



# Illustrative disclosures for banks

Guide to annual financial statements

IFRS® Accounting Standards

December 2024

[kpmg.com/ifrs](https://kpmg.com/ifrs)



# Contents

---

<b>About this guide</b>	<b>2</b>
<b>References and abbreviations</b>	<b>6</b>
<b>Consolidated financial statements</b>	<b>7</b>
Financial highlights	8
Consolidated statement of financial position	9
Consolidated statement of profit or loss and other comprehensive income	11
Consolidated statement of changes in equity	14
Consolidated statement of cash flows	18
Notes to the consolidated financial statements	20
<b>Appendices</b>	
I    New accounting standards or amendments for 2024 and forthcoming requirements	225
II   Presentation of comprehensive income – Two-statement approach	227
<b>Keeping in touch</b>	<b>229</b>
<b>Acknowledgements</b>	<b>231</b>

# Notes

<b>Basis of preparation</b>	<b>20</b>		
1. Reporting entity	20	23. Loans and advances to banks	145
2. Basis of accounting	20	24. Loans and advances to customers	146
3. Functional and presentation currency	20	25. Investment securities	147
4. Use of judgements and estimates	20	26. Property and equipment	149
5. Changes in material accounting policies	21	27. Intangible assets and goodwill	150
		28. Other assets	153
<b>Financial risk review and fair value</b>	<b>22</b>	<b>Liabilities and equity</b>	<b>155</b>
6. Financial risk review	22	29. Deposits from banks	155
7. Fair values of financial instruments	76	30. Deposits from customers	156
		31. Debt securities in issue	157
<b>Performance for the year</b>	<b>91</b>	32. Subordinated liabilities	158
8. Operating segments	91	33. Provisions	159
9. Net interest income	95	34. Other liabilities	161
10. Net fee and commission income	96	35. Capital and reserves	162
11. Net trading income	101	<b>Group composition</b>	<b>164</b>
12. Net income from other financial instruments at FVTPL	102	36. Group subsidiaries	164
13. Other revenue	103	<b>Other information</b>	<b>165</b>
14. Losses arising from derecognition of financial assets measured at amortised cost	104	37. Involvement with unconsolidated structured entities	165
15. Personnel expenses	105	38. Transfers of financial assets	166
16. Other expenses	112	39. Contingencies	172
17. Earnings per share	113	40. Related parties	173
		41. Leases	174
<b>Income taxes</b>	<b>114</b>	42. Subsequent events	177
18. Income taxes	114	43. Financial risk management	178
		44. Analysis of changes in financing during the year	188
<b>Assets</b>	<b>122</b>	<b>Accounting policies</b>	<b>192</b>
19. Classification of financial assets and financial liabilities	122	45. Basis of measurement	192
20. Cash and cash equivalents	124	46. Material accounting policies	192
21. Trading assets and liabilities	125	47. Accounting standards issued but not yet effective	224
22. Derivatives held for risk management and hedge accounting	127		

# About this guide

This guide has been produced by the KPMG International Standards Group (part of KPMG IFRG Limited).

It is intended to help entities to prepare and present financial statements in accordance with IFRS<sup>®</sup> Accounting Standards<sup>a</sup> by illustrating one possible format for financial statements for a fictitious banking group (the Group) involved in a range of general banking activities. This hypothetical reporting entity has been applying the Accounting Standards for some time – i.e. it is not a first-time adopter. For more information on first-time adoption, see Chapter 6.1 in the 21st Edition 2024/25 of our publication [Insights into IFRS<sup>®</sup>](#).

## What's new in 2024?

[Appendix I](#) provides a comprehensive list of new accounting standards and amendments issued by the International Accounting Standards Board (IASB), distinguishing between those that are effective for an entity with an annual period beginning on 1 January 2024 and those with a later effective date.

The Group's assets and liabilities are presented in order of liquidity. Therefore, the Group is not affected by *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* and *Non-current Liabilities with Covenants (Amendments to IAS 1)*, which clarify certain requirements for determining whether a liability is classified as current or non-current. For an illustrative example of disclosures, see our [Guide to annual financial statements – Illustrative disclosures](#) (September 2024). For further information on the amendments, see our [article](#).

The Group has not entered into any supplier finance arrangements with respect to its own payables. Therefore, *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)*, which introduces new disclosures to help users of the financial statements to assess the effects of supplier finance arrangements on an entity's liabilities, cash flows and liquidity risk, has not been illustrated in this guide. For an illustrative example of disclosures, see our [Guide to annual financial statements – Illustrative disclosures](#) (September 2024). For further information on the amendments, see our [article](#).

In June 2024, the IFRS Interpretations Committee published the agenda decision *Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8)*. The Committee discussed the requirements to disclose, for each reportable segment, specified amounts included in segment profit or loss reviewed by the Chief Operating Decision Maker, and the meaning of 'material items of income and expense' in the context of these disclosures. See [Note 8](#) for an illustration of disclosures about the Group's reportable segments. For further information, see our [video](#).

The Group does not have any transactions that are affected by the other newly effective accounting standards and amendments.

## IAS 1.7 Preface 2

a. 'IFRS<sup>®</sup> Accounting Standards' is the term used to indicate the whole body of authoritative literature, and includes:

- IFRS<sup>®</sup> Accounting Standards issued by the International Accounting Standards Board (IASB);
- IAS<sup>®</sup> Standards issued by the International Accounting Standards Committee (IASC, the IASB's predecessor), or revisions thereof issued by the IASB;
- interpretations of IFRS Accounting Standards and IAS Standards developed by the IFRS Interpretations Committee (IFRIC<sup>®</sup> Interpretations) and approved for issue by the IASB; and
- interpretations of IAS Standards developed by the Standing Interpretations Committee (SIC<sup>®</sup> Interpretations) and approved for issue by the IASB or IASC.

## Accounting standards covered

This guide reflects accounting standards, amendments and interpretations (broadly referred to in this guide as Accounting Standards) that have been issued by the IASB as at 30 November 2024 and that are required to be applied by an entity with an annual reporting period beginning on 1 January 2024 ('currently effective requirements'). The early adoption of accounting standards that are effective for annual periods beginning after 1 January 2024 ('forthcoming requirements') has not been illustrated.

In this guide, the Group has not adopted the hedge accounting requirements of IFRS 9 *Financial Instruments*, but continues to apply the hedge accounting requirements of IAS 39 *Financial Instruments: Recognition and Measurement*.

This guide is not intended to be seen as a complete and exhaustive summary of all disclosure requirements under IFRS Accounting Standards. Instead, it focuses on disclosure requirements that are particularly relevant to banks. For examples of other disclosures, see our [Guide to annual financial statements – Illustrative disclosures](#) (September 2024).

In addition, accounting standards and their interpretation change over time. Accordingly, this guide should not be used as a substitute for referring to their requirements and other relevant interpretative guidance.

Preparers should also consider applicable legal and regulatory requirements. This guide does not consider the requirements of any particular jurisdiction – e.g. IFRS Accounting Standards do not require the preparation of separate financial statements for the parent entity but laws in certain jurisdictions may require preparation of separate financial statements. This guide illustrates only consolidated financial statements and does not illustrate separate financial statements.

## Climate-related financial reporting impacts

All banks are facing climate-related risks and opportunities and are making strategic decisions in response – including around their role in the transition to a low-carbon economy. These climate-related risks and strategic decisions could impact their financial statements and metrics.

Investors and regulators need to understand how climate-related risks and opportunities have affected and will affect a bank's financial position and performance. Although financial statements are not the only source of information about climate-related matters – banks are also expected to provide more comprehensive disclosures in the front part of the annual report or elsewhere – they play an important role. IFRS Accounting Standards do not refer explicitly to climate-related risks or matters, but they implicitly require relevant disclosures in the financial statements when climate-related matters considered in preparing the financial statements are material.

For an illustration of climate-related disclosures, see:

- [Note 43\(F\)](#), which describes how the Group manages climate-related risks arising from financial instruments;
- [Note 46\(J\)\(ii\)](#) for an example of accounting policies on SPPI assessment for sustainability-related features; and
- [Note 46\(M\)](#) for an example of a sustainability-related feature embedded in an issued financial instrument.

For additional illustrative climate-related disclosures, see our [Guide to annual financial statements – Illustrative disclosures](#) (September 2024).

Banks should also consider any relevant regulatory guidance on managing and disclosing the climate-related impacts on banks. Many of these disclosures are provided outside the financial statements. However, it is important to consider whether these disclosures align with the uncertainties on climate-related matters that have been reflected in the judgements and estimates applied in the financial statements.

Our [Clear on climate reporting hub](#) provides guidance on the potential financial statement impacts of climate-related matters. See especially our:

- [Talkbook](#) – Are you clear on climate reporting in the financial statements?
- [Article](#) and [talkbook](#) – Net-zero commitments.
- [Article](#) – Have you disclosed the impacts of climate-related matters clearly?

## Financial reporting in uncertain times

Many banks are likely to be facing challenges in these uncertain times. Geopolitical events, natural disasters, climate-related effects and inflationary pressures continue to drive uncertainty across the globe.

Such uncertainty brings numerous issues and risks for banks, including financial difficulties for borrowers, the impact of changing interest rates on banks' financial performance and risk management strategies, increased market volatility, and changes to the way banks operate. It also creates the potential for additional accounting and disclosure implications.

This guide does not illustrate the potential impacts of external events on the financial statements of the hypothetical bank.

Depending on the economic environment in which a bank operates, there may be various external events that affect the recognition and measurement of its assets and liabilities, and its income and expenses. Also, as a consequence of these events, banks may be facing going concern difficulties due to liquidity pressures.

Preparers should carefully evaluate and consider the impact of external events on their 2024 financial reporting and provide relevant entity-specific disclosures.

For guidance, see our [Uncertain times reporting hub](#).

## Connectivity between the financial statement and other information

A bank's general purpose financial reports usually contain three key areas that provide insights into the business model and strategy: the financial statements, the sustainability disclosures, and management's discussion and analysis (MD&A). A bank may face direct challenge from investors, regulators and other report users if those insights are not connected. Climate-related matters and other uncertainties are under particular scrutiny.

To achieve connectivity in annual reports, it is important that the front and back of the report tell the same story. To tell a connected story, an entity:

- joins the dots between the front of the financial report (e.g. sustainability disclosures and MD&A) and the financial statements; and
- ensures the different components of the front part disclosures are themselves connected.

Connectivity is especially important when reporting on issues that create volatility for the entity's prospects, such as climate-related risks and opportunities and other uncertainties. For more about connectivity, see our [Connected reporting today](#) page.

For information on IFRS Sustainability Disclosure Standards and related developments, see our [ISSB Standards Today](#) page, and on European Sustainability Reporting Standards see our [ESRS Today](#) page. This guide illustrates disclosures for financial statements prepared in accordance with IFRS Accounting Standards and does not include illustrations of sustainability disclosures.

## Other guidance

In preparing this guide, we considered the recommendations made by the Enhanced Disclosure Task Force (EDTF) in its report *Enhancing the Risk Disclosures of Banks*, issued on 29 October 2012, and [its revision](#) issued on 7 December 2015, *Impact of Expected Credit Loss Approaches on Bank Risk Disclosures*. The purpose of this report is to help banks improve their communication with their

stakeholders in the area of risk disclosures, with the ultimate aim of improving investor confidence. The recommendations' scope is wider than the financial statements, because they apply to all financial reports, including public disclosures required by regulators and other communications with stakeholders. In some cases, recommendations in the report may impact the manner of presentation of information that is already required to be disclosed under IFRS Accounting Standards. In other cases, it recommends disclosure of new information.

Many regulators continue to focus on disclosures in financial statements. For example, the European Securities and Markets Authority (ESMA) has published its public statement on [Common enforcement priorities for 2024](#).

In preparing this guide we also considered the following.

- Basel Committee on Banking Supervision [recommendations](#) in its *Guidance on credit risk and accounting for expected credit losses* issued in December 2015 and [Recommendations on a Comprehensive Set of IFRS 9 Expected Credit Loss Disclosures](#) issued by the UK Taskforce on Disclosures about Expected Credit Losses (DECL) in September 2022.

## Need for judgement

This guide is part of our suite of [guides to financial statements](#) and specifically focuses on compliance with IFRS Accounting Standards. Although it is not exhaustive, this guide illustrates the disclosures required for a hypothetical bank, merely for illustrative purposes and, as such, largely without regard to materiality. The information contained herein is of a general nature and is not intended to address the circumstances of any particular entity.

The preparation and presentation of financial statements require the preparer to exercise judgement – e.g. in terms of the choice of accounting policies, the ordering of notes to the financial statements, tailoring the disclosures to reflect the reporting entity's specific circumstances and the relevance of disclosures considering the needs of the users.

## Materiality

Materiality is relevant to the presentation and disclosure of items in the financial statements. Preparers need to consider whether the financial statements include all of the information that is relevant to understanding an entity's financial position at the reporting date and its financial performance during the reporting period.

Preparers also need to take care not to reduce the understandability of their financial statements by obscuring material information with immaterial information or by aggregating material items that are different by nature or function. Individual disclosures that are not material to the financial statements do not need to be provided – even if they are a specific requirement of an accounting standard. Preparers need to consider the appropriate level of disclosure based on materiality for the reporting period.

Specific guidance on materiality and its application to the financial statements is included in paragraphs 29–31 of IAS 1 *Presentation of Financial Statements*. In addition, paragraphs 117–117E include guidance on the application of materiality to disclosure of accounting policies. Preparers may also consider [Practice Statement 2 Making Materiality Judgements](#), which provides guidance on applying materiality in the preparation of financial statements.

## Remember the bigger picture

Financial reporting is not just about technical compliance, but also effective communication. Investors continue to ask for a step-up in the quality of business reporting, so preparers should be careful not to become buried in compliance to the exclusion of relevance. In preparing their financial statements, banks need to focus on improving their communication by reporting financial information in a meaningful way.

Banks may also consider innovating their financial statement presentation and disclosure in the broader context of reporting. For more information, see [Connected Reporting Today](#).

# References and abbreviations

References are included in the left-hand margin of this guide. Generally, the references relate only to presentation and disclosure requirements.

<i>IAS 1.82(a)</i>	Paragraph 82(a) of IAS 1.
<i>[IFRS 9.4.1.1]</i>	Paragraph 4.1.1 of IFRS 9. The square brackets indicate that the paragraph relates to recognition and measurement requirements, as opposed to presentation and disclosure requirements.
<i>[IFRIC 23.11]</i>	Paragraph 11 of IFRIC 23. The square brackets indicate that the paragraph relates to paragraph 11 of the interpretation clarification in relation to uncertainty over income tax treatments.
<i>Insights 2.3.70.10</i>	Paragraph 2.3.70.10 of the 21 <sup>st</sup> Edition 2024/25 of our publication <a href="#">Insights into IFRS®</a> .

The following markings in the left-hand margins indicate the following.

- █ Disclosures that are applicable only to entities in the scope of IFRS 8 *Operating Segments* and IAS 33 *Earnings per Share*.
- || Major changes since the 2023 edition of this guide.

*Footnotes in grey italics refer to recommendations in the EDTF and DECL reports, which are not specific requirements of IFRS Accounting Standards.*

The following abbreviations are used often in this guide.

CGU	Cash-generating unit
ECL	Expected credit losses
EDTF	Enhanced Disclosure Task Force
EPS	Earnings per share
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
NCI	Non-controlling interests
Notes	Notes to the financial statements
OCI	Other comprehensive income
SPPI	Solely payments of principal and interest



[Name of bank]

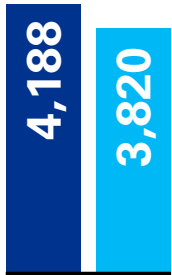
# Consolidated financial statements

31 December 2024

# Financial highlights<sup>a</sup>

## REVENUE

(million EUR)



2024 2023

## PROFIT BEFORE TAX

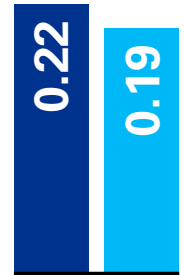
(million EUR)



2024 2023

## BASIC EARNINGS PER SHARE

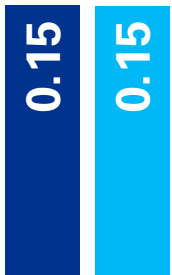
(EUR)



2024 2023

## DIVIDENDS PER ORDINARY SHARE

(EUR)



2024 2023

## REGULATORY CAPITAL

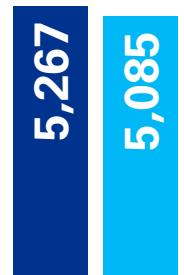
(million EUR)



2024 2023

## CET 1 CAPITAL

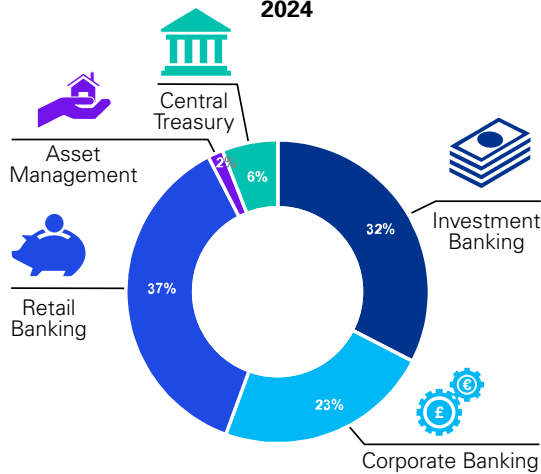
(million EUR)



2024 2023

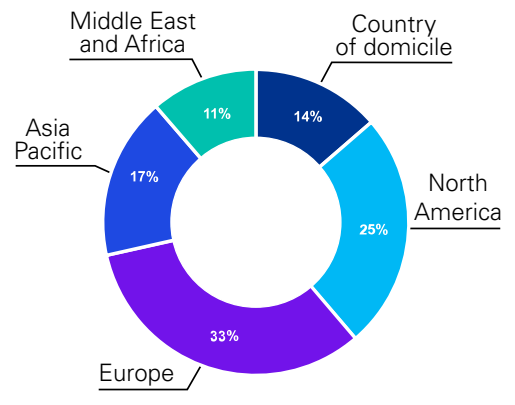
## REVENUE BY SEGMENT

2024



## REVENUE BY REGION

2024



<sup>a</sup>. The Group presents these financial highlights to show certain financial metrics that appear in the financial statements. This information is provided for illustrative purposes only.

## Consolidated statement of financial position<sup>a, b</sup>

IAS 1.10(a), 10(ea), 29,  
38–38A, 40A–40B,  
54–55, 113

IAS 1.54(i)

IAS 1.54(d)

IAS 1.54(d),  
IFRS 9.3.2.23(a)

IAS 1.54(d)

IAS 1.54(d)

IAS 1.54(d)

IAS 1.54(d)

IAS 1.54(n)

IAS 1.54(a)

IAS 1.54(c)

IAS 1.54(o)

<i>In millions of EUR</i>	<i>Note</i>	31 December 2024	31 December 2023
<b>Assets</b>			
Cash and cash equivalents	20	2,969	3,037
Non-pledged trading assets	21	16,122	15,249
Pledged trading assets	21	540	519
Derivative assets held for risk management	22	858	726
Loans and advances to banks	23	5,555	4,683
Loans and advances to customers	24	62,732	56,712
Investment securities	25	6,302	5,356
Current tax assets		48	53
Property and equipment <sup>c</sup>	26	629	672
Intangible assets	27	275	259
Deferred tax assets	18	320	297
Other assets	28	1,107	829
<b>Total assets</b>		<b>97,457</b>	<b>88,392</b>

*The notes on pages 20 to 224 are an integral part of these consolidated financial statements.*

IAS 1.10

a. An entity may also use other titles – e.g. ‘balance sheet’ – as long as the meaning is clear and the title is not misleading.

IAS 1.60–61, 63,  
Insights 3.1.10

b. A bank or similar financial institution usually presents a statement of financial position showing assets and liabilities in their broad order of liquidity because this presentation provides reliable and more relevant information than separate current and non-current classifications. For each asset and liability line item that combines amounts expected to be recovered or settled within:

- no more than 12 months after the reporting date; and
- more than 12 months after the reporting date,

an entity discloses in the notes the amount expected to be recovered or settled after more than 12 months.

IFRS 16.47(a)

c. The Group has presented right-of-use assets within ‘property and equipment’ – i.e. the same line item in which it presents underlying assets of the same nature that it owns. Alternatively, an entity may choose to present right-of-use assets separately in the statement of financial position.

## Consolidated statement of financial position (continued)

IAS 1.10(a), 10(ea), 29,  
38–38A, 40A–40B,  
54–55, 113

IAS 1.54(m)

IAS 1.54(m)

IAS 1.54(m)

IAS 1.54(m)

IAS 1.54(m)

IAS 1.54(m)

IAS 1.54(l)

IAS 1.54(o)

IAS 1.54(r)

IAS 1.54(r)

IAS 1.54(r)

IAS 1.54(r)

IAS 1.54(r)

IAS 1.54(q)

<i>In millions of EUR</i>	<i>Note</i>	<b>31 December 2024</b>	<b>31 December 2023</b>
<b>Liabilities</b>			
Trading liabilities	21	<b>7,026</b>	6,052
Derivative liabilities held for risk management	22	<b>828</b>	789
Deposits from banks	29	<b>11,678</b>	10,230
Deposits from customers	30	<b>53,646</b>	48,904
Debt securities in issue	31	<b>11,227</b>	10,248
Subordinated liabilities	32	<b>5,642</b>	4,985
Provisions	33	<b>128</b>	114
Deferred tax liabilities	18	<b>107</b>	106
Other liabilities <sup>a</sup>	34	<b>838</b>	818
<b>Total liabilities</b>		<b>91,120</b>	82,246
<b>Equity</b>			
Share capital and share premium	35(A)	<b>2,227</b>	2,195
Other equity instruments	35(B)	<b>500</b>	500
Reserves		<b>138</b>	199
Retained earnings		<b>3,335</b>	3,135
<b>Total equity, excluding non-controlling interest</b>		<b>6,200</b>	6,029
<b>Non-controlling interests</b>	36(D)	<b>137</b>	117
<b>Total equity</b>		<b>6,337</b>	6,146
<b>Total liabilities and equity</b>		<b>97,457</b>	88,392

*The notes on pages 20 to 224 are an integral part of these consolidated financial statements.*

IFRS 16.47(b)

a. The Group has presented lease liabilities within 'other liabilities'. Alternatively, an entity (a lessee) may choose to present lease liabilities separately from other liabilities in the statement of financial position.

## Consolidated statement of profit or loss and other comprehensive income<sup>a</sup>

For the year ended 31 December

IAS 1.10(b), 10A, 29, 38–38A, 81A, 97, 113

IFRS 7.20(b), IAS 1.82(a)

IFRS 7.20(b), IAS 1.82(b)

IFRS 7.20(c)

IFRS 7.20(c)

IFRS 7.20(a)(i)

IFRS 7.20(a)(i)

IFRS 7.20(a)(viii)

IFRS 7.20A,

IAS 1.82(aa)

IAS 1.82(a), 85

IAS 1.82(ba)

IAS 1.99

IAS 1.99, 38.118(d)

IAS 1.99

IAS 1.85

IAS 1.82(d), 12.77

IAS 1.81A(a)

<i>In millions of EUR</i>	<i>Note</i>	<b>2024</b>	<b>2023</b>
Interest income calculated using the effective interest method <sup>b</sup>	9	<b>3,319</b>	3,509
Other interest income	9	<b>22</b>	19
Interest expense	9	<b>(1,409)</b>	(1,414)
Net interest income		<b>1,932</b>	2,114
Fee and commission income	10	<b>854</b>	759
Fee and commission expense	10	<b>(179)</b>	(135)
Net fee and commission income		<b>675</b>	624
Net trading income	11	<b>1,434</b>	987
Net income from other financial instruments at FVTPL	12	<b>77</b>	27
Other revenue	13	<b>79</b>	68
Net loss arising from derecognition of financial assets measured at amortised cost	14	<b>(9)</b>	-
<b>Revenue<sup>c</sup></b>		<b>4,188</b>	3,820
Other income		<b>21</b>	84
Impairment losses on financial instruments	6(A)	<b>(616)</b>	(448)
Personnel expenses	15	<b>(2,529)</b>	(2,301)
Depreciation and amortisation	26, 27	<b>(120)</b>	(113)
Other expenses	16	<b>(398)</b>	(585)
<b>Profit before tax</b>		<b>546</b>	457
Income tax expense	18	<b>(123)</b>	(79)
<b>Profit for the period</b>		<b>423</b>	378

The notes on pages 20 to 224 are an integral part of these consolidated financial statements.

IAS 1.10A

a. The Group has elected to present comprehensive income following a 'one-statement' approach. For an illustration of the alternative 'two-statement' approach, see [Appendix II](#).

IAS 1.82(a),  
Insights 7.10.70.  
15–20

b. The IFRS Interpretations Committee discussed the application of the requirement to present separately a line item for interest revenue calculated under the effective interest method and noted that it applies only to those financial assets that are subsequently measured at amortised cost or FVOCI (subject to the effect of any qualifying hedging relationship applying the hedge accounting requirements).

However, the Committee did not consider whether an entity could present other interest amounts in another revenue line in the statement of profit or loss and OCI. It appears that an entity may present interest income from other financial assets in another revenue line item if it arises in the course of the entity's ordinary activities.

c. In this guide, the most relevant measure of revenue is considered to be the sum of net interest income, net fee and commission income, net trading income, net income from other financial instruments at FVTPL, other revenue and net loss arising from derecognition of financial assets measured at amortised cost. However, other presentations are possible.

## Consolidated statement of profit or loss and other comprehensive income (continued)

For the year ended 31 December

*In millions of EUR*

	<i>Note</i>	<b>2024</b>	<b>2023</b>
<b>Profit for the period</b>		<b>423</b>	378
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurements of defined benefit liability (asset)	<i>15</i>	<b>7</b>	9
Equity investments at FVOCI – net change in fair value		<b>2</b>	2
Movement in liability credit reserve	<i>31</i>	<b>3</b>	1
<i>Related tax<sup>a</sup></i>		<b>(4)</b>	(4)
		<b>8</b>	8
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Movement in translation reserve:			
Foreign operations – foreign currency translation differences		<b>(45)</b>	(35)
Net gain on hedges of net investments in foreign operations		<b>30</b>	31
Movement in hedging reserve:			
Cash flow hedges – effective portion of changes in fair value		<b>(43)</b>	(22)
Cash flow hedges – reclassified to profit or loss <sup>b</sup>		<b>6</b>	12
Movement in fair value reserve (FVOCI debt instruments):			
Debt investments at FVOCI – net change in fair value		<b>(166)</b>	(160)
Debt investments at FVOCI – reclassified to profit or loss <sup>b</sup>		<b>129</b>	125
<i>Related tax<sup>a</sup></i>		<b>25</b>	15
		<b>(64)</b>	(34)
<b>Other comprehensive income, net of tax</b>		<b>(56)</b>	(26)
<b>Total comprehensive income</b>		<b>367</b>	352

IAS 1.90–91

- a. The Group has elected to present individual components of OCI before related tax and present separately the aggregated amount of tax relating to items that will not be reclassified to profit or loss and an aggregated amount of tax relating to items that are or may be subsequently reclassified. It has provided disclosures related to tax on each component of OCI in [Note 18\(B\)](#). Alternatively, an entity may present individual components of OCI net of related tax in the statement.

IAS 1.94

- b. The Group has elected to present reclassification adjustments in the statement of profit or loss and OCI. Alternatively, an entity may disclose these adjustments in the notes.

## Consolidated statement of profit or loss and other comprehensive income (continued)

For the year ended 31 December

*In millions of EUR*

	<i>Note</i>	<b>2024</b>	<b>2023</b>
<b>Profit attributable to</b>			
<i>IAS 1.81B(a)(ii)</i>		<b>383</b>	340
		<b>20</b>	20
<i>IAS 1.81B(a)(i)</i>		<b>20</b>	18
		<b>423</b>	378
<b>Total comprehensive income attributable to</b>			
<i>IAS 1.81B(b)(ii)</i>		<b>327</b>	314
		<b>20</b>	20
<i>IAS 1.81B(b)(i)</i>	<i>36(D)</i>	<b>20</b>	18
		<b>367</b>	352
<b>Earnings per share</b>			
<i>IAS 33.4</i>			
<i>IAS 33.66</i>	<i>17</i>	<b>0.22</b>	0.19
<i>IAS 33.66</i>	<i>17</i>	<b>0.22</b>	0.19

*The notes on pages 20 to 224 are an integral part of these consolidated financial statements.*

## Consolidated statement of changes in equity

For the year ended 31 December 2024

Attributable to owners of the Bank

In millions of EUR	Attributable to owners of the Bank	
	Share capital	Share premium
<b>Balance at 1 January 2024</b>	<b>1,756</b>	<b>439</b>
<b>Total comprehensive income</b>		
Profit for the period	-	-
<b>Other comprehensive income</b>		
Remeasurements of defined benefit liability (asset)	-	-
Fair value reserve (FVOCI equity instruments):		
Equity investments at FVOCI – net change in fair value	-	-
Liability credit reserve	-	-
Translation reserve:		
Foreign operations – foreign translation differences	-	-
Net gain on hedges of net investment in foreign operations	-	-
Hedging reserve:		
Cash flow hedges – effective portion of changes in fair value	-	-
Cash flow hedges – reclassified to profit or loss	-	-
Fair value reserve (FVOCI debt instruments):		
Debt investments at FVOCI – net change in fair value	-	-
Debt investments at FVOCI – reclassified to profit or loss	-	-
Tax on other comprehensive income	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Transactions with equity holders of the Bank</b>		
<b>Contributions and distributions</b>		
Equity-settled share-based payment <sup>a</sup>	-	-
Share options exercised	<b>3</b>	<b>29</b>
Dividends and coupons paid to equity holders	-	-
<b>Total contributions and distributions</b>	<b>3</b>	<b>29</b>
<b>Balance at 31 December 2024</b>	<b>1,759</b>	<b>468</b>

The notes on pages 20 to 224 are an integral part of these consolidated financial statements.

IAS 1.10(c), 29, 108, 113, IFRS 7.24E

IAS 1.106(d)(i)

IAS 1.106(d)(ii), 106A

IAS 1.85

IFRS 7.20(a)(vii)

IFRS 7.20(a)(i)

IAS 21.52(b)

IAS 21.52(b)

IFRS 7.24C(b)(iv)

IFRS 7.24C(b)(iv),

IAS 1.92

IFRS 7.20(a)(viii)

IFRS 7.20(a)(viii),

IAS 1.92

IAS 1.91(b)

IAS 1.106(a)

IAS 1.106(d)(iii)



Attributable to owners of the Bank							Non-controlling interest	Total equity
Other equity instruments	Translation reserve	Hedging reserve	Fair value reserve	Liability credit reserve	Retained earnings	Total		
500	77	(85)	208	(1)	3,135	6,029	117	6,146
20	-	-	-	-	383	403	20	423
-	-	-	-	-	7	7	-	7
-	-	-	2	-	-	2	-	2
-	-	-	-	3	-	3	-	3
-	(45)	-	-	-	-	(45)	-	(45)
-	30	-	-	-	-	30	-	30
-	-	(43)	-	-	-	(43)	-	(43)
-	-	6	-	-	-	6	-	6
-	-	-	(166)	-	-	(166)	-	(166)
-	-	-	129	-	-	129	-	129
-	-	12	12	(1)	(2)	21	-	21
-	(15)	(25)	(23)	2	5	(56)	-	(56)
20	(15)	(25)	(23)	2	388	347	20	367
-	-	-	-	-	75	75	-	75
-	-	-	-	-	-	32	-	32
(20)	-	-	-	-	(263)	(283)	-	(283)
(20)	-	-	-	-	(188)	(176)	-	(176)
500	62	(110)	185	1	3,335	6,200	137	6,337

*Insights 4.5.900.20* a. Generally, IFRS 2 *Share-based Payment* does not address whether an increase in equity recognised in connection with a share-based payment transaction should be presented in a separate component within equity or within retained earnings. In our view, either approach is allowed. The Group has elected to present the increase in retained earnings.

## Consolidated statement of changes in equity (continued)

For the year ended 31 December 2023

IAS 1.10(c), 29, 38, 38A,  
108, 113

Attributable to owners of the Bank

In millions of EUR	Attributable to owners of the Bank	
	Share capital	Share premium
<b>Balance at 1 January 2023</b>	1,756	439
<b>Total comprehensive income</b>		
Profit for the period	-	-
<b>Other comprehensive income</b>		
Remeasurements of defined benefit liability (asset)	-	-
Fair value reserve (FVOCI equity instruments):		
Equity investments at FVOCI – net change in fair value	-	-
Liability credit reserve	-	-
Translation reserve:		
Foreign operations – foreign translation differences	-	-
Net loss on hedge of net investment in foreign operations	-	-
Hedging reserve:		
Cash flow hedges – effective portion of changes in fair value	-	-
Cash flow hedges – reclassified to profit or loss	-	-
Fair value reserve (FVOCI debt instruments):		
Debt investments at FVOCI – net change in fair value	-	-
Debt investments at FVOCI – reclassified to profit or loss	-	-
Tax on other comprehensive income	-	-
<b>Total other comprehensive income</b>	-	-
<b>Total comprehensive income</b>	-	-
<b>Transactions with equity holders of the Bank</b>		
<b>Contributions and distributions</b>		
Equity-settled share-based payment <sup>a</sup>	-	-
Dividends and coupons paid to equity holders	-	-
<b>Total contributions and distributions</b>	-	-
<b>Balance at 31 December 2023</b>	1,756	439

The notes on pages 20 to 224 are an integral part of these consolidated financial statements.

Attributable to owners of the Bank							Total	Non-controlling interest	Total equity
Other equity instruments	Translation reserve	Hedging reserve	Fair value reserve	Liability credit reserve	Retained earnings				
500	81	(78)	230	(2)	3,027	5,953	99	6,052	
20	-	-	-	-	340	360	18	378	
-	-	-	-	-	9	9	-	9	
-	-	-	2	-	-	2	-	2	
-	-	-	-	1	-	1	-	1	
-	(35)	-	-	-	-	(35)	-	(35)	
-	31	-	-	-	-	31	-	31	
-	-	(22)	-	-	-	(22)	-	(22)	
-	-	12	-	-	-	12	-	12	
-	-	-	(160)	-	-	(160)	-	(160)	
-	-	-	125	-	-	125	-	125	
-	-	3	11	-	(3)	11	-	11	
-	(4)	(7)	(22)	1	6	(26)	-	(26)	
20	(4)	(7)	(22)	1	346	334	18	352	
-	-	-	-	-	25	25	-	25	
(20)	-	-	-	-	(263)	(283)	-	(283)	
(20)	-	-	-	-	(238)	(258)	-	(258)	
500	77	(85)	208	(1)	3,135	6,029	117	6,146	

*Insights 4.5.900.20* a. Generally, IFRS 2 does not address whether an increase in equity recognised in connection with a share-based payment transaction should be presented in a separate component within equity or within retained earnings. In our view, either approach is allowed. The Group has elected to present the increase in retained earnings.

## Consolidated statement of cash flows<sup>a</sup>

For the year ended 31 December

In millions of EUR

	Note	2024	2023
<b>Cash flows from operating activities<sup>b</sup></b>			
Profit for the period <sup>c</sup>		423	378
Adjustments for:			
– Depreciation and amortisation	26, 27	120	113
– Impairment loss on investment securities	6(A)	22	19
– Impairment loss on loans and advances	6(A)	594	429
– Net interest income	9	(1,932)	(2,114)
– Net gain on investment securities at FVTPL	12	(50)	(36)
– Net loss (gain) on loans and advances at FVTPL	12	(153)	55
– Net loss on debt securities issued at FVTPL	12	30	185
– Net loss on sale of investment securities measured at FVOCI	13	129	125
– Net loss arising from derecognition of financial assets measured at amortised cost	14	9	-
– Dividends on equity securities at FVOCI	13	(2)	(8)
– Equity-settled share-based payment transactions	15	75	25
– Tax expense	18	123	79
		(612)	(750)
Changes in:			
– Trading assets	21	(894)	(993)
– Derivative assets held for risk management	22(A)	(132)	(104)
– Loans and advances to banks	23	(872)	(389)
– Loans and advances to customers	24	(6,329)	(6,275)
– Other assets	28	(278)	(175)
– Trading liabilities	21	974	885
– Derivative liabilities held for risk management	22	39	35
– Deposits from banks	29	1,448	1,071
– Deposits from customers	30	4,742	2,245
– Other liabilities and provisions <sup>d</sup>		317	75
		(1,597)	(4,375)
Interest received <sup>e</sup>		3,034	5,262
Dividends received <sup>e</sup>		13	8
Interest paid <sup>d, e</sup>		(1,407)	(1,372)
Income taxes paid		(119)	(60)
<b>Net cash used in operating activities</b>		<b>(76)</b>	<b>(537)</b>
<b>Cash flows from investing activities<sup>b</sup></b>			
Acquisition of investment securities		(1,693)	(647)
Proceeds from sale of investment securities		577	444
Acquisition of property and equipment	26	(88)	(63)
Proceeds from the sale of property and equipment	26	36	18
Acquisition of intangible assets	27	(40)	(33)
<b>Net cash used in investing activities</b>		<b>(1,208)</b>	<b>(281)</b>

The notes on pages 20 to 224 are an integral part of these consolidated financial statements.

IAS 1.10(d), 29, 38, 38A, 113

IAS 7.18(b)

IAS 7.31, 33

IAS 7.31, 33

IAS 7.31, 33

IAS 7.35

IAS 7.10

IAS 7.21

IAS 7.16(c)

IAS 7.16(d)

IAS 7.16(a)

IAS 7.16(b)

IAS 7.16(a)

IAS 7.10

## Consolidated statement of cash flows (continued)

For the year ended 31 December

In millions of EUR

	Note	2024	2023
<b>Cash flows from financing activities</b>			
Proceeds from issue of debt securities		1,018	762
Repayment of debt securities		(96)	(99)
Payment of lease liabilities <sup>d</sup>		(78)	(80)
Proceeds from issue of subordinated liabilities		667	651
Proceeds from exercise of share options	35	32	-
Dividends and coupons paid to equity holders <sup>e</sup>	35	(283)	(283)
<b>Net cash from financing activities</b>		<b>1,260</b>	<b>951</b>
<b>Net (decrease) increase in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January	20	3,037	2,850
Effect of exchange rate fluctuations on cash and cash equivalents held		(44)	54
<b>Cash and cash equivalents at 31 December</b>	20	<b>2,969</b>	<b>3,037</b>

The notes on pages 20 to 224 are an integral part of these consolidated financial statements.

IAS 1.10(d), 29, 38, 38A, 113

IAS 7.21

IAS 7.17(c)

IAS 7.17(d)

IAS 7.17(e)

IAS 7.17(c)

IAS 7.17(a)

IAS 7.31, 34

IAS 7.10

IAS 7.28

IAS 7.18–19

a. The Group has elected to present cash flows from operating activities under the indirect method. Alternatively, an entity may present operating cash flows under the direct method. For an illustration presenting the operating cash flows under the direct method, see Appendix III of our [Guide to annual financial statements – Illustrative disclosures](#) (September 2024).

IAS 7.16(c)–(d)

b. In this guide, gross receipts from the sale of, and gross payments to acquire, investment securities have been classified as components of cash flows from investing activities because they do not form part of the Group's dealing or trading operations.

IAS 7.18, 20, A, Insights 2.3.30.20

c. The Group has used 'profit or loss' as the starting point for presenting operating cash flows under the indirect method. This is the starting point referred to in IAS 7 *Statement of Cash Flows*, although the example provided in Appendix II to the accounting standard starts with a different figure – 'profit before tax'. Because the appendix does not have the same status as the accounting standard, it would be more appropriate to follow the accounting standard.

IFRS 16.50, IAS 7.17(e)

d. The Group has classified:

- cash payments for the principal portion of lease payments as financing activities;
- cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Group (see footnote (e) below); and
- short-term lease payments and payments for leases of low-value assets as operating activities.

IAS 7.31, Insights 2.3.50.10–20

e. The Accounting Standards require cash flows from interest and dividends received and paid to be disclosed separately. In our view, such disclosure is required in the statement of cash flows, rather than in the notes. In the absence of specific guidance in IFRS Accounting Standards, an entity chooses an accounting policy, to be applied consistently, to classify interest and dividends paid as either operating or financing activities, and interest and dividends received as either operating or investing activities. The Group has elected to classify cash flows from interest paid, interest received and dividends received as operating activities, and cash flows from dividends paid as financing activities. Interest paid includes the interest portion of the lease liabilities.

