and commission expense	-	-	-	(704)	(13)	(717)
Net trading result	-	-	-	(57 622)	1 810	(55 812)
Other operating income	-	-	-	246	101	347
Other operating expenses	-	-	-	(279)	-	(279)
Other administrative expenses	-	-	-	(2 157)	(6 013)	(8 170)
	<u>(1)</u>	<u>-</u>	<u>1</u>	<u>(76 911)</u>	<u>2 256</u>	<u>(74 655)</u>

For the year ended 31 December 2022, the outstanding balances with related parties comprised:

December 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
	<u>4</u>	<u>-</u>	<u>1</u>	<u>(11 028)</u>	<u>9 769</u>	<u>(1 254)</u>

37. Events after the end of the reporting period

From 30 June 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 authorised for issue on 10 August 2023.



Jozef Kausich
Chairman of the Management Board



Darina Kmeťová
Member of the Management Board