## Notes to the consolidated financial statements<sup>a</sup>

IAS 1.10(e)

### 1. Reporting entity

[Name of Bank] (the Bank) is domiciled in [Country X]. The Bank's registered office is at [address]. These consolidated financial statements comprise the Bank and its subsidiaries (collectively, the Group). The Group is primarily involved in investment, corporate and retail banking, and in providing asset management services (see Note 8).

IAS 1.51(a)–(b),  
138(a)–(b)

### 2. Basis of accounting

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards. They were authorised for issue by the Bank's board of directors on [date].

IAS 1.16, 112(a), 10.17

The consolidated financial statements are prepared on a going concern basis, as management is satisfied that the Group has adequate resources to continue as a going concern for the foreseeable future. In making this assessment, management has considered a wide range of information including projections of profitability, regulatory capital requirements and funding needs. The assessment also includes consideration of reasonably possible downside economic scenarios and their potential impacts on the profitability, capital and liquidity of the Group.<sup>b</sup>

IAS 1.25–26

Details of the Group's accounting policies, including changes thereto, are included in Note 46 and Note 5.

### 3. Functional and presentation currency

These consolidated financial statements are presented in EUR, which is the Bank's functional currency. All amounts have been rounded to the nearest million, except when otherwise indicated.

IAS 1.51(d)–(e)

### 4. Use of judgements and estimates

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

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

#### A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes.

- Note 6(A)(iii): establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.
- Note 46(A)(ii): determination of control over investees.
- Notes 46(J)(ii) and 19: classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

IAS 1.122

IAS 1.113–114

- a. Notes are presented, to the extent practicable, in a systematic order and are cross-referred to/from items in the primary statements. In determining a systematic manner of presentation, an entity considers the effect on the understandability and comparability of the financial statements. The Group has applied judgement in presenting related information together in a manner that it considers to be most relevant to an understanding of its financial performance and financial position. The order presented is only illustrative and entities need to tailor the organisation of the notes to fit their specific circumstances.

IAS 1.25–26

- b. Appropriate disclosures will vary depending on specific facts and circumstances. Among others, an entity is required to disclose material uncertainties related to events or conditions that may cast significant doubt on its ability to continue as a going concern when management is aware of such uncertainties.

## Notes to the consolidated financial statements (continued)

### 4. Use of judgements and estimates (continued)

#### B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes.

- [Notes 6\(A\)\(iii\)](#) and [46\(J\)\(vii\)](#): impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.
- [Note 7\(D\)\(ii\)](#): measurement of the fair value of financial instruments with significant unobservable inputs.
- [Note 15\(B\)\(iv\)](#): measurement of defined benefit obligations: key actuarial assumptions.
- [Note 18\(F\)–\(G\)](#): recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised.
- [Note 27\(B\)](#): impairment testing for CGUs containing goodwill: key assumptions underlying recoverable amounts.
- [Note 39](#): recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

### 5. Changes in material accounting policies<sup>a,b,c</sup>

The Group does not have changes in material accounting policies in the current annual reporting period.

IAS 1.125, 129–130

IAS 8.28

- a.** The description of the nature and effects of the changes in accounting policies presented is only an example that reflects the circumstances of the Group, and may not be representative of the nature and effects of the changes for other entities. It is given for illustrative purposes largely without regard to materiality.
- Amendments to accounting standards and interpretations that are effective for annual reporting periods beginning on 1 January 2024 are described in [Appendix I](#).
- b.** The Group chose to present a separate note describing its change in accounting policy since the last annual financial reporting period. Alternatively, this information could be provided in the basis of accounting note – see [Note 2](#).

IAS 1.38

- c.** Comparative information is generally required in respect of the preceding period for all amounts reported in the current period's financial statements and, if it is relevant to understanding the current period's financial statements, also for narrative and descriptive information. However, when entities adopt new accounting standards without restating comparative information, the disclosure requirements of the new accounting standards do not normally apply to the comparative period because the comparative information reflects the requirements of the superseded accounting standards.

## Notes to the consolidated financial statements (continued)

IFRS 7.31

IFRS 7.33, IAS 1.134

### 6. Financial risk review<sup>a</sup>

This note presents information about the Group's exposure to financial risks and the Group's management of capital.

For information on the Group's financial risk management framework, see [Note 43](#).

	Page
A. Credit risk	22
i. Credit quality analysis	22
ii. Collateral held and other credit enhancements	30
iii. Amounts arising from ECL	33
iv. Concentrations of credit risk	56
v. Offsetting financial assets and financial liabilities	56
B. Liquidity risk	63
i. Exposure to liquidity risk	63
ii. Maturity analysis for financial liabilities and financial assets	64
iii. Liquidity reserves	67
iv. Financial assets available to support future funding	68
v. Financial assets pledged as collateral	68
C. Market risk	69
i. Exposure to market risk – Trading portfolios	70
ii. Exposure to interest rate risk – Non-trading portfolios	71
iii. Exposure to currency risks – Non-trading portfolios	73
D. Capital management	73
i. Regulatory capital	73
ii. Capital allocation	75

IFRS 7.33, 35M

IFRS 7.33

#### A. Credit risk

For the definition of credit risk and information on how credit risk is mitigated by the Group, see [Note 43\(B\)](#).

##### i. Credit quality analysis

The following tables set out information about the credit quality of financial assets measured at amortised cost, lease receivables and FVOCI debt investments without taking into account collateral or other credit enhancement. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.<sup>b</sup>

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in [Note 46\(J\)\(vii\)](#).

IFRS 7.35M, 36(a)

IFRS 7.34

- <sup>a</sup> The financial risk disclosures presented are only illustrative and reflect the facts and circumstances of the Group. In particular, IFRS 7 *Financial Instruments: Disclosures* requires the disclosure of summary quantitative data about an entity's risk exposure based on information provided internally to the entity's key management personnel, although certain minimum disclosures are also required to the extent that they are not otherwise covered by the disclosures made under the 'management approach' above.

IFRS 7.35

- <sup>b</sup> IFRS 7 requires disclosure of analysis of exposure to credit risk on loan commitments and financial guarantee contracts. The accounting standard does not define the term 'exposure to credit risk'. The Group has concluded that the most useful amounts to disclose are the amounts committed in respect of loan commitments and amounts guaranteed in respect of financial guarantee contracts.



## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### i. Credit quality analysis (continued)<sup>a</sup>

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.34(a)

In millions of EUR	2024					Total
	IFRS 9 12-month PD ranges	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	
<b>Loans and advances to banks at amortised cost</b>						
Grades 1–6: Strong	<b>0–0.59</b>	<b>4,396</b>	<b>908</b>	-	-	<b>5,304</b>
Grades 7–9: Satisfactory	<b>0.60–11.34</b>	-	<b>198</b>	-	-	<b>198</b>
Grade 10: Higher risk	<b>11.35–99.99</b>	-	<b>58</b>	-	-	<b>58</b>
Grades 11–12: Credit-impaired	<b>100.00</b>	-	-	<b>24</b>	-	<b>24</b>
Gross carrying amount		<b>4,396</b>	<b>1,164</b>	<b>24</b>	-	<b>5,584</b>
Loss allowance		<b>(6)</b>	<b>(14)</b>	<b>(9)</b>	-	<b>(29)</b>
Carrying amount		<b>4,390</b>	<b>1,150</b>	<b>15</b>	-	<b>5,555</b>
<b>Loans and advances to customers at amortised cost<sup>b</sup></b>						
Grades 1–6: Strong	<b>0–0.59</b>	<b>35,410</b>	<b>6,312</b>	-	-	<b>41,722</b>
Grades 7–9: Satisfactory	<b>0.60–11.34</b>	<b>9,482</b>	<b>3,181</b>	-	-	<b>12,663</b>
Grade 10: Higher risk	<b>11.35–99.99</b>	-	<b>3,462</b>	-	-	<b>3,462</b>
Grades 11–12: Credit-impaired	<b>100.00</b>	-	-	<b>1,734</b>	<b>150</b>	<b>1,884</b>
Gross carrying amount		<b>44,892</b>	<b>12,955</b>	<b>1,734</b>	<b>150</b>	<b>59,731</b>
Loss allowance		<b>(545)</b>	<b>(627)</b>	<b>(718)</b>	<b>(17)</b>	<b>(1,907)</b>
Carrying amount		<b>44,347</b>	<b>12,328</b>	<b>1,016</b>	<b>133</b>	<b>57,824</b>

a. The DECL taskforce issued a third Recommendations on a comprehensive set of IFRS 9 Expected Credit Loss disclosures report (DECL III) in the UK in September 2022. The main updates introduced by the report include:

- new guidance addressing differences in probability of default (PD) definitions used in disclosures, such as disclosures of the PD definition used for preparing disclosures (e.g. IFRS 9 12-month PD); and
- a recommendation to consider whether the number of internal credit risk rating grades that are disclosed to key management personnel and would be required by paragraph 35M of IFRS 7 are sufficiently granular to provide useful information, especially for higher credit risk bands.

In addition, the DECL III report introduces guidance on granularity that applies to ECL disclosures more broadly – its scope is not limited to credit quality analysis. It recommends that banks use a minimum framework of granularity on a consistent basis to enhance the usefulness and comparability of certain ECL disclosures. The report discusses the three main aspects of granularity: (i) breakdowns by portfolio or type, (ii) breakdowns by geography (for which the taskforce notes that financial users had particular interest in more granular disclosure for domestic exposures) and (iii) breakdowns by drawn (on-balance sheet) and undrawn (off-balance sheet) exposures.

The recommendations have been developed primarily for large UK banks but may be of relevance to other banks and similar financial institutions in the UK and globally.

b. These illustrative disclosures have been provided only for the total amount of loans and advances to customers measured at amortised cost. However, in practice more granular disclosure will be appropriate to satisfy the disclosure objective described in IFRS 7, such as more granular credit risk ratings and disclosing separately for different types of wholesale and retail exposures, reflecting the nature of the bank's business.

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### i. Credit quality analysis (continued)

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.34(a)

In millions of EUR	2023					Total
	IFRS 9 12-month PD ranges	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	
<b>Loans and advances to banks at amortised cost</b>						
Grades 1–6: Strong	0–0.59	4,317	375	-	-	4,692
Grades 7–9: Satisfactory	0.60–11.34	-	-	-	-	-
Grade 10: Higher risk	11.35–99.99	-	-	-	-	-
Grades 11–12: Credit-impaired	100.00	-	-	20	-	20
Gross carrying amount		4,317	375	20	-	4,712
Loss allowance		(9)	(13)	(7)	-	(29)
Carrying amount		4,308	362	13	-	4,683
<b>Loans and advances to customers at amortised cost<sup>a</sup></b>						
Grades 1–6: Strong	0–0.59	39,985	4,500	-	-	44,485
Grades 7–9: Satisfactory	0.60–11.34	2,600	3,806	-	-	6,406
Grade 10: Higher risk	11.35–99.99	-	1,579	-	-	1,579
Grades 11–12: Credit-impaired	100.00	-	-	1,821	30	1,851
Gross carrying amount		42,585	9,885	1,821	30	54,321
Loss allowance		(309)	(582)	(685)	(17)	(1,593)
Carrying amount		42,276	9,303	1,136	13	52,728

a. These illustrative disclosures have been provided only for the total amount of loans and advances to customers measured at amortised cost. However, in practice more granular disclosure will be appropriate to satisfy the disclosure objective described in IFRS 7, such as more granular credit risk ratings and disclosing separately for different types of wholesale and retail exposures, reflecting the nature of the bank's business.

IFRS 7.31

IFRS 7.33, 35M

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### i. Credit quality analysis (continued)

In millions of EUR	2024					Total
	12-month PD ranges	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	
<b>Lease receivables</b>						
Grades 1–6: Strong	0–0.59	205	484	-	-	689
Grades 7–9: Satisfactory	0.60–11.34	-	82	-	-	82
Grade 10: Higher risk	11.35–99.99	-	78	-	-	78
Grades 11–12: Credit-impaired	100.00	-	-	90	-	90
Balance before loss allowance		205	644	90	-	939
Loss allowance		-	(9)	(8)	-	(17)
Carrying amount		205	635	82	-	922
	2023					
In millions of EUR	12-month PD ranges	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
<b>Lease receivables</b>						
Grades 1–6: Strong	0–0.59	155	400	-	-	555
Grades 7–9: Satisfactory	0.60–11.34	-	98	-	-	98
Grade 10: Higher risk	11.35–99.99	-	112	-	-	112
Grades 11–12: Credit-impaired	100.00	-	-	96	-	96
Balance before loss allowance		155	610	96	-	861
Loss allowance		(1)	(5)	(16)	-	(22)
Carrying amount		154	605	80	-	839

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### i. Credit quality analysis (continued)

<i>In millions of EUR</i>	2024				Total
	12-month PD ranges	Stage 1	Stage 2	Stage 3	
<b>Debt investment securities at amortised cost</b>					
Grades 1–6: Strong	0–0.59	416	-	-	416
Loss allowance		(6)	-	-	(6)
Carrying amount		410	-	-	410
<b>Debt investment securities at FVOCI</b>					
Grades 1–6: Strong	0–0.59	962	116	-	1,078
Grades 7–9: Satisfactory	0.60–11.34	25	95	-	120
Grade 10: Higher risk	11.35–99.99	-	60	-	60
Grades 11–12: Credit-impaired	100.00	-	-	82	82
Gross carrying amount		987	271	82	1,340
Loss allowance		(6)	(5)	(38)	(49)
Carrying amount – fair value		1,027	296	40	1,363
<b>Loan commitments</b>					
Grades 1–6: Strong	0–0.59	1,063	138	-	1,201
Loss allowance		(3)	(2)	-	(5)
<b>Financial guarantee contracts</b>					
Grades 1–6: Strong	0–0.59	630	91	-	721
Grades 7–9: Satisfactory	0.60–11.34	-	15	-	15
Grade 10: Higher risk	11.35–99.99	-	-	-	-
Grades 11–12: Credit-impaired	100.00	-	-	4	4
Amount guaranteed		630	106	4	740
Loss allowance		(4)	(1)	(1)	(6)

IFRS 7.31

IFRS 7.33, 35M

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### i. Credit quality analysis (continued)

In millions of EUR	2023				Total
	12-month PD ranges	Stage 1	Stage 2	Stage 3	
<b>Debt investment securities at amortised cost</b>					
Grades 1–6: Strong	0–0.59	105	-	-	105
Loss allowance		(4)	-	-	(4)
Carrying amount		101	-	-	101
<b>Debt investment securities at FVOCI</b>					
Grades 1–6: Strong	0–0.59	1,321	148	-	1,469
Grades 7–9: Satisfactory	0.60–11.34	21	91	-	112
Grade 10: Higher risk	11.35–99.99	-	-	-	-
Grades 11–12: Credit-impaired	100.00	-	-	119	119
Gross carrying amount		1,342	239	119	1,700
Loss allowance		(5)	(5)	(30)	(40)
Carrying amount – fair value		1,383	258	85	1,726
<b>Loan commitments</b>					
Grades 1–6: Strong	0–0.59	897	117	-	1,014
Loss allowance		(2)	(2)	-	(4)
<b>Financial guarantee contracts</b>					
Grades 1–6: Strong	0–0.59	564	21	-	585
Grades 7–9: Satisfactory	0.60–11.34	-	16	-	16
Grade 10: Higher risk	11.35–99.99	-	-	-	-
Grades 11–12: Credit-impaired	100.00	-	-	-	-
Amount guaranteed		564	37	-	601
Loss allowance		(2)	-	-	(2)

The following table sets out information about the overdue status of loans and advances to customers in Stages 1, 2 and 3.<sup>a</sup>

##### Loans and advances to customers at amortised cost – overdue status

In millions of EUR	2024			
	Stage 1	Stage 2	Stage 3	Total
Current	42,910	5,830	55	48,795
Overdue < 30 days	1,982	3,239	273	5,494
Overdue > 30 days	-	3,886	1,406	5,292

In millions of EUR	2023			
	Stage 1	Stage 2	Stage 3	Total
Current	40,906	4,448	102	45,456
Overdue < 30 days	1,679	2,471	505	4,655
Overdue > 30 days	-	2,966	1,214	4,180

IFRS 7.34(a)

 IFRS 7.31, 33,  
 35B(a), 35B(c), 35D

a. These disclosures are not explicitly required by IFRS Accounting Standards. However, the Group has concluded that disclosure of this information is helpful to enable users of its financial statements to assess the Group's credit risk exposure and understand the significant credit risk concentrations. These illustrative disclosures have been provided only for the total amount of loans and advances to customers measured at amortised cost. However, in practice more granular disclosure will be appropriate to satisfy this disclosure objective – e.g. separately for different types of wholesale and retail exposures, reflecting the nature of the bank's business.

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### i. Credit quality analysis (continued)

The following table sets out the credit analysis for non-trading financial assets measured at FVTPL.

<i>In millions of EUR</i>	<b>12-month PD ranges</b>	<b>2024</b>	<b>2023</b>
<b>Loans and advances to customers</b>			
Grades 1–6: Strong	<b>0–0.59</b>	<b>3,188</b>	2,516
Grades 7–9: Satisfactory	<b>0.60–11.34</b>	<b>399</b>	331
Grade 10: Higher risk	<b>11.35–99.99</b>	<b>199</b>	161
Grades 11–12: Credit-impaired	<b>100.00</b>	<b>200</b>	137
Total carrying amount		<b>3,986</b>	3,145
<b>Debt investment securities</b>			
Grades 1–6: Strong	<b>0–0.59</b>	<b>2,541</b>	2,243
Grades 7–9: Satisfactory	<b>0.60–11.34</b>	<b>935</b>	687
Grade 10: Higher Risk	<b>11.35–99.99</b>	<b>172</b>	103
Grades 11–12: Credit-impaired	<b>100.00</b>	<b>386</b>	69
Total carrying amount		<b>4,034</b>	3,102

The following table sets out the credit quality of trading debt securities. The analysis has been based on [*Rating Agency X*] ratings.

<i>In millions of EUR</i>	<b>Note</b>	<b>2024</b>	<b>2023</b>
<b>Government bonds and treasury bills</b>			
Rated AAA	<i>21</i>	<b>213</b>	1,567
Rated AA- to AA+	<i>21</i>	<b>4,320</b>	3,256
Rated A- to A+	<i>21</i>	<b>5,316</b>	4,821
Rated BBB+ and below	<i>21</i>	<b>372</b>	198
		<b>10,221</b>	9,842
<b>Corporate bonds</b>			
Rated AA- to AA+	<i>21</i>	<b>2,500</b>	3,130
Rated A- to A+	<i>21</i>	<b>1,437</b>	814
Rated BBB+ and below	<i>21</i>	<b>554</b>	126
		<b>4,491</b>	4,070
<b>Asset-backed securities</b>			
Rated AA- to AA+	<i>21</i>	<b>340</b>	372
Rated A- to A+	<i>21</i>	<b>119</b>	46
Rated BBB+ and below	<i>21</i>	<b>57</b>	45
		<b>516</b>	463

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.34(a), 35B(c),  
35D, 36(a)

IFRS 7.36(a)

IFRS 7.36(a)

IFRS 7.31

IFRS 7.33, 35M

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### i. Credit quality analysis (continued)

The following table shows an analysis of counterparty credit exposures arising from derivative transactions. Derivative transactions of the Group are generally fully collateralised by cash. For further discussion of collateral and other credit enhancements, see [Note 6\(A\)\(ii\)](#).<sup>a</sup>

In millions of EUR	Over-the-counter							
	Total		Exchange-traded		Central counterparties		Other bilateral collateralised	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
<b>2024</b>								
Derivative assets	<b>13,318</b>	<b>1,836</b>	<b>979</b>	<b>261</b>	<b>8,559</b>	<b>1,106</b>	<b>3,780</b>	<b>469</b>
Derivative liabilities	<b>11,740</b>	<b>(1,236)</b>	<b>774</b>	<b>(136)</b>	<b>9,183</b>	<b>(918)</b>	<b>1,783</b>	<b>(182)</b>
<b>2023</b>								
Derivative assets	12,064	1,683	982	248	2,543	387	8,539	1,048
Derivative liabilities	10,452	(1,161)	636	(111)	2,153	(230)	7,663	(820)

#### Cash and cash equivalents

The Group held cash and cash equivalents of EUR 2,969 million at 31 December 2024 (2023: EUR 3,037 million). The cash and cash equivalents are held with central banks and financial institution counterparties that are rated at least AA- to AA+, based on [Rating Agency X] ratings.

IFRS 7.34(a), 35M, 36

a. The EDTF report recommends that banks disclose a quantitative and qualitative analysis of the counterparty credit risk that arises from their derivatives transactions. Recommended disclosures include quantification of gross notional amounts of derivatives between exchange-traded and over-the-counter (OTC) transactions and, for the latter, a description of collateral agreements and how much is settled through central clearing counterparties (CCPs). The Group has concluded that disclosure of this information enhances the user's understanding of the Group's credit risk exposures and so these disclosures have been included.

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### ii. Collateral held and other credit enhancements

The Group holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

#### Type of credit exposure

In millions of EUR	Note	Percentage of exposure that is subject to collateral requirements		Principal type of collateral held
		31 December 2024	31 December 2023	
Trading derivative assets <sup>a</sup>	21	97	98	Cash
Derivative assets held for risk management <sup>a</sup>	22	100	100	Cash
<b>Loans and advances to banks</b>	23			
Reverse sale-and-repurchase agreements <sup>a</sup>		100	100	Marketable securities
Securities borrowing <sup>a</sup>		100	100	Marketable securities
<b>Loans and advances to retail customers</b>	24			
Mortgage lending		100	100	Residential property
Personal loans		-	-	None
Credit cards		-	-	None
<b>Loans and advances to corporate customers</b>	24			
Finance leases		100	100	Property and equipment
Corporate loans		91	92	Commercial property, floating charges over corporate assets
Reverse sale-and-repurchase agreements		100	100	Marketable securities
<b>Investment debt securities</b>	25	-	-	None

#### Derivatives, reverse sale-and-repurchase agreements and securities borrowing

The Group mitigates the credit risk of derivatives, reverse sale-and-repurchase agreements and securities lending by entering into master netting agreements and holding collateral in the form of cash and marketable securities.

Derivative transactions are transacted on exchanges, with CCPs or entered into under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under these agreements, in certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement with the counterparty are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions with the counterparty. The Group executes a credit support annex in conjunction with the ISDA agreement, which requires the Group and its counterparties to post collateral to mitigate counterparty credit risk. Margin is also posted daily in respect of derivatives transacted on exchanges and with CCPs. Certain derivatives are ‘settled-to-market’ daily, whereby the daily variation margin is a partial settlement of the outstanding derivative positions and the fair values of the derivatives are reduced accordingly.

The Group’s sale-and-repurchase, and reverse sale-and-repurchase, transactions and securities borrowing and lending are covered by master agreements with netting terms similar to those of ISDA master netting agreements.

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.35K(b), 36(b), B8G

IFRS 7.35K(b), 36(b)

IFRS 7.13E, B50

IFRS 7.13A–13F, 35K, 36(b)

a. In this guide, disclosure of the financial effect of collateral in respect of derivatives, reverse repurchase agreements and securities borrowing agreements is shown in Note 6(A)(v). However, there may be circumstances in which disclosures under paragraph 13A of IFRS 7 do not provide all of the information required by paragraphs 35K and 36(b) of IFRS 7 in respect of these transactions and so additional disclosures may be necessary.



## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### ii. Collateral held and other credit enhancements (continued)

#### Derivatives, reverse sale-and-repurchase agreements and securities borrowing (continued)

Quantification of the collateral arrangements relating to derivatives, repurchase and reverse repurchase agreements and securities borrowing and lending is set out in [Note 6\(A\)\(v\)](#).

#### Residential mortgage lending

The following tables stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices. For credit-impaired loans, the value of collateral is based on the most recent appraisals.

<i>In millions of EUR</i>	<b>Note</b>	<b>31 December 2024</b>	<b>31 December 2023</b>
<b>LTV ratio<sup>a</sup></b>			
Less than 50%		<b>4,780</b>	4,385
51–70%		<b>6,065</b>	5,564
71–90%		<b>2,755</b>	2,528
91–100%		<b>879</b>	806
More than 100%		<b>377</b>	346
Total	<i>24</i>	<b>14,856</b>	13,629

#### Credit-impaired loans

<i>In millions of EUR</i>	<b>31 December 2024</b>	<b>31 December 2023</b>
Less than 50%	<b>380</b>	330
51–70%	<b>530</b>	480
More than 70%	<b>200</b>	165
Total	<b>1,110</b>	975

#### Commitments to advance residential mortgage loans

<i>In millions of EUR</i>	<b>31 December 2024</b>	<b>31 December 2023</b>
<b>LTV ratio</b>		
Less than 50%	<b>211</b>	153
51–70%	<b>242</b>	227
71–90%	<b>100</b>	88
91–100%	<b>48</b>	46
More than 100%	-	-
Total	<b>601</b>	514

#### Loans and advances to corporate customers

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it (see [Note 43\(B\)](#)). However, collateral provides additional security and the Group generally requests that corporate borrowers provide it. The Group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

a. In practice, more granular disclosure may be appropriate to satisfy the disclosure objective described in IFRS 7, such as more granular LTV bands and disclosing separately for portfolios of differing risk characteristics.

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.35K(b), 36(b)

IFRS 7.35K(b), 36(b)

IFRS 7.35K(c)

IFRS 7.35K(b)

IFRS 7.35K, 36(b)

## Notes to the consolidated financial statements (continued)

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.35K, 36(b)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### ii. Collateral held and other credit enhancements (continued)

#### Loans and advances to corporate customers (continued)

Generally, the Group updates the valuation of property held against loans and advances to corporate customers on a monthly basis using industry indices. However, a more formal valuation is performed, usually quarterly, when:

- loans are advanced to finance specific projects such as real estate or power plants;
- the loan is put on a watch list and it is monitored more closely; or
- the loan is credit-impaired and the valuation provides input into determining the management credit risk actions.

IFRS 7.35K(c)

The table below sets out the carrying amount and the value of identifiable collateral (mainly commercial property) held against loans and advances to corporate customers measured at amortised cost, other than reverse sale-and-repurchase agreements. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

In millions of EUR	2024		2023	
	Carrying amount	Collateral	Carrying amount	Collateral
Stages 1 and 2	34,675	27,654	30,869	25,785
Stage 3	718	675	1,122	1,057

#### Investment securities designated as at FVTPL

IFRS 7.9(a)–(b)

At 31 December 2024, the maximum exposure to credit risk of the investment securities designated as at FVTPL is their carrying amount of EUR 2,879 million (2023: EUR 2,071 million). The Group has mitigated the credit risk exposure on some, but not all, of these investment securities by purchasing credit risk protection in the form of credit derivatives. At 31 December 2024, these derivative contracts provided notional principal protection of EUR 967 million (2023: EUR 1,088 million).

IFRS 7.9(c)–(d)

The Group has recognised the following changes in fair value of investment securities designated as at FVTPL and the credit derivatives purchased as protection for some of these investment securities.

In millions of EUR	During the year 2024	Cumulatively 2024	During the year 2023	Cumulatively 2023
Investment securities at FVTPL: change in fair value attributable to credit risk	(84)	(96)	(76)	(84)
Credit derivative contracts: full fair value change	32	10	28	12

IFRS 7.11(a)

The change in fair value attributable to changes in credit risk is determined based on changes in the prices of credit default swaps referenced to similar obligations of the same borrower when such prices are observable, because these credit swaps best reflect the market assessment of credit risk for a particular financial asset. When such prices are not observable, the change in fair value attributable to change in credit risk is determined as the total amount of the change in fair value that is not attributable to changes in the observed benchmark interest rate or in other market rates. In the absence of specific observable data, this approach provides a reasonable approximation of changes attributable to credit risk because it estimates the change of margin above the benchmark that the market may require for holding the financial asset.

#### Other types of collateral and credit enhancements

In addition to the collateral included in the tables above, the Group holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### ii. Collateral held and other credit enhancements (continued)

###### Assets obtained by taking possession of collateral

Details of financial and non-financial assets obtained by the Group during the year by taking possession of collateral held as security against loans and advances and held at the reporting date are shown below.

<i>In millions of EUR</i>	2024	2023
Property	13	10
Debt securities	107	116
Other	7	6

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group does not generally use the non-cash collateral for its own operations.

##### iii. Amounts arising from ECL<sup>a</sup>

###### Inputs, assumptions and techniques used for estimating impairment

See accounting policy in [Note 46\(J\)\(vii\)](#).

###### Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime PD as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where appropriate for changes in prepayment expectations).

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- a quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due, except for [*disclosure of the type of exposures*], for which a backstop of 15 days past due is applied.

###### Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk grade deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.38

IFRS 7.35F(a), 35G

a. This note illustrates how a hypothetical banking group could disclose certain information about amounts arising from ECL. Disclosures that an entity makes will reflect the way in which it has implemented the requirements of IFRS 9 as well as the judgements that it makes regarding the application of IFRS 7. These illustrative disclosures are an illustration of the nature of disclosures that may be relevant if an entity has interpreted the requirements in the way described. Depending on the facts and circumstances, more detail or information about other matters additional to those specifically illustrated may be required.

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

##### Significant increase in credit risk (continued)

##### Credit risk grades (continued)

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposures	Retail exposures	All exposures
<ul style="list-style-type: none"> <li>Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes</li> <li>Data from credit reference agencies, press articles, changes in external credit ratings</li> <li>Quoted bond and credit default swap (CDS) prices for the borrower where available</li> <li>Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities</li> </ul>	<ul style="list-style-type: none"> <li>Internally collected data on customer behaviour – e.g. utilisation of credit card facilities</li> <li>Affordability metrics</li> <li>External data from credit reference agencies, including industry-standard credit scores</li> </ul>	<ul style="list-style-type: none"> <li>Payment record – this includes overdue status as well as a range of variables about payment ratios</li> <li>Utilisation of the granted limit</li> <li>Requests for and granting of forbearance</li> <li>Existing and forecast changes in business, financial and economic conditions</li> </ul>

The table below provides an indicative mapping of how the Group's internal credit risk grades relate to PD and, for the wholesale portfolio, to the external credit ratings of [*Rating Agency X*]. The weighted-average PD is calculated based on the carrying amounts of the assets in each range.

##### Wholesale

The wholesale portfolio of the Group is comprised of loans and advances to banks, public sector entities, sovereigns, corporates and other businesses.

Grading	12-month weighted-average PD	External rating
Grades 1–6: Strong	0.382	AAA to AA-
Grades 7–9: Satisfactory	5.901	A+ to BBB-
Grade 10: Higher risk	35.960	BB+ to C
Grades 11–12: Credit-impaired	100.000	Default

##### Retail

The retail portfolios are comprised of mortgage lending, personal loans and credit cards.

Grading	12-month weighted-average PD <sup>a</sup>
Grades 1–6: Strong	0.266
Grades 7–9: Satisfactory	4.050
Grade 10: Higher risk	37.648
Grades 11–12: Credit-impaired	100.000

a. This information has been provided in aggregate for different types of retail portfolios. However, it will usually be more appropriate to provide this separately for different portfolios – e.g. separately for mortgages and unsecured loans.

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.35F(a), 35G

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

##### Significant increase in credit risk (continued)

##### Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

*[Disclosure of use of different approaches for different portfolios. Relevant information would typically include a description of different methods used – e.g. simpler methodology for smaller portfolios – and the size of portfolios, both in terms of value and number of items.]*

##### Determining whether credit risk has increased significantly

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting date.

As a general indicator, the credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modelling:

- the remaining lifetime PD is determined to have increased by more than [X] percent of the corresponding amount estimated on initial recognition; or
- the absolute change in annualised lifetime PD since initial recognition is greater than [X] basis points (bp).

*[Disclosure of quantitative information about what increase in lifetime PD the bank considers significant for each type of product/portfolio.]*

*[Disclosure of relevant qualitative indicators, including different criteria used for different portfolios – e.g. retail mortgages, credit cards, commercial real estate etc.]*

Credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgement and relevant historical experiences.

## Notes to the consolidated financial statements (continued)

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.35F(a), 35G

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

##### Significant increase in credit risk (continued)

##### Determining whether credit risk has increased significantly (continued)

The Group identifies key drivers behind changes in credit risk for portfolios. Generally, a significant increase in credit risk is assessed based on the estimation of PDs and consideration of qualitative factors, each of which are designed to reflect forward-looking information, on an individual instrument basis as described above. However, if the Group identifies a key driver that is not considered in the individual assessment on a timely basis, then the Group will evaluate whether there is reasonable and supportable information that enables it to make an additional assessment on a collective basis with respect to all or some of a portfolio. This may lead to the Group concluding that a segment or proportion of a portfolio has undergone a significant increase in credit risk.

In Region [X], the Group has a portfolio of retail mortgage loans where some borrowers are employed in local coal mines. In view of the government strategy to encourage a move to greener technologies, the Group anticipates a significant decline in demand for coal, leading to the closure of several coal mines. The risk of default occurring on mortgage loans to borrowers who are employed by the coal mines is determined to have increased significantly, even if those customers are not past due and there is no other evidence of significant increase in credit risk on an individual loan basis. The Group treats those mortgage loan as a separate segment and recognises a loss allowance at an amount equal to lifetime ECL. However, any newly originated mortgages to borrowers who rely on the coal mines for employment in this region would have a loss allowance equal to 12-month ECL because they would not have experienced significant increase in credit risk since initial recognition.

*[Disclosure of information for portfolios where collective approach to identifying significant increase in credit risk has been adopted, including where the key credit risk drivers can be monitored for a segment of a portfolio, and where the entity performs a collective assessment for a proportion of the portfolio.]*

IFRS 7.35F(a)(ii)

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due or, for *[certain types of exposure]*, more than 15 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.<sup>a</sup>

Management overlays may be applied to the model outputs if consistent with the objective of identifying a significant increase in credit risk.

IFRS 7.35F(a)(ii)

- <sup>a</sup> If an entity has rebutted the presumption in paragraph 5.5.11 of IFRS 9 that credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, then it explains how it has rebutted the presumption.

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

##### Significant increase in credit risk (continued)

##### Determining whether credit risk has increased significantly (continued)

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured at 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When the contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms. *[Disclosure of what probation periods the entity applies.]*

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

##### Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.35F(a), 35G

Insights 78.60.110

IFRS 7.35F(b), B8A

## Notes to the consolidated financial statements (continued)

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.35F(b), B8A

IFRS 7.35B(b),  
35G(b)–(c)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

##### Definition of default (continued)

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Group for regulatory capital purposes (see (D)(i)).

The Group implemented certain changes to the definition of default that result from new rules being introduced by the Group's lead regulator [*name of regulator*] during the year ending 31 December 2023 and accounted for this as a change in estimate. The implementation did not have a material impact on the amount of ECL recognised in the financial statements.<sup>a</sup>

##### Incorporation of forward-looking information

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Group formulates three economic scenarios: a base case, which is the central scenario, developed internally based on consensus forecasts, and two less likely scenarios, one upside and one downside scenario. The central scenario is aligned with information used by the Group for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasts.

[*Explanation of how scenarios are selected and their weightings determined, and of changes in significant assumptions during the reporting period.*]

The scenario probability weightings applied in measuring ECL are as follows.

At 31 December	2024			2023		
	Upside	Central	Downside	Upside	Central	Downside
Scenario probability weighting	10%	70%	20%	20%	60%	20%

Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Group's senior management.

<sup>a</sup> The disclosures made in this guide are for the purposes of illustration only and may not be appropriate for different fact patterns.



IFRS 7.31

IFRS 7.33, 35M

IFRS 7.35B(b),  
35G(b)–(c)

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

##### Incorporation of forward-looking information (continued)

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses.

The key drivers for credit risk for wholesale portfolios are: GDP growth, unemployment rates and interest rates. For exposures to specific industries and/or regions, the key drivers also include relevant commodity and/or real estate prices. The key drivers of credit risk for retail portfolios include: GDP growth, unemployment rates, house prices and interest rates.

The Group estimates each key driver for credit risk over the active forecast period of three years. This is followed by a period of mean reversion of between two and four years, depending on the product and geographical market. [Explanation of specific factors the entity has considered to extrapolate its projections from available detailed information for periods far into the future. Entities may consider presenting graphs to show how the key drivers are expected to change over the active and mean reversion periods.]

The table below lists the macroeconomic assumptions used in the base, upside and downside scenarios over the five-year forecast period.<sup>a</sup> The assumptions represent the absolute percentage for interest rates and unemployment rates and year-on-year percentage change for GDP and housing prices.

At 31 December 2024	GDP change	Housing prices change	Interest rates	Unemployment rate
<b>Central economic assumptions</b>				
5-year average <sup>b</sup>	2.00%	1.50%	4.25%	6.25%
Peak*	2.75%	2.20%	4.75%	7.25%
<b>Upside economic assumptions</b>				
5-year average	3.55%	2.85%	4.50%	4.00%
Peak*	3.90%	3.05%	4.75%	4.80%
<b>Downside economic assumptions</b>				
5-year average	1.25%	-0.90%	5.50%	9.00%
Trough*	0.85%	-1.25%	4.25%	10.00%
<b>At 31 December 2023</b>				
<b>Central economic assumptions<sup>b</sup></b>				
5-year average	3.25%	2.00%	3.00%	6.00%
Peak*	3.75%	2.75%	3.50%	6.75%
<b>Upside economic assumptions</b>				
5-year average	3.75%	3.00%	3.50%	4.00%
Peak*	3.95%	3.15%	4.25%	4.75%
<b>Downside economic assumptions</b>				
5-year average	2.60%	1.25%	5.75%	9.25%
Trough*	1.75%	0.50%	3.75%	10.00%

\* The peak (for upside scenarios) and trough (for downside scenarios) represent the cumulative change from the reporting date for GDP and housing prices. For interest rates and unemployment rate, the peak and trough represent the highest or lowest rate after the reporting date.

a. The information on assumptions used may have to be disclosed by region/country, if an entity operates in different regions/countries and different assumptions are appropriate for those regions/countries.

b. The DECL III report recommends banks disclose, in tabular form, the annual average value of each key input for the central scenario for each year of the forecast period.

## Notes to the consolidated financial statements (continued)

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.35B(b),  
35G(b)–(c)

IFRS 7.35B(b)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

##### *Incorporation of forward-looking information (continued)*

The Group has revised its economic forecasts used as an input into ECL as at 31 December 2024 down from 2023 levels due to higher than expected inflation and interest rates and increased uncertainty resulting from geopolitical tensions.

Our central and upside scenario models assume that economic growth will remain flat until Q1 2027 and experience a modest growth from then on.

For the central scenario, GDP growth is expected to remain flat for the next two years due to production and shipping disruptions arising from factors such as geopolitical tensions and extreme weather events. GDP will grow modestly in Years 3 to 5. The [name the monetary authority] is expected to reduce interest rates over the next two years and keep the rates largely unchanged in Years 3 to 5. Housing prices remain steady, with a nominal growth over the next two years followed by increases in Years 3 to 5 as the interest rate environment stabilises. Unemployment falls slightly in Years 3 to 5, partially attributable to strong consumer demand.

The upside scenario represents a resilient economy powered by low unemployment and resolution of geopolitical tensions that drives healthy levels of consumption and investment. Housing prices lag behind GDP growth even though there will be year-on-year increases.

The downside scenario represents an economic downturn in Q1 2025 as unemployment rises to 10 percent and GDP growth declines to approximately 0.85 percent, partially attributable to international instability and domestic political turmoil.

*[Disclosure of uncertain events that are relevant to the risk of default occurring but for which, despite best efforts, the bank is not able to estimate the impact on ECL because of lack of reasonable and supportable information. Also disclosure of any other information that has been excluded from the determination of ECL.]*

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 10 to 15 years.

##### *Sensitivity of ECL to future economic conditions<sup>a, b</sup>*

The ECL are sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognised on material classes of its assets.

IAS 1.125

IAS 1.125

- a. Paragraph 125 of IAS 1 requires disclosures of information about assumptions that an entity makes about the future and other sources of estimation uncertainty at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Paragraph 129 of IAS 1 gives an example of this disclosure: “the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculations, including reasons for the sensitivity”. Entities should consider what information they are able to provide to meet these requirements, reflecting the fact that for a bank, the extent and complexity of judgement involved in measuring ECL and the estimation uncertainty associated with it makes it one of the most significant accounting estimates in preparing financial statements. A bank should consider what information that is provided internally to key management personnel could be used to meet the requirements of paragraph 125 of IAS 1. Entities should disclose any limitations relevant to understanding the disclosures provided.
- b. *The DECL III report recommends analysis of the sensitivity of ECL to key assumptions in the forecasts of future economic conditions. The report considers two methods for performing this sensitivity analysis:*
1. *single-factor (or univariate) analysis: which measures the change in ECL arising from varying a single input parameter (e.g. house price index or unemployment); or*
  2. *multi-factor (or multivariate) analysis: which measures the change in ECL arising from changing several parameters at the same time. For instance, this may be achieved by applying a 100 percent weighting to the entity’s weighted, upside, central and downside macroeconomic scenarios.*

*The report recommends adding a reconciliation between reported ECL and the ECL that has been included in the sensitivity analysis, separately identifying which amounts are excluded from the sensitivity analysis and the rationale for these exclusions.*

IFRS 7.31

IFRS 7.33, 35M

IAS 1.125

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

##### Sensitivity of ECL to future economic conditions (continued)

The table below shows the loss allowance on loans and advances to corporate and retail customers assuming each forward-looking scenario (e.g. central, upside and downside) were weighted 100 percent instead of applying scenario probability weights across the three scenarios. For ease of comparison, the table also includes the probability-weighted amounts that are reflected in the financial statements. The amounts are inclusive of post-model adjustments, as appropriate to each scenario.

As at 31 December	2024				2023			
	Upside	Central	Downside	Probability-weighted	Upside	Central	Downside	Probability-weighted
<b>Gross exposure (in millions of EUR)</b>								
Corporate	<b>36,170</b>	<b>35,343</b>	<b>33,875</b>	<b>35,132</b>	33,129	32,876	30,276	31,456
Retail	<b>20,152</b>	<b>19,354</b>	<b>15,820</b>	<b>18,724</b>	18,457	17,356	15,381	16,368
<b>Loss allowance (in millions of EUR)</b>								
Corporate	<b>490</b>	<b>565</b>	<b>919</b>	<b>628</b>	504	550	628	568
Retail	<b>1,023</b>	<b>1,151</b>	<b>1,853</b>	<b>1,279</b>	930	1,010	1,145	1,025
<b>Proportion of assets in Stage 2</b>								
Corporate	<b>7%</b>	<b>9%</b>	<b>14%</b>	<b>10%</b>	5%	7%	9%	8%
Retail	<b>12%</b>	<b>14%</b>	<b>18%</b>	<b>16%</b>	12%	14%	17%	15%

[Disclosure of qualitative information explaining the quantitative data. Disclosure of any limitation of the technique used to disclose sensitivity information.]

##### Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in [Note 46\(J\)\(iv\)](#).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

## Notes to the consolidated financial statements (continued)

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.35F(f), B5(g),  
B8B

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

##### *Modified financial assets (continued)*

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities'<sup>a</sup>) to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 46(J)(vii)). A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that it falls within the 12-month PD ranges for the asset to be considered Stage 1.

##### *Measurement of ECL*

The key inputs into the measurement of ECL are the term structure of the following variables:

- PD;
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by LGD and EAD.

The methodology for estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

IFRS 7.35G(a)

IAS 1.125

a. The EDTF report recommends that banks disclose their loan forbearance policies. For the purposes of this guide, we have assumed that including this information in the financial statements will enhance the users' understanding of the Group's exposure to credit risk.

## Notes to the consolidated financial statements (continued)

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.35G(a)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

##### Measurement of ECL (continued)

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for lending collateralised by property, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms. *[Disclosure of what periods/ranges were actually used during the current and previous year.]*

## Notes to the consolidated financial statements (continued)

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.35G(a)

IFRS 7.35F(c)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

##### Measurement of ECL (continued)

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which may include:

- instrument type;
- credit risk grade;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows.

	Exposure	External benchmarks used	
		PD	LGD
Portfolio 1 [ <i>describe</i> ]	[ <i>amount</i> ]	Moody's default study	S&P recovery studies
Portfolio 2 [ <i>describe</i> ]	[ <i>amount</i> ]	Moody's default study	S&P recovery studies
Portfolio 3 [ <i>describe</i> ]	[ <i>amount</i> ]	Moody's default study	S&P recovery studies

##### Judgemental adjustments<sup>a, b</sup>

Where appropriate, the Group makes adjustments to the ECL estimate outside the Group's regular modelling process to reflect management judgements. Changes to the assumptions underlying these judgemental adjustments could materially affect ECL within the next 12 months. These adjustments include post-model adjustments (PMAs) and overlays.

IFRS 7.35G(a)

- a. These disclosures are not explicitly required by IFRS Accounting Standards. However, the Group has concluded that disclosure of this information is helpful to enable users of its financial statements to understand the estimation techniques that the Group has used to measure ECL. The European common enforcement priorities for 2021 annual financial reports published by ESMA on 29 October 2021 identifies disclosures in respect of management overlays in measurement of ECL as an area of focus for its review.
- b. *One of the key updates in the DECL III report is the introduction of the concept of judgemental adjustments. These are meant to capture adjustments to the ECL estimate made outside the bank's regular modelling process. The report recommends disclosures of:*
1. *an explanation, for each material judgemental adjustment made to the modelled ECL, of the reason for the adjustment; how its amount (including increases and decreases through release or otherwise) is determined; the approach used for its estimation; and a description of where the judgemental adjustment has been included in the credit risk disclosures; and*
  2. *the amount of each material judgemental adjustment, together with the circumstances in which an adjustment would be utilised or released.*

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.35G(a)

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Measurement of ECL (continued)

Judgemental adjustments (continued)

- PMAs are adjustments to the ECL balance as part of the year-end reporting process to reflect late updates to market data, known model deficiencies and expert credit judgement. They are usually calculated and allocated at a granular level through modelled analysis, calculated separately for each economic scenario and where appropriate used to adjust stage allocation outcomes.
- Overlays are adjustments to the ECL model outputs that have been made outside the detailed ECL calculation and reporting process. These do not meet the Group's definition of PMAs because they are not calculated at a granular level through modelled analysis.

The Group has internal governance frameworks and controls in place to assess the appropriateness of all judgemental adjustments. The aim of the Group is to incorporate these adjustments into the ECL models, where possible, as part of the periodic recalibration and model assessment procedures.

- *[Description of how the Group identifies the requirement for judgemental adjustments and assesses the appropriateness and the performance of the judgemental assessments made.]*

Total judgemental adjustments as at 31 December 2024 increased the loss allowance by EUR 126 million (2023: EUR 119 million) for the wholesale business and by EUR 202 million (2023: EUR 149 million) for the retail business.

As at 31 December	2024		2023	
	Corporate	Retail	Corporate	Retail
<b>Loss allowance before judgemental adjustments (in millions of EUR)<sup>a</sup></b>	502	1,077	449	876
<i>[Adjustment 1 (PMA)]</i>	25	64	24	51
<i>[Adjustment 2 (overlays)]</i>	81	105	84	79
<i>[Other PMAs and overlays]</i>	20	33	11	19
<b>Loss allowance after judgemental adjustments (in millions of EUR)</b>	628	1,279	568	1,025

a. The DECL III report includes examples of judgemental adjustments: (i) impact of government support measures; (ii) adjustment for vulnerable sectors or regions; or (iii) adjustment to modelled forecast parameters. The adjustments disclosed for a particular bank would depend on its specific facts and circumstances.

## Notes to the consolidated financial statements (continued)

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.35H

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

##### Loss allowance

The following tables<sup>a</sup> show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. The basis for determining transfers due to changes in credit risk is set out in our accounting policy; see [Note 46\(J\)\(vii\)](#).

In millions of EUR	2024			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans and advances to banks at amortised cost</b>				
Balance at 1 January	9	13	7	29
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(2)	2	-	-
Transfer to Stage 3	-	(3)	3	-
Net remeasurement of loss allowance	4	10	8	22
New financial assets originated or purchased	4	-	-	4
Financial assets that have been derecognised	(1)	(4)	(2)	(7)
Write-offs	-	-	(1)	(1)
Unwind of discount	-	-	2	2
Foreign exchange and other movements	(8)	(4)	(8)	(20)
Balance at 31 December	6	14	9	29
<b>2023</b>				
In millions of EUR	Stage 1	Stage 2	Stage 3	Total
<b>Loans and advances to banks at amortised cost</b>				
Balance at 1 January	2	4	4	10
Transfer to Stage 1	1	(1)	-	-
Transfer to Stage 2	-	1	(1)	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	6	3	4	13
New financial assets originated or purchased	3	6	-	9
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	-	-
Unwind of discount	-	-	1	1
Foreign exchange and other movements	(3)	-	(1)	(4)
Balance at 31 December	9	13	7	29

IAS 1.125

- a. Paragraph 35H of IFRS 7 requires reconciliation of the loss allowance by class of financial instrument. This guide illustrates this disclosure separately for retail and wholesale portfolios. However, depending on the nature of exposures, in practice more granular disclosures are likely to be appropriate – e.g. separate reconciliation for retail mortgages, unsecured lending or credit cards.



IFRS 7.31

IFRS 7.33, 35M

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

Loss allowance (continued)

In millions of EUR	2024				Total
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	
<b>Loans and advances to customers at amortised cost*</b>					
Balance at 1 January	309	582	685	17	1,593
Transfer to Stage 1	124	(124)	-	-	-
Transfer to Stage 2	(15)	62	(47)	-	-
Transfer to Stage 3	(2)	(62)	64	-	-
Net remeasurement of loss allowance	87	221	178	-	486
New financial assets originated or purchased	82	20	-	-	102
Financial assets that have been derecognised	(12)	(20)	(23)	-	(55)
Write-offs	-	-	(76)	-	(76)
Unwind of discount	-	-	20	4	24
Foreign exchange and other movements	(28)	(52)	(83)	(4)	(167)
Balance at 31 December	545	627	718	17	1,907
<b>2023</b>					
In millions of EUR	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
<b>Loans and advances to customers at amortised cost*</b>					
Balance at 1 January	188	402	511	17	1,118
Transfer to Stage 1	1	(1)	-	-	-
Transfer to Stage 2	-	47	(47)	-	-
Transfer to Stage 3	-	(35)	35	-	-
Net remeasurement of loss allowance	57	156	153	-	366
New financial assets originated or purchased	68	-	-	-	68
Financial assets that have been derecognised	(6)	(16)	(10)	-	(32)
Write-offs	-	-	(8)	-	(8)
Unwind of discount	-	-	20	3	23
Foreign exchange and other movements	1	29	31	(3)	58
Balance at 31 December	309	582	685	17	1,593

\* The loss allowance in these tables includes ECL on loan commitments for certain retail products such as credit cards and overdrafts, because the Group cannot separately identify the ECL on the loan commitment component from those on the financial instrument component.

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

Loss allowance (continued)

In millions of EUR	2024				Total
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	
<b>Loans and advances to customers at amortised cost – retail*</b>					
Balance at 1 January	157	392	466	10	1,025
Transfer to Stage 1	84	(84)	-	-	-
Transfer to Stage 2	(13)	13	-	-	-
Transfer to Stage 3	(2)	(49)	51	-	-
Net remeasurement of loss allowance	59	163	130	1	353
New financial assets originated or purchased	44	20	-	-	64
Financial assets that have been derecognised	(4)	(2)	(3)	-	(9)
Write-offs	-	-	(38)	-	(38)
Unwind of discount	-	-	10	2	12
Foreign exchange and other movements	(15)	(40)	(71)	(2)	(128)
Balance at 31 December	310	413	545	11	1,279

In millions of EUR	2023				Total
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	
<b>Loans and advances to customers at amortised cost – retail*</b>					
Balance at 1 January	75	278	302	9	664
Transfer to Stage 1	1	(1)	-	-	-
Transfer to Stage 2	-	23	(23)	-	-
Transfer to Stage 3	-	(19)	19	-	-
Net remeasurement of loss allowance	39	99	106	1	245
New financial assets originated or purchased	43	-	-	-	43
Financial assets that have been derecognised	(1)	(10)	(5)	-	(16)
Write-offs	-	-	(4)	-	(4)
Unwind of discount	-	-	10	2	12
Foreign exchange and other movements	-	22	61	(2)	81
Balance at 31 December	157	392	466	10	1,025

\* The loss allowance in these tables includes ECL on loan commitments for certain retail products such as credit cards and overdrafts, because the Group cannot separately identify the ECL on the loan commitment component from those on the financial instrument component.

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.31

IFRS 7.33, 35M

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

Loss allowance (continued)

In millions of EUR	2024				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
<b>Loans and advances to customers at amortised cost – corporate customers</b>					
Balance at 1 January	152	190	219	7	568
Transfer to Stage 1	40	(40)	-	-	-
Transfer to Stage 2	(2)	49	(47)	-	-
Transfer to Stage 3	-	(13)	13	-	-
Net remeasurement of loss allowance	28	58	48	(1)	133
New financial assets originated or purchased	38	-	-	-	38
Financial assets that have been derecognised	(8)	(18)	(20)	-	(46)
Write-offs	-	-	(38)	-	(38)
Unwind of discount	-	-	10	2	12
Foreign exchange and other movements	(13)	(12)	(12)	(2)	(39)
Balance at 31 December	235	214	173	6	628
	2023				
In millions of EUR	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
<b>Loans and advances to customers at amortised cost – corporate customers</b>					
Balance at 1 January	113	124	209	8	454
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	24	(24)	-	-
Transfer to Stage 3	-	(16)	16	-	-
Net remeasurement of loss allowance	18	57	47	(1)	121
New financial assets originated or purchased	25	-	-	-	25
Financial assets that have been derecognised	(5)	(6)	(5)	-	(16)
Write-offs	-	-	(4)	-	(4)
Unwind of discount	-	-	10	1	11
Foreign exchange and other movements	1	7	(30)	(1)	(23)
Balance at 31 December	152	190	219	7	568

[Disclosure of loss allowance reconciliation for loan commitments, financial guarantee contracts and for each class within retail and corporate lending, as appropriate.]

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

Loss allowance (continued)

In millions of EUR	2024			
	Stage 1	Stage 2	Stage 3	Total
<b>Debt investment securities at FVOCI</b>				
Balance at 1 January	5	5	30	40
Transfer to Stage 1	1	(1)	-	-
Transfer to Stage 2	(6)	7	(1)	-
Transfer to Stage 3	-	(5)	5	-
Net remeasurement of loss allowance	3	2	11	16
New financial assets originated or purchased	3	-	-	3
Financial assets that have been derecognised	-	-	(2)	(2)
Write-offs	-	-	(9)	(9)
Unwind of discount	1	(2)	5	4
Foreign exchange and other movements	(1)	(1)	(1)	(3)
Balance at 31 December	6	5	38	49
<b>2023</b>				
In millions of EUR	Stage 1	Stage 2	Stage 3	Total
<b>Debt investment securities at FVOCI</b>				
Balance at 1 January	2	2	14	18
Transfer to Stage 1	1	(1)	-	-
Transfer to Stage 2	(1)	1	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	3	1	10	14
New financial assets originated or purchased	2	2	4	8
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	-	-
Unwind of discount	-	1	2	3
Foreign exchange and other movements	(2)	(1)	-	(3)
Balance at 31 December	5	5	30	40

The loss allowance on debt investment securities at FVOCI is not recognised in the statement of financial position because the carrying amount of such securities is their fair value.

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.B8E

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

Loss allowance (continued)

<i>In millions of EUR</i>	2024 Total	2023 Total
<b>Debt investment securities at amortised cost</b>		
Balance at 1 January	4	4
Net remeasurement of loss allowance	1	-
New financial assets originated or purchased	1	-
Foreign exchange and other movements	-	-
Balance at 31 December	6	4
<b>Cash and cash equivalents</b>		
Balance at 1 January	1	1
Net remeasurement of loss allowance	-	-
Net decrease in cash and cash equivalents	-	-
Foreign exchange and other movements	-	-
Balance at 31 December	1	1
<b>Loan commitments and financial guarantee contracts</b>		
Balance at 1 January	6	6
Net remeasurement of loss allowance	(2)	-
New loan commitments and financial guarantees issued	4	-
Foreign exchange and other movements	3	-
Balance at 31 December	11	6

<i>In millions of EUR</i>	2024			Total
	Stage 1	Stage 2	Stage 3	
<b>Finance lease receivables</b>				
Balance at 1 January	1	5	16	22
Net remeasurement of loss allowance	-	-	(2)	(2)
New financial assets originated or purchased	1	-	-	1
Unwind of discount	-	-	1	1
Foreign exchange and other movements	(2)	4	(7)	(5)
Balance at 31 December	-	9	8	17

<i>In millions of EUR</i>	2023			Total
	Stage 1	Stage 2	Stage 3	
<b>Finance lease receivables</b>				
Balance at 1 January	-	5	11	16
Net remeasurement of loss allowance	1	-	3	4
New financial assets originated or purchased	-	-	-	-
Unwind of discount	-	-	1	1
Foreign exchange and other movements	-	-	1	1
Balance at 31 December	1	5	16	22

## Notes to the consolidated financial statements (continued)

IFRS 7.31

IFRS 7.33, 35M

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

##### Loss allowance (continued)

The following table provides a reconciliation between:

- amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument; and
- the 'impairment losses on financial instruments' line item in the consolidated statement of profit or loss and other comprehensive income.

*In millions of EUR*

Net remeasurement of loss allowance
New financial assets originated or purchased

Recoveries of amounts previously written off <sup>a</sup>
Non-integral financial guarantee contracts <sup>b</sup>

Impairment losses on financial instrument recognised in profit or loss
--

*In millions of EUR*

Net remeasurement of loss allowance
New financial assets originated or purchased

Recoveries of amounts previously written off
Non-integral financial guarantee contracts

Impairment losses on financial instrument recognised in profit or loss
--

2024							
Loans and advances to banks at amortised cost	Loans and advances to customers at amortised cost	Debt investment securities at FVOCI	Debt investment securities at amortised cost	Cash and cash equivalents	Loan commitments and financial guarantee contracts	Financial lease receivable	Total
22	486	16	1	-	(2)	(2)	521
4	102	3	1	-	4	1	115
26	588	19	2	-	2	(1)	636
-	(18)	(1)	(1)	-	-	-	(20)
-	-	-	-	-	-	-	-
26	570	18	1	-	2	(1)	616
2023							
Loans and advances to banks at amortised cost	Loans and advances to customers at amortised cost	Debt investment securities at FVOCI	Debt investment securities at amortised cost	Cash and cash equivalents	Loan commitments and financial guarantee contracts	Financial lease receivable	Total
13	366	14	-	-	-	4	397
9	68	8	-	-	-	-	85
22	434	22	-	-	-	4	482
(3)	(3)	(18)	(10)	-	-	-	(34)
-	-	-	-	-	-	-	-
19	431	4	(10)	-	-	4	448

Insights  
7.8.430.130,  
7.10.80.30

- a. There is no guidance in IFRS 9 on the presentation of recoveries of amounts previously written off in a specific line item in the statement of profit or loss and OCI. In our view, an entity may (but is not required to) present such recoveries in the line item 'impairment losses'. The Group has elected to present recoveries in the 'impairment losses on financial instruments' line.

Insights 7.1.143.10

- b. In our view, an entity should choose an accounting policy, to be applied consistently, to present gains or losses on a compensation right in profit or loss either:
- in the line item 'impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with IFRS 9'; or
  - in another appropriate line item.

The Group has elected the first option and therefore these gains and losses are included in the above table. See Note 46(J)(vii).

## Notes to the consolidated financial statements (continued)

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.35I, IG20B

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

Loss allowance (continued)

The following table provides an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in loss allowance.

	2024		
	Impact: increase (decrease)		
	Stage 1	Stage 2	Stage 3
<b>Loans and advances to customers at amortised cost</b>			
The acquisition of a prime mortgage portfolio increased the residential mortgage book by EUR 4,000 million	31	-	-
Sale of a EUR 500 million residential mortgage portfolio at Blue Banking Plc	(7)	(39)	-
<b>Debt investment securities at FVOCI</b>			
The write-off of a portfolio of securities following the collapse of the local market	-	-	(9)
<b>Loan commitments and financial guarantee contracts</b>			
Increase in retail credit card loan commitments due to strategic growth initiative that resulted in acquisition of new customers	3	-	-
	2023		
	Impact: increase (decrease)		
	Stage 1	Stage 2	Stage 3
<b>Loans and advances to customers at amortised cost</b>			
Increase in lending to small and medium-sized entities as part of the Group's strategic growth initiative	19	-	-
<b>Debt investment securities at FVOCI</b>			
The write-off of a portfolio of securities following a widespread credit downgrade in [Industry X]	-	-	(6)
<b>Loan commitments and financial guarantee contracts</b>			
Increase in retail credit card loan commitments due to strategic growth initiative that resulted in acquisition of new customers	2	1	-



## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iii. Amounts arising from ECL (continued)

##### Credit-impaired financial assets

See accounting policy in [Note 46\(J\)\(vii\)](#).

Credit-impaired loans and advances are graded 11 to 12 in the Group's internal credit risk grading system (see [Note 43\(B\)](#)).

The following table sets out a reconciliation of changes in the net carrying amount of credit-impaired loans and advances to customers.<sup>a, b</sup>

<i>In millions of EUR</i>	2024	2023
Credit-impaired loans and advances to customers at 1 January	1,149	1,762
Change in ECL allowance	(245)	(199)
Classified as credit-impaired during the year	794	240
Transferred to not-credit-impaired during the year	(321)	(512)
Net repayments	(57)	(87)
Recoveries of amounts previously written off	18	3
Disposals	(243)	(150)
Interest income	47	80
Other movements	7	12
Credit-impaired loans and advances to customers at 31 December	1,149	1,149

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2024 and that are still subject to enforcement activity is EUR 23 million (2023: EUR 20 million).

##### Modified financial assets

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL.

<i>In millions of EUR</i>	2024	2023
<b>Financial assets modified during the period</b>		
Amortised cost before modification	450	367
Net modification loss	(17)	(14)
<b>Financial assets modified since initial recognition</b>		
Gross carrying amount of financial assets previously modified for which loss allowance has changed during the period to an amount equal to 12-month ECL from lifetime	14	11

a. The EDTF report recommends that banks disclose a reconciliation of the opening and closing balances of non-performing or impaired loans in the period.

The Group has concluded that including this information in the financial statements will enhance the users' understanding of the Group's exposure to credit risk.

b. The DECL III report recommends analysis of Stage 2 balances by reasons for inclusion, at the reporting date, in Stage 2 (e.g. PD movement, forbearance support provided, probationary period).

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.35L

IFRS 7.35J

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### iv. Concentrations of credit risk

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans and advances, loan commitments, financial guarantees and investment securities is shown below.

<i>In millions of EUR</i>	<b>Note</b>
Carrying amount	23, 24, 25
Amount committed/guaranteed	

##### Concentration by sector

Corporate:

*Real estate*

*Transport*

*Funds*

*Other*

Government

Banks

Retail:

*Mortgages*

*Unsecured lending*

##### Concentration by location

North America

Europe

Asia Pacific

Middle East and Africa

Concentration by location for loans and advances, loan commitments and financial guarantees is based on the customer's country of domicile. Concentration by location for investment securities is based on the country of domicile of the issuer of the security. *[Entities may consider presenting further disclosures regarding concentration by sector and location when this information is helpful to enable users of their financial statements to assess the credit risk exposure and understand the significant credit risk concentrations. Relevant considerations may include, among others, concentration of sectors that are particularly affected by climate-related risks. Examples of sectors that might be disclosed include, but are not limited to, automotive, chemicals, construction and building materials, metals and mining, oil and gas, power and utilities.]*

##### v. Offsetting financial assets and financial liabilities

The disclosures set out in the following tables include financial assets and financial liabilities that:

- are offset in the Group's statement of financial position; or
- are 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.

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.34(c), B8

IFRS 7.34(c), B8

IFRS 7.34(c), B8

IFRS 7.13A

Loans and advances to banks		Loans and advances to customers		Investment debt securities		Loan commitments and financial guarantees issued	
2024	2023	2024	2023	2024	2023	2024	2023
<b>5,555</b>	4,683	<b>62,732</b>	56,712	<b>5,807</b>	4,929	<b>38</b>	28
-	-	-	-	-	-	<b>1,941</b>	1,615
-	-	<b>43,589</b>	37,894	<b>4,885</b>	4,133	<b>1,288</b>	1,071
-	-	<b>18,346</b>	16,018	<b>2,399</b>	2,128	<b>1,234</b>	1,039
-	-	<b>12,724</b>	10,525	<b>2,421</b>	1,843	<b>54</b>	32
-	-	<b>9,331</b>	8,737	-	-	-	-
-	-	<b>3,188</b>	2,614	<b>65</b>	162	-	-
-	-	-	-	<b>824</b>	709	-	-
<b>5,555</b>	4,683	-	-	-	-	-	-
-	-	<b>19,143</b>	18,818	<b>98</b>	87	<b>653</b>	544
-	-	<b>13,239</b>	13,361	<b>98</b>	87	<b>630</b>	524
-	-	<b>5,904</b>	5,457	-	-	<b>23</b>	20
<b>5,555</b>	4,683	<b>62,732</b>	56,712	<b>5,807</b>	4,929	<b>1,941</b>	1,615
<b>1,118</b>	944	<b>15,397</b>	11,837	<b>2,374</b>	2,246	<b>80</b>	67
<b>3,122</b>	2,635	<b>35,516</b>	32,545	<b>2,443</b>	1,847	<b>1,803</b>	1,499
<b>722</b>	664	<b>6,118</b>	7,356	<b>528</b>	446	<b>40</b>	33
<b>593</b>	440	<b>5,701</b>	4,974	<b>462</b>	390	<b>18</b>	16
<b>5,555</b>	4,683	<b>62,732</b>	56,712	<b>5,807</b>	4,929	<b>1,941</b>	1,615

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### v. Offsetting financial assets and financial liabilities (continued)

The 'similar agreements' include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements. 'Similar financial instruments' include derivatives, sale-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 following tables unless they are offset in the statement of financial position.

The ISDA and similar master netting arrangements (see (ii)) 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 recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The 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; and
- securities lending and borrowing.

This collateral is subject to standard industry terms including, when appropriate, an ISDA credit support annex. This means that securities received/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.

#### Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral received	
<b>31 December 2024</b>						
<i>In millions of EUR</i>						
<b>Types of financial assets</b>						
Derivatives – trading assets	978	-	978	(287)	(688)	3
Derivatives held for risk management	858	-	858	(147)	(708)	3
Reverse sale-and-repurchase, securities borrowing and similar agreements	8,314	-	8,314	(8,314)	-	-
Loans and advances to customers	112	(98)	14	-	-	14
<b>Total</b>	<b>10,262</b>	<b>(98)</b>	<b>10,164</b>	<b>(8,748)</b>	<b>(1,396)</b>	<b>20</b>

IFRS 7.13C

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.13C

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### v. Offsetting financial assets and financial liabilities (continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral pledged	
<b>31 December 2024</b>						
<i>In millions of EUR</i>						
<b>Types of financial liabilities</b>						
Derivatives – trading liabilities	408	-	408	(287)	(117)	4
Derivatives held for risk management	828	-	828	(147)	(676)	5
Sale-and-repurchase, securities lending and similar agreements	387	-	387	(387)	-	-
Customer deposits	98	(98)	-	-	-	-
<b>Total</b>	<b>1,721</b>	<b>(98)</b>	<b>1,623</b>	<b>(821)</b>	<b>(793)</b>	<b>9</b>

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral received	
<b>31 December 2023</b>						
<i>In millions of EUR</i>						
<b>Types of financial assets</b>						
Derivatives – trading assets	957	-	957	(239)	(715)	3
Derivatives held for risk management	726	-	726	(109)	(614)	3
Reverse sale-and-repurchase, securities borrowing and similar agreements	7,412	-	7,412	(7,343)	-	69
Loans and advances to customers	109	(97)	12	-	-	12
<b>Total</b>	<b>9,204</b>	<b>(97)</b>	<b>9,107</b>	<b>(7,691)</b>	<b>(1,329)</b>	<b>87</b>

IFRS 7.13C

Introduction

Primary statements

NOTES

Appendices

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### v. Offsetting financial assets and financial liabilities (continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral pledged	
<b>31 December 2023</b> <i>In millions of EUR</i>						
<b>Types of financial liabilities</b>						
Derivatives – trading liabilities	372	-	372	(239)	(130)	3
Derivatives held for risk management	789	-	789	(109)	(677)	3
Sale-and-repurchase, securities lending and similar agreements	412	-	412	(412)	-	-
Customer deposits	97	(97)	-	-	-	-
<b>Total</b>	<b>1,670</b>	<b>(97)</b>	<b>1,573</b>	<b>(760)</b>	<b>(807)</b>	<b>6</b>

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured in the statement of financial position on the following bases:

- derivative assets and liabilities: fair value;
- assets and liabilities resulting from sale-and-repurchase agreements, reverse sale-and-repurchase agreements and securities lending and borrowing: amortised cost;
- loans and advances to customers: amortised cost; and
- customer deposits: amortised cost.

IFRS 7B42

IFRS 7.31

IFRS 7.33, 35M

IFRS 7.B46

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### v. Offsetting financial assets and financial liabilities (continued)

The following tables reconcile the 'net amounts of financial assets and financial liabilities presented in the statement of financial position', as set out above, to the line items presented in the statement of financial position.

Reconciliation to the net amounts of financial assets and financial liabilities presented in the statement of financial position

31 December 2024 <i>In millions of EUR</i>	Net amounts	Line item in statement of financial position	Carrying amount in statement of financial position	Financial assets not in scope of offsetting disclosures	Note
<b>Types of financial assets</b>					
Derivatives – trading assets	978	Non-pledged trading assets	16,122	15,144	21
Derivatives held for risk management	858	Derivative assets held for risk management	858	-	22
Loans and advances to customers	14	Loans and advances to customers	62,732	56,400	24
Reverse sale-and- repurchase, securities borrowing and similar agreements	6,318	Loans and advances to banks	5,555	3,559	23
	1,996				

31 December 2024 <i>In millions of EUR</i>	Net amounts	Line item in statement of financial position	Carrying amount in statement of financial position	Financial liabilities not in scope of offsetting disclosures	Note
<b>Types of financial liabilities</b>					
Derivatives – trading liabilities	408	Trading liabilities	7,026	6,618	21
Derivatives held for risk management	828	Derivative liabilities held for risk management	828	-	22
Sale-and-repurchase, securities lending and similar agreements	387	Deposits from banks	11,678	11,291	29
Customer deposits	-	Deposits from customers	53,646	53,646	30

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### A. Credit risk (continued)

##### v. Offsetting financial assets and financial liabilities (continued)

Reconciliation to the net amounts of financial assets and financial liabilities presented in the statement of financial position (continued)

31 December 2023 <i>In millions of EUR</i>	Net amounts	Line item in statement of financial position	Carrying amount in statement of financial position	Financial assets not in scope of offsetting disclosures	Note
<b>Types of financial assets</b>					
Derivatives – trading assets	957	Non-pledged trading assets	15,249	14,292	21
Derivatives held for risk management	726	Derivative assets held for risk management	726	-	22
Loans and advances to customers	12	Loans and advances to customers	56,712	50,566	24
Reverse sale-and- repurchase, securities borrowing and similar agreements	6,134	Loans and advances to banks	4,683	3,405	23
	1,278				

31 December 2023 <i>In millions of EUR</i>	Net amounts	Line item in statement of financial position	Carrying amount in statement of financial position	Financial liabilities not in scope of offsetting disclosures	Note
<b>Types of financial liabilities</b>					
Derivatives – trading liabilities	372	Trading liabilities	6,052	5,680	21
Derivatives held for risk management	789	Derivative liabilities held for risk management	789	-	22
Sale-and-repurchase, securities lending and similar agreements	412	Deposits from banks	10,230	9,818	29
Customer deposits	-	Deposits from customers	48,904	48,904	30

IFRS 7.31

IFRS 7.33, 35M



## Notes to the consolidated financial statements (continued)

IFRS 7.31

### 6. Financial risk review (continued)

IFRS 7.33

#### B. Liquidity risk<sup>a</sup>

For the definition of liquidity risk and information on how liquidity risk is managed by the Group, see Note 43(C).

IFRS 7.34(a)

##### i. Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers and short-term funding. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market. 'Deposits from customers and short-term funding' includes deposits from banks, customers, debt securities issued, other borrowings and commitments maturing within the next month. Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows.

IFRS 7.34(a), 39(c)

	2024	2023
At 31 December	<b>22.0%</b>	23.7%
Average for the period	<b>22.6%</b>	23.1%
Maximum for the period	<b>24.2%</b>	24.7%
Minimum for the period	<b>18.9%</b>	21.2%

IFRS 7.34(a), 39(c)

<sup>a</sup>. The example shown in this guide in relation to liquidity risk assumes that the primary basis for reporting to key management personnel on liquidity risk is the ratio of liquid assets to deposits from customers. It also assumes that this is the entity's approach to managing liquidity risk. However, other presentations are possible.

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### B. Liquidity risk (continued)

##### ii. Maturity analysis for financial liabilities and financial assets

The following tables set out the remaining contractual maturities of the Group's financial liabilities and financial assets.<sup>a</sup>

31 December 2024								
	Note	Carrying amount	Gross nominal inflow (outflow)	Less than 1 month	1–3 months	3 months – 1 year	1–5 years	More than 5 years
<b>Financial liability by type</b>								
<b>Non-derivative liabilities</b>								
Trading liabilities	21	6,618	(6,882)	(5,625)	(926)	(331)	-	-
Deposits from banks	29	11,678	(12,713)	(10,683)	(1,496)	(534)	-	-
Deposits from customers	30	53,646	(55,340)	(39,318)	(741)	(3,540)	(11,741)	-
Debt securities issued	31	11,227	(12,881)	-	-	(201)	(12,680)	-
Subordinated liabilities	32	5,642	(6,660)	-	-	-	(5,499)	(1,161)
Other financial liabilities – lease liabilities	34	367	(404)	(11)	(23)	(101)	(269)	-
Issued financial guarantee contracts	33	32	(740)	-	-	(740)	-	-
Issued loan commitments	33	6	(1,201)	(1,201)	-	-	-	-
		89,216	(96,821)	(56,838)	(3,186)	(5,447)	(30,189)	(1,161)
<b>Derivative liabilities</b>								
Trading:	21	408	-	-	-	-	-	-
Outflow		-	(3,217)	(398)	(1,895)	(856)	(68)	-
Inflow		-	2,789	138	1,799	823	29	-
Risk management:	22	828	-	-	-	-	-	-
Outflow		-	(9,855)	(476)	(1,506)	(1,458)	(6,113)	(302)
Inflow		-	9,010	466	1,472	1,392	5,509	171
		1,236	(1,273)	(270)	(130)	(99)	(643)	(131)
<b>Financial asset by type</b>								
<b>Non-derivative assets</b>								
Cash and cash equivalents	20	2,969	2,969	2,537	432	-	-	-
Pledged trading assets	21	540	550	390	125	35	-	-
Non-pledged trading assets	21	15,144	15,300	13,540	1,460	270	30	-
Loans and advances to banks	23	5,555	5,620	4,480	450	690	-	-
Loans and advances to customers	24	62,732	76,829	10,180	5,256	14,280	25,000	22,113
Investment securities	25	6,302	6,790	2,713	234	932	2,643	268
		93,242	108,058	33,840	7,957	16,207	27,673	22,381
<b>Derivative assets</b>								
Trading:	21	978	-	-	-	-	-	-
Inflow		-	6,345	654	3,890	1,723	78	-
Outflow		-	(5,279)	(250)	(3,321)	(1,643)	(65)	-
Risk management:	22	858	-	-	-	-	-	-
Inflow		-	9,302	514	1,717	1,375	5,432	264
Outflow		-	(8,388)	(493)	(1,678)	(1,301)	(4,765)	(151)
		1,836	1,980	425	608	154	680	113

IFRS 7.39, B11, B11E, Insights 7.10.650.80

a. The Group has disclosed a contractual maturity analysis for its financial instruments. This includes a maturity analysis for financial assets that it holds as part of managing liquidity risk – e.g. financial assets that are expected to generate cash inflows to meet cash outflows on financial liabilities – because the Group considers that this information is necessary to enable financial statement users to evaluate the nature and extent of its liquidity risk. *The EDTF report recommends that banks disclose a contractual maturity analysis for financial assets.*

Because IFRS 7 does not mandate the number of time bands to be used in the analysis, the Group has applied judgement to determine an appropriate number of time bands.

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### B. Liquidity risk (continued)

##### ii. Maturity analysis for financial liabilities and financial assets (continued)

31 December 2023 <i>In millions of EUR</i>	Note	Carrying amount	Gross nominal inflow (outflow)	Less than 1 month	1–3 months	3 months –1 year	1–5 years	More than 5 years
<b>Financial liability by type</b>								
<b>Non-derivative liabilities</b>								
Trading liabilities	21	5,680	(6,127)	(5,068)	(780)	(279)	-	-
Deposits from banks	29	10,230	(11,324)	(9,516)	(1,332)	(476)	-	-
Deposits from customers	30	48,904	(50,292)	(36,758)	(713)	(3,443)	(9,378)	-
Debt securities issued	31	10,248	(11,785)	-	-	-	(11,785)	-
Subordinated liabilities	32	4,985	(5,898)	-	-	-	(4,782)	(1,116)
Other financial liabilities – lease liabilities	34	441	(485)	(18)	(27)	(95)	(260)	(85)
Issued financial guarantee contracts	33	26	(601)	-	-	(601)	-	-
Issued loan commitments	33	4	(1,014)	(1,014)	-	-	-	-
		80,518	(87,526)	(52,374)	(2,852)	(4,894)	(26,205)	(1,201)
<b>Derivative liabilities</b>								
Trading:	21	372	-	-	-	-	-	-
Outflow		-	(2,425)	(381)	(1,151)	(835)	(58)	-
Inflow		-	2,053	122	1,103	789	39	-
Risk management:	22	789	-	-	-	-	-	-
Outflow		-	(7,941)	(313)	(1,041)	(1,423)	(5,125)	(39)
Inflow		-	7,152	336	972	1,341	4,483	20
		1,161	(1,161)	(236)	(117)	(128)	(661)	(19)
<b>Financial asset by type</b>								
<b>Non-derivative assets</b>								
Cash and cash equivalents	20	3,037	3,037	2,649	388	-	-	-
Pledged trading assets	21	519	528	375	121	32	-	-
Non-pledged trading assets	21	14,292	14,450	13,410	750	265	25	-
Loans and advances to banks	23	4,683	4,753	3,721	443	589	-	-
Loans and advances to customers	24	56,712	70,119	9,701	4,976	12,890	22,450	20,102
Investment securities	25	5,356	5,823	2,045	212	679	2,633	254
		84,599	98,710	31,901	6,890	14,455	25,108	20,356
<b>Derivative assets</b>								
Trading:	21	957	-	-	-	-	-	-
Inflow		-	6,334	678	3,811	1,756	89	-
Outflow		-	(5,258)	(270)	(3,254)	(1,670)	(64)	-
Risk management:	22	726	-	-	-	-	-	-
Inflow		-	7,378	299	987	1,498	4,532	62
Outflow		-	(6,615)	(278)	(907)	(1,403)	(3,987)	(40)
		1,683	1,839	429	637	181	570	22

IFRS 7.31

IFRS 7.33

IFRS 7.39(a)–(b)

IFRS 7.B11

IFRS 7.39(a)

IFRS 16.58

IFRS 7.B11C(c)

IFRS 7.B11D(e)

IFRS 7.39(b), B11B

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### B. Liquidity risk (continued)

##### ii. Maturity analysis for financial liabilities and financial assets (continued)

The amounts in the table above have been compiled as follows.

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.
Issued financial guarantee contracts, and unrecognised loan commitments	Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.
Derivative financial liabilities and financial assets held for risk management purposes	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) and the net amounts for derivatives that are net settled.
Trading derivative liabilities and assets forming part of the Group's proprietary trading operations that are expected to be closed out before contractual maturity	Fair values at the date of the statement of financial position. This is because contractual maturities do not reflect the liquidity risk exposure arising from these positions. These fair values are disclosed in the 'less than one month' column.
Trading derivative liabilities and assets that are entered into by the Group with its customers	Contractual undiscounted cash flows. This is because these instruments are not usually closed out before contractual maturity and so the Group believes that contractual maturities are essential for understanding the timing of cash flows associated with these derivative positions.

The Group's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are as follows:

- demand deposits from customers are expected to remain stable or increase;
- unrecognised loan commitments are not all expected to be drawn down immediately; and
- retail mortgage loans have an original contractual maturity of between 20 and 25 years but an average expected maturity of six years because customers take advantage of early repayment options.

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### B. Liquidity risk (continued)

##### ii. Maturity analysis for financial liabilities and financial assets (continued)

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

<i>In millions of EUR</i>	<i>Note</i>	<b>2024</b>	<b>2023</b>
<b>Financial assets</b>			
Loans and advances to customers	24	<b>23,813</b>	21,928
Investment securities	25	<b>3,634</b>	2,656
<b>Financial liabilities</b>			
Deposits from customers	30	<b>12,838</b>	13,115
Debt securities issued	31	<b>979</b>	18
Subordinated liabilities	32	-	178
Other financial liabilities – lease liabilities	41	<b>95</b>	100

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date.

<i>In millions of EUR</i>	<i>Note</i>	<b>2024</b>	<b>2023</b>
<b>Financial assets</b>			
Loans and advances to customers	24	<b>34,215</b>	31,002
Investment securities	25	<b>2,668</b>	2,700
<b>Financial liabilities</b>			
Deposits from customers	30	<b>40,808</b>	35,789
Debt securities issued	31	<b>10,248</b>	10,230
Subordinated liabilities	32	<b>5,642</b>	4,807
Other financial liabilities – lease liabilities	41	<b>272</b>	341

##### iii. Liquidity reserves

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents, and debt securities issued by sovereigns, which can be readily sold to meet liquidity requirements. In addition, the Group maintains agreed lines of credit with other banks and holds unencumbered assets eligible for use as collateral with central banks (these amounts are referred to as the 'Group's liquidity reserves').

The following table sets out the components of the Group's liquidity reserves.<sup>a</sup>

#### Liquidity reserves

<i>In millions of EUR</i>	<b>2024</b> Carrying amount	<b>2024</b> Fair value	<b>2023</b> Carrying amount	<b>2023</b> Fair value
Balances with central banks	<b>118</b>	<b>118</b>	128	128
Cash and balances with other banks	<b>256</b>	<b>256</b>	184	184
Other cash and cash equivalents	<b>2,595</b>	<b>2,595</b>	2,725	2,725
Unencumbered debt securities issued by sovereigns	<b>6,734</b>	<b>6,740</b>	6,597	6,600
Undrawn credit lines granted by central banks*	<b>250</b>	-	231	-
Other assets eligible for use as collateral with central banks	<b>15,548</b>	<b>16,550</b>	13,686	14,278
<b>Total liquidity reserves</b>	<b>25,501</b>	<b>26,259</b>	23,551	23,915

\* The amount is the actual credit line available.

a. The EDTF report recommends that banks provide a quantitative analysis of the components of the liquidity reserves that they hold, ideally by providing averages as well as period-end balances. The description would be complemented by an explanation of possible limitations on the use of the liquidity reserves maintained in any material subsidiary or currency. The Group has concluded that including this information will enhance users' understanding of how the Group manages its liquidity risk.

IFRS 7.31

IFRS 7.33

IFRS 7.39(a)–(b)

IAS 1.61(a)

IAS 1.61(b)

IFRS 7.34(a), 39(c)

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### B. Liquidity risk (continued)

##### iv. Financial assets available to support future funding

The following table sets out the availability of the Group's financial assets to support future funding.<sup>a</sup>

In millions of EUR	Note	Encumbered		Unencumbered		Total
		Pledged as collateral	Other*	Available as collateral	Other**	
<b>31 December 2024</b>						
Cash and cash equivalents	20	-	-	2,595	374	2,969
Trading assets	21	540	60	14,553	1,509	16,662
Derivative assets held for risk management	22	-	-	-	858	858
Loans and advances	23, 24	2,015	-	15,343	50,929	68,287
Investment securities	25	-	30	5,915	357	6,302
Non-financial assets		-	-	-	514	514
<b>Total assets</b>		<b>2,555</b>	<b>90</b>	<b>38,406</b>	<b>54,541</b>	<b>95,592</b>
<b>31 December 2023</b>						
Cash and cash equivalents	20	-	-	2,725	312	3,037
Trading assets	21	519	54	13,838	1,357	15,768
Derivative assets held for risk management	22	-	-	-	726	726
Loans and advances	23, 24	1,730	-	13,253	46,412	61,395
Investment securities	25	-	26	5,009	321	5,356
Non-financial assets		-	-	-	340	340
<b>Total assets</b>		<b>2,249</b>	<b>80</b>	<b>34,825</b>	<b>49,468</b>	<b>86,622</b>

\* Represents assets that are not pledged but that the Group believes it is restricted from using to secure funding, for legal or other reasons.

\*\* Represents assets that are not restricted for use as collateral, but that the Group would not consider readily available to secure funding in the normal course of business.

##### v. Financial assets pledged as collateral

The total financial assets recognised in the statement of financial position that had been pledged as collateral for liabilities at 31 December 2024 and 2023 is shown in the preceding table.

Financial assets are pledged as collateral as part of sales and repurchases, securities borrowing and securitisation transactions under terms that are usual and customary for such activities. In addition, as part of these transactions, the Group has received collateral that it is permitted to sell or repledge in the absence of default.

At 31 December 2024, the fair value of financial assets accepted as collateral that the Group is permitted to sell or repledge in the absence of default was EUR 7,788 million (2023: EUR 7,308 million).

At 31 December 2024, the fair value of financial assets accepted as collateral that had been sold or repledged was EUR 5,661 million (2023: EUR 5,205 million). The Group is obliged to return equivalent securities.

At 31 December 2024, for derivative liabilities that are classified as trading liabilities and derivatives liabilities held for risk management, the Group had posted cash collateral with its counterparties for which it had recognised receivables of EUR 793 million (2023: EUR 807 million). These receivables are regarded as encumbered and included in loans and advances to banks or customers.

a. The EDTF report recommends disclosure of encumbered and unencumbered assets in a tabular format by balance sheet categories, including collateral received that can be rehypothecated or otherwise redeployed. The Group has concluded that including this information in the financial statements for assets recognised in the statement of financial position will enhance users' understanding of the Group's exposure to liquidity risk.

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### C. Market risk<sup>a</sup>

For the definition of market risk and information on how the Group manages the market risks of trading and non-trading portfolios, see Note 43(D).

The following table sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios.<sup>b</sup>

In millions of EUR	Note	Carrying amount	Market risk measure	
			Trading portfolios	Non-trading portfolios
<b>31 December 2024</b>				
<b>Assets subject to market risk</b>				
Cash and cash equivalents	20	2,969	-	2,969
Trading assets	21	16,662	16,662	-
Derivatives held for risk management	22	858	-	858
Loans and advances to banks	23	5,555	-	5,555
Loans and advances to customers	24	62,732	3,986	58,746
Investment securities	25	6,302	4,502	1,800
<b>Liabilities subject to market risk</b>				
Trading liabilities	21	7,026	7,026	-
Derivatives held for risk management	22	828	-	828
Deposits	29, 30	65,324	-	65,324
Debt securities	31	11,227	1,250	9,977
Subordinated liabilities	32	5,642	-	5,642
<b>31 December 2023</b>				
<b>Assets subject to market risk</b>				
Cash and cash equivalents	20	3,037	-	3,037
Trading assets	21	15,768	15,768	-
Derivatives held for risk management	22	726	-	726
Loans and advances to banks	23	4,683	-	4,683
Loans and advances to customers	24	56,712	3,145	53,567
Investment securities	25	5,356	3,504	1,852
<b>Liabilities subject to market risk</b>				
Trading liabilities	21	6,052	6,052	-
Derivatives held for risk management	22	789	-	789
Deposits	29, 30	59,134	-	59,134
Debt securities	31	10,248	2,208	8,040
Subordinated liabilities	32	4,985	-	4,985

IFRS 7.31

IFRS 7.33

IFRS 7.34(a)

IFRS 7.34, 40–41

- a. The example shown in this guide in relation to market risk from interest rates illustrates value at risk (VaR) and a gap analysis, two common approaches to the measurement and management of market risk arising from interest rates. The example assumes that the primary basis for reporting to key management personnel on market risk from interest rates is a VaR measure for trading portfolios and a gap and sensitivity analysis for non-trading portfolios. In respect of foreign exchange risk, the example assumes that the primary basis for reporting to key management personnel on market risk from foreign exchange rates is a VaR measure and an analysis of concentration risk in relation to individual currencies. However, other presentations are possible.
- b. The EDTF report recommends that banks provide information that facilitates users' understanding of the linkages between line items in the balance sheet and income statement, and positions included in the trading market risk disclosures. The Group has concluded that disclosure of the analysis of the line items in the statement of financial position between trading and non-trading risk portfolios will facilitate users' understanding of how the Group manages market risk.

## Notes to the consolidated financial statements (continued)

IFRS 7.31

### 6. Financial risk review (continued)

IFRS 7.33

#### C. Market risk (continued)

##### i. Exposure to market risk – Trading portfolios

The following is a summary of the VaR position of the Group's trading portfolios at 31 December and during the period (based on a 99 percent confidence level and 10-day holding period).

IFRS 7.41

<i>In millions of EUR</i>	At 31 December	Average	Maximum	Minimum
<b>2024</b>				
Foreign currency risk	12.04	10.04	15.06	7.97
Interest rate risk	27.41	22.05	39.48	17.53
Credit spread risk	9.07	6.97	9.52	5.66
Other price risk	3.28	3.01	4.02	2.42
Covariance	(2.76)	(3.08)	-	-
Overall	49.04	38.99	62.53	34.01
<b>2023</b>				
Foreign currency risk	9.28	8.40	12.05	4.64
Interest rate risk	20.43	18.05	26.52	13.72
Credit spread risk	6.08	5.11	8.83	3.50
Other price risk	3.32	2.89	4.56	2.07
Covariance	(2.24)	(2.08)	-	-
Overall	36.87	32.37	47.64	26.68



IFRS 7.31

IFRS 7.33

IFRS 7.34(a)

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### C. Market risk (continued)

##### ii. Exposure to interest rate risk – Non-trading portfolios

The following is a summary of the Group's interest rate gap position on non-trading portfolios. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Group's balance sheet based on either (i) the next repricing date or the maturity date if floating rate or (ii) the maturity date if fixed rate.

<i>In millions of EUR</i>	<i>Note</i>	<b>Carrying amount</b>	<b>Less than 3 months</b>	<b>3–6 months</b>	<b>6–12 months</b>	<b>1–5 years</b>	<b>More than 5 years</b>
<b>31 December 2024</b>							
Cash and cash equivalents	20	2,969	2,969	-	-	-	-
Loans and advances to banks	23	5,555	4,903	652	-	-	-
Loans and advances to customers	24	58,745	21,957	8,349	3,259	21,533	3,647
Investment securities	25	1,800	177	442	720	360	101
		<b>69,069</b>	<b>30,006</b>	<b>9,443</b>	<b>3,979</b>	<b>21,893</b>	<b>3,748</b>
Deposits from banks	29	(11,678)	(11,202)	(476)	-	-	-
Deposits from customers	30	(53,646)	(39,715)	(1,584)	(1,636)	(10,711)	-
Debt securities issued	31	(9,977)	(5,143)	-	(184)	(4,650)	-
Subordinated liabilities	32	(5,642)	-	(4,782)	-	-	(860)
		<b>(80,943)</b>	<b>(56,060)</b>	<b>(6,842)</b>	<b>(1,820)</b>	<b>(15,361)</b>	<b>(860)</b>
Effect of derivatives held for risk management		-	3,620	1,576	-	(5,196)	-
		<b>(11,874)</b>	<b>(22,434)</b>	<b>4,177</b>	<b>2,159</b>	<b>1,336</b>	<b>2,888</b>
<b>31 December 2023</b>							
Cash and cash equivalents	20	3,037	3,037	-	-	-	-
Loans and advances to banks	23	4,683	4,135	548	-	-	-
Loans and advances to customers	24	53,567	19,844	7,671	2,913	19,867	3,272
Investment securities	25	1,852	162	406	666	517	101
		<b>63,139</b>	<b>27,178</b>	<b>8,625</b>	<b>3,579</b>	<b>20,384</b>	<b>3,373</b>
Deposits from banks	29	(10,230)	(9,778)	(452)	-	-	-
Deposits from customers	30	(48,904)	(38,735)	(1,493)	(1,065)	(7,611)	-
Debt securities issued	31	(8,040)	(4,473)	-	(178)	(3,389)	-
Subordinated liabilities	32	(4,985)	-	(4,158)	-	-	(827)
		<b>(72,159)</b>	<b>(52,986)</b>	<b>(6,103)</b>	<b>(1,243)</b>	<b>(11,000)</b>	<b>(827)</b>
Effect of derivatives held for risk management		-	3,225	1,240	-	(4,465)	-
		<b>(9,020)</b>	<b>(22,583)</b>	<b>3,762</b>	<b>2,336</b>	<b>4,919</b>	<b>2,546</b>

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100bp parallel fall or rise in all yield curves worldwide and a 50bp rise or fall in the greater than 12-month portion of all yield curves.

Introduction

Primary statements

NOTES

Appendices

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### C. Market risk (continued)

##### ii. Exposure to interest rate risk – Non-trading portfolios (continued)

The following is an analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position.

In millions of EUR	100bp parallel increase	100bp parallel decrease	50bp parallel increase	50bp parallel decrease
<b>Sensitivity of projected net interest income</b>				
<b>2024</b>				
At 31 December	(43)	46	(22)	23
Average for the period	(42)	45	(22)	22
Maximum for the period	(44)	48	(23)	24
Minimum for the period	(39)	41	(20)	20
<b>2023</b>				
At 31 December	(39)	41	(20)	20
Average for the period	(38)	41	(19)	20
Maximum for the period	(40)	42	(20)	21
Minimum for the period	(37)	40	(19)	20
<b>Sensitivity of reported equity to interest rate movements</b>				
<b>2024</b>				
At 31 December	(77)	78	(39)	39
Average for the period	(76)	78	(37)	38
Maximum for the period	(79)	80	(39)	40
Minimum for the period	(75)	77	(36)	36
<b>2023</b>				
At 31 December	(69)	69	(37)	38
Average for the period	(68)	69	(36)	37
Maximum for the period	(70)	71	(38)	39
Minimum for the period	(67)	68	(36)	36

Interest rate movements affect reported equity in the following ways:

- *retained earnings*: increases or decreases in net interest income and in fair values of derivatives and other non-trading financial assets mandatorily measured at FVTPL reported in profit or loss;
- *fair value reserve*: increases or decreases in the fair values of financial assets at FVOCI reported directly in equity; and
- *hedging reserve*: increases or decreases in the fair values of hedging instruments designated in qualifying cash flow hedge relationships.

Aggregate non-trading interest rate risk positions are managed by Central Treasury, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the positions. The use of derivatives to manage interest rate risk is described in [Note 22](#).

IFRS 7.31

IFRS 7.33

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### C. Market risk (continued)

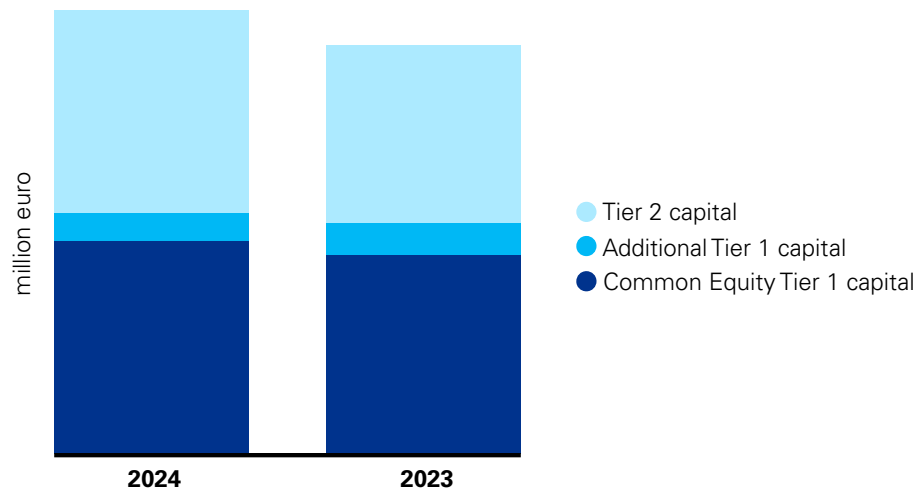
##### iii. Exposure to currency risks – Non-trading portfolios

As at the reporting date, there were no significant foreign currency exposures in the non-trading book, other than structural foreign currency exposure arising from foreign operations, as set out in the table below.

In millions	Net investments	
	2024	2023
<b>Functional currency of foreign operation</b>		
GBP	<b>984</b>	782
USD	<b>680</b>	675

#### D. Capital management<sup>a</sup>

##### i. Regulatory capital



IAS 1.135(a)(ii)

The Group's lead regulator [*Name of regulator*] sets and monitors capital requirements for the Group as a whole and for the parent entity. The individual banking operations are directly supervised by their local regulators.

IAS 1.135(c)

[*The lead regulator*] adopted the Basel III capital requirements with effect from 1 January 2015. The [*lead regulator*] has issued guidelines on transition requirements for the implementation of IFRS 9. The guidelines allow a choice of two approaches to the recognition of the impact of adoption of the impairment requirements of the accounting standard on regulatory capital:

- phasing in the full impact over a five-year period; or
- recognising the full impact on the day of adoption.

The Group has adopted the second approach.

The Group has been granted approval by [*its lead regulator*] to adopt the internal rating-based advanced approach (IRB) for credit risk on the majority of its portfolios. The other portfolios are either on an IRB foundation or standardised approaches.

The Group calculates requirements for market risk in its trading portfolios based on the Group's VaR models.

IAS 1.134–136

- <sup>a</sup>. The example disclosures presented in this guide assume that the primary basis for capital management is regulatory capital requirements. However, other presentations are possible. Banks will often be subject to specific local regulatory capital requirements. The example disclosures are not designed to comply with any particular regulatory framework.

## Notes to the consolidated financial statements (continued)

IFRS 7.31

### 6. Financial risk review (continued)

#### D. Capital management (continued)

##### i. Regulatory capital (continued)

IAS 1.135(a)(i)

The Group's regulatory capital<sup>a</sup> consists of the sum of the following elements.

- Common Equity Tier 1 capital, which includes ordinary share capital, related share premiums, retained earnings, reserves and NCI after adjustment for dividends proposed after the reporting date and deductions for goodwill, intangible assets and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Additional Tier 1 capital<sup>b</sup>, which includes instruments classified as equity under IFRS Accounting Standards (see Note 35(A)).
- Tier 2 capital, which includes qualifying subordinated liabilities and any excess of accounting ECL over regulatory expected losses.

In millions of EUR

	Note	2024	2023
<b>Common Equity Tier 1 capital</b>			
Ordinary share capital	35	1,759	1,756
Share premium		468	439
Retained earnings		3,335	3,135
Dividends proposed after the reporting date		(263)	(263)
Translation reserve		62	77
Other reserves		76	122
NCI (amount allowed in consolidated Common Equity Tier 1)		137	117
Deductions:			
Intangible assets	27	(275)	(259)
Deferred tax other than temporary timing differences		(22)	(31)
Fair value gains, net of deferred tax, arising from own credit spreads		(2)	(1)
Other regulatory adjustments under Basel III		(8)	(7)
<b>Total Common Equity Tier 1 capital</b>		<b>5,267</b>	5,085
<b>Additional Tier 1 capital</b>			
Instruments classified as equity under IFRS Accounting Standards	35	500	500
<b>Total Tier 1 capital</b>		<b>5,767</b>	5,585
<b>Tier 2 capital</b>			
Qualifying subordinated liabilities	32	4,782	4,158
Excess of accounting ECL over regulatory expected losses		155	98
<b>Total Tier 2 capital</b>		<b>4,937</b>	4,256
<b>Total regulatory capital</b>		<b>10,704</b>	9,841

IAS 1.135(a)(iii)

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' returns is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a stronger capital position.

IAS 1.135(d)

The Group and its individually regulated operations have complied with all externally imposed capital requirements.

- a. The EDTF report Impact of expected credit loss approaches on bank risk disclosures issued on 30 November 2015 (page 3) recommends that banks explain the difference between accounting ECL and regulatory capital ECL.
- b. The regulatory capital of a bank is subject to definitions imposed by local regulatory authorities in each country. Disclosures of regulatory capital in this guide are for illustrative purposes only.

## Notes to the consolidated financial statements (continued)

### 6. Financial risk review (continued)

#### D. Capital management (continued)

##### i. Regulatory capital (continued)

The lead regulator’s approach to the measurement of capital adequacy is primarily based on monitoring the relationship of the capital resources requirement to available capital resources. The lead regulator sets individual capital guidance (ICG) for each bank and banking group in excess of the minimum capital resources requirement of 8 percent. A key input to the ICG-setting process is the Group’s individual capital adequacy assessment process.

##### ii. Capital allocation

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In these cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken by Group Risk and Group Credit independently of those responsible for the operation and is subject to review by the Group Asset and Liability Management Committee (ALCO).

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group’s longer-term strategic objectives. The Group’s policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

IFRS 7.31

IAS 1.135(a)

## Notes to the consolidated financial statements (continued)

### 7. Fair values of financial instruments

See accounting policy in [Note 46\(J\)\(vi\)](#).

#### A. Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- *Level 1*: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- *Level 2*: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- *Level 3*: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models to determine the fair value of common and simple financial instruments, such as interest rate and currency swaps, that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

IFRS 13.72

IFRS 13.93(d)

## Notes to the consolidated financial statements (continued)

### 7. Fair values of financial instruments (continued)

#### A. Valuation models (continued)

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and may be derived from market prices or rates or estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain OTC structured derivatives, certain loans, securities for which there is no active market and retained interests in securitisations (as discussed below). Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments, determination of expected volatilities and correlations and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa – e.g. interest rate swaps – fair values take into account both credit valuation adjustment and debit valuation adjustment when market participants would take this into consideration in pricing the derivatives.

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value. Management uses judgement to select the most appropriate point in the range.

#### ***Asset-backed securities with no active market***

During the current year, there has not been sufficient trading volume to establish an active market for certain asset-backed securities, and so the Group has determined the fair value for these asset-backed securities using other valuation techniques. These securities are backed primarily by static pools of residential mortgages and enjoy a senior claim on cash flows.

The Group's methodology for valuing these asset-backed securities uses a discounted cash flow technique that takes into account the PD and loss severity by considering the original underwriting criteria, vintage borrower attributes, LTV ratios, expected house price movements and expected prepayment rates. These features are used to estimate expected cash flows, which are then allocated using the 'waterfall' applicable to the security and discounted at a risk-adjusted rate. The discounted cash flow technique is often used by market participants to price asset-backed securities. However, this technique is subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results.

#### ***OTC structured derivatives***

As part of its trading activities, the Group enters into OTC structured derivatives – primarily options indexed to credit spreads, equity prices, foreign exchange rates and interest rates – with customers and other banks. Some of these instruments are valued using models with significant unobservable inputs, principally expected long-term volatilities and expected correlations between different underlyings.

IFRS 13.93(d)

## Notes to the consolidated financial statements (continued)

### 7. Fair values of financial instruments (continued)

#### A. Valuation models (continued)

##### *Measurement on the basis of net exposures to risks*

If the Group measures portfolios of financial assets and financial liabilities on the basis of net exposures to market risks, then it applies judgement in determining appropriate portfolio-level adjustments such as bid-ask spreads. These adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio. Similarly, when the Group measures portfolios of financial assets and financial liabilities on the basis of net exposure to the credit risk of a particular counterparty, it takes into account any existing arrangements that mitigate the credit risk exposure – e.g. master netting agreements with the counterparty.

#### B. Valuation framework

The Group has an established control framework for the measurement of fair values. This framework includes a Product Control function, which is independent of front office management and reports to the Chief Financial Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models involving both Product Control and Group Market Risk;
- quarterly calibration and back-testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by a committee of senior Product Control and Group Market Risk personnel.

When third party information, such as broker quotes or pricing services, is used to measure fair value, Product Control assesses and documents the evidence obtained from the third parties to support the conclusion that the valuations meet the requirements of IFRS Accounting Standards. This includes:

- verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- when prices for similar instruments are used to measure fair value, understanding how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, then understanding how fair value has been determined using those quotes.

Significant valuation issues are reported to the Group Audit Committee.

#### C. Financial instruments measured at fair value – Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

IFRS 13.93(g), IE65

IFRS 13.93(b)



IFRS 13.93(a)–(b)

## Notes to the consolidated financial statements (continued)

### 7. Fair values of financial instruments (continued)

#### C. Financial instruments measured at fair value – Fair value hierarchy (continued)

**31 December 2024**
*In millions of EUR*

	Note	Level 1	Level 2	Level 3	Total
<b>Pledged trading assets</b>	21				
Government bonds		332	-	-	332
Other securities		200	8	-	208
Total		532	8	-	540
<b>Non-pledged trading assets</b>	21				
Government bonds		5,809	201	-	6,010
Treasury bills		3,777	102	-	3,879
Corporate bonds		3,898	450	-	4,348
Equities		391	-	-	391
Asset-backed securities		150	44	322	516
Derivative assets:					
Credit		120	212	-	332
Foreign exchange		74	76	-	150
OTC structured derivatives		-	76	258	334
Other		41	121	-	162
Total		14,260	1,282	580	16,122
<b>Derivative assets held for risk management</b>	22				
Interest rate		12	392	-	404
Interest rate and foreign exchange		7	143	-	150
Foreign exchange		3	147	-	150
Other		4	150	-	154
Total		26	832	-	858
<b>Loans and advances to customers</b>	24				
Corporate customers		-	369	3,617	3,986
<b>Investment securities</b>	25				
Government bonds		477	37	-	514
Corporate bonds		2,882	923	-	3,805
Asset-backed securities		301	141	538	980
Equities		468	-	27	495
Retained interests in securitisations		-	-	98	98
Total		4,128	1,101	663	5,892
<b>Trading liabilities</b>	21				
Short sold positions – debt		5,423	932	-	6,355
Short sold positions – equity		201	62	-	263
Derivative liabilities:					
Credit		45	100	-	145
Foreign exchange		39	83	-	122
OTC structured derivatives		-	6	70	76
Other		11	54	-	65
Total		5,719	1,237	70	7,026
<b>Derivative liabilities held for risk management</b>	22				
Interest rate		10	215	-	225
Interest rate and foreign exchange		12	126	-	138
Foreign exchange		23	284	-	307
Other		8	150	-	158
Total		53	775	-	828
Debt securities issued	31	1,028	222	-	1,250

## Notes to the consolidated financial statements (continued)

### 7. Fair values of financial instruments (continued)

#### C. Financial instruments measured at fair value – Fair value hierarchy (continued)

31 December 2023

In millions of EUR

IFRS 13.93(a)–(b)

	Note	Level 1	Level 2	Level 3	Total
<b>Pledged trading assets</b>	21				
Government bonds		317	-	-	317
Other securities		200	2	-	202
Total		517	2	-	519
<b>Non-pledged trading assets</b>	21				
Government bonds		5,275	506	-	5,781
Treasury bills		3,544	200	-	3,744
Corporate bonds		3,800	125	-	3,925
Equities		379	-	-	379
Asset-backed securities		65	12	386	463
Derivative assets:					
Credit		130	239	-	369
Foreign exchange		70	71	-	141
OTC structured derivatives		-	20	257	277
Other		45	125	-	170
Total		13,308	1,298	643	15,249
<b>Derivative assets held for risk management</b>	22				
Interest rate		14	295	-	309
Interest rate and foreign exchange		5	94	-	99
Foreign exchange		17	161	-	178
Other		5	135	-	140
Total		41	685	-	726
<b>Loans and advances to customers</b>	24				
Corporate customers		-	283	2,862	3,145
<b>Investment securities</b>	25				
Government bonds		574	173	-	747
Corporate bonds		2,704	489	-	3,193
Asset-backed securities		63	32	707	802
Equities		402	-	25	427
Retained interests in securitisations		-	-	87	87
Total		3,743	694	819	5,256
<b>Trading liabilities</b>	21				
Short sold positions – debt		4,854	599	-	5,453
Short sold positions – equity		178	49	-	227
Derivative liabilities:					
Credit		35	98	-	133
Foreign exchange		35	73	-	108
OTC structured derivatives		-	5	69	74
Other		10	47	-	57
Total		5,112	871	69	6,052

## Notes to the consolidated financial statements (continued)

### 7. Fair values of financial instruments (continued)

#### C. Financial instruments measured at fair value – Fair value hierarchy (continued)

31 December 2023

*In millions of EUR*

	<i>Note</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Derivative liabilities held for risk management</b>	<i>22</i>				
Interest rate		10	182	-	192
Interest rate and foreign exchange		17	252	-	269
Foreign exchange		15	166	-	181
Other		7	140	-	147
<b>Total</b>		<b>49</b>	<b>740</b>	<b>-</b>	<b>789</b>
Debt securities issued	<i>31</i>	1,486	722	-	2,208

## Notes to the consolidated financial statements (continued)

### 7. Fair values of financial instruments (continued)

#### C. Financial instruments measured at fair value – Fair value hierarchy (continued)

IFRS 13.93(c)

During the current year, due to changes in market conditions for certain investment securities, quoted prices in active markets were no longer available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities, with a carrying amount of EUR 369 million, were transferred from Level 1 to Level 2 of the fair value hierarchy.

#### D. Level 3 fair value measurements

##### i. Reconciliation

IFRS 13.93(e)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Trading assets		Loans and advances to customers	Investment securities		Trading liabilities		Total
	Asset-backed securities	OTC structured derivatives		Asset-backed securities	Retained interests in securitisations	Equities	OTC structured derivatives	
<b>2024</b>								
<i>In millions of EUR</i>								
Balance at 1 January	386	257	2,862	707	87	25	(69)	4,255
Total gains or losses:								
in profit or loss	10	2	130	(75)	4	2	5	78
in OCI	-	-	-	(82)	1	2	-	(79)
Purchases	27	14	851	-	95	-	-	987
Issues	-	-	-	-	-	-	(16)	(16)
Settlements	(36)	(15)	(226)	(6)	(89)	(2)	10	(364)
Transfers into Level 3	-	-	-	-	-	-	-	-
Transfers out of Level 3	(65)	-	-	(6)	-	-	-	(71)
Balance at 31 December	322	258	3,617	538	98	27	(70)	4,790

IFRS 13.93(e)

IFRS 13.93(e)(i)

IFRS 13.93(e)(ii)

IFRS 13.93(e)(iii)

IFRS 13.93(e)(iii)

IFRS 13.93(e)(iii)

IFRS 13.93(e)(iv)

IFRS 13.93(e)(iv)

IFRS 13.93(e)

## Notes to the consolidated financial statements (continued)

### 7. Fair values of financial instruments (continued)

#### D. Level 3 fair value measurements (continued)

##### i. Reconciliation (continued)

	Trading assets		Loans and advances to customers	Investment securities			Trading liabilities	Total
	Asset-backed securities	OTC structured derivatives		Asset-backed securities	Retained interests in securitisations	Equities	OTC structured derivatives	
<b>2023</b>								
<i>In millions of EUR</i>								
<i>IFRS 13.93(e)</i>								
Balance at 1 January	333	260	3,417	727	97	25	(60)	4,799
Total gains or losses:								
<i>IFRS 13.93(e)(i)</i>								
in profit or loss	30	5	(120)	6	-	8	(4)	(75)
<i>IFRS 13.93(e)(ii)</i>								
in OCI	-	-	-	(10)	-	-	-	(10)
<i>IFRS 13.93(e)(iii)</i>								
Purchases	80	6	100	10	5	-	-	201
<i>IFRS 13.93(e)(iii)</i>								
Issues	-	-	-	-	-	-	(7)	(7)
<i>IFRS 13.93(e)(iii)</i>								
Settlements	(1)	(14)	(535)	(17)	(15)	(8)	2	(588)
<i>IFRS 13.93(e)(iv)</i>								
Transfers into Level 3	-	-	-	-	-	-	-	-
<i>IFRS 13.93(e)(iv)</i>								
Transfers out of Level 3	(56)	-	-	(9)	-	-	-	(65)
<i>IFRS 13.93(e)</i>								
Balance at 31 December	386	257	2,862	707	87	25	(69)	4,255

## Notes to the consolidated financial statements (continued)

### 7. Fair values of financial instruments (continued)

#### D. Level 3 fair value measurements (continued)

##### i. Reconciliation (continued)

Total gains or losses for the year in the above table are presented in the statement of profit or loss and OCI as follows.

	Trading assets		Loans and advances to customers	Investment securities		Trading liabilities		Total
	Asset-backed securities	OTC structured derivatives		Asset-backed securities	Retained interests in securitisations	Equities	OTC structured derivatives	
<b>2024</b>								
<i>In millions of EUR</i>								
<i>IFRS 13.93(e)(i)</i>	Total gains and losses recognised in profit or loss:							
Net trading income	10	2	-	-	-	-	5	17
Net income from other financial instruments carried at fair value	-	-	130	(75)	-	-	-	55
Other revenue	-	-	-	-	4	2	-	6
<i>IFRS 13.93(e)(ii)</i>	Total gains and losses recognised in OCI:							
Fair value reserve (debt instruments) – net change in fair value	-	-	-	(82)	1	-	-	(81)
Fair value reserve (equity instruments) – net change in fair value	-	-	-	-	-	2	-	2
<i>IFRS 13.93(f)</i>	Profit or loss – attributable to the change in unrealised gains and losses relating to assets and liabilities held at the end of the year:							
Net trading income	5	1	-	-	-	-	6	12
Net income from other financial instruments carried at fair value	-	-	(2)	(67)	-	-	-	(69)

## Notes to the consolidated financial statements (continued)

### 7. Fair values of financial instruments (continued)

#### D. Level 3 fair value measurements (continued)

##### i. Reconciliation (continued)

	Trading assets		Loans and advances to customers	Investment securities			Trading liabilities		Total
	Asset-backed securities	OTC structured derivatives		Asset-backed securities	Retained interests in securitisations	Equities	OTC structured derivatives		
<b>2023</b>									
<i>In millions of EUR</i>									
<i>IFRS 13.93(e)(i)</i>									
Total gains and losses recognised in profit or loss:									
Net trading income	30	5	-	-	-	-	(4)	31	
Net income from other financial instruments carried at fair value	-	-	(120)	3	-	-	-	(117)	
Other revenue	-	-	-	3	-	8	-	11	
<i>IFRS 13.93(e)(ii)</i>									
Total gains and losses recognised in OCI:									
Fair value reserve (debt instruments) – net change in fair value	-	-	-	(10)	-	-	-	(10)	
Fair value reserve (equity instruments) – net change in fair value	-	-	-	-	-	-	-	-	
<i>IFRS 13.93(f)</i>									
Profit or loss – attributable to the change in unrealised gains and losses relating to assets and liabilities held at the end of the year:									
Net trading income	25	3	-	-	-	-	(2)	26	
Net income from other financial instruments carried at fair value	-	-	1	2	-	-	-	3	

During the years ended 31 December 2024 and 31 December 2023, certain trading assets and investment securities were transferred out of Level 3 of the fair value hierarchy when significant inputs used in their fair value measurements, such as certain credit spreads and long-dated option volatilities, that were previously unobservable became observable.

## Notes to the consolidated financial statements (continued)

### 7. Fair values of financial instruments (continued)

#### D. Level 3 fair value measurements (continued)

##### ii. Unobservable inputs used in measuring fair value

The following table sets out information about significant unobservable inputs used at 31 December 2024 and 2023 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.<sup>a</sup>

Type of financial instrument	Fair values at 31 December 2024 <i>(In millions of EUR)</i>	Valuation technique	Significant unobservable input
Residential mortgage-backed securities	<b>860</b> (2023: 1,093)	Discounted cash flow	PD  Loss severity  Expected prepayment rate
OTC option-based structured credit derivatives	<b>100</b> (2023: 90)	Option model	Correlations between credit spreads Annualised volatility of credit spreads
OTC option-based structured non-credit derivatives	<b>88</b> (2023: 98)	Option model	Correlations between different underlyings Volatility of interest rate Volatility of FX rates Volatilities of equity indices
Loans and advances and retained interests in securitisations	<b>3,715</b> (2023: 2,949)	Discounted cash flow	Risk-adjusted discount rate
Equities	<b>27</b> (2023: 25)	Discounted cash flow	Expected net cash flows derived from the entity

IFRS 13.93(d), 93(h)(i),  
IE63, IE66, IAS 1.125



Range of estimates (weighted-average) for unobservable input	Fair value measurement sensitivity to unobservable inputs
8–12% (10%) (2023: 10–14% (12%))	Significant increases in any of these inputs in isolation would result in lower fair values.
40–60% (50%) (2023: 50–60% (55%))	A significant reduction would result in higher fair values. Generally, a change in assumption used for the PD is accompanied by a directionally similar change in assumptions used for the loss severity and a directionally opposite change in assumptions used for prepayment rates.
3–6% (4.8%) (2023: 3–8% (5.8%))	
0.35–0.55% (0.47%) (2023: 0.25–0.45% (0.37%))	A significant increase in volatility would result in a higher fair value.
5–60% (20%) (2023: 5–70% (25%))	
0.3–0.6% (0.45%) (2023: 0.4–0.7% (0.55%))	Significant increases in volatilities would result in a higher fair value.
5–30% (15%) (2023: 4–30% (15%))	
10–40% (20%) (2023: 4–30% (15%))	
10–90% (40%) (2023: 10–90% (40%))	
Spread of 5–7% (6%) (2023: 3–6% (5%)) above risk-free interest rate	A significant increase in the spread above the risk-free rate would result in a lower fair value.
Investment based	A significant increase in expected net cash flows would result in a higher fair value.

IFRS 13.93(d), IE63, Insights 2.4.530.50 a. IFRS 13 *Fair Value Measurement* does not specify how to summarise the information about unobservable inputs for each class of assets or liabilities – e.g. whether to include information about the range of values or a weighted average for each unobservable input used for each class. An entity should consider the level of detail that is necessary to meet the disclosure objectives. For example, if the range of values for an unobservable input that the entity uses is wide, then this may indicate that the entity should disclose both the range and the weighted average of the values as disclosed in this guide.

## Notes to the consolidated financial statements (continued)

### 7. Fair values of financial instruments (continued)

#### D. Level 3 fair value measurements (continued)

##### ii. Unobservable inputs used in measuring fair value (continued)

Significant unobservable inputs are developed as follows.

- Expected prepayment rates are derived from historical prepayment trends, adjusted to reflect current conditions.
- The probabilities of defaults and loss severities for commercial assets are derived from the CDS market. When this information is not available, the inputs are obtained from historical default and recovery information and adjusted for current conditions.
- The probabilities of default and loss severities for retail assets are derived from historical default and recovery information and adjusted for current conditions.
- Correlations between underlyings and volatilities of the underlying are derived through extrapolation of observable volatilities, recent transaction prices, quotes from other market participants, data from consensus pricing services and historical data adjusted for current conditions.
- Risk-adjusted spreads are derived from the CDS market (when this information is available) and from historical defaults and prepayment trends adjusted for current conditions.
- Expected cash flows are derived from the entity's business plan and from historical comparison between plans and actual results.

##### iii. The effect of unobservable inputs on fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects.

In millions of EUR	Effect on profit or loss		Effect on OCI	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
<b>31 December 2024</b>				
Asset-backed securities – trading	38	(41)	-	-
Asset-backed securities – investment	28	(42)	44	(53)
OTC structured derivatives – trading assets and liabilities	36	(16)	-	-
Other	12	(13)	-	-
<b>Total</b>	<b>114</b>	<b>(112)</b>	<b>44</b>	<b>(53)</b>
<b>31 December 2023</b>				
Asset-backed securities – trading	23	(25)	-	-
Asset-backed securities – investment	17	(22)	25	(33)
OTC structured derivatives – trading assets and liabilities	30	(12)	-	-
Other	8	(8)	-	-
<b>Total</b>	<b>78</b>	<b>(67)</b>	<b>25</b>	<b>(33)</b>

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of residential asset-backed securities have been calculated by recalibrating the model values using unobservable inputs based on averages of the upper and lower quartiles respectively of the Group's ranges of possible estimates. Key inputs and assumptions used in the models at 31 December 2024 included a weighted-average PD of 10 percent (with reasonably possible alternative assumptions of 8 and 12 percent) (2023: 12, 10 and 14 percent respectively), a loss severity of 50 percent (with reasonably possible alternative assumptions of 40 and 60 percent) (2023: 55, 50 and 60 percent respectively) and an expected prepayment rate of 4.8 percent (with reasonably possible alternative assumptions of 3 and 6 percent) (2023: 5.8, 3 and 8 percent).

IFRS 13.IE65(e)

IFRS 13.93(h)(ii)

IFRS 13.93(h)(ii)

## Notes to the consolidated financial statements (continued)

### 7. Fair values of financial instruments (continued)

#### D. Level 3 fair value measurements (continued)

##### iii. The effect of unobservable inputs on fair value measurement (continued)

IFRS 13.93(h)(ii)

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of OTC structured derivatives have been calculated by adjusting unobservable model inputs to the averages of the upper and lower quartile of consensus pricing data (based on the past two years' historical daily data). The most significant unobservable inputs relate to correlations of changes in prices between different underlyings and the volatilities of the underlyings. The weighted average of correlations used in the models at 31 December 2024 was 0.47 (with reasonably possible alternative assumptions of 0.35 and 0.55) (2023: 0.37, 0.25 and 0.45 respectively). The weighted average of the annualised credit spread volatilities used in the models at 31 December 2024 was 20 percent (with reasonably possible alternative assumptions of 5 and 60 percent) (2023: 25, 5 and 70 percent respectively); interest rate volatilities: 15, 5 and 30 percent respectively (2023: 15, 4 and 30 percent respectively); FX volatilities: 20, 10 and 40 percent respectively (2023: 15, 4 and 30 percent respectively); and equity indices volatilities: 40, 10 and 90 percent respectively (2023: 40, 10 and 90 percent respectively).

IFRS 13.93(h)(ii)

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of loans and advances and retained interests in securitisations have been calculated by recalibrating the model values using unobservable inputs based on averages of the upper and lower quartiles respectively of the Group's ranges of possible estimates. The most significant unobservable inputs relate to risk-adjusted discount rates. The weighted average of the risk-adjusted discount rates used in the model at 31 December 2024 was 6 percent above the risk-free interest rate (with reasonably possible alternative assumptions of 5 and 7 percent) (2023: 5, 3 and 6 percent respectively).

The Group's reporting systems and the nature of the instruments and the valuation models do not allow it accurately to analyse the total annual amounts of gains or losses reported above that are attributable to observable and unobservable inputs. However, the losses on asset-backed securities in 2024 are principally dependent on the unobservable inputs described above.<sup>a</sup>

Insights 2.4.535.10 a. This information is not required to be disclosed by IFRS 13 but it may be considered to be helpful to users of the financial statements.

## Notes to the consolidated financial statements (continued)

### 7. Fair values of financial instruments (continued)

#### E. Financial instruments not measured at fair value

IFRS 7.25, 13.97

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

<i>In millions of EUR</i>	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
<b>31 December 2024</b>					
<b>Assets</b>					
Cash and cash equivalents	-	2,969	-	2,969	2,969
Loans and advances to banks	-	5,602	-	5,602	5,555
Loans and advances to customers	-	435	60,943	61,378	58,745
Investment securities measured at amortised cost	415	-	-	415	410
<b>Liabilities</b>					
Deposits from banks	-	12,301	-	12,301	11,678
Deposits from customers	-	55,696	-	55,696	53,646
Debt securities issued	-	11,005	-	11,005	9,977
Subordinated liabilities	-	5,763	-	5,763	5,642
Loan commitments issued	-	4	-	4	6
Financial guarantee contracts issued	-	31	-	31	32
<b>31 December 2023</b>					
<b>Assets</b>					
Cash and cash equivalents	-	3,037	-	3,037	3,037
Loans and advances to banks	-	4,824	-	4,824	4,683
Loans and advances to customers	-	385	56,266	56,651	53,567
Investment securities measured at amortised cost	105	-	-	105	101
<b>Liabilities</b>					
Deposits from banks	-	11,523	-	11,523	10,230
Deposits from customers	-	50,672	-	50,672	48,904
Debt securities issued	-	8,934	-	8,934	8,040
Subordinated liabilities	-	5,051	-	5,051	4,985
Loan commitments issued	-	2	-	2	4
Financial guarantee contracts issued	-	25	-	25	26

IFRS 13.97

Where they are available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. Input into the models may include data from third party brokers based on OTC trading activity, and information obtained from other market participants, which includes observed primary and secondary transactions.

To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as vintage, LTV ratios, the quality of collateral, product and borrower type, prepayment and delinquency rates, and default probability.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

## Notes to the consolidated financial statements (continued)

### 8. Operating segments<sup>a</sup>

See accounting policy in Note 46(Z).

#### A. Basis for segmentation

The Group has the following five strategic divisions, which are reportable segments. These divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure.

Reportable segments <sup>b</sup>	Operations
Investment Banking	Trading and corporate finance activities
Corporate Banking	Loans, deposits and other transactions and balances with corporate customers
Retail Banking	Loans, deposits and other transactions and balances with retail customers
Asset Management	Fund management activities
Central Treasury	Funding and centralised risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities

The Group's Management Committee reviews internal management reports from each division at least monthly.

IFRS 8.20–22

IFRS 8.27–28

- a. Operating segment disclosures are consistent with the information reviewed by the chief operating decision maker (CODM) and will vary from one entity to another and may not be in accordance with IFRS Accounting Standards. To help understand the segment information presented, an entity discloses information about the measurement basis adopted – e.g. the nature and effects of any differences between the measurements used in reporting segment information and those used in the entity's financial statements, the nature and effects of any asymmetrical allocations to reportable segments and reconciliations of segment information to the corresponding amounts reported in the financial statements.

The Group's internal measures are consistent with IFRS Accounting Standards. Therefore, the reconciling items are limited to items that are not allocated to reportable segments, as opposed to a difference in the basis of preparation of the information.

IFRS 8.12, 22(aa)

- b. When two or more operating segments are aggregated into a single operating segment, the judgements made by management in applying the aggregation criteria are disclosed. This includes a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

## Notes to the consolidated financial statements (continued)

### 8. Operating segments (continued)

#### B. Information about reportable segments

Information related to each reportable segment is set out below. Segment profit before tax, as included in internal management reports reviewed by the Group's Management Committee, is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same industries. Inter-segment pricing is determined on an arm's length basis.

<i>In millions of EUR</i>	Investment Banking	Corporate Banking	Retail Banking	Asset Management	Central Treasury	Total
<b>2024</b>						
External revenue: <sup>a</sup>						
– Net interest income <sup>a</sup>	-	1,819	612	-	(496)	1,935
– Net fee and commission income <sup>a</sup>	169	234	202	70	-	675
– Net trading income <sup>a</sup>	1,491	-	-	-	(57)	1,434
– Net income from other financial instruments at FVTPL <sup>a</sup>	399	-	-	-	(378)	21
– Other revenue <sup>a</sup>	33	31	55	-	(1)	118
– Net loss arising from derecognition of financial assets measured at amortised cost <sup>a</sup>	(3)	(6)	-	-	-	(9)
Inter-segment revenue <sup>a</sup>	(705)	(1,101)	699	-	1,184	77
<b>Total segment revenue</b>	<b>1,384</b>	<b>977</b>	<b>1,568</b>	<b>70</b>	<b>252</b>	<b>4,251</b>
Other material non-cash items: <sup>a</sup>						
– Impairment losses on financial assets	-	495	121	-	-	616
<b>Segment profit before tax</b>	<b>47</b>	<b>195</b>	<b>172</b>	<b>20</b>	<b>81</b>	<b>515</b>
<b>Segment assets<sup>a</sup></b>	<b>24,968</b>	<b>38,525</b>	<b>20,908</b>	<b>362</b>	<b>10,342</b>	<b>95,105</b>
<b>Segment liabilities<sup>a</sup></b>	<b>7,026</b>	<b>11,276</b>	<b>38,382</b>	<b>206</b>	<b>32,980</b>	<b>89,870</b>
<b>2023</b>						
External revenue:						
– Net interest income	-	1,679	587	-	(424)	1,842
– Net fee and commission income	156	227	176	65	-	624
– Net trading income	1,094	-	-	-	(7)	1,087
– Net income from other financial instruments at FVTPL	240	-	-	-	(159)	81
– Other revenue	28	21	45	-	84	178
Inter-segment revenue	(520)	(924)	608	-	906	70
<b>Total segment revenue</b>	<b>998</b>	<b>1,003</b>	<b>1,416</b>	<b>65</b>	<b>400</b>	<b>3,882</b>
Other material non-cash items:						
– Impairment losses on financial assets	-	224	24	-	-	248
<b>Segment profit before tax</b>	<b>(241)</b>	<b>260</b>	<b>210</b>	<b>22</b>	<b>206</b>	<b>457</b>
<b>Segment assets</b>	<b>22,641</b>	<b>35,558</b>	<b>19,049</b>	<b>332</b>	<b>9,165</b>	<b>86,745</b>
<b>Segment liabilities</b>	<b>6,052</b>	<b>10,533</b>	<b>34,256</b>	<b>204</b>	<b>29,993</b>	<b>81,038</b>

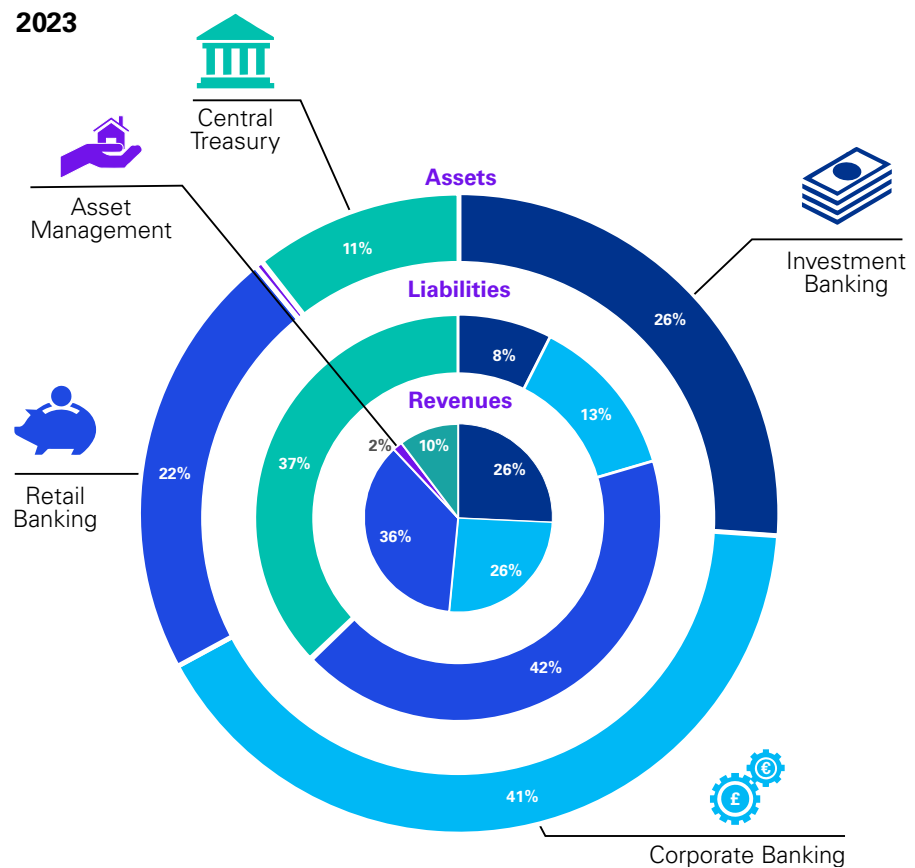
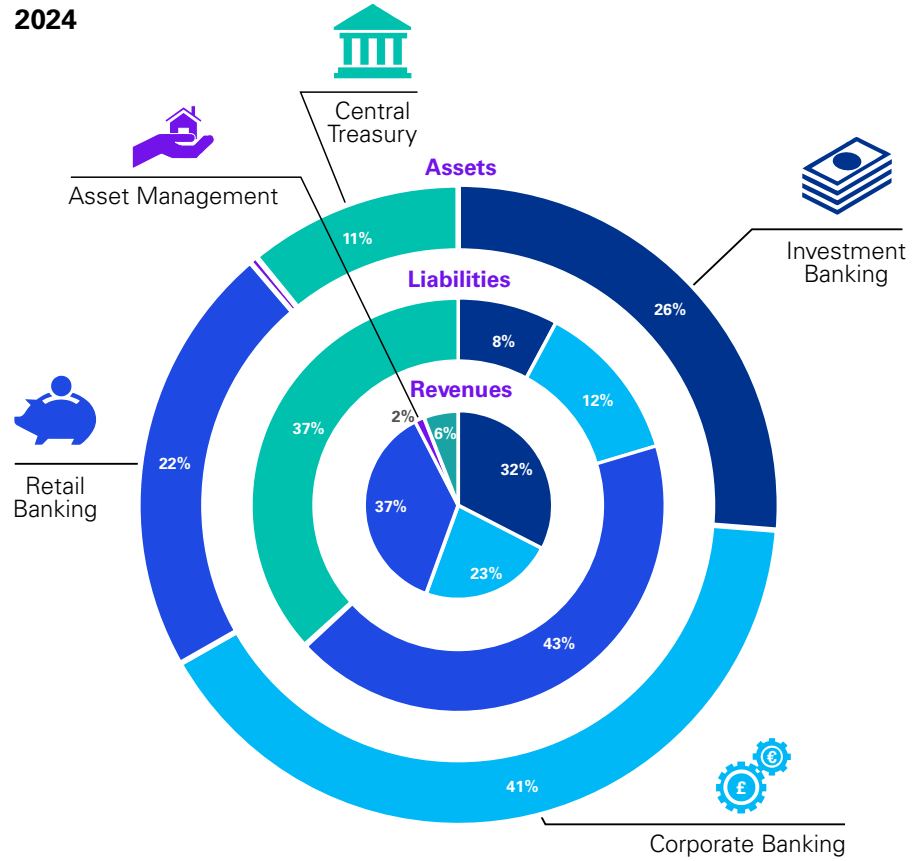
IFRS 8.23, IAS 1.7, 30–31, 97–98, IU 06–24, Insights 5.2.200.10-27

<sup>a</sup> The Group has disclosed these amounts for each reportable segment because they are either included in the segment measure of profit or loss reviewed by the CODM or otherwise regularly provided to the CODM. The Group applied judgement and considered a number of factors, including the core principle of IFRS 8 *Operating Segments*, to determine the material items of income and expense to disclose for each reportable segment.

# Notes to the consolidated financial statements (continued)

## 8. Operating segments (continued)

### B. Information about reportable segments (continued)



## Notes to the consolidated financial statements (continued)

### 8. Operating segments (continued)

#### C. Reconciliations of information on reportable segments to the amounts reported in the financial statements<sup>a</sup>

<i>In millions of EUR</i>		2024	2023
IFRS 8.28(a)	<b>i. Revenues</b>		
	Total revenue for reportable segments	4,251	3,882
	Unallocated amounts	14	8
	Elimination of inter-segment revenue	(77)	(70)
	Consolidated revenue	4,188	3,820
IFRS 8.28(b)	<b>ii. Profit before tax</b>		
	Total profit or loss for reportable segments	515	457
	Unallocated amounts	31	-
	Consolidated profit before tax	546	457
IFRS 8.28(c)	<b>iii. Assets</b>		
	Total assets for reportable segments	95,105	86,745
	Other unallocated amounts	2,352	1,647
	Consolidated total assets	97,457	88,392
IFRS 8.28(d)	<b>iv. Liabilities</b>		
	Total liabilities for reportable segments	89,870	81,038
	Other unallocated amounts	1,250	1,208
	Consolidated total liabilities	91,120	82,246

#### D. Geographic information<sup>a, b</sup>

The geographic information analyses the Group's revenue and non-current assets by the Company's country of domicile and other countries. In presenting the geographic information below, segment revenue is based on the geographic location of customers and segment assets are based on the geographic location of the assets.

<i>In millions of EUR</i>	[Country of domicile]	US	UK	Australia	Middle East and Africa	Other countries	Total
<b>2024</b>							
IFRS 8.33(a)	External revenues	569	1,032	1,170	715	473	4,174
IFRS 8.33(b)	Non-current assets*	258	141	136	113	32	743
<b>2023</b>							
IFRS 8.33(a)	External revenues	488	1,030	1,013	619	456	3,812
IFRS 8.33(b)	Non-current assets*	236	128	127	121	29	708

\* Includes property and equipment, intangible assets and investment property.

IFRS 8.32, IG5

a. As part of the required 'entity-wide disclosures', an entity discloses revenue from external customers for each product and service, or each group of similar products and services, regardless of whether the information is used by the CODM in assessing segment performance. This disclosure is based on the financial information used to produce the entity's financial statements. The Group has provided additional disclosures on external revenue information in Note 8(B), which has been prepared in accordance with IFRS Accounting Standards.

Insights 5.2.220.20

b. In our view, entity-wide disclosures by region – e.g. Europe or Asia – do not meet the requirement to disclose information by individual foreign country (e.g. France, the Netherlands or Singapore) when it is material.

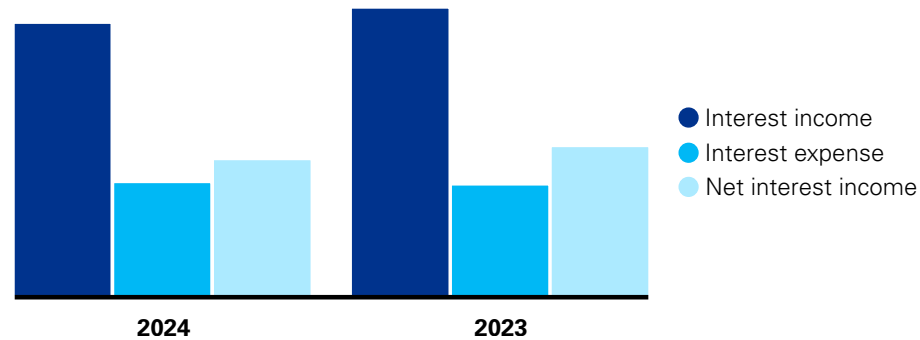


IAS 7.7

## Notes to the consolidated financial statements (continued)

### 9. Net interest income

See accounting policy in Note 46(C).



<i>In millions of EUR</i>	Note	2024	2023
<b>Interest income</b>			
Cash and cash equivalents		71	86
Loans and advances to banks		282	247
Loans and advances to customers		2,756	3,007
Investment securities at amortised cost		119	75
Investment securities at FVOCI		20	30
Negative interest on financial liabilities		15	-
Derivatives in a qualifying hedging relationship	46(C)(iii)	56	64
Total interest income calculated under the effective interest method		3,319	3,509
Interest income on lease receivables		22	19
<b>Total interest income</b>		<b>3,341</b>	<b>3,528</b>
<b>Interest expense</b>			
Deposits from banks		49	44
Deposits from customers		449	548
Debt securities issued		343	316
Subordinated liabilities		410	353
Negative interest on financial assets		20	-
Interest expense on lease liabilities		11	15
Derivatives in a qualifying hedging relationship		125	137
Other interest expense		2	1
<b>Total interest expense</b>		<b>1,409</b>	<b>1,414</b>
<b>Net interest income</b>		<b>1,932</b>	<b>2,114</b>

IAS 1.82(a)

IFRS 16.90(a)(ii)

IFRS 16.49

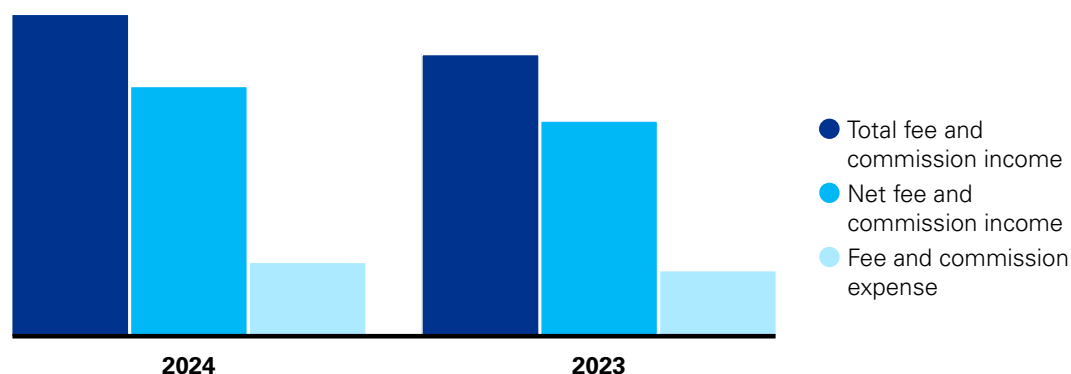
IFRS 7.20(b)

The amounts reported above include interest income and expense, calculated under the effective interest method, that relate to the following financial assets and financial liabilities.

<i>In millions of EUR</i>	2024	2023
Financial assets measured at amortised cost	3,208	3,415
Financial assets measured at FVOCI	20	30
<b>Total</b>	<b>3,228</b>	<b>3,445</b>
Financial liabilities measured at amortised cost	1,236	1,261

## Notes to the consolidated financial statements (continued)

### 10. Net fee and commission income



#### A. Disaggregation of fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 *Revenue from Contracts with Customers* is disaggregated by major service lines. The table also includes a reconciliation of the disaggregated fee and commission income with the Group's reportable segments (see Note 8).<sup>a, b, c</sup>

For the year ended 31 December <i>In millions of EUR</i>	Reportable segments	
	Retail Banking 2024	2023
<b>Major service lines</b>		
Account services	105	96
Transactional	157	133
Underwriting and syndication	-	-
Asset management	-	-
Total fee and commission income from contracts with customers	262	229
Financial guarantee contracts and loan commitments <sup>d</sup>	-	-
Total fee and commission income	262	229
Fee and commission expense	(60)	(53)
Net fee and commission income as reported in Note 8	202	176

The fee and commission presented include income of EUR 651 million (2023: EUR 523 million) and expense of EUR 71 million (2023: EUR 52 million) related to financial assets and financial liabilities not measured at FVTPL. These figures excluded amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities.

Asset management fees included fees earned by the Group on trust and fiduciary activities in which the Group holds or invests assets on behalf of its customers.

IFRS 15.115

IFRS 7.20(c)(i)

IFRS 7.20(c)(ii)

IFRS 15.114,  
B87–B89,  
IE210–IE211

a. The extent to which an entity's revenue is disaggregated for the purposes of this disclosure depends on the facts and circumstances of the entity's contracts with customers.

In determining the appropriate categories, an entity considers how revenue is disaggregated in:

- disclosures presented outside the financial statements – e.g. earnings releases, annual reports or investor presentations;
- information reviewed by the CODM for evaluating the financial performance of operating segments; and
- other similar information that is used by the entity or users of the entity's financial statements to evaluate performance or make resource allocation decisions.

Examples of categories that might be appropriate in disclosing disaggregated revenue include, but are not limited to, type of service, geographical region, market or type of customer, and type of contract.

Reportable segments							
Corporate Banking		Investment Banking		Asset Management		Total	
2024	2023	2024	2023	2024	2023	2024	2023
<b>78</b>	48	<b>21</b>	19	-	-	<b>204</b>	163
<b>169</b>	190	<b>82</b>	73	<b>5</b>	4	<b>413</b>	400
-	-	<b>102</b>	93	-	-	<b>102</b>	93
-	-	-	-	<b>101</b>	80	<b>101</b>	80
<b>247</b>	238	<b>205</b>	185	<b>106</b>	84	<b>820</b>	736
<b>34</b>	23	-	-	-	-	<b>34</b>	23
<b>281</b>	261	<b>205</b>	185	<b>106</b>	84	<b>854</b>	759
<b>(47)</b>	(34)	<b>(36)</b>	(29)	<b>(36)</b>	(19)	<b>(179)</b>	(135)
<b>234</b>	227	<b>169</b>	156	<b>70</b>	65	<b>675</b>	624

IFRS 15.112, 114, BC340

- b. Some entities may not be able to meet the objective in paragraph 114 of IFRS 15 for disaggregating revenue by providing segment revenue information and may need to use more than one type of category. Other entities may meet the objective by using only one type of category. Even if an entity uses consistent categories in the segment note and in the revenue disaggregation note, further disaggregation of revenue may be required because the objective of providing segment information under IFRS 8 is different from the objective of the disaggregation disclosure under IFRS 15 and, unlike IFRS 8, there are no aggregation criteria in IFRS 15.

In addition, banks often provide information about revenue in the segment note on a net basis, whereas the disclosures about revenue under IFRS 15 need to be provided on a gross basis.

Nonetheless, an entity does not need to provide disaggregated revenue disclosures if the information about revenue provided under IFRS 8 meets the requirements of paragraph 114 of IFRS 15 and those revenue disclosures are based on the recognition and measurement requirements in IFRS 15.

IFRS 15.115

- c. An entity is required to disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment, if the entity applies IFRS 8.

IFRS 9.4.2.1(c), B2.5(a)

- d. Although the fee income from financial guarantee contracts and loan commitments is recognised in accordance with the principles of IFRS 15, the financial guarantee contract is in the scope of IFRS 9 and the fee income from it is not revenue from contracts with customers. The Group presents the fee income from financial guarantees as part of total fee and commission income.

## Notes to the consolidated financial statements (continued)

### 10. Net fee and commission income (continued)

#### B. Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

<i>In millions of EUR</i>	<i>Note</i>	<b>31 December 2024</b>	<b>31 December 2023</b>
Receivables, which are included in 'other assets'	28	11	10
Contract liabilities, which are included in 'other liabilities'	34	(3)	(1)

IFRS 15.116–118

IFRS 15.120(b)

The contract liabilities primarily relate to the non-refundable up-front fees received from customers on opening an asset management account. This is recognised as revenue over the period for which a customer is expected to continue receiving asset management services. The weighted-average expected period at 31 December 2024 was 8.5 years (2023: 8.5 years).

IFRS 15.119(b), 11,  
62(a)

The contracts do not have a minimum stated term. A customer can cancel an asset management contract at any time after contract inception for a surrender charge, which is usually insignificant. Because the customer has discretion over when to terminate the contract, the contract does not have a significant financing component.

IFRS 15.116(b)

The amount of EUR 0.8 million included in contract liabilities at 31 December 2023 has been recognised as revenue for the year ended 31 December 2024 (2023: EUR 0.5 million).

IFRS 15.119, 123–126,  
IAS 1.122

## Notes to the consolidated financial statements (continued)

### 10. Net fee and commission income (continued)

#### C. Performance obligations and revenue recognition policies<sup>a</sup>

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

For the accounting policy for fees and commissions in the scope of IFRS 9, see [Note 46\(D\)](#); and for the accounting policy for onerous contracts, see [Note 46\(V\)](#).

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies under IFRS 15
<b>Retail and corporate banking service</b>	<p>The Group provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card<sup>b</sup> and servicing fees.</p> <p>Fees for ongoing account management are charged to the customer's account on a monthly basis. The Group sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis.</p> <p>Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.</p> <p>Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Group.</p>	<p>Revenue from account service and servicing fees is recognised over time as the services are provided.</p> <p>Revenue related to transactions is recognised at the point in time when the transaction takes place.</p>
<b>Investment banking service</b>	<p>The Group's investment banking segment provides various finance-related services, including loan administration and agency services, administration of a loan syndication, execution of client transactions with exchanges and securities underwriting.</p> <p>Fees for ongoing services are charged annually at the end of the calendar year to the customer's account. However, if a customer terminates the contract before 31 December, then on termination it is charged the fee for the services performed to date.</p> <p>Transaction-based fees for administration of a loan syndication, execution of transactions and securities underwriting are charged when the transaction takes place.</p>	<p>Revenue from administrative agency services is recognised over time as the services are provided. The amounts to be collected from customers on 31 December are recognised as trade receivables.</p> <p>Revenue related to transactions is recognised at the point in time when the transaction takes place.</p>

IAS 1.117(b), 119

- <sup>a.</sup> The Group presents significant accounting policies related to fee and commission income from contracts with customers in the 'net fee and commission income' note, rather than in a separate note with other significant accounting policies because it believes that this is useful to the users of its financial statements (see [Note 46](#)). Other approaches to presenting accounting policies may be acceptable.
- <sup>b.</sup> In this guide, the only fees that the Group earns from credit cards are monthly service fees that are charged for operating the account. In practice, credit card arrangements may be more complex and include different types of fees charged for provision of different services – e.g. insurance or customer loyalty programme. An entity needs to perform an analysis of its specific credit card arrangements to identify its performance obligations under the contract with customers and determine the appropriate accounting treatment.

## Notes to the consolidated financial statements (continued)

### 10. Net fee and commission income (continued)

#### C. Performance obligations and revenue recognition policies (continued)

IFRS 15.119, 123–126,  
IAS 1.122

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies under IFRS 15
<b>Asset management service</b>	<p>The Group provides asset management services.</p> <p>Fees for asset management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer’s account balance on a monthly basis.</p> <p>In addition, the Group charges a non-refundable up-front fee when opening an account.</p>	<p>Revenue from asset management services is recognised over time as the services are provided.</p> <p>Non-refundable up-front fees give rise to material rights for future services and are recognised as revenue over the period for which a customer is expected to continue receiving asset management services.</p>

## Notes to the consolidated financial statements (continued)

### 11. Net trading income<sup>a</sup>

See accounting policy in [Note 46\(E\)](#).

<i>In millions of EUR</i>	2024	2023
Fixed income	1,261	981
Equities	70	17
Foreign exchange	90	16
Other	13	(27)
Net trading income	1,434	987

IFRS 7.20(a)(i)

- a. In this guide, net trading income:
- includes the entire profit or loss impact, including interest, for trading assets, liabilities and derivatives held for trading; and
  - does not include the profit or loss impact of derivatives that are held for risk management purposes.
- However, other presentations are possible.

## Notes to the consolidated financial statements (continued)

### 12. Net income from other financial instruments at FVTPL<sup>a</sup>

See accounting policy in [Note 46\(F\)](#).

*In millions of EUR*

2024

2023

IFRS 7.20(a)(i)

#### Net income from financial instruments mandatorily measured at FVTPL other than those included in 'net trading income' (see [Note 11](#))

Derivatives held for risk management excluding the effective portion of derivatives held for hedge accounting purposes:

Interest rate	(76)	11
Credit	44	(21)
Equity	(54)	42
Foreign exchange	(10)	5
Investment securities:		
Corporate bonds	47	20
Equities	59	25
Asset-backed securities	12	(10)
Loans and advances	153	(55)

IFRS 7.20(a)(i)

#### Net income from financial instruments designated as at FVTPL

Investment securities:		
Corporate bonds	123	165
Equities	(10)	(13)
Asset-backed securities	(181)	(151)
Loans and advances	-	194
Debt securities issued	(30)	(185)
	77	27

- a. In this guide, net income from other financial instruments at FVTPL includes:
- the entire profit or loss impact including interest of financial assets and financial liabilities designated as at FVTPL on initial recognition;
  - the entire profit or loss impact including interest of financial assets mandatorily measured at FVTPL other than those held for trading;
  - the realised and unrealised gains and losses on derivatives held for risk management purposes but not forming part of a qualifying hedging relationship; and
  - the ineffective portion of derivatives in qualifying hedging relationships.

However, other presentations are possible.



## Notes to the consolidated financial statements (continued)

### 13. Other revenue<sup>a</sup>

See accounting policies in Notes 46(B)(i), (G), (J)(iii) and (O).

*In millions of EUR*

**2024**

**2023**

Net loss on sale of debt investment securities measured at FVOCI:		
Government bonds	<b>(69)</b>	(65)
Corporate bonds	<b>(60)</b>	(60)
Dividends on equity securities measured at FVOCI	<b>2</b>	8
Net gain from foreign exchange	<b>174</b>	154
Other	<b>32</b>	31
	<b>79</b>	68

IFRS 7.20(a)(viii),  
IAS 1.98(d)

IFRS 7.11A(d), 20(a)(vii)  
IAS 21.52(a)

- a. In this guide, the following have been included in other revenue:
- dividends received on equity securities measured at FVOCI;
  - gains and losses on sales of debt investment securities measured at FVOCI; and
  - net gain or loss from foreign exchange.
- However, other presentations are possible.

## Notes to the consolidated financial statements (continued)

### 14. Losses arising from derecognition of financial assets measured at amortised cost

See accounting policies in [Note 46\(J\)\(iii\)](#).

IFRS 7.20A

During the year ended 31 December 2024, the Group sold certain investment securities measured at amortised cost (2023: nil). These sales were made because the financial assets no longer met the Group's investment policy due to a deterioration in their credit risk.

IFRS 7.20A

The carrying amounts of the financial assets sold and the losses arising from the derecognition at 31 December 2024 are set out below.

<i>In millions of EUR</i>	Carrying amount of financial assets sold	Losses arising from derecognition
Loans and advances to customers	18	5
Government bonds	12	1
Corporate bonds	8	3
	<b>38</b>	<b>9</b>

## Notes to the consolidated financial statements (continued)

### 15. Personnel expenses

See accounting policy in Note 46(W).

<i>In millions of EUR</i>	<i>Sub-note</i>	<b>2024</b>	<b>2023</b>
Wages and salaries		<b>1,882</b>	1,752
Social security contributions		<b>215</b>	194
Contributions to defined contribution plans		<b>265</b>	243
Equity-settled share-based payments	<i>A</i>	<b>75</b>	25
Cash-settled share-based payments	<i>A</i>	<b>44</b>	38
Expenses related to post-employment defined benefit plans	<i>B</i>	<b>40</b>	41
Expenses related to long-service leave		<b>8</b>	8
		<b>2,529</b>	2,301

IAS 19.53

IFRS 2.51(a)

IFRS 2.51(a)

#### A. Share-based payment arrangements

##### i. Description of share-based payment arrangements

At 31 December 2024, the Group had the following share-based payment arrangements.

##### Share option programmes (equity-settled)

On 1 January 2020, the Group established a share option programme that entitles key management personnel and senior employees to purchase shares in the Bank. On 1 January 2024, a further grant on similar terms (except for exercise price) was offered to these employee groups. In accordance with these programmes, holders of vested options are entitled to purchase shares at the market price of the shares at grant date.

The terms and conditions of the grants are as follows; all options are to be settled by physical delivery of shares.

<b>Grant date/employees entitled</b>	<b>Number of instruments in millions</b>		<b>Contractual life of options</b>
	<b>Vesting conditions</b>		
Option grant to senior employees at 1 January 2020	10	3 years' service and 10% increase in operating income in each of the 3 years	10 years
Option grant to key management personnel at 1 January 2020	10	3 years' service	10 years
Option grant to senior employees at 1 January 2024	25	3 years' service and 10% increase in operating income in each of the 3 years	10 years
Option grant to key management personnel at 1 January 2024	10	3 years' service	10 years
Total share options	55		

##### Share appreciation rights (cash-settled)

On 1 January 2019 and 1 January 2024, the Group granted share appreciation rights (SARs) to other employees that entitle the employees to a cash payment. The amount of the cash payment is determined based on the increase in the share price of the Bank between grant date and the time of exercise.

The terms and conditions of the grants are as follows.

<b>Grant date/employees entitled</b>	<b>Number of instruments in millions</b>		<b>Contractual life of options</b>
	<b>Vesting conditions</b>		
SARs granted to other employees at 1 January 2019	10	3 years' service	5 years
SARs granted to other employees at 1 January 2024	40	3 years' service	5 years
Total SARs	50		

IFRS 2.44–45(a)

## Notes to the consolidated financial statements (continued)

### 15. Personnel expenses (continued)

#### A. Share-based payment transactions (continued)

##### i. Description of share-based payment arrangements (continued)

Details of the liabilities arising from the SARs were as follows.

<i>In millions of EUR</i>	<i>Note</i>	<b>2024</b>	<b>2023</b>
IFRS 2.51(b)(i)			
Total carrying amount of liabilities for cash-settled arrangements	34	44	38
IFRS 2.51(b)(ii)			
Total intrinsic value of liability for vested benefits		-	38

The carrying amount of the liability at 31 December 2023 was settled in 2024.

##### ii. Measurement of fair values – Share options

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes formula. The service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value. The inputs used in measuring the fair values at grant date of the equity-settled share-based payment plans were as follows.

	<b>Key management personnel 2024</b>	<b>Senior employees 2024</b>
<b>Fair value of share options and assumptions</b>		
IFRS 2.47(a)		
Fair value at grant date	EUR 4.5	EUR 3.9
IFRS 2.47(a)(i)		
Share price at grant date	EUR 12.0	EUR 12.0
IFRS 2.47(a)(i)		
Exercise price	EUR 12.0	EUR 12.0
IFRS 2.47(a)(i)		
Expected volatility*	49.8%	47.7%
IFRS 2.47(a)(i)		
Expected life (weighted-average)	8.6 years	5.4 years
IFRS 2.47(a)(i)		
Expected dividends*	3.2%	3.2%
IFRS 2.47(a)(i)		
Risk-free interest rate (based on government bonds)*	1.0%	0.9%

\* Annual rates

The expected volatility is based on both historical average share price volatility and implied volatility derived from traded options over the Bank's ordinary shares of maturity similar to those of the employee options.

##### iii. Measurement of fair values – Share appreciation rights

The fair value of the SARs is determined using the Black-Scholes formula. The inputs used in measuring the fair value at grant date and measurement date were as follows.<sup>a</sup>

	<b>Grant date 1 January 2024</b>	<b>Measurement date 31 December 2024</b>
IFRS 2.52		
Fair value	EUR 3.2	EUR 4.6
Share price	EUR 12.0	EUR 14.0
Exercise price	EUR 12.0	EUR 12.0
Expected volatility*	45.2%	48.1%
Expected life (weighted-average)	3.5 years	2.6 years
Expected dividends*	3.2%	3.2%
Risk-free interest rate (based on government bonds)*	0.8%	3.4%

\* Annual rates

Insights 4.5.1000.10 <sup>a</sup>. Although it is not specifically required by IFRS 2, the Group has disclosed information about the fair value measurement for its SARs. In our view, these disclosures should be provided for cash-settled share-based payments. For awards granted during the period, disclosures about fair value measurement at grant date and at the reporting date should be given; for awards granted in previous periods but unexercised at the reporting date, disclosures about fair value measurement at the reporting date should be given.

## Notes to the consolidated financial statements (continued)

### 15. Personnel expenses (continued)

#### A. Share-based payment transactions (continued)

##### iii. Measurement of fair values – Share appreciation rights (continued)

The expected volatility is based on both historical average share price volatility and implied volatility derived from traded options over the Bank's ordinary shares of maturity similar to those of the employee SARs.

The fair value of the liability is remeasured at each reporting date and at settlement date.

##### iv. Reconciliation of outstanding share options

The number and weighted-average exercise prices of share options are as follows.

IFRS 2.45(b)

	Number of options 2024	Weighted- average exercise price 2024	Number of options 2023	Weighted- average exercise price 2023
<i>In millions of options</i>				
Outstanding at 1 January	13.0	EUR 10.5	18.0	EUR 10.5
Forfeited during the period	(2.5)	EUR 10.5	(5.0)	EUR 10.5
Exercised during the period	(3.0)	EUR 10.5	-	-
Granted during the period	35.0	EUR 12.0	-	-
Outstanding at 31 December	42.5	EUR 11.7	13.0	EUR 10.5
Exercisable at 31 December	7.5	EUR 10.5	-	-

IFRS 2.45(b)(i)

IFRS 2.45(b)(iii)

IFRS 2.45(b)(iv)

IFRS 2.45(b)(ii)

IFRS 2.45(b)(vi)

IFRS 2.45(b)(vii)

IFRS 2.45(d)

The options outstanding at 31 December 2024 had an exercise price in the range of EUR 10.5 to EUR 12.0 (2023: EUR 10.5) and a weighted-average remaining contractual life of 8.3 years (2023: 8.0 years).

IFRS 2.45(c)

The weighted-average share price at the date of exercise for share options exercised in 2024 was EUR 10.7 (2023: no options exercised).

#### B. Other employee benefits

IAS 19.139(a)

The Group contributes to the following post-employment defined benefit plans.

- Plan A entitles a retired employee to receive an annual pension payment. Directors and executive officers (see Note 40(B)) retire at age 60 and are entitled to receive annual payments equal to 70 percent of their final salary until the age of 65, at which time their entitlement falls to 50 percent of their final salary. Other retired employees are entitled to receive annual payments equal to 1/60 of final salary for each year of service provided.
- Plan B reimburses certain medical costs for retired employees.

The defined benefit plans are administered by a single pension fund that is legally separated from the Group. The board of the pension fund comprises three employee and two employer representatives and an independent chair. The board of the pension fund is required by law to act in the best interests of the plan participants and is responsible for setting certain policies – e.g. investment, contribution and indexation policies – of the fund.

IAS 19.139(b)

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

## Notes to the consolidated financial statements (continued)

### 15. Personnel expenses (continued)

#### B. Other employee benefits (continued)

##### i. Funding

IAS 19.147(a)

Plan A is fully funded by the Group's subsidiaries, except for the obligation for directors and executive officers, which is funded by the Bank. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. The funding of Plan A is based on a separate actuarial valuation for funding purposes, for which the assumptions may differ from the assumptions above. Plan B is unfunded. Employees are not required to contribute to the plans.

The Group has determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (including minimum funding requirements for Plan A), the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. This determination is made on a plan-by-plan basis.

IAS 19.147(b)

The Group expects to pay EUR 35 million in contributions to its defined benefit plans in 2024.

## Notes to the consolidated financial statements (continued)

### 15. Personnel expenses (continued)

#### B. Other employee benefits (continued)

##### ii. Movement in net defined benefit liability (asset)

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability (asset) and its components.<sup>a</sup>

<i>In millions of EUR</i>	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability (asset)		
	2024	2023	2024	2023	2024	2023	
IAS 19.140	Balance at 1 January	207	189	(49)	(47)	158	142
	<b>Included in profit or loss<sup>b</sup></b>						
IAS 19.141(a)	Current service cost	32	33	-	-	32	33
IAS 19.141(d)	Past service credit	(1)	-	-	-	(1)	-
IAS 19.141(b)	Interest cost (income)	12	11	(3)	(3)	9	8
		43	44	(3)	(3)	40	41
	<b>Included in OCI<sup>b</sup></b>						
IAS 19.141(c)	Remeasurements loss (gain):						
	– Actuarial gain arising from:						
IAS 19.141(c)(ii)	- demographic assumptions	(3)	(2)	-	-	(3)	(2)
IAS 19.141(c)(iii)	- financial assumptions	(3)	(4)	-	-	(3)	(4)
	- experience adjustment	(2)	(2)	-	-	(2)	(2)
IAS 19.141(c)(i)	– Return on plan assets excluding interest income	-	-	1	(1)	1	(1)
IAS 19.141(e)	Effect of movements in exchange rates <sup>c</sup>	1	1	(1)	(1)	-	-
		(7)	(7)	-	(2)	(7)	(9)
	<b>Other</b>						
IAS 19.141(f)	Contributions paid by the employer	-	-	(15)	(14)	(15)	(14)
IAS 19.141(g)	Benefits paid	(24)	(19)	22	17	(2)	(2)
		(24)	(19)	7	3	(17)	(16)
IAS 19.140	Balance at 31 December	219	207	(45)	(49)	174	158
	<b>Represented by:</b>						
	<i>In millions of EUR</i>					2024	2023
	Net defined benefit liability (Plan A)					76	61
	Net defined benefit liability (Plan B)					98	97
						174	158

IAS 19.138

a. The Group has more than one defined benefit plan and has generally provided aggregated disclosures in respect of these plans, on the basis that these plans are not exposed to materially different risks. Further disaggregation of some or all of the disclosures – e.g. by geographic locations or by different characteristics – would be required if this were not the case.

b. Although it is not specifically required by IAS 19 *Employee Benefits*, the Group has disclosed the subtotals of items recognised in profit or loss and OCI.

IAS 21.39,  
Insights 4.4.1010

c. A net obligation under a defined benefit plan may be denominated in a foreign currency from the point of view of the sponsor's financial statements. In our view, in that case the net defined benefit liability (asset) should first be calculated in the currency in which it is denominated, and the resulting net amount should then be translated into the sponsor's functional currency. As a result, the foreign exchange gain or loss arising on translation will be recognised together with other foreign exchange gains and losses, rather than as part of the IAS 19 remeasurement. This is different from the situation illustrated above. In this case, the sponsor of the plan is a foreign subsidiary, and therefore the translation difference is recognised in OCI in the usual way.

## Notes to the consolidated financial statements (continued)

### 15. Personnel expenses (continued)

#### B. Other employee benefits (continued)

##### iii. Plan assets

IAS 19.140(a)(i), 142

Plan assets comprise<sup>a</sup> the following.

IAS 19.142(b)

<i>In millions of EUR</i>	<b>2024</b>	<b>2023</b>
Equity securities:		
Consumer markets	<b>8</b>	9
Pharmaceuticals	<b>6</b>	6
Government bonds	<b>14</b>	14
Derivatives:		
Interest rate swaps	<b>3</b>	3
Forward foreign currency contracts	<b>2</b>	3
Longevity swaps	<b>2</b>	2
Property occupied by the Group	<b>5</b>	6
Bank's own ordinary shares	<b>5</b>	6
	<b>45</b>	49

IAS 19.142

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are rated AAA or AA, based on [*Rating Agency Y*] ratings.

IAS 19.146

At each reporting date, an asset-liability matching study is performed by the pension fund's asset manager in which the consequences of the strategic investment policies are analysed. The strategic investment policy of the pension fund can be summarised as follows:

- a strategic asset mix comprising 40–50 percent equity securities, 40–50 percent government bonds and 0–10 percent other investments;
- interest rate risk is managed through the use of debt instruments (government bonds) and interest rate swaps;
- currency risk is managed through the use of forward foreign currency contracts; and
- longevity risk is managed with the objective of reducing the risk by 25 percent through the use of longevity swaps.

IAS 19.142

- a. Judgement is required to determine the necessary level of disaggregation of the disclosure of the fair value of the plan assets for it to reflect the nature and risks of those assets. For example, the fair value of equity securities might be further segregated by industry type, company size, geography etc if this is necessary for an understanding of the risks of these assets.



## Notes to the consolidated financial statements (continued)

### 15. Personnel expenses (continued)

#### B. Other employee benefits (continued)

##### iv. Defined benefit obligation

###### Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	2024	2023
Discount rate	5.1%	4.8%
Future salary growth	2.5%	2.5%
Future pension growth	3.0%	2.0%
Medical cost trend rate	4.5%	4.0%

Assumptions regarding future longevity have been based on published statistics and mortality tables. The current longevity underlying the values of the defined benefit obligation at the reporting date are as follows.

	2024		2023	
	Plan A	Plan B	Plan A	Plan B
<b>Longevity at age 65 for current pensioners</b>				
Males	18.5	18.2	18.3	18.0
Females	21.0	19.0	21.0	18.8
<b>Longevity at age 65 for current members aged 45</b>				
Males	19.2	19.0	19.0	18.7
Females	22.9	20.5	22.9	20.0

At 31 December 2024, the weighted-average duration of the defined benefit obligation was 17.5 years (2023: 17.1 years).

###### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Effect in millions of EUR	31 December 2024		31 December 2023	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(20)	21	(20)	21
Future salary growth (1% movement)	11	(10)	11	(10)
Future pension growth (1% movement)	13	(12)	13	(12)
Medical cost trend rate (1% movement)	22	(19)	22	(19)
Future mortality (1% movement)	(7)	7	(7)	7

Although this analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

IAS 1.125

IAS 19.144

IAS 19.144

IAS 19.147(c)

IAS 1.125, 129, 19.145

## Notes to the consolidated financial statements (continued)

IAS 1.97

### 16. Other expenses

See accounting policy in [Note 46\(V\)](#).

*In millions of EUR*

IAS 1.97

IAS 1.98(b)

IAS 1.98(b)

IAS 40.75(f)(ii)

	<i>Note</i>	<b>2024</b>	<b>2023</b>
General administrative expenses		<b>290</b>	316
Software licensing and other IT costs		<b>47</b>	58
Bank levy	<i>33</i>	<b>12</b>	10
Branch closure cost provisions	<i>33</i>	<b>5</b>	69
Redundancy provisions	<i>33</i>	<b>2</b>	33
Direct operating expenses for investment property that generated rental income		<b>1</b>	1
Other		<b>41</b>	98
		<b>398</b>	585

The amount of levy payable for each year is based on [X] percent of elements of the Group's consolidated liabilities and equity held at the reporting date. The bank levy at 31 December 2024 amounted to EUR 12 million (2023: EUR 10 million) and is presented in other expenses in the statement of profit or loss and OCI. At 31 December 2024, a payable of EUR 2 million was included in provisions (2023: EUR 2 million).

## Notes to the consolidated financial statements (continued)

### 17. Earnings per share

See accounting policy in Note 46(Y).

#### A. Basic earnings per share

The calculation of basic EPS has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

IAS 33.70(a)

##### i. Profit attributable to ordinary shareholders (basic)

<i>In millions of EUR</i>	<i>Note</i>	<b>2024</b>	<b>2023</b>
Profit for the year attributable to equity holders of the Bank		<b>403</b>	360
Coupons payable on other equity instruments	35(D)	<b>(20)</b>	(20)
Profit for the year attributable to holders of ordinary shares		<b>383</b>	340

IAS 33.70(b)

##### ii. Weighted-average number of ordinary shares (basic)

<i>In millions of shares</i>	<i>Note</i>	<b>2024</b>	<b>2023</b>
Issued ordinary shares at 1 January	35	<b>1,756.0</b>	1,756.0
Effect of share options exercised	35	<b>1.5</b>	-
Weighted-average number of ordinary shares at 31 December		<b>1,757.5</b>	1,756.0

#### B. Diluted earnings per share

The calculation of diluted EPS has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

IAS 33.70(a)

##### i. Profit attributable to holders of ordinary shares (diluted)

<i>In millions of EUR</i>	<b>2024</b>	<b>2023</b>
Profit for the period attributable to holders of ordinary shares (diluted)	<b>383</b>	340

IAS 33.70(b)

##### ii. Weighted-average number of ordinary shares (diluted)

<i>In millions of shares</i>	<i>Note</i>	<b>2024</b>	<b>2023</b>
Weighted-average number of ordinary shares (basic)	35	<b>1,757.5</b>	1,756.0
Effect of share options in issue		<b>12.5</b>	8.0
Weighted-average number of ordinary shares (diluted) at 31 December		<b>1,770.0</b>	1,764.0

The average market value of the Bank's shares for the purpose of calculating the dilutive effect of share options has been based on quoted market prices for the year during which the options were outstanding.<sup>a</sup>

Insights 5.3.270.80 a. In our view, the method used to determine the average market value for ordinary shares should be disclosed in the notes.

## Notes to the consolidated financial statements (continued)

### 18. Income taxes<sup>a</sup>

See accounting policy in [Note 46\(I\)](#).

#### A. Amounts recognised in profit or loss<sup>b</sup>

In millions of EUR

	Note	2024	2023
<b>Current tax expense</b>			
IAS 12.80(a)		<b>128</b>	89
		<b>123</b>	
IAS 12.88(B)		<b>5</b>	
IAS 12.80(b)		<b>(4)</b>	(4)
		<b>124</b>	85
<b>Deferred tax expense</b>			
IAS 12.80(c)		<b>4</b>	1
IAS 12.80(d)		<b>(1)</b>	(2)
IAS 12.80(f)	(G)	<b>(4)</b>	(5)
		<b>(1)</b>	(6)
		<b>123</b>	79

In December 2024, a new corporate tax law was enacted in France. Consequently, as of 1 July 2025, the corporate tax rate in France will be reduced from 30 to 29 percent. This change resulted in a gain of EUR 1 million related to the remeasurement of deferred tax assets and liabilities of the Group's French subsidiary, Bleu Banking S.A., being recognised during the year ended 31 December 2024.

In December 2023, numerous changes to the tax law were enacted in South Africa, including a decrease in the corporate tax rate from 35 to 21 percent. This change resulted in a gain of EUR 2 million related to the remeasurement of deferred tax assets and liabilities of the Group's consolidated South African subsidiary, Blue Banking (Africa) Limited, being recognised during the year ended 31 December 2023.

- <sup>a.</sup> The changes in tax laws and the tax rates disclosed or applied throughout this guide to calculate the tax impact amounts are for illustrative purposes only and do not reflect actual changes in tax laws or corporate tax rates in the respective jurisdictions. In practice, the applicable changes in tax laws need to be considered and tax rates of the respective entities need to be used. All tax impacts in this guide are calculated using the Bank's domestic tax rate of 33 percent, except for global minimum top-up tax.
- <sup>b.</sup> The Group has allocated the entire amount of current income tax related to cash contributions to funded post-employment benefit plans to profit or loss because the cash contributions relate primarily to service costs. In our view, the allocation of the current income tax effect to profit or loss and OCI should reflect the nature of the cash contribution, unless it is impracticable to identify whether the cost to which the funding relates affects profit or loss or OCI. We believe that if the nature of the cash contribution is unclear, then an entity may choose an accounting policy, to be applied consistently, based on one of the three specific approaches. For further information about the three approaches, see *Insights into IFRS 3.13.580.30*.

*Insights*  
3.13.580.20–80

## Notes to the consolidated financial statements (continued)

### 18. Income taxes (continued)

#### B. Amounts recognised in OCI

IAS 1.90, 12.81(ab)

In millions of EUR	2024			2023		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
<b>Items that will not be reclassified to profit or loss</b>						
Remeasurements of defined benefit liability (asset)	7	(2)	5	9	(3)	6
Equity investments at FVOCI – net change in fair value	2	(1)	1	2	(1)	1
Movement in liability credit reserve	3	(1)	2	1	-	1
<b>Items that are or may be reclassified subsequently to profit or loss</b>						
Movement in hedging reserve:						
Effective portion of changes in fair value	(43)	14	(29)	(22)	7	(15)
Net amount reclassified to profit or loss	6	(2)	4	12	(4)	8
Movement in fair value reserve (debt instruments):						
Net change in fair value	(166)	56	(110)	(160)	53	(107)
Net amount reclassified to profit or loss	129	(43)	86	125	(41)	84
Movement in translation reserve:						
Foreign currency translation differences for foreign operations	(45)	-	(45)	(35)	-	(35)
Net gain on hedges of net investments in foreign operations	30	-	30	31	-	31
	(77)	21	(56)	(37)	11	(26)

## Notes to the consolidated financial statements (continued)

### 18. Income taxes (continued)

#### C. Reconciliation of effective tax rate<sup>a, b</sup>

IAS 12.81(c)

<i>In millions of EUR</i>	2024	2024	2023	2023
Profit before tax		<b>546</b>		457
Tax using the Bank's domestic tax rate	<b>33.0%</b>	<b>180</b>	33.0%	151
Effect of tax rates in foreign jurisdictions*	<b>(13.6%)</b>	<b>(74)</b>	(13.2%)	(60)
Current tax expense related to global minimum top-up tax rate (see Note 18(I)) <sup>c</sup>	<b>0.9%</b>	<b>5</b>		
Reduction in tax rates	<b>(0.2%)</b>	<b>(1)</b>	(0.4%)	(2)
Tax effect of:				
Non-deductible expenses	<b>6.4%</b>	<b>35</b>	7.9%	36
Tax-exempt income	<b>(0.7%)</b>	<b>(4)</b>	(4.6%)	(21)
Tax incentives	<b>(0.5%)</b>	<b>(3)</b>	(1.1%)	(5)
Coupons payable on other equity instruments	<b>(1.3%)</b>	<b>(7)</b>	(1.5%)	(7)
Current-year losses for which no deferred tax asset is recognised	<b>0.5%</b>	<b>3</b>	0.2%	1
Recognition of previously unrecognised tax losses (see (G))	<b>(0.7%)</b>	<b>(4)</b>	(1.1%)	(5)
Recognition of previously unrecognised deductible temporary differences	<b>(0.5%)</b>	<b>(3)</b>	(1.1%)	(5)
Changes in estimates relating to prior years	<b>(0.7%)</b>	<b>(4)</b>	(0.9%)	(4)
<b>Total income tax expense</b>	<b>22.6%</b>	<b>123</b>	17.2%	79

\* Tax rates in several foreign jurisdictions decreased and affected the reconciliation of the effective tax rate.

IAS 12.85

a. The Group's reconciliation of the effective tax rate is based on its domestic tax rate, with a reconciling item in respect of tax rates applied by Group companies in other jurisdictions. The reconciliation of the effective tax rate is based on an applicable tax rate that provides the most meaningful information to users. In some cases, it might be more meaningful to aggregate separate reconciliations prepared using the domestic tax rate in each individual jurisdiction.

IAS 12.81(c)

b. Rather than presenting either a numerical reconciliation between total tax expense and the product of accounting profit multiplied by the applicable tax rates, or a numerical reconciliation between the average effective tax rate and the applicable tax rate, the Group has elected to present both.

c. IAS 12 does not provide specific guidance on how to reflect the impact of global minimum top-up tax in the reconciliation of the effective tax rate. The Group has disclosed a separate line item for the total amount of top-up tax levied on the Group in 2024 to aid users' understanding of the impact.

## Notes to the consolidated financial statements (continued)

### 18. Income taxes (continued)

#### D. Movement in deferred tax balances<sup>a, b</sup>

2024 <i>In millions of EUR</i>	Net balance at 1 January	Recognised in profit or loss (see (A))	Recognised in OCI (see (B))	Balance at 31 December		
				Net	Deferred tax as- sets	Deferred tax liabilities
Property and equipment, and intangible assets (including right-of-use assets <sup>c</sup> )	(156)	-	-	(156)	-	(156)
Investment securities at FVOCI	(70)	-	13	(57)	-	(57)
Debt securities – credit risk component	1	-	(1)	-	-	-
Derivatives	28	-	12	40	40	-
Allowance for expected credit losses	68	21	-	89	89	-
Tax losses carried forward	31	4	-	35	35	-
Share-based payments	125	10	-	135	135	-
Other liabilities (including lease liabilities <sup>c</sup> )	152	(24)	-	128	128	-
Other	12	(10)	(3)	(1)	21	(22)
Tax assets (liabilities) before set-off	191	1	21	213	448	(235)
Set-off of tax	-	-	-	-	(128)	128
Tax assets (liabilities)	191	1	21	213	320	(107)

IAS 12.81(g),  
Insights 3.13.640.60

a. IAS 12 requires disclosure of the amount of recognised deferred tax assets and liabilities in respect of each 'type' of temporary difference. The Accounting Standards are unclear on what constitutes a 'type', and the Group has provided disclosures based on the classes of assets and liabilities related to the temporary differences. Another possible interpretation is to present disclosures based on the reason for the temporary difference – e.g. depreciation.

Insights 3.13.640.70

b. In our view, it is not appropriate to disclose the tax effects of both recognised and unrecognised deferred tax assets as a single amount – e.g. similar to the 'gross' approach under US GAAP – because under IFRS Accounting Standards it is recognised deferred tax assets that are required to be disclosed.

IAS 12.15, 24,  
Insights 3.13.230

c. The Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets because the related tax deductions are allocated to the lease liabilities rather than the right-of-use assets.

## Notes to the consolidated financial statements (continued)

### 18. Income taxes (continued)

#### D. Movement in deferred tax balances (continued)

IAS 12.81(g)(i)–(iii)

2023 <i>In millions of EUR</i>	Net balance at 1 January	Recognised in profit or loss (see (A))	Recognised in OCI (see (B))	Balance at 31 December		
				Net	Deferred tax as- sets	Deferred tax liabilities
Property and equipment, and intangible assets (including right-of-use assets <sup>a</sup> )	(173)	17	-	(156)	-	(156)
Investment securities at FVOCI	(82)	-	12	(70)	-	(70)
Debt securities – credit risk component	2	-	(1)	1	1	-
Derivatives	25	-	3	28	28	-
Allowance for expected credit losses	62	6	-	68	68	-
Tax losses carried forward	26	5	-	31	31	-
Share-based payments	117	8	-	125	125	-
Other liabilities (including lease liabilities <sup>a</sup> )	183	(31)	-	152	152	-
Other	14	1	(3)	12	44	(32)
Tax assets (liabilities) before set-off	174	6	11	191	449	(258)
Set-off of tax	-	-	-	-	(152)	152
Tax assets (liabilities)	174	6	11	191	297	(106)

IAS 12.15, 24,  
Insights 3.13.230

a. The Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets because the related tax deductions are allocated to the lease liabilities rather than the right-of-use assets.



## Notes to the consolidated financial statements (continued)

### 18. Income taxes (continued)

#### E. Unrecognised deferred tax liabilities<sup>a</sup>

IAS 12.81(f), 87

At 31 December 2024, there was a deferred tax liability of EUR 8.3 million (2023: EUR 7.3 million) for temporary differences of EUR 25 million (2023: EUR 22 million) related to an investment in a subsidiary. However, this liability was not recognised because the Group controls the dividend policy of the subsidiary – i.e. the Group controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.

IAS 12.82A

In some of the countries where the Group operates, local tax laws provide that gains on the disposal of certain assets are tax-exempt, provided that the gains are not distributed. At 31 December 2024, the total tax-exempt reserves amounted to EUR 76 million (2023: EUR 64 million), which would result in a tax liability of EUR 25 million (2023: EUR 21 million) if the subsidiary paid dividends from these reserves.

IAS 1.125, 12.81(e)

#### F. Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.<sup>b</sup>

In millions of EUR	2024		2023	
	Gross amount	Tax effect	Gross amount	Tax effect
Deductible temporary differences	36	12	45	15
Tax losses	12	4	15	5
	48	16	60	20

IAS 12.81(f), 87

a. Although it is not required, in addition to the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised, the Group has also provided the encouraged disclosure of the amounts of unrecognised deferred tax liabilities. This disclosure is provided for illustrative purposes only.

IAS 12.81(e)

b. Although IAS 12 only requires the disclosure of the amount of deductible temporary differences and unused tax losses for which no deferred tax asset has been recognised, the Group has also disclosed their respective tax effects. This disclosure is for illustrative purposes only.

## Notes to the consolidated financial statements (continued)

### 18. Income taxes (continued)

#### G. Tax losses carried forward

IAS 1.125, 12.82

Tax losses for which no deferred tax asset was recognised expire as follows.

In millions of EUR	2024		2023	
	2024	Expiry date	2023	Expiry date
Expire	12	2025–2028	3	2024–2027
Never expire	-	-	12	-

In 2024, the Group's US subsidiary, Blue Banking (North America), successfully entered into a new market. As a result, management revised its estimates of future taxable profits and the Group recognised the tax effect of EUR 12 million of previously unrecognised tax losses (tax impact: EUR 4 million) because management considered it probable that future taxable profits would be available against which such losses can be used.

In 2023, the Group's French subsidiary, Bleu Banking S.A., launched a new initiative that would allow it to reduce costs significantly going forward and improve profitability. As a result, management revised its estimates of future taxable profits and the Group recognised the tax effect of EUR 15 million of previously unrecognised tax losses (tax impact: EUR 5 million) because management considered it probable that future taxable profits would be available against which such losses can be used.

In 2024, the Group's African subsidiary, Blue Banking (Africa) Limited, incurred a tax loss of EUR 9 million (2023: EUR 3 million), increasing cumulative tax losses to EUR 12 million (2023: EUR 3 million). Management has determined that the recoverability of cumulative tax losses is uncertain as it is not probable that future taxable profit will be available against which the Group can use the benefits. The tax losses will expire between 2025 and 2028. Based on the five-year business plan and taking into account the reversal of existing taxable temporary differences, Blue Banking (Africa) Limited is not expected to generate taxable profits until 2029. However, if interest rates improve more quickly than forecast or new taxable temporary differences arise in the next financial year, then additional deferred tax assets and a related income tax benefit of up to EUR 4 million could be recognised.

#### H. Uncertainty over income tax treatments<sup>a</sup>

IAS 1.122, 125, 129, 12.88

The Group's US subsidiary, Blue Banking (North America), earns interest income on inter-company loans, which is eliminated on consolidation. Under the tax law in the US, an entity is required to use market interest rates in determining taxable income from inter-company loans. The determination of market rates may require the use of judgement. A pending recent court case for another entity has challenged the interest rates used and the Group has considered if the inter-company rates represent market rates. If the rates used by the Group were determined not to represent market rates, then additional estimated tax expense for 2023 of up to EUR 5 million may be incurred. This amount has not been recognised in these consolidated financial statements because the Group believes that the rates used in the past were reflective of market rates and that it is probable that it would successfully defend the Group's tax treatment in court.

<sup>a</sup> The Group has provided quantitative disclosure of the sensitivity of the amount of the uncertain tax treatment to the method, assumptions and estimates underlying the calculation. Other approaches to the disclosure may be acceptable to meet the requirements of paragraph 129 of IAS 1.

## Notes to the consolidated financial statements (continued)

### 18. Income taxes (continued)

#### H. Uncertainty over income tax treatments (continued)

Of the Group's current tax assets, EUR 13 million (2023: nil) relates to management's estimation of the amount of tax receivable by the Group's UK subsidiary, Blue Banking Plc, in relation to a dispute with the UK tax authority. The UK tax authority examined the 2022–23 tax returns and challenged the deductibility of certain expenses. Following the examination, the Group was required to make an immediate payment to avoid penalty charges. However, based on the advice received from its tax and legal experts, the Group believes that it is entitled to deductions previously claimed under the tax legislation and lodged an appeal to dispute the tax authority's challenge in October 2024. The dispute process is ongoing and due to the uncertainty involved, there is a possibility that the outcome of the dispute will be significantly different from the amount currently recognised. Although management has used a single best estimate of the tax amount expected to be paid, it is anticipated that the reasonably possible outcomes for the current tax assets sit within a range between EUR 5 million and EUR 22 million.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

#### I. Global minimum tax<sup>a,b,c,d,e</sup>

The Group is subject to the global minimum top-up tax under Pillar Two tax legislation. The top-up tax relates to the Group's operations in [*Country F*], where the statutory tax rate is 10 percent, and in [*Country G*], where Subsidiary X receives government support through additional tax deductions that reduce its effective tax rate to below 15 percent. The Group recognised a current tax expense of EUR 5 million related to the top-up tax (2023: nil) which is levied on the Bank.

The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

In March 2024, [*Country G*] enacted new tax legislation to implement a domestic minimum top-up tax, which is effective from 1 January 2025. As a result, from 2025, Subsidiary X will be liable for the top-up tax in relation to its operations instead of the Bank.

Insights 3.13.43.10

- a. The OECD's draft legislative framework for the global minimum top-up tax (GloBE model rules) applies to multinational enterprise groups with a total consolidated group revenue of EUR 750 million or more in at least two of the four preceding years, although jurisdictions may introduce a lower threshold.
- b. 'Pillar Two taxes' are those arising from tax laws enacted or substantively enacted to implement the Pillar Two framework published by the OECD. This tax reform aims to ensure that large multinational groups pay taxes at least at a minimum rate of 15 percent on income arising in each jurisdiction in which they operate by applying a system of top-up taxes. There are three active mechanisms under Pillar Two model rules that countries can adopt: the Income Inclusion Rule (IIR), the Undertaxed Payment Rule (UTPR) and a Qualified Domestic Minimum Top-up Tax (QDMTT). They are often referred to as the 'global minimum top-up tax' or 'top-up tax'. Different jurisdictions may enact or substantively enact local tax laws at different points in time, and the taxes may also become effective at different points in time. These disclosures are included for illustrative purposes only.
- c. It is noted that for the purposes of the top-up tax, if a single jurisdiction in which a group operates enacts or substantively enacts changes to its tax laws, then that entire group may be impacted regardless of whether a similar tax law has been enacted or substantively enacted in the jurisdiction of the ultimate parent. An entity needs to monitor the progress of the legislative process in each jurisdiction in which it operates to determine whether and when it may become subject to the top-up tax.
- d. For further information about disclosures on global minimum top-up taxes, see our [article](#) and read our [FAQs](#).
- e. The ultimate parent company of the Group is [*name of the parent*] (see [Note 40\(A\)](#)). However, it is located in a jurisdiction that has not adopted Pillar Two legislation. Therefore, the Bank, as an intermediate parent, is liable for IIR Pillar Two taxes.

## Notes to the consolidated financial statements (continued)

### 19. Classification of financial assets and financial liabilities

See accounting policies in Notes 46(J)(ii) and (J)(viii).

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.<sup>a</sup>

31 December 2024 <i>In millions of EUR</i>	Note	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI – debt instruments	FVOCI – equity instruments	Amortised cost	Total carrying amount
Cash and cash equivalents	20	-	-	-	-	2,969	2,969
Non-pledged trading assets	21	16,122	-	-	-	-	16,122
Pledged trading assets	21	540	-	-	-	-	540
Derivative assets held for risk management	22	858	-	-	-	-	858
Loans and advances to banks	23	-	-	-	-	5,555	5,555
Loans and advances to customers:							
Measured at fair value	24	3,986	-	-	-	-	3,986
Measured at amortised cost <sup>b</sup>	24	-	-	-	-	58,746	58,746
Investment securities:							
Measured at fair value	25	1,623	2,879	1,363	27	-	5,892
Measured at amortised cost	25	-	-	-	-	410	410
Other financial assets	28	-	-	-	-	56	56
<b>Total financial assets</b>		<b>23,129</b>	<b>2,879</b>	<b>1,363</b>	<b>27</b>	<b>67,736</b>	<b>95,134</b>
Trading liabilities	21	7,026	-	-	-	-	7,026
Derivative liabilities held for risk management	22	828	-	-	-	-	828
Deposits from banks	29	-	-	-	-	11,678	11,678
Deposits from customers	30	-	-	-	-	53,646	53,646
Debt securities issued:							
Measured at fair value	31	-	1,250	-	-	-	1,250
Measured at amortised cost	31	-	-	-	-	9,977	9,977
Subordinated liabilities	32	-	-	-	-	5,642	5,642
Lease liabilities <sup>b</sup>	34	-	-	-	-	367	367
<b>Total financial liabilities</b>		<b>7,854</b>	<b>1,250</b>	<b>-</b>	<b>-</b>	<b>81,310</b>	<b>90,414</b>

IFRS 7, B2

a. An entity groups financial instruments into classes that are appropriate to the nature of the information disclosed, and that take into account the characteristics of those financial instruments.

In this guide, the line items in the statement of financial position reflect the Group's activities. This note reconciles the carrying amount of each of the measurement categories of financial assets and financial liabilities in IFRS 9 to the balance sheet headings. Therefore, for example, 'investment securities' includes financial assets measured at amortised cost, at FVTPL and at FVOCI. However, other presentations are possible.

b. The 'amortised cost' column includes:

- under the caption 'loans and advances to customers' an immaterial amount of finance lease receivables that are measured in accordance with IFRS 16 *Leases*; and
- under the caption 'lease liabilities' an immaterial amount of lease liabilities that are measured in accordance with IFRS 16.

## Notes to the consolidated financial statements (continued)

### 19. Classification of financial assets and financial liabilities (continued)

31 December 2023 <i>In millions of EUR</i>	Note	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI – debt instruments	FVOCI – equity instruments	Amortised cost	Total carrying amount
Cash and cash equivalents	20	-	-	-	-	3,037	3,037
Non-pledged trading assets	21	15,249	-	-	-	-	15,249
Pledged trading assets	21	519	-	-	-	-	519
Derivative assets held for risk management	22	726	-	-	-	-	726
Loans and advances to banks	23	-	-	-	-	4,683	4,683
Loans and advances to customers:							
Measured at FVTPL	24	3,145	-	-	-	-	3,145
Measured at amortised cost <sup>a</sup>	24	-	-	-	-	53,567	53,567
Investment securities:							
Measured at fair value	25	1,433	2,071	1,726	25	-	5,255
Measured at amortised cost	25	-	-	-	-	101	101
Other financial assets	28	-	-	-	-	56	56
<b>Total financial assets</b>		<b>21,072</b>	<b>2,071</b>	<b>1,726</b>	<b>25</b>	<b>61,444</b>	<b>86,338</b>
Trading liabilities	21	6,052	-	-	-	-	6,052
Derivative liabilities held for risk management	22	789	-	-	-	-	789
Deposits from banks	29	-	-	-	-	10,230	10,230
Deposits from customers	30	-	-	-	-	48,904	48,904
Debt securities issued:							
Measured at fair value	31	-	2,208	-	-	-	2,208
Measured at amortised cost	31	-	-	-	-	8,040	8,040
Subordinated liabilities	32	-	-	-	-	4,985	4,985
Lease liabilities <sup>a</sup>	34	-	-	-	-	441	441
<b>Total financial liabilities</b>		<b>6,841</b>	<b>2,208</b>	<b>-</b>	<b>-</b>	<b>72,600</b>	<b>81,649</b>

a. The 'amortised cost' column includes:

- under the caption 'loans and advances to customers' an immaterial amount of finance lease receivables that are measured in accordance with IFRS 16 *Leases*; and
- under the caption 'lease liabilities' an immaterial amount of lease liabilities that are measured in accordance with IFRS 16.

## Notes to the consolidated financial statements (continued)

### 20. Cash and cash equivalents<sup>a</sup>

See accounting policy in [Note 46\(K\)](#).

<i>In millions of EUR</i>	<b>2024</b>	<b>2023</b>
Cash: unrestricted balances with central banks	<b>118</b>	128
Cash: cash and balances with other banks	<b>256</b>	184
Cash equivalents: money market placements	<b>2,595</b>	2,725
	<b>2,969</b>	3,037

IAS 7.45

Introduction

Primary statements

NOTES

Appendices

IAS 7.48

a. In this guide:

- cash balances with central banks that are subject to withdrawal restrictions are disclosed as a component of other assets (see [Note 28](#)); and
- cash and cash equivalents exclude cash collateral pledged as part of securities borrowing and securitisation transactions. These are included under loans and advances.

These balances do not form part of the Group's cash management activities and therefore are not disclosed as part of cash and cash equivalents.

## Notes to the consolidated financial statements (continued)

### 21. Trading assets and liabilities

See accounting policy in [Note 46\(L\)](#).

#### Summary

<i>In millions of EUR</i>	Trading assets		Trading liabilities	
	2024	2023	2024	2023
Non-derivatives	<b>15,684</b>	14,811	<b>(6,618)</b>	(5,680)
Derivatives	<b>978</b>	957	<b>(408)</b>	(372)
	<b>16,662</b>	15,768	<b>(7,026)</b>	(6,052)

#### A. Trading assets

<i>In millions of EUR</i>	Pledged trading assets	Non-pledged trading assets	Total trading assets	Pledged trading assets	Non-pledged trading assets	Total trading assets
	2024	2024	2024	2023	2023	2023
<b>Non-derivative assets</b>						
Government bonds	<b>332</b>	<b>6,010</b>	<b>6,342</b>	317	5,781	6,098
Corporate bonds	<b>143</b>	<b>4,348</b>	<b>4,491</b>	145	3,925	4,070
Treasury bills	-	<b>3,879</b>	<b>3,879</b>	-	3,744	3,744
Equities	<b>65</b>	<b>391</b>	<b>456</b>	57	379	436
Asset-backed securities	-	<b>516</b>	<b>516</b>	-	463	463
	<b>540</b>	<b>15,144</b>	<b>15,684</b>	519	14,292	14,811
<b>Derivative assets</b>						
Interest rate	-	<b>78</b>	<b>78</b>	-	91	91
Credit	-	<b>332</b>	<b>332</b>	-	369	369
Equity	-	<b>84</b>	<b>84</b>	-	79	79
Foreign exchange	-	<b>150</b>	<b>150</b>	-	141	141
OTC structured derivatives	-	<b>334</b>	<b>334</b>	-	277	277
	-	<b>978</b>	<b>978</b>	-	957	957
	<b>540</b>	<b>16,122</b>	<b>16,662</b>	519	15,249	15,768

The pledged trading assets presented in the table above are those financial assets that may be repledged or resold by counterparties (see [Note 6\(B\)](#)).

IFRS 7.14(a),  
IFRS 9.3.2.23(a)

## Notes to the consolidated financial statements (continued)

### 21. Trading assets and liabilities (continued)

#### B. Trading liabilities

IFRS 78(e)(ii)

<i>In millions of EUR</i>	2024	2023
Short sold positions – debt	<b>6,355</b>	5,453
Short sold positions – equity	<b>263</b>	227
	<b>6,618</b>	5,680
<b>Derivative liabilities</b>		
Interest rate	<b>23</b>	25
Credit	<b>145</b>	133
Equity	<b>42</b>	32
Foreign exchange	<b>122</b>	108
OTC structured derivatives	<b>76</b>	74
	<b>408</b>	372
	<b>7,026</b>	6,052

#### C. Unobservable valuation differences on initial recognition

IFRS 728

The Group enters into derivative transactions with corporate clients. The transaction price in the market in which these transactions are undertaken may be different from the fair value in the Group's principal market for those instruments, which is the wholesale dealer market. On initial recognition, the Group estimates the fair values of derivatives transacted with corporate clients using valuation techniques. In many cases, all significant inputs into the valuation techniques are wholly observable – e.g. with reference to information from similar transactions in the wholesale dealer market. If not all of the inputs are observable – e.g. because there are no observable trades in a similar risk at the trade date – then the Group uses valuation techniques that include unobservable inputs.

Any difference between the fair value on initial recognition and the transaction price is not recognised in profit or loss immediately but is deferred, unless the fair value on initial recognition is:

- evidenced by a quoted price in an active market; or
- based on a valuation technique in which any unobservable inputs are judged to be insignificant in relation to measuring the day one difference (see [Note 46\(J\)\(vi\)](#)).

The following table sets out, for trading assets and liabilities, the aggregate difference yet to be recognised in profit or loss at the beginning and end of the year and a reconciliation of the changes of the balance during the year.

IFRS 9.B5.1.2A

<i>In millions of EUR</i>	2024	2023
Balance at 1 January (unrecognised gains)	<b>22</b>	16
Increase due to new trades	<b>24</b>	14
Reduction due to passage of time	<b>(8)</b>	(4)
Reduction due to redemption/sales/transfers/improved observability	<b>(12)</b>	(4)
Balance at 31 December (unrecognised gains)	<b>26</b>	22



## Notes to the consolidated financial statements (continued)

### 22. Derivatives held for risk management and hedge accounting<sup>a, b</sup>

See accounting policy in [Note 46\(M\)](#).

#### A. Derivatives held for risk management

The following table describes the fair values of derivatives held for risk management purposes by type of risk exposure.

IFRS 7.21A

IFRS 7.22B(a), 22(b)

In millions of EUR	2024		2023	
	Assets	Liabilities	Assets	Liabilities
<b>Risk exposure</b>				
<b>Interest rate</b>				
Designated in fair value hedges	175	99	101	89
Designated in cash flow hedges	210	117	151	95
Other risk management derivatives	19	9	57	8
Total interest rate derivatives	404	225	309	192
<b>Interest rate and foreign exchange</b>				
Designated in fair value hedges	-	-	-	-
Designated in cash flow hedges	150	138	99	269
Total interest rate and foreign exchange derivatives	150	138	99	269
<b>Foreign exchange</b>				
Designated in a net investment hedge	85	93	77	78
Other risk management derivatives	65	214	101	103
Total foreign exchange derivatives	150	307	178	181
<b>Credit</b> – other risk management derivatives	74	64	67	55
<b>Equity</b> – other risk management derivatives	80	94	73	92
	858	828	726	789

Details of derivatives designated as hedging instruments in qualifying hedging relationships are provided in [\(B\)](#) below. The Group uses other derivatives, not designated in a qualifying hedging relationship ('other risk management derivatives'), to manage its exposure to foreign currency, interest rate, equity market and credit risks. The instruments used principally include interest rate swaps, cross-currency swaps, forward contracts, interest rate futures, interest rate options, credit swaps and equity swaps.

For more information about how the Group manages its market risks, see [Note 43\(D\)](#).

IFRS 7.21B

- a. An entity presents the required hedge accounting disclosures in a single note or separate section in its financial statements. However, it need not duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to some other statement, such as management commentary or risk report that is available to users of the financial statements on the same terms as the financial statements and at the same time.

IFRS 9.BC6.104

- b. In this guide, we assume that the Group has elected, as an accounting policy choice under IFRS 9, to continue to apply the hedge accounting requirements of IAS 39. When this election is made, the disclosure requirements relating to hedge accounting in IFRS 7, as amended by IFRS 9, apply from the date of initial application of IFRS 9 (1 January 2018 in this guide). Therefore, in this guide these disclosures are applied to the extent that they are relevant to the Group's activities.

## Notes to the consolidated financial statements (continued)

### 22. Derivatives held for risk management and hedge accounting (continued)

#### B. Hedge accounting

##### i. Fair value hedges of interest rate risk

IFRS 7.22A, 22B(a)

The Group uses interest rate swaps to hedge its exposure to changes in the fair values of fixed-rate EUR notes issued and fixed-rate loans and advances in respect of the €STR benchmark interest rate. Pay-floating/receive-fixed interest rate swaps are matched to specific issuances of fixed-rate notes or pay-fixed/receive-floating interest rate swaps are matched to fixed-rate loans and advances with terms that closely align with the critical terms of the hedged item.

IFRS 7.22A, 22C

The Group's approach to managing market risk, including interest rate risk, is discussed in [Note 43\(D\)](#). The Group's exposure to interest rate risk is disclosed in [Note 6\(C\)\(ii\)](#). Interest rate risk to which the Group applies hedge accounting arises from fixed-rate EUR notes issued and fixed-rate loans and advances, whose fair value fluctuates when benchmark interest rates change. The Group hedges interest rate risk only to the extent of benchmark interest rates because the changes in fair value of a fixed-rate note or loan are significantly influenced by changes in the benchmark interest rate (€STR). Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Group also exposes itself to credit risk of the derivative counterparty, which is not offset by the hedged item. The Group minimises counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties whose credit rating is higher than A, requiring the counterparties to post collateral and clearing through CCPs (see [Note 6\(A\)\(i\)–\(ii\)](#)).

IFRS 7.22B

Before fair value hedge accounting is applied by the Group, the Group determines whether an economic relationship between the hedged item and the hedging instrument exists based on an evaluation of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Group considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The Group evaluates whether the fair value of the hedged item and the hedging instrument respond similarly to similar risks. The Group further supports this qualitative assessment by using regression analysis to assess whether the hedging instrument is expected to be and has been highly effective in offsetting changes in the fair value of the hedged item.

## Notes to the consolidated financial statements (continued)

### 22. Derivatives held for risk management and hedge accounting (continued)

#### B. Hedge accounting (continued)

##### i. Fair value hedges of interest rate risk (continued)

IFRS 7.22B

The Group establishes a hedge ratio by aligning the par amount of the fixed-rate loan or note and the notional amount of the interest rate swap designated as a hedging instrument. Under the Group policy, in order to conclude that a hedging relationship is effective, all of the following criteria should be met.

- The regression co-efficient (R squared), which measures the correlation between the variables in the regression, is at least 0.8.
- The slope of the regression line is within a 0.8–1.25 range.
- The confidence level of the slope is at least 95 percent.

IFRS 7.22B(c), 23D

In these hedging relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap, which is not reflected in the fair value of the hedged item attributable to the change in interest rate; and
- differences in maturities of the interest rate swap and the loans or the notes.

IFRS 7.23E

There were no other sources of ineffectiveness in these hedging relationships.

The effective portion of fair value gains on derivatives held in qualifying fair value hedging relationships and the hedging gain or loss on the hedged items are included in net interest income.<sup>a</sup>

At 31 December 2024 and 31 December 2023, the Group held the following interest rate swaps as hedging instruments in fair value hedges of interest risk.

Risk category	Maturity 2024			Maturity 2023		
	Less than 1 year	1–5 years	More than 5 years	Less than 1 year	1–5 years	More than 5 years
<b>Interest rate risk</b>						
<b>Hedge of EUR notes</b>						
Nominal amount (in millions of EUR)	133	190	8	125	168	20
Average fixed interest rate	3.6%	4.9%	6.0%	3.7%	4.8%	6.3%
<b>Hedge of loans and advances</b>						
Nominal amount (in millions of EUR)	527	720	28	598	725	89
Average fixed interest rate	3.6%	4.9%	6.1%	3.6%	4.8%	6.2%

a. This disclosure is not specifically required under IFRS 7, but only the line item in which ineffectiveness is recognised. However, it is included in this guide because the Group believes that this is helpful for users.

## Notes to the consolidated financial statements (continued)

### 22. Derivatives held for risk management and hedge accounting (continued)

#### B. Hedge accounting (continued)

##### i. Fair value hedges of interest rate risk (continued)

###### Fair value hedges

The amounts relating to items designated as hedging instruments and hedge ineffectiveness at 31 December 2024 were as follows.

<i>In millions of EUR</i>	2024		
	Nominal amount	Carrying amount	
		Assets	Liabilities
<b>Interest rate risk</b>			
Interest rate swaps – hedge of EUR notes	331	30	20
Interest rate swaps – hedge of loans and advances	1,275	145	79

The amounts relating to items designated as hedged items at 31 December 2024 were as follows.

<i>In millions of EUR</i>	2024	
	Carrying amount	
	Assets	Liabilities
Notes issued	-	360
Loans and advances	1,230	-

IFRS 7.24A, 24C

IFRS 7.24B

2024			
Line item in the statement of financial position where the hedging instrument is included	Change in fair value used for calculating hedge ineffectiveness for 2024	Ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Derivative assets (liabilities) held for risk management	(3)	-	Net income from other financial instruments at FVTPL
Derivative assets (liabilities) held for risk management	37	-	Net income from other financial instruments at FVTPL

2024				
Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
Assets	Liabilities			
-	(9)	Debt securities issued	4	-
(45)	-	Loans and advances to customers	(34)	2

## Notes to the consolidated financial statements (continued)

### 22. Derivatives held for risk management and hedge accounting (continued)

#### B. Hedge accounting (continued)

##### i. Fair value hedges of interest rate risk (continued)

Fair value hedges (continued)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness at 31 December 2023 were as follows.

<i>In millions of EUR</i>	2023		
	Nominal amount	Carrying amount	
		Assets	Liabilities
<b>Interest rate risk</b>			
Interest rate swaps – hedge of EUR notes	313	14	16
Interest rate swaps – hedge of loans and advances	1,412	87	73

The amounts relating to items designated as hedged items at 31 December 2023 were as follows.

<i>In millions of EUR</i>	2023	
	Carrying amount	
	Assets	Liabilities
Notes issued	-	325
Loans and advances	1,450	-

IFRS 7.24A, 24C

IFRS 7.24B

2023			
Line item in the statement of financial position where the hedging instrument is included	Change in fair value used for calculating hedge ineffectiveness for 2023	Ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
Derivative assets (liabilities) held for risk management	(2)	-	Net income from other financial instruments at FVTPL
Derivative assets (liabilities) held for risk management	21	3	Net income from other financial instruments at FVTPL

2023				
Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
Assets	Liabilities			
-	(12)	Debt securities issued	6	-
(40)	-	Loans and advances to customers	(30)	1

## Notes to the consolidated financial statements (continued)

### 22. Derivatives held for risk management and hedge accounting (continued)

#### B. Hedge accounting (continued)

##### ii. Cash flow hedges of interest rate risk and foreign currency debt securities issued

IFRS 7.22A, 22B(a), 22C

The Group uses pay-fixed/receive-floating interest rate and cross-currency interest rate swaps to hedge the interest rate risks in respect of the benchmark interest rate (mainly SOFR, SONIA and €STR) and foreign currency risks (mainly USD and GBP) from its issuance of floating-rate notes denominated in foreign currencies. The Group hedges interest rate risk to the extent of benchmark interest rate exposure on its floating-rate notes to mitigate variability in its cash flows. Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria.

IFRS 7.22A

The Group's approach to managing market risk, including interest rate risk and foreign currency risk, is discussed in [Note 43\(D\)](#). The Group's exposure to market risk is disclosed in [Note 6\(C\)](#). The Group determines the amount of the exposure to which it applies hedge accounting by assessing the potential impact of changes in interest rates and foreign currency exchange rates on the future cash flows from its issuance of floating-rate notes denominated in foreign currencies. This assessment is performed using analytical techniques, such as cash flow sensitivity analysis.

As noted above for fair value hedges, by using derivative financial instruments to hedge exposures to changes in interest rates and foreign currency exchange rates, the Group exposes itself to credit risk of the counterparties to the derivatives, which is not offset by the hedged items. This exposure is managed similarly to that for fair value hedges.

IFRS 7.22B(b)

The Group determines whether an economic relationship exists between the cash flows of the hedged item and hedging instrument based on an evaluation of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Group considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The Group evaluates whether the cash flows of the hedged item and the hedging instrument respond similarly to the hedged risk, such as the benchmark interest rate or foreign currency. The Group further supports this qualitative assessment by using regression analysis to assess whether the hedging instrument is expected to be and has been highly effective in offsetting changes in the present value of the hedged item.

The Group assesses hedge effectiveness under the hypothetical derivative method, which creates a derivative instrument to serve as a proxy for the hedged transaction. The terms of the hypothetical derivative match the critical terms of the hedged item and it has a fair value of zero at inception. The hypothetical derivative and the actual derivative are regressed to establish the statistical significance of the hedging relationship. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in cash flows of the hedged item (prospectively and retrospectively) using this regression analysis.

IFRS 7.22B(b)

Under the Group's policy, in order to conclude that the hedging relationship is effective, all of the following criteria should be met.

- The regression co-efficient (R squared), which measures the correlation between the variables in the regression, is at least 0.8.
- The slope of the regression line is within a 0.8–1.25 range.
- The confidence level of the slope is at least 95 percent.



## Notes to the consolidated financial statements (continued)

### 22. Derivatives held for risk management and hedge accounting (continued)

#### B. Hedge accounting (continued)

##### ii. Cash flow hedges of interest rate risk and foreign currency debt securities issued (continued)

In these hedging relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the swap, which is not reflected in the fair value of the hedged item attributable to the change in interest rate and foreign currency; and
- differences in maturities or timing of cash flows of the swap and the notes.

There were no other significant sources of ineffectiveness in these hedging relationships.

At 31 December 2024 and 31 December 2023, the Group held the following instruments to hedge exposures to changes in interest rates and foreign currency.

	Maturity 2024			Maturity 2023		
	Less than 1 year	1–5 years	More than 5 years	Less than 1 year	1–5 years	More than 5 years
<b>Interest rate risk</b>						
<b>Interest rate swaps</b>						
Nominal amount (in millions of EUR)	408	1,203	29	525	1,806	12
Average fixed interest rate	3.6%	4.9%	6.0%	3.6%	4.9%	6.0%
<b>Interest rate/foreign currency risk</b>						
<b>Cross-currency swaps (EUR:USD)</b>						
Nominal amount (in millions of EUR)	-	567	-	-	555	-
Average EUR:USD exchange rate	-	1.3	-	-	1.27	-
Average fixed interest rate	-	3.8%	-	-	3.8%	-
<b>Cross-currency swaps (EUR:GBP)</b>						
Nominal amount (in millions of EUR)	-	-	1,131	-	-	1,162
Average EUR:GBP exchange rate	-	-	0.82	-	-	0.80
Average fixed interest rate	-	-	7.0%	-	-	7.0%

IFRS 7.23D

IFRS 7.23E

## Notes to the consolidated financial statements (continued)

### 22. Derivatives held for risk management and hedge accounting (continued)

#### B. Hedge accounting (continued)

##### ii. Cash flow hedges of interest rate risk and foreign currency debt securities issued (continued)

#### Cash flow hedges

The amounts relating to items designated as hedging instruments and hedge ineffectiveness at 31 December 2024 and 31 December 2023 were as follows.

IFRS 7.24A, 24C

In millions of EUR	2024			Line item in the statement of financial position where the hedging instrument is included
	Nominal amount	Carrying amount		
		Assets	Liabilities	
<b>Interest rate risk</b>				
Interest rate swaps	1,640	210	117	Derivative assets (liabilities) held for risk management
<b>Interest rate/foreign currency risk</b>				
Cross-currency interest rate swaps (EUR:USD)	567	150	-	Derivative assets (liabilities) held for risk management
Cross-currency interest rate swaps (EUR:GBP)	1,131	-	138	Derivative assets (liabilities) held for risk management
<b>2023</b>				
In millions of EUR	Nominal amount	Carrying amount		Line item in the statement of financial position where the hedging instrument is included
		Assets	Liabilities	
<b>Interest rate risk</b>				
Interest rate swaps	2,343	151	95	Derivative assets (liabilities) held for risk management
<b>Interest rate/foreign currency risk</b>				
Cross-currency interest rate swaps (EUR:USD)	555	99	-	Derivative assets (liabilities) held for risk management
Cross-currency interest rate swaps (EUR:GBP)	1,162	-	269	Derivative assets (liabilities) held for risk management

2024						
Changes in fair value used for calculating hedge ineffectiveness for 2024	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from the hedge reserve to profit or loss	Line item in profit or loss affected by the reclassification	
(33)	(27)	(6)	Net income from other financial instruments at FVTPL	10	Interest income calculated under the effective interest method	
(11)	(9)	(2)	Net income from other financial instruments at FVTPL	4	Interest income calculated under the effective interest method	
(7)	(7)	-	Net income from other financial instruments at FVTPL	(8)	Interest income calculated under the effective interest method	
2023						
Changes in fair value used for calculating hedge ineffectiveness for 2023	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from the hedge reserve to profit or loss	Line item in profit or loss affected by the reclassification	
(26)	(9)	(17)	Net income from other financial instruments at FVTPL	12	Interest income calculated under the effective interest method	
(8)	(5)	(3)	Net income from other financial instruments at FVTPL	6	Interest income calculated under the effective interest method	
(8)	(8)	-	Net income from other financial instruments at FVTPL	(6)	Interest income calculated under the effective interest method	

## Notes to the consolidated financial statements (continued)

### 22. Derivatives held for risk management and hedge accounting (continued)

#### B. Hedge accounting (continued)

##### ii. Cash flow hedges of interest rate risk and foreign currency debt securities issued (continued)

Cash flow hedges (continued)

The amounts relating to items designated as hedged items at 31 December 2024 were as follows.

		2024			
		Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
<i>In millions of EUR</i>					
<b>Interest rate risk</b>					
EUR floating-rate notes	Subordinated liabilities		27	(30)	-
<b>Interest rate/foreign currency risk</b>					
USD floating-rate notes	Subordinated liabilities		9	(12)	-
GBP floating-rate notes	Subordinated liabilities		10	(68)	-

## Notes to the consolidated financial statements (continued)

### 22. Derivatives held for risk management and hedge accounting (continued)

#### B. Hedge accounting (continued)

#### ii. Cash flow hedges of interest rate risk and foreign currency debt securities issued (continued)

Cash flow hedges (continued)

The amounts relating to items designated as hedged items at 31 December 2023 were as follows.

2023				
<i>In millions of EUR</i>	Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
<b>Interest rate risk</b>				
EUR floating-rate notes	Subordinated liabilities	9	(25)	-
<b>Interest rate/foreign currency risk</b>				
USD floating-rate notes	Subordinated liabilities	5	(14)	-
GBP floating-rate notes	Subordinated liabilities	12	(46)	-

IFRS 7.24B

## Notes to the consolidated financial statements (continued)

### 22. Derivatives held for risk management and hedge accounting (continued)

#### B. Hedge accounting (continued)

##### iii. Net investment hedges

IFRS 7.22A

A foreign currency exposure arises from a net investment in subsidiaries that have a different functional currency from that of the Group. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries and the Bank's functional currency, which causes the amount of the net investment to vary in the consolidated financial statements of the Group. This risk may have a significant impact on the Group's financial statements. The Group's policy is to hedge these exposures only when not doing so would be expected to have a significant impact on the regulatory capital ratios of the Group and its banking subsidiaries.

IFRS 7.22A

The hedged risk in the net investment hedges is the variability in the USD and GBP exchange rates against EUR that will result in a reduction in the carrying amount of the Group's net investment in the subsidiaries. An economic relationship exists between the hedged net investment and hedging instrument due to the shared foreign currency risk exposure.

IFRS 7.22B, 23D

The Group uses a mixture of forward foreign exchange contracts and foreign currency-denominated debt as hedging instruments. When the hedging instrument is foreign currency-denominated debt, the Group assesses effectiveness by comparing past changes in the carrying amount of the debt that are attributable to a change in the spot rate with past changes in the investment in the foreign operation due to movement in the spot rate (the offset method). The Group's policy is to hedge the net investment only to the extent of the debt principal; therefore, the hedge ratio is established by aligning the principal amount of the debt with the carrying amount of the net investment that is designated. There are no sources of ineffectiveness because changes in the spot exchange rate are designated as the hedged risk.

IFRS 7.22B(b)

When the hedging instrument is a forward foreign exchange contract, the Group establishes a hedge ratio where the notional on the forward foreign exchange contract matches the carrying amount of the designated net investment. The Group ensures that the foreign currency in which the hedging instrument is denominated is the same as the functional currency of the net investment. This qualitative assessment is supplemented quantitatively under the hypothetical derivative method for the purpose of assessing hedge effectiveness. The Group assesses effectiveness by comparing past changes in the fair value of the derivative with changes in the fair value of a hypothetical derivative. The hypothetical derivative is constructed to have the same critical terms as the net investment designated as the hedged item and a fair value of zero at inception.

Because the Group expects to hold the net investment for a period longer than the maturity of the forward foreign exchange contract, and the Group policy is to hedge the net investment only to the extent of the nominal amount of the foreign exchange leg of the derivative, the only source of ineffectiveness that is expected to arise from these hedging relationships is due to the effect of the counterparty and the Group's own credit risk on the fair value of the derivative, which is not reflected in the fair value of the hypothetical derivative. The Group establishes a hedge ratio by aligning the nominal amount of the foreign exchange leg of the derivative to the same amount of net investment.

## Notes to the consolidated financial statements (continued)

### 22. Derivatives held for risk management and hedge accounting (continued)

#### B. Hedge accounting (continued)

##### iii. Net investment hedges (continued)

At 31 December 2024 and 31 December 2023, the Group held the following forward foreign exchange contracts to hedge its net investments in subsidiaries.

	Maturity 2024			Maturity 2023		
	Less than 1 year	1–2 years	2–5 years	Less than 1 year	1–2 years	2–5 years
Nominal amount (net) (in millions of EUR)	<b>274</b>	<b>115</b>	<b>199</b>	110	298	205
Average EUR:GBP exchange rate	<b>0.73</b>	<b>0.77</b>	<b>0.81</b>	0.75	0.79	0.85

USD-denominated debt, which is included within debt securities issued (see [Note 31](#)), is used to hedge the net investment in the Group's subsidiaries in the US with a US functional currency and a maturity of three years at 31 December 2024.

IFRS 7.23B

IFRS 7.23B

## Notes to the consolidated financial statements (continued)

### 22. Derivatives held for risk management and hedge accounting (continued)

#### B. Hedge accounting (continued)

##### iii. Net investment hedges (continued)

#### Net investment hedges

IFRS 7.24A, 24C

The amounts relating to items designated as hedging instruments at 31 December 2024 were as follows.

In millions of EUR	2024			Line item in the statement of financial position where the hedging instrument is included
	Nominal amount	Carrying amount		
		Assets	Liabilities	
Foreign exchange-denominated debt (USD)	950	-	960	Debt securities issued
Forward foreign exchange contracts (EUR:GBP)	588	85	93	Derivative assets (liabilities) held for risk management

IFRS 7.24B

The amounts related to items designated as hedged items at 31 December 2024 were as follows.

2024	
Change in value used for calculating hedge ineffectiveness	
USD net investment	(36)
GBP net investment	6

IFRS 7.24A, 24C

The amounts relating to items designated as hedging instruments at 31 December 2023 were as follows.

In millions of EUR	2023			Line item in the statement of financial position where the hedging instrument is included
	Nominal amount	Carrying amount		
		Assets	Liabilities	
Foreign exchange-denominated debt (USD)	950	-	960	Debt securities issued
Forward foreign exchange contracts (EUR:GBP)	613	77	78	Derivative assets (liabilities) held for risk management

IFRS 7.24B

The amounts related to items designated as hedged items at 31 December 2023 were as follows.

2023	
Change in value used for calculating hedge ineffectiveness	
USD net investment	(38)
GBP net investment	7



2024					
Change in fair value used for calculating hedge ineffectiveness for 2024	Change in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from the hedge reserve to profit or loss	Line item affected in profit or loss because of the reclassification
36	36	-	Other interest income	-	n/a
(7)	(6)	(1)	Other interest income	-	n/a
2024					
Foreign currency translation reserve		Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied			
	(60)				-
	15				2
2023					
Change in fair value used for calculating hedge ineffectiveness for 2023	Change in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from the hedge reserve to profit or loss	Line item affected in profit or loss because of the reclassification
38	38	-	Other interest income	-	n/a
(12)	(7)	(5)	Other interest income	-	n/a
2023					
Foreign currency translation reserve		Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied			
	(75)				-
	18				2

## Notes to the consolidated financial statements (continued)

### 22. Derivatives held for risk management and hedge accounting (continued)

#### C. Reconciliation of components of equity

IFRS 7.24E–24F

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items resulting from hedge accounting.

<i>In millions of EUR</i>	Cash flow hedging reserve	Translation reserve
<b>Balance at 1 January 2024</b>	<b>(85)</b>	<b>77</b>
<b>Cash flow hedges</b>		
Effective portion of changes in fair value:		
Interest rate risk	(27)	-
Interest rate/USD foreign currency risk	(9)	-
Interest rate/GBP foreign currency risk	(7)	-
Net amount reclassified to profit or loss:		
Interest rate risk	10	-
Interest rate/USD foreign currency risk	4	-
Interest rate/GBP foreign currency risk	(8)	-
Related tax	12	-
<b>Hedge of net investment in foreign operations</b>		
USD foreign exchange-denominated debt	-	36
GBP forward foreign exchange contracts	-	(6)
Foreign currency translation differences for foreign operations	-	(45)
<b>Balance at 31 December 2024</b>	<b>(110)</b>	<b>62</b>

## Notes to the consolidated financial statements (continued)

### 23. Loans and advances to banks

See accounting policy in [Note 46\(N\)](#).

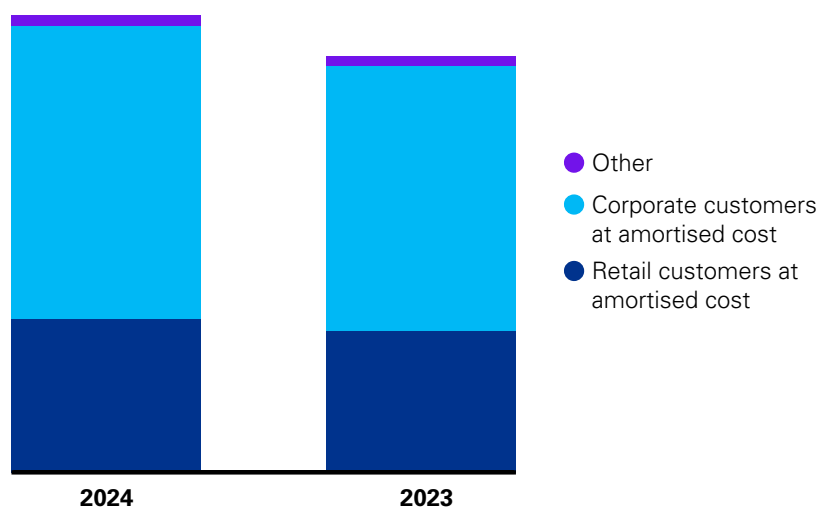
<i>In millions of EUR</i>	<b>2024</b>	<b>2023</b>
Reverse sale-and-repurchase agreements	<b>1,996</b>	1,278
Other	<b>3,588</b>	3,434
Less impairment loss allowance	<b>(29)</b>	(29)
	<b>5,555</b>	4,683

IFRS 7.6, B1–B3

## Notes to the consolidated financial statements (continued)

### 24. Loans and advances to customers<sup>a</sup>

See accounting policy in [Note 46\(N\)](#).



	<i>In millions of EUR</i>	<i>Note</i>	<b>2024</b>	<b>2023</b>
<i>IFRS 7.8(f)</i>	Loans and advances to customers at amortised cost		<b>59,731</b>	54,321
	Finance leases	<i>41</i>	<b>939</b>	861
	Less impairment loss allowance		<b>(1,924)</b>	(1,615)
			<b>58,746</b>	53,567
<i>IFRS 7.8(a)(ii)</i>	Loans and advances to customers at FVTPL		<b>3,986</b>	3,145
			<b>62,732</b>	56,712

#### A. Loans and advances to customers at amortised cost

<i>In millions of EUR</i>	2024			2023		
	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
<b>Retail customers</b>						
Mortgage lending	<b>14,856</b>	<b>(886)</b>	<b>13,970</b>	13,629	(632)	12,997
Personal loans	<b>4,164</b>	<b>(248)</b>	<b>3,916</b>	3,621	(248)	3,373
Credit cards	<b>2,421</b>	<b>(145)</b>	<b>2,276</b>	2,284	(145)	2,139
<b>Corporate customers</b>						
Reverse sale-and-repurchase agreements	<b>6,318</b>	<b>(20)</b>	<b>6,298</b>	6,134	(20)	6,114
Corporate loans	<b>31,972</b>	<b>(608)</b>	<b>31,364</b>	28,653	(548)	28,105
	<b>59,731</b>	<b>(1,907)</b>	<b>57,824</b>	54,321	(1,593)	52,728

#### B. Loans and advances to customers at FVTPL

These are loans and advances to corporate customers held by the Group's investment banking business.

<sup>a</sup>. Loans and advances as presented in the statement of financial position include loans and advances that are carried at amortised cost, those mandatorily measured at FVTPL and those that have been designated on initial recognition as at FVTPL. However, other presentations are possible.

## Notes to the consolidated financial statements (continued)

### 25. Investment securities<sup>a</sup>

See accounting policy on [Note 46\(O\)](#).

<i>In millions of EUR</i>	2024	2023
Investment securities mandatorily measured at FVTPL	1,623	1,433
Investment securities designated as at FVTPL	2,879	2,071
Investment securities measured at amortised cost	410	101
Investment securities measured at FVOCI – debt instruments	1,363	1,726
Investment securities designated as at FVOCI – equity investments	27	25
	<b>6,302</b>	<b>5,356</b>

#### Investment securities mandatorily measured at FVTPL

<i>In millions of EUR</i>	2024	2023
Corporate bonds	632	542
Asset-backed securities	523	489
Debt securities	1,155	1,031
Equity securities	468	402
	<b>1,623</b>	<b>1,433</b>

Investment securities that are mandatorily measured as at FVTPL include the Group's equity investments in certain entities held by its venture capital subsidiary. These investments (2024: EUR 166 million; 2023: EUR 137 million) represent equity holdings in investee companies that give the Group between 20 and 45% of the voting rights of these venture capital investees. The venture capital subsidiary is managed on a fair value basis by the Group.

#### Investment securities designated as at FVTPL

<i>In millions of EUR</i>	2024	2023
Corporate bonds	2,622	1,884
Asset-backed securities	257	187
	<b>2,879</b>	<b>2,071</b>

Debt investment securities have been designated as at FVTPL on initial recognition when the Group has related derivatives held for risk management purposes at FVTPL, and designation therefore eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### Investment securities measured at amortised cost

<i>In millions of EUR</i>	2024	2023
Government bonds	210	70
Corporate bonds	100	21
Asset-backed securities	100	10
Debt securities	<b>410</b>	<b>101</b>

a. In this guide, the 'investment securities' caption in the statement of financial position includes all of the categories of investment securities. However, other presentations are possible.

## Notes to the consolidated financial statements (continued)

### 25. Investment securities (continued)

#### Debt investment securities measured at FVOCI

IFRS 7.6, B1–B3	<i>In millions of EUR</i>	<i>Note</i>	2024	2023
	Government bonds		514	746
	Corporate bonds		551	767
	Asset-backed securities		200	126
	Retained interests in securitisations	38	98	87
	<b>Debt securities</b>		<b>1,363</b>	<b>1,726</b>

#### Equity investment securities designated as at FVOCI<sup>a</sup>

IFRS 7.8(h)(ii), 11A

The following table shows investments in equity securities for which the Group elected to present the changes in the fair value in OCI. The election was made because the investments are expected to be held for the long term for strategic purposes.

IFRS 7.6, B1–B3	<i>In millions of EUR</i>	Fair value at 31 December 2024	Dividend income recognised 2024
	Investment in XY Trust Company	15	1
	Investment in AB Securities	12	1
		<b>27</b>	<b>2</b>

IFRS 7.11A(e), 11B(c), 20(a)(viii)

None of these strategic investments were disposed of during the year ended 31 December 2024 (2023: nil), and there were no transfers of any cumulative gain or loss within equity relating to these investments (2023: nil). The change in fair value on these investments was EUR 2 million for the year ended 31 December 2024 (2023: nil).

IFRS 7.6, B1–B3	<i>In millions of EUR</i>	Fair value at 31 December 2023	Dividend income recognised 2023
	Investment in XY Trust Company	14	4
	Investment in AB Securities	11	4
		<b>25</b>	<b>8</b>

Insights 7.10.230.25

<sup>a</sup> When disclosing which investments in equity instruments have been designated as at FVOCI, in our view an entity should apply judgement in determining what disclosures would provide the most useful information for financial statement users. We believe that in most cases, disclosing the names of individual investees would be appropriate – e.g. if an entity has a small number of individually significant investments, particularly if this disclosure enables users to access additional information about those investees from other sources. However, in some cases disclosure at a higher level of aggregation and disclosures other than the names of investees may provide more useful information. For example, if an entity has a large number of individually insignificant investments in a few industries, then disclosure by industry may be appropriate. Similarly, if an entity holds investments for which no public information is available, then disclosure about the nature and purpose of those investments may be relevant.

## Notes to the consolidated financial statements (continued)

### 26. Property and equipment<sup>a</sup>

See accounting policy in [Note 46\(P\)](#).

<i>IAS 16.73(d)–(e)</i>	<i>In millions of EUR</i>	<b>Land and buildings</b>	<b>IT equipment</b>	<b>Fixtures and fittings</b>	<b>Total</b>
	<b>Cost</b>				
<i>IAS 16.73(d)</i>	Balance at 1 January 2023	970	154	78	1,202
<i>IAS 16.73(e)(i)</i>	Additions	24	21	18	63
<i>IAS 16.73(e)(ii)</i>	Disposals	(14)	(7)	(6)	(27)
<i>IAS 16.73(e)(viii)</i>	Effect of movements in exchange rates	-	2	1	3
<i>IAS 16.73(d)</i>	Balance at 31 December 2023	980	170	91	1,241
<i>IAS 16.73(d)</i>	Balance at 1 January 2024	<b>980</b>	<b>170</b>	<b>91</b>	<b>1,241</b>
<i>IAS 16.73(e)(i)</i>	Additions	<b>34</b>	<b>32</b>	<b>22</b>	<b>88</b>
<i>IAS 16.73(e)(ii)</i>	Disposals	<b>(26)</b>	<b>(16)</b>	<b>(7)</b>	<b>(49)</b>
<i>IAS 16.73(e)(viii)</i>	Effect of movements in exchange rates	-	<b>1</b>	<b>1</b>	<b>2</b>
<i>IAS 16.73(d)</i>	Balance at 31 December 2024	<b>988</b>	<b>187</b>	<b>107</b>	<b>1,282</b>
	<b>Accumulated depreciation and impairment losses</b>				
<i>IAS 16.73(d)</i>	Balance at 1 January 2023	405	53	24	482
<i>IAS 16.73(e)(vii)</i>	Depreciation for the year	80	9	4	93
<i>IAS 16.73(e)(v)</i>	Impairment loss	-	-	-	-
<i>IAS 16.73(e)(ii)</i>	Disposals	(4)	(3)	(2)	(9)
<i>IAS 16.73(e)(viii)</i>	Effect of movements in exchange rates	-	2	1	3
<i>IAS 16.73(d)</i>	Balance at 31 December 2023	481	61	27	569
<i>IAS 16.73(d)</i>	Balance at 1 January 2024	<b>481</b>	<b>61</b>	<b>27</b>	<b>569</b>
<i>IAS 16.73(e)(vii)</i>	Depreciation for the year	<b>81</b>	<b>10</b>	<b>4</b>	<b>95</b>
<i>IAS 16.73(e)(v)</i>	Impairment loss	-	-	-	-
<i>IAS 16.73(e)(ii)</i>	Disposals	<b>(7)</b>	<b>(4)</b>	<b>(2)</b>	<b>(13)</b>
<i>IAS 16.73(e)(viii)</i>	Effect of movements in exchange rates	-	<b>1</b>	<b>1</b>	<b>2</b>
<i>IAS 16.73(d)</i>	Balance at 31 December 2024	<b>555</b>	<b>68</b>	<b>30</b>	<b>653</b>
	<b>Carrying amounts</b>				
	Balance at 1 January 2023	565	101	54	720
	Balance at 31 December 2023	499	109	64	672
	Balance at 31 December 2024	<b>433</b>	<b>119</b>	<b>77</b>	<b>629</b>

*(IFRS 16.47)*

As at 31 December 2024, property and equipment includes right-of-use assets of EUR 225 million (2023: EUR 294 million) related to leased branches and office premises (see [Note 41\(A\)\(ii\)](#)).

*IAS 16.73(d)–(e)*

- a. Although IAS 16 *Property, Plant and Equipment* only requires the reconciliation of carrying amounts at the beginning and at the end of the reporting period, the Group has also provided separate reconciliations of the gross carrying amount and accumulated depreciation. These additional reconciliations are not required and a different format may be used.

## Notes to the consolidated financial statements (continued)

### 27. Intangible assets and goodwill

See accounting policies in [Notes 46\(R\)](#) and [\(S\)](#).

#### A. Reconciliation of carrying amount<sup>a</sup>

IFRS 3.61,  
IAS 38.118(c), (e)

IFRS 3.B67(d)(i),  
IAS 38.118(c)

IAS 38.118(e)(i)

IAS 38.118(e)(i)

IAS 38.118(e)(vii)

IFRS 3.B67(d)(viii),  
IAS 38.118(c)

IFRS 3.B67(d)(i),  
IAS 38.118(c)

IAS 38.118(e)(i)

IAS 38.118(e)(i)

IAS 38.118(e)(vii)

IFRS 3.B67(d)(viii),  
IAS 38.118(c)

IFRS 3.B67(d)(i),  
IAS 38.118(c)

IAS 38.118(e)(vi)

IFRS 3.B67(d)(v),  
IAS 36.130(b),  
38.118(e)(iv)

IAS 38.118(e)(vii)

IFRS 3.B67(d)(viii),  
IAS 38.118(c)

IFRS 3.B67(d)(i),  
IAS 38.118(c)

IAS 38.118(e)(iv)

IFRS 3.B67(d)(v),  
IAS 36.130(b),  
38.118(e)(iv)

IAS 38.118(e)(vii)

IFRS 3.B67(d)(viii),  
IAS 38.118(c)

IAS 38.118(c)

<i>In millions of EUR</i>	Goodwill	Purchased software	Developed software	Total
<b>Cost</b>				
Balance at 1 January 2023	78	94	116	288
Acquisitions	-	20	-	20
Internal development	-	-	13	13
Effect of movements in exchange rates	-	-	1	1
Balance at 31 December 2023	78	114	130	322
Balance at 1 January 2024	<b>78</b>	<b>114</b>	<b>130</b>	<b>322</b>
Acquisitions	-	<b>26</b>	-	<b>26</b>
Internal development	-	-	<b>14</b>	<b>14</b>
Effect of movements in exchange rates	-	-	<b>2</b>	<b>2</b>
Balance at 31 December 2024	<b>78</b>	<b>140</b>	<b>146</b>	<b>364</b>
<b>Accumulated amortisation and impairment losses</b>				
Balance at 1 January 2023	5	20	17	42
Amortisation for the year	-	10	10	20
Impairment loss	-	-	-	-
Effect of movements in exchange rates	-	-	1	1
Balance at 31 December 2023	5	30	28	63
Balance at 1 January 2024	<b>5</b>	<b>30</b>	<b>28</b>	<b>63</b>
Amortisation for the year	-	<b>16</b>	<b>9</b>	<b>25</b>
Impairment loss	-	-	-	-
Effect of movements in exchange rates	-	-	<b>1</b>	<b>1</b>
Balance at 31 December 2024	<b>5</b>	<b>46</b>	<b>38</b>	<b>89</b>
<b>Carrying amounts</b>				
Balance at 1 January 2023	73	74	99	246
Balance at 31 December 2023	73	84	102	259
Balance at 31 December 2024	<b>73</b>	<b>94</b>	<b>108</b>	<b>275</b>

IAS 38.118(c), (e) a. Although IAS 38 *Intangible Assets* only requires the reconciliation of the carrying amount at the beginning and at the end of the reporting period, the Group has also provided separate reconciliations of the gross carrying amount and accumulated amortisation. These additional reconciliations are not required and a different format may be used.



## Notes to the consolidated financial statements (continued)

### 27. Intangible assets and goodwill (continued)

#### B. Impairment testing for CGUs containing goodwill

IAS 36.134(a)

For the purpose of impairment testing, goodwill is allocated to the Group's CGUs (operating divisions) as follows.<sup>a</sup>

<i>In millions of EUR</i>	2024	2023
European investment banking	48	48
European retail banking	25	25
	73	73

IAS 36.126(a)–(b)

No impairment losses on goodwill were recognised during the year ended 31 December 2024 (2023: nil).<sup>b</sup>

IAS 1.125,  
36.134(c)–(d),  
[IAS 36.30]

The recoverable amounts for the European investment banking and retail banking CGUs have been calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing use of the CGUs' assets and their ultimate disposal. No impairment losses were recognised during the year ended 31 December 2024 (2023: nil) because the recoverable amounts of these CGUs were determined to be higher than their carrying amounts.

IAS 36.134(d)(i)

The key assumptions<sup>c</sup> used in the calculation of value in use were as follows. The values assigned to the key assumptions represent management's assessment of future trends in the relevant sector and have been based on historical data from both external and internal sources.

<i>In percent</i>	European investment banking		European retail banking	
	2024	2023	2024	2023
Discount rate	10.0	8.0	6.0	5.0
Terminal value growth rate	2.0	2.8	2.0	2.8
Budgeted profit before taxes, depreciation and amortisation growth rate (average of next five years)	5.0	4.0	4.5	4.0

IAS 36.134(d)(v)

IAS 36.134(d)(iv)

IAS 36.134(d)(i)

IAS 36.134(d)(ii)

The discount rate was a pre-tax measure<sup>d</sup> based on the rate of 10-year government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU.

IAS 36.134

a. Separate disclosures are required for each CGU (or group of CGUs) for which the carrying amount of goodwill or intangible assets with an indefinite useful life allocated to the CGU is significant in comparison with its carrying amount.

b. For an example when goodwill is impaired, see our [Guide to annual financial statements – Illustrative disclosures](#) (September 2024).

IAS 36.134(d)  
(iv)–(v), (e)(iv)–(v),  
(f), IE89

c. IAS 36 *Impairment of Assets* specifically requires quantitative disclosures (i.e. values) in respect of discount rates and the growth rates used to extrapolate cash flow projections. Narrative disclosures are sufficient for other key assumptions, having regard to the requirement for an entity to disclose a description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information. An entity also discloses additional quantitative information if a reasonably possible change in key assumptions would result in an impairment.

IAS 36.50(b), 55,  
A20,  
Insights  
3.10.840.10–20

d. IAS 36 *prima facie* requires value in use to be determined using pre-tax cash flows and a pre-tax discount rate. However, in our experience it is more common to use post-tax cash flows and a post-tax discount rate such as the weighted-average cost of capital. Challenges arise in following a post-tax approach appropriately so that the resulting value in use is consistent with the pre-tax principle.

Whichever rate is used (pre- or post-tax), the pre-tax discount rate needs to be disclosed. When value in use is determined using post-tax cash flows and a post-tax discount rate, the pre-tax discount rate needs to be calculated to comply with the disclosure requirements.

## Notes to the consolidated financial statements (continued)

### 27. Intangible assets and goodwill (continued)

#### B. Impairment testing for CGUs containing goodwill (continued)

IAS 36.134(d)(ii)–(iii)

Five years of cash flow projections were included in the discounted cash flow model. A long-term growth rate was used to extrapolate the cash flows beyond the five-year period. The growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the countries in which the CGU operates and the long-term compound annual profit before taxes, depreciation and amortisation growth rate estimated by management.

IAS 36.134(d)(ii)

Budgeted profit before taxes, depreciation and amortisation was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated growth for the next five years.

IAS 36.134(f)

The key assumptions described above may change as economic and market conditions change. The Group estimates that reasonably possible changes in these assumptions would not cause the recoverable amount of either CGU to decline below the carrying amount.

## Notes to the consolidated financial statements (continued)

### 28. Other assets<sup>a</sup>

See accounting policy in [Notes 46\(J\)](#) and [\(Q\)](#).

#### A. Summary

<i>In millions of EUR</i>	2024	2023
Accrued income	477	314
Accounts receivable and prepayments	460	315
Investment property	59	71
Restricted deposits with central banks	56	56
Assets held for sale	10	16
Other	45	57
	<b>1,107</b>	<b>829</b>

Restricted deposits with central banks are not available for use in the Group's day-to-day operations.

#### B. Investment property

##### i. Reconciliation of carrying amount

<i>In millions of EUR</i>	2024	2023
Balance at 1 January	71	62
Acquisitions	6	3
Disposals	(16)	(2)
Changes in fair value	(2)	8
Balance at 31 December	<b>59</b>	<b>71</b>

The Group holds investment property as a consequence of the ongoing rationalisation of its retail branch network and acquisitions through enforcement of security over loans and advances.

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 10 years. Subsequent renewals are negotiated with the lessee and historically the average renewal period is four years. Further information about these leases is included in [Note 41](#).

Changes in fair values are recognised as gains in profit or loss and included in 'other income'. All gains are unrealised.

At 31 December 2024, rental income from investment property of EUR 4 million (2023: EUR 4 million) has been recognised in other income.

IAS 1.77

IAS 1.54(h)

IAS 1.54(h)

IAS 1.54(b)

IAS 7.48

IAS 1.54(j)

IAS 40.76,

IFRS 13.93(e)

IAS 40.76(a),

IFRS 13.93(e)(iii)

IAS 40.76(c),

IFRS 13.93(e)(iii)

IAS 40.76(d),

IFRS 13.93(e)(i), (f)

IAS 40.76,

IFRS 13.93(e)

IFRS 16.92(a)

IFRS 13.93(e)(i), (f)

IAS 40.75(f)(i)

IAS 1.54

- a. In this guide, immaterial assets held for sale, investment property and trade receivables have not been disclosed separately in the statement of financial position, but are shown separately as a component of other assets. The disclosures in respect of assets held for sale that may be required by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are not included. For a more comprehensive illustration of the presentation and disclosures that may apply when such items are material, see our [Guide to annual financial statements – Illustrative disclosures](#) (September 2024).

## Notes to the consolidated financial statements (continued)

IAS 1.77

### 28. Other assets (continued)

#### B. Investment property (continued)

##### ii. Measurement of fair value

###### Fair value hierarchy

IAS 40.75(e)

The fair values of investment properties were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent valuers provide the fair values of the Group's investment property portfolio every six months.

IFRS 13.93(b)

The fair value measurements for all of the investment properties have been categorised as Level 3 fair value measurements.

###### Valuation techniques and significant unobservable inputs

IFRS 13.93(d),  
93(h)(i), 99

The following table shows the valuation technique used in measuring the fair values of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<p><i>Discounted cash flows:</i> The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.</p>	<ul style="list-style-type: none"> <li>Expected market rental growth (2024: 2–3%, weighted average 2.5%; 2023: 2–3%, weighted average 2.6%).</li> <li>Void periods (2024 and 2023: average 6 months after the end of each lease).</li> <li>Occupancy rate (2024: 90–95%, weighted average 92.5%; 2023: 91–95%, weighted average 92.8%).</li> <li>Rent-free periods (2024 and 2023: 1-year period on new leases).</li> <li>Risk-adjusted discount rates (2024: 5–6.3%, weighted average 5.8%; 2023: 5–6.4%, weighted average 5.8%).</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>expected market rental growth were higher (lower);</li> <li>void periods were shorter (longer);</li> <li>the occupancy rate were higher (lower);</li> <li>rent-free periods were shorter (longer); or</li> <li>the risk-adjusted discount rate were lower (higher).</li> </ul>

## Notes to the consolidated financial statements (continued)

### 29. Deposits from banks

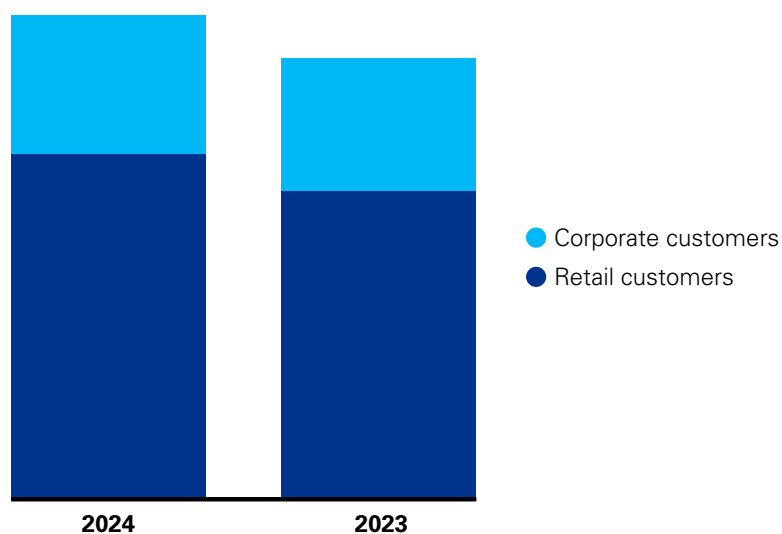
*In millions of EUR*

	2024	2023
Money market deposits	<b>10,569</b>	8,819
Sale-and-repurchase, securities lending and similar agreements	<b>387</b>	412
Other deposits from banks	<b>478</b>	762
Items in the course of collection	<b>244</b>	237
	<b>11,678</b>	10,230

## Notes to the consolidated financial statements (continued)

### 30. Deposits from customers

See accounting policy in [Note 46\(T\)](#).



*In millions of EUR*

**2024**

**2023**

#### **Retail customers**

Term deposits

**12,209**

10,120

Current deposits

**26,173**

24,136

#### **Corporate customers**

Term deposits

**1,412**

1,319

Current deposits

**10,041**

9,384

Other

**3,811**

3,945

**53,646**

48,904

## Notes to the consolidated financial statements (continued)

### 31. Debt securities in issue

See accounting policy in Note 46(T).

<i>In millions of EUR</i>	2024	2023
At amortised cost	9,977	8,040
Designated as at FVTPL	1,250	2,208
	<b>11,227</b>	10,248

#### Debt securities at amortised cost

Floating-rate	5,143	4,473
Fixed-rate	4,834	3,567
	<b>9,977</b>	8,040

IFRS 7.8(g)  
IFRS 7.8(e)(i)

IFRS 7.21, B5(a)

Certain debt securities in issue have been designated as at FVTPL when the Group holds related derivatives at FVTPL, and designation therefore eliminates or significantly reduces an accounting mismatch that would otherwise arise.

IFRS 7.10(a)

The amount of change, during the period and cumulatively, in the fair value of the financial liabilities designated as at FVTPL that is attributable to changes in the credit risk of these liabilities and recognised in OCI is set out below.

<i>In millions of EUR</i>	2024	2023
Balance at 1 January	(2)	(3)
Recognised in OCI during the year	3	1
Balance at 31 December	<b>1</b>	(2)

IFRS 7.10(a)

IFRS 7.10(a), 20(a)(i)

IFRS 7.10(c)–(d)

None of the liabilities designated as at FVTPL was derecognised during the year ended 31 December 2024 (2023: nil).

IFRS 7.11(a)

The change in fair value attributable to changes in credit risk on financial liabilities is calculated using the credit spread observed for recent issuances of similar debt, adjusted for subsequent changes in the credit spread observed on credit default swaps on the issuing Group entity's senior debt.

IFRS 7.10(b)

The carrying amount of financial liabilities designated as at FVTPL at 31 December 2024 was EUR 30 million lower than the contractual amount due at maturity (2023: EUR 43 million lower).

IFRS 7.18–19

The Group did not have any defaults of principal or interest or other breaches with respect to its debt securities during the years ended 31 December 2024 and 31 December 2023.

## Notes to the consolidated financial statements (continued)

### 32. Subordinated liabilities

See accounting policy in [Note 46\(T\)](#).

<i>In millions of EUR</i>	2024	2023
Tier 2 capital securities	<b>4,782</b>	4,158
Other subordinated liabilities	<b>860</b>	827
	<b>5,642</b>	4,985

The terms and conditions of the subordinated notes issued are as follows.

<i>In millions of EUR</i>	First call date	Maturity date	2024	2023
<b>Tier 2 capital securities</b>				
10% EUR 1,500 million non-cumulative callable perpetual securities	1993	n/a	<b>1,315</b>	1,394
8% USD 1,200 million non-cumulative callable perpetual securities	2005	n/a	<b>744</b>	688
EUR 750 million callable floating-rate notes	2004	2031	<b>725</b>	-
EUR 500 million callable floating-rate notes	2005	2029	-	59
EUR 300 million callable floating-rate notes	2005	2029	<b>300</b>	300
USD 750 million callable floating-rate notes	2025	2030	<b>567</b>	555
GBP 1,000 million callable floating-rate notes	2005	2029	<b>1,131</b>	1,162
<b>Other subordinated liabilities</b>				
Other floating subordinated liabilities each less than EUR 50 million	2005	2029	<b>620</b>	595
Other fixed subordinated liabilities each less than EUR 50 million	2005	2029	<b>240</b>	232
			<b>5,642</b>	4,985

#### Tier 2 capital securities

Tier 2 capital securities are either perpetual or dated subordinated securities on which there is an obligation to pay coupons. They may be called before maturity date at the option of the Group and subject to permission by the Group's lead regulator. These capital securities are included within the Group's regulatory capital base as Tier 2 capital under *[name of regulation]* subject to grandfathering limits.

In accordance with *[name of regulation]*, the capital contribution of all Tier 2 securities is amortised for regulatory purposes in their final five years before maturity.

The securities would, in the event of the winding-up of the issuer, be subordinated to the claims of depositors and all other creditors of the issuer.

The Group did not have any defaults of principal or interest or other breaches with respect to its subordinated liabilities during the years ended 31 December 2024 and 31 December 2023.

IFRS 7.7

IFRS 7.7

IFRS 7.18–19



## Notes to the consolidated financial statements (continued)

### 33. Provisions

See accounting policies in Notes 46(U) and (V).

<i>In millions of EUR</i>	2024	2023
Financial guarantee contracts issued	32	26
Loan commitments issued	6	4
Other provisions	90	84
	<b>128</b>	<b>114</b>

#### A. Financial guarantee contracts issued

At 31 December 2024, the amount in respect of financial guarantee contracts issued represents the sum of an ECL provision of EUR 6 million (2023: EUR 2 million) (see Note 6(A)(iii)) and the amounts recognised at issuance less cumulative amortisation of EUR 26 million (2023: EUR 24 million).

#### B. Loan commitments issued

At 31 December 2024, the amount in respect of loan commitments issued represents the sum of an ECL provision of EUR 5 million (2023: EUR 4 million) (see Note 6(A)(iii)) and the amounts recognised at issuance of loan commitments to provide loans at below-market rates less cumulative amortisation of EUR 1 million (2023: nil).

#### C. Other provisions

The following table sets out other provisions.

<i>In millions of EUR</i>	Note	Redundancy	Branch closures	Other	Total
Balance at 1 January 2024		41	40	3	84
Provisions made during the year	16	2	5	15	22
Provisions used during the year		(5)	(2)	(10)	(17)
Provisions reversed during the year <sup>a</sup>	16	-	-	(1)	(1)
Unwind of discount		1	1	-	2
Balance at 31 December 2024		<b>39</b>	<b>44</b>	<b>7</b>	<b>90</b>
Non-current		-	39	-	39
Current		39	5	7	51
		<b>39</b>	<b>44</b>	<b>7</b>	<b>90</b>

#### i. Redundancy

In accordance with the *Delivery Channel Optimisation Plan* announced by the Group in November 2023, the Group is in the process of rationalising its retail branch network and related processing functions. The remaining provision relates to the Asia Pacific and American regions and is expected to be used during the year ending 31 December 2025.

IFRS 7B8E,  
[IFRS 9.4.2.1(c)]  
IFRS 7B8E,  
[IFRS 9.5.5.1]  
[IAS 37]

IAS 3784(a)  
IAS 3784(b)  
IAS 3784(c)  
IAS 3784(d)  
IAS 3784(e)  
IAS 3784(a)  
IAS 1.60

IAS 1.98(b),  
3785(a)–(b)

[Insights  
3.12.850.10]

a. In our view, the reversal of a provision should be presented in the statement of profit or loss and OCI in the same line item as the original estimate.

## Notes to the consolidated financial statements (continued)

### 33. Provisions (continued)

#### C. Other provisions (continued)

##### ii. Branch closures

In accordance with the plans announced by the Group in November 2023, the Group is in the process of rationalising the branch network to optimise its efficiency and improve overall services to customers. The plan involves the closure of some branches. Twenty-three of the branches outlined in the Group's *Delivery Channel Optimisation Plan* were closed during the years ended 31 December 2023 and 31 December 2024. The remaining provision relates to the balance of the branches' closures set out in the plan, which will be completed during the year ending 31 December 2026.

IAS 1.98(b),  
3785(a)–(b)

## Notes to the consolidated financial statements (continued)

### 34. Other liabilities

See accounting policies in [Notes 46\(H\)](#) and [\(W\)](#).

*In millions of EUR*

*IFRS 16.47(b)*

*IAS 1.78(d)*

*IAS 1.78(d)*

*IAS 1.78(d)*

*IAS 1.78(d)*

	<b>Note</b>	<b>2024</b>	<b>2023</b>
Lease liabilities	<a href="#">41</a>	<b>367</b>	441
Recognised liability for defined benefit obligations	<a href="#">15</a>	<b>174</b>	158
Short-term employee benefits		<b>62</b>	57
Creditors and accruals		<b>51</b>	68
Liability for long-service leave		<b>51</b>	44
Cash-settled share-based payment liability	<a href="#">15</a>	<b>44</b>	38
Other		<b>89</b>	12
		<b>838</b>	818

## Notes to the consolidated financial statements (continued)

### 35. Capital and reserves

See accounting policy in [Note 46\(X\)](#).

#### A. Share capital and share premium

IAS 1.79(a)(iv)

<i>In millions of shares</i>	Ordinary shares	
	2024	2023
In issue at 1 January	1,756	1,756
Exercise of share options	3	-
In issue at 31 December – fully paid	1,759	1,756
Authorised – par value EUR 1	2,000	2,000

IAS 1.79(a)(ii)

IAS 1.79(a)(i), (iii)

The Group has also issued employee share options (see [Note 15\(A\)](#)).

#### Ordinary shares

IAS 1.79(a)(v)

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

#### B. Other equity instruments

IAS 1.55

<i>In millions of EUR</i>	Initial call date	2024	2023
EUR 390 million, 5.13%, perpetual subordinated contingent convertible securities	June 2031	500	500

Other equity instruments comprise additional Tier 1 securities issued by the Group.

The principal terms of the additional Tier 1 securities are as follows:

- the securities rank behind the claims against the Group of all other subordinated and unsubordinated creditors;
- the securities are undated and are redeemable, at the discretion of the Group, at the initial call date, or on any fourth anniversary after the initial call date; they are also redeemable at the option of the Group in the event of certain changes in their tax or regulatory treatment. Any redemption requires permission of the Group's lead regulator;
- the securities bear a fixed rate of interest until the initial call date. After the initial call date, if they are not redeemed, they bear interest fixed at market levels for each subsequent four-year period; and
- the interest on the securities is due and payable only at the sole discretion of the Group, which has sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any interest payment date. The additional Tier 1 securities will be converted into ordinary shares of the Group, at a predetermined price, should the CET1 ratio of the Group fall below 7 percent.

## Notes to the consolidated financial statements (continued)

### 35. Capital and reserves (continued)

#### C. Nature and purpose of reserves

##### i. Translation reserve

IAS 1.79(b)

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation (see [Note 46\(B\)\(ii\)](#)).

##### ii. Hedging reserve

IAS 1.79(b)

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss (see [Note 46\(M\)](#)).

##### iii. Fair value reserve

IAS 1.79(b)

The fair value reserve comprises:

- the cumulative net change in the fair value of equity securities measured at FVOCI; and
- the cumulative net change in the fair value of debt securities measured at FVOCI until the assets are derecognised or reclassified. This amount is increased by the amount of loss allowance (see [Note 46\(O\)](#)).

##### iv. Liability credit reserve

IAS 1.79(b)

The liability credit reserve includes the cumulative changes in the fair value of the financial liabilities designated as at FVTPL that are attributable to changes in the credit risk of these liabilities other than those recognised in profit or loss (see [Note 31](#)).

#### D. Dividends and coupons

IAS 1.107

The following amounts were recognised as distributions to equity holders of the Bank during the years ended 31 December.

<i>In millions of EUR</i>	2024	2023
Dividends: EUR 0.15 per ordinary share (2023: EUR 0.15)	263	263
Coupons on other equity	20	20
	283	283

IAS 1.137(a), 10.13, 12.81(i)

After the reporting date, the following dividends were proposed by the Board of Directors. The dividends have not been recognised as liabilities and there are no tax consequences.

<i>In millions of EUR</i>	2024	2023
EUR 0.15 per ordinary share	263	263

## Notes to the consolidated financial statements (continued)

### 36. Group subsidiaries

See accounting policy in [Note 46\(A\)](#).

IFRS 12.10(a)(i), 12(b)

#### A. List of significant subsidiaries<sup>a</sup>

The following table provides details of the significant subsidiaries of the Group.

	Principal place of business	Ownership interest	
		2024	2023
Blue Banking Plc	UK	100%	100%
Blue Banking (North America)	US	100%	100%
Blue Banking Pty Limited	Australia	80%	80%
Bleu Banking S.A.	France	100%	100%
Blue Banking (Africa) Limited	South Africa	100%	100%

#### B. Financial support given to structured entities

IFRS 12.14

During the year ended 31 December 2024, the Group issued guarantees of EUR 80 million (2023: nil) to holders of notes issued by certain structured entities that the Group consolidates (for information on judgements made to conclude that the Group controls these entities, see [Note 46\(A\)\(ii\)](#)). These guarantees would require the Group to reimburse the note holders for losses that they incur if the underlying assets do not perform at the specified amount of their contractual cash flows. For information on the accounting for these guarantees, see [Note 46\(U\)](#).

#### C. Significant restrictions

IFRS 12.13

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. The supervisory frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios. The carrying amounts of banking subsidiaries' assets and liabilities are EUR 9,680 million and EUR 8,150 million respectively (2023: EUR 9,083 million and EUR 7,705 million respectively).

#### D. NCI in subsidiaries

IFRS 12.10(a)(ii), 12(g), B10(b)

The following table summarises the information relating to the Group's subsidiary that has material NCI.

#### Blue Banking Pty Limited

IFRS 12.12(a)

IFRS 12.12(c)

NCI percentage	20%	20%
In millions of EUR	2024	2023
Loans and advances	2,015	1,770
Other assets	120	230
Liabilities	(1,450)	(1,415)
<b>Net assets</b>	<b>685</b>	<b>585</b>
Carrying amount of NCI	137	117
Revenue	750	717
Profit	100	90
<b>Total comprehensive income</b>	<b>100</b>	<b>90</b>
Profit allocated to NCI	20	18
Cash flows from operating activities	126	211
Cash flows from investing activities	(50)	(23)
Cash flows from financing activities before dividends to NCI	12	(15)
Cash flows from financing activities cash dividends to NCI	-	-
Net increase in cash and cash equivalents	88	173

IFRS 12.12(f)

Blue Banking Pty Limited has its principal place of business in Australia.

IFRS 12.12(e)

IFRS 12.B10(a)

IFRS 12.12(b)

<sup>a</sup> For additional disclosure examples and explanatory notes on IFRS 12, see our [Guide to annual financial statements – IFRS 12 supplement](#).

## Notes to the consolidated financial statements (continued)

### 37. Involvement with unconsolidated structured entities

The following table describes the types of structured entities that the Group does not consolidate but in which it holds an interest.

#### Type of structured entity

<i>In millions of EUR</i>	Nature and purpose	Interest held by the Group	Total assets	
			2024	2023
Securitisation vehicles for loans and advances (see Note 38)	To generate: <ul style="list-style-type: none"> <li>• funding for the Group's lending activities;</li> <li>• margin through sale of assets to investors; and</li> <li>• fees for loan servicing.</li> </ul> These vehicles are financed through the issue of notes to investors.	<ul style="list-style-type: none"> <li>• Investments in notes issued by the vehicles</li> <li>• Fees for loan servicing</li> </ul>	2,730	2,540
Investment funds	To generate fees from managing assets on behalf of third party investors.  These vehicles are financed through the issue of units to investors.	<ul style="list-style-type: none"> <li>• Investments in units issued by the fund</li> <li>• Management fees</li> </ul>	2,450	2,310

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the assets held.

#### Carrying amount

<i>In millions of EUR</i>	2024 Investment securities	2023 Investment securities
Securitisation vehicles for loans and advances	256	224
Investment funds	238	210
Total	494	434

During the year ended 31 December 2024, the Group provided financial support of EUR 10 million to an unconsolidated securitisation vehicle to enable it to make payments to the holders of the notes issued by the vehicle. Although it is under no contractual obligation to do so, the Group decided to provide this support after careful consideration of its role in the set-up of the vehicle and its reputation in providing such services. The support was provided to assist the entity in managing its short-term liquidity.

The Group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity. The following table sets out information in respect of structured entities that the Group sponsors, but in which the Group does not have an interest.

<i>In millions of EUR</i>	2024	2023
<b>Securitisation vehicles for third party receivables</b>		
Fee income earned from securitisation vehicles	22	20
Carrying amount of assets transferred by third parties to securitisation vehicles at the time of transfer	780	769

IFRS 12.26

IFRS 12.29

IFRS 12.30

IFRS 12.27

## Notes to the consolidated financial statements (continued)

### 38. Transfers of financial assets

See accounting policy in [Note 46\(J\)\(iii\)](#).

IFRS 7.42A, 42D(a)

In the ordinary course of business, the Group enters into transactions that result in the transfer of financial assets, primarily debt and equity securities, and loans and advances to customers. In accordance with the accounting policy set out in [Note 46\(J\)\(iii\)](#), the transferred financial assets continue to be recognised in their entirety or to the extent of the Group's continuing involvement, or are derecognised in their entirety.

The Group transfers financial assets that are not derecognised in their entirety or for which the Group has continuing involvement primarily through the following transactions:

- sale and repurchase of securities;
- securities lending;
- sale of securities with a concurrent total return swap; and
- securitisation activities in which loans and advances to customers or investment securities are transferred to unconsolidated securitisation vehicles or to investors in the notes issued by consolidated securitisation vehicles.

#### A. Transferred financial assets that are not derecognised in their entirety

##### i. Sale-and-repurchase agreements

IFRS 7.42D(a)–(c)

'Sale-and-repurchase agreements' are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. The Group continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognised as a financial asset and a financial liability is recognised for the obligation to pay the repurchase price. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

##### ii. Securities lending

IFRS 7.42D(a)–(c)

'Securities lending agreements' are transactions in which the Group lends securities for a fee and receives cash as collateral. The Group continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash received is recognised as a financial asset and a financial liability is recognised for the obligation to repay it. Because as part of the lending arrangement the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

##### iii. Sale of a security with a total return swap

IFRS 7.42D(a)–(c)

The Group sells debt securities that are subject to a concurrent total return swap. In all cases, the Group retains substantially all of the risks and rewards of ownership. Therefore, the Group continues to recognise the transferred securities in its statement of financial position. The cash received is recognised as a financial asset and a corresponding liability is recognised. The Group does not separately recognise the total return swap that prevents derecognition of the security as a derivative because doing so would result in recognising the same rights and obligations twice. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.



## Notes to the consolidated financial statements (continued)

### 38. Transfers of financial assets (continued)

#### A. Transferred financial assets that are not derecognised in their entirety (continued)

##### iv. Securitisations

Loans and advances to customers and investment securities are sold by the Group to securitisation vehicles, which in turn issue notes to investors collateralised by the purchased assets. For the purposes of disclosure in this note, a transfer of such financial assets may arise in one of two ways.

- If the Group sells assets to a consolidated securitisation vehicle, then the transfer is from the Group (which includes the consolidated securitisation vehicle) to investors in the notes. The transfer is in the form of the Group assuming an obligation to pass cash flows from the underlying assets to investors in the notes.
- If the Group sells assets to an unconsolidated securitisation vehicle, then the transfer is from the Group (which excludes the securitisation vehicle) to the securitisation vehicle. The transfer is in the form of a sale of the underlying assets to the securitisation vehicle.

In the first case, the securitisation vehicles that are part of the Group generally transfer substantially all of the risks and rewards of ownership of the transferred assets to investors in the notes, but derecognition of the transferred assets is prohibited because the cash flows that the securitisation vehicles collect from the transferred assets on behalf of the investors are not passed through to them without material delay. In these cases, the consideration received from the investors in the notes in the form of cash is recognised as a financial asset and a corresponding financial liability is recognised. The investors in the notes have recourse only to the cash flows from the transferred financial assets.

In certain securitisations in which the Group transfers loans and advances to an unconsolidated securitisation vehicle, it retains some credit risk (principally through the purchase of notes issued by the vehicle) while transferring some credit risk, prepayment and interest rate risk to the vehicle. Accordingly, the Group does not retain or transfer substantially all of the risks and rewards of these assets. The terms of the transfer agreement prevent the unconsolidated securitisation vehicle from selling the loans and advances to a third party.

If the Group transfers assets as part of securitisation transactions, then it does not have the ability to use the transferred assets during the term of the arrangement.

IFRS 7.42D(a)–(c)

IFRS 7.42D(c)

## Notes to the consolidated financial statements (continued)

### 38. Transfers of financial assets (continued)

#### A. Transferred financial assets that are not derecognised in their entirety (continued)

##### iv. Securitisations (continued)

The following table sets out the carrying amounts and fair values of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

	Financial assets at fair value through profit or loss		Financial assets at amortised cost
	Loans and advances to customers	Pledged trading assets	Loans and advances to customers
<b>31 December 2024</b>			
<i>In millions of EUR</i>			
<b>Assets</b>			
Sales and repurchase agreements	271	216	629
Securities lending	219	92	605
Sale of a security with a total return swap	-	146	-
Securitisations	291	86	-
Carrying amount of assets	781	540	1,234
<b>Associated liabilities</b>			
Sales and repurchase agreements	273	217	630
Securities lending	224	92	606
Sale of a security with a total return swap	-	147	-
Securitisations	302	86	-
Carrying amount of associated liabilities	799	542	1,236
<b>For those liabilities that have recourse only to the transferred financial assets</b>			
<b>Assets</b>			
Sales and repurchase agreements	271	-	631
Securities lending	219	-	609
Sale of a security with a total return swap	-	-	-
Securitisations	291	-	-
Fair value of assets	781	-	1,240
<b>Associated liabilities</b>			
Sales and repurchase agreements	271	-	631
Securities lending	219	-	609
Sale of a security with a total return swap	-	-	-
Securitisations	291	-	-
Fair value of associated liabilities	781	-	1,240
Net position	-	-	-

IFRS 7.42D(d)-(e)

IFRS 7.42D(e)

IFRS 7.42D(e)

IFRS 7.42D(d)

IFRS 7.42D(d)

## Notes to the consolidated financial statements (continued)

### 38. Transfers of financial assets (continued)

#### A. Transferred financial assets that are not derecognised in their entirety (continued)

##### iv. Securitisations (continued)

		Financial assets at fair value through profit or loss		Financial assets at amortised cost
		Loans and advances to customers	Pledged trading assets	Loans and advances to customers
<b>31 December 2023</b>				
<i>In millions of EUR</i>				
<b>Assets</b>				
	Sales and repurchase agreements	196	201	343
	Securities lending	185	98	780
	Sale of a security with a total return swap	-	140	-
	Securitisations	252	80	-
<i>IFRS 7.42D(e)</i>	Carrying amount of assets	633	519	1,123
<b>Associated liabilities</b>				
	Sales and repurchase agreements	213	204	598
	Securities lending	189	89	527
	Sale of a security with a total return swap	-	138	-
	Securitisations	248	89	-
<i>IFRS 7.42D(e)</i>	Carrying amount of associated liabilities	650	520	1,125
<b>For those liabilities that have recourse only to the transferred financial assets</b>				
<b>Assets</b>				
	Sales and repurchase agreements	196	-	342
	Securities lending	185	-	778
	Sale of a security with a total return swap	-	-	-
	Securitisations	252	-	-
<i>IFRS 7.42D(d)</i>	Fair value of assets	633	-	1,120
<b>Associated liabilities</b>				
	Sales and repurchase agreements	196	-	342
	Securities lending	185	-	778
	Sale of a security with a total return swap	-	-	-
	Securitisations	252	-	-
<i>IFRS 7.42D(d)</i>	Fair value of associated liabilities	633	-	1,120
	Net position	-	-	-

*IFRS 7.42D(f)*

At 31 December 2024, the total carrying amount before the transfer of loans and advances transferred to unconsolidated securitisation vehicles in which the Group does not retain or transfer substantially all of the risks and rewards was EUR 74 million (2023: EUR 54 million). On 31 December 2024, the carrying amount of the assets that the Group continues to recognise in respect of its continuing involvement was EUR 31 million and the carrying amount of the associated liabilities was EUR 30 million (2023: EUR 21 million and EUR 19 million respectively).

## Notes to the consolidated financial statements (continued)

### 38. Transfers of financial assets (continued)

#### B. Transferred financial assets that are derecognised in their entirety

##### i. Securitisations

##### Sales to unconsolidated structured entities

IFRS 7.42C, 42E

Certain securitisation transactions undertaken by the Group result in the Group derecognising transferred assets in their entirety. This is the case when the Group transfers substantially all of the risks and rewards of ownership of financial assets to an unconsolidated securitisation vehicle and retains a relatively small interest in the vehicle or a servicing arrangement in respect of the transferred financial assets. If the financial assets are derecognised in their entirety, then the interest in unconsolidated securitisation vehicles that the Group receives as part of the transfer and the servicing arrangement represent continuing involvement with those assets.

IFRS 7.42E(f), 42G

In June 2024 and May 2023, the Group sold certain investment securities to an unconsolidated securitisation vehicle and, as part of the consideration, received notes issued by the securitisation vehicle. In both transactions, the notes represented 5 percent of the total issue. The Group classified the notes as measured at FVOCI.

During the year ended 31 December 2024, the Group realised a gain of EUR 8 million on the sale of the investment securities to the unconsolidated securitisation vehicle (2023: EUR 5 million). During the year ended 31 December 2024, it recognised interest income of EUR 4 million in profit or loss and a fair value gain of EUR 1 million in OCI on the notes (2023: EUR 3 million and EUR 1 million respectively). The cumulative interest income and fair value gain on the notes held on 31 December 2024 were EUR 5 million and EUR 1 million respectively. Servicing contracts are discussed below.

The following table sets out the details of the assets that represent the Group's continuing involvement with the transferred assets that are derecognised in their entirety.

IFRS 7.42E(a)–(b)

	Carrying amount	Fair value	
	Investment securities	Assets	Liabilities
<i>In millions of EUR</i>			
<b>Type of continuing involvement</b>			
Notes issued by unconsolidated securitisation vehicle:			
31 December 2024	98	98	-
31 December 2023	87	87	-

IFRS 7.42E(c)

The amount that best represents the Group's maximum exposure to loss from its continuing involvement in the form of notes issued by unconsolidated securitisation vehicles is their carrying amount.

## Notes to the consolidated financial statements (continued)

### 38. Transfers of financial assets (continued)

#### B. Transferred financial assets that are derecognised in their entirety (continued)

##### i. Securitisations (continued)

###### Other sales

IFRS 7.42C, 42E, 42H

As part of certain securitisation transactions that result in the Group derecognising the transferred financial assets in their entirety, the Group retains servicing rights in respect of the transferred financial assets. Under the servicing arrangements, the Group collects the cash flows on the transferred mortgages on behalf of the unconsolidated securitisation vehicle. In return, the Group receives a fee that is expected to compensate the Group adequately for servicing the related assets. Consequently, the Group accounts for the servicing arrangements as executory contracts and has not recognised a servicing asset/liability. The servicing fees are based on a fixed percentage of the cash flows that the Group collects as an agent on the transferred residential mortgages. Potentially, a loss from servicing activities may occur if the costs that the Group incurs in performing the servicing activity exceed the fees receivable or if the Group does not perform in accordance with the servicing agreements.

IFRS 7.42E(a)

In 2024 and 2023, the Group transferred prime residential mortgage loans (while retaining the servicing rights) to an unconsolidated securitisation vehicle. The loans sold were classified as loans and advances to customers and measured at FVTPL. The total carrying amount of these loans at the time of transfer was EUR 281 million in 2024 (EUR 148 million in May and EUR 133 million in November) (2023: EUR 199 million in July).

IFRS 7.42G

No gain or loss was recognised on the transfers because the residential mortgage loans transferred were measured at FVTPL.

The Group recognised income of EUR 2 million during the year ended 31 December 2024 in respect of servicing the residential mortgage loans (2022: EUR 1 million). The cumulative amount of such recognised income as at 31 December 2024 is EUR 3 million (2023: EUR 1 million). On 31 December 2024, the fair value of the loans and advances to customers that the Group still services amounted to EUR 262 million (2023: EUR 170 million). The fair value of servicing assets and liabilities on 31 December 2024 and 31 December 2023 was not material.

## Notes to the consolidated financial statements (continued)

### 39. Contingencies

See accounting policy in [Note 46\(V\)](#).

IAS 1.125, 3786

A subsidiary is defending an action brought by a consumer rights organisation in Europe in relation to the marketing of specific pension and investment products from 2016 to 2019. Although liability is not admitted, if the defence against the action is unsuccessful, then fines and legal costs could amount to EUR 3 million, of which EUR 250,000 would be reimbursable under an insurance policy. Based on legal advice, management believes that its defence of the action will be successful.

During 2024, Melody S.A filed a lawsuit in [*Country X*] against Blue Banking Limited, a subsidiary of the Group, related to disputed derivative transactions entered into in 2019. Melody S.A requested the contracts be declared null and void, and to receive compensation in the amount of EUR 5 million, as well as related interest. In October 2024, the court ruled in favour of the subsidiary. However, in November 2024 Melody S.A. filed an appeal against the decision reached by the court in [*Country X*] and a hearing at the Supreme Court is scheduled for February 2025. The opinion of the Group's legal counsel is that the claim does not have meritorious grounds. As a result, management believes that its defence in the Supreme Court will be successful.

In 2020, in common with a number of banks in [*Country Y*], a Group subsidiary transitioned to a new digital system in order to streamline cheque clearing. The Competition Authority in [*Country Y*] is investigating whether competition law was infringed by the exchange of information about fees among 10 banks transitioning to the new system. The subsidiary is co-operating with the investigation. The Competition Authority initiated a legal proceeding which is pending a final outcome. Based on legal advice, management believes that its defence of the action will be successful. However, if the defence against the action is unsuccessful, then fines and legal costs could amount to EUR 200,000, of which EUR 150,000 would be reimbursable under an insurance policy.

## Notes to the consolidated financial statements (continued)

### 40. Related parties<sup>a</sup>

#### A. Parent and ultimate controlling party

IAS 1.138(c), 24.13

During the year ended 31 December 2024, a majority of the Bank's shares were acquired by [name of new parent] from [name of old parent]. As a result, the new ultimate controlling party of the Group is [name]. The previous ultimate controlling party was [name of the previous controlling party].<sup>b</sup>

#### B. Transactions with key management personnel

##### i. Key management personnel compensation

IAS 24.17

Key management personnel compensation comprised the following.

<i>In millions of EUR</i>	2024	2023
Short-term employee benefits	12	10
Post-employment benefits	4	4
Other long-term benefits	1	1
Share-based payments	4	2
	<b>21</b>	<b>17</b>

IAS 24.17(a)

IAS 19.151(b), 24.17(b)

IAS 24.17(c)

IAS 24.17(e)

Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to the post-employment defined benefit plans (see Note 15(B)). Executive officers also participate in the Group's share option programme (see Note 15(A)).

##### ii. Key management personnel transactions

IAS 24.18–19

The aggregate values of transactions and outstanding balances related to key management personnel were as follows.

	Transaction values for the year ended 31 December		Maximum balance for the year ended 31 December		Balance outstanding as at 31 December	
	2024	2023	2024	2023	2024	2023
<i>In millions of EUR</i>						
Mortgage lending and other secured loans	7	6	10	8	6	6
Credit card	1	1	2	1	1	1
Other loans	2	5	4	6	2	2
Deposits received	(3)	(3)	(4)	(4)	(2)	(2)
	<b>7</b>	<b>9</b>	<b>12</b>	<b>11</b>	<b>7</b>	<b>7</b>

IAS 24.18(b), 23

Interest rates charged on balances outstanding from related parties are a quarter of the rates that would be charged in an arm's length transaction. The interest charged on balances outstanding at 31 December 2024 from related parties amounted to EUR 500,000 (2023: EUR 500,000). The interest paid on balances outstanding at 31 December 2024 to related parties amounted to EUR 150,000 (2023: EUR 130,000). The mortgages and secured loans granted are secured over property of the respective borrowers. Other balances are not secured and no guarantees have been obtained.

IAS 24.18(c)–(d)

As at 31 December 2024, the balances with key management personnel are allocated to Stage 1 of the ECL model and have a loss allowance of EUR 35,000 (2023: EUR 34,000). During 2024 EUR 1,000 impairment loss was recognised in profit or loss in respect of these balances (2023: EUR 1,200).

IAS 24.9(b)(viii)

a. A reporting entity discloses as a related party any entity, or any member of a group of which it is a part, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

IAS 24.13

b. The Bank's parent produces consolidated financial statements that are available for public use. If neither the Bank's parent nor its ultimate controlling party produced consolidated financial statements available for public use, then the Bank would disclose the name of the next most senior parent that does so. If neither the ultimate controlling party nor any intermediate controlling party produced consolidated financial statements that are available for public use, then this fact would be disclosed.

## Notes to the consolidated financial statements (continued)

### 41. Leases

See accounting policy in [Note 46\(H\)](#).

#### A. Leases as lessee

IFRS 16.51, 59

The Group leases a number of branch and office premises. The leases typically run for a period of 10 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

IAS 16.60

The Group also leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

IFRS 16.53–54

Information about leases for which the Group is a lessee is presented below.

#### i. Right-of-use assets

IFRS 16.47(a)(ii)

Right-of-use assets relate to leased branch and office premises that are presented within property and equipment (see [Note 26](#)).

<i>In millions of EUR</i>	2024	2023
Balance at 1 January	294	367
Depreciation charge for the year	(74)	(74)
Additions	5	1
Balance at 31 December	225	294

See [Note 6\(B\)\(ii\)](#) for maturity analysis of lease liabilities as at 31 December.

#### ii. Amounts recognised in profit or loss

IFRS 16.53(b)

IFRS 16.53(c)

IFRS 16.53(d)

<i>In millions of EUR</i>	2024	2023
Interest on lease liabilities	11	15
Expenses relating to short-term leases	2	2
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	2	2

#### iii. Amounts recognised in statement of cash flows

IFRS 16.53(g)

<i>In millions of EUR</i>	2024	2023
Total cash outflow for leases	93	99



## Notes to the consolidated financial statements (continued)

### 41. Leases (continued)

#### A. Leases as lessee (continued)

##### iv. Extension options

Some leases of office premises contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension options, would result in an increase in lease liability of EUR 100 million.

#### B. Leases as lessor

##### i. Finance lease

The Group leases out certain property and equipment under finance leases in its capacity as a lessor. For interest income on the Group's lease receivables, see [Note 9](#).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

<i>In millions of EUR</i>	2024	2023
<b>Gross investment in finance leases, receivable</b>		
Less than one year	251	203
Between one and two years	205	189
Between two and three years	200	184
Between three and four years	200	184
Between four and five years	200	184
More than five years	104	106
	<b>1,160</b>	1,050
Unearned finance income	(221)	(189)
Net investment in finance leases	<b>939</b>	861

IFRS 16.59(b)(ii), B50, IE10, Ex23

IFRS 16.94

IFRS 16.94

## Notes to the consolidated financial statements (continued)

### 41. Leases (continued)

#### B. Leases as lessor (continued)

##### ii. Operating lease

IFRS 16.92(a)

The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. [Note 28\(B\)](#) sets out information about the operating leases of investment property.

IFRS 16.90(b)

Rental income recognised by the Group during the year ended 31 December 2024 was EUR 4 million (2023: EUR 4 million).

IFRS 16.97

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

<i>In millions of EUR</i>	<b>2024</b>	<b>2023</b>
Less than one year	<b>3</b>	4
One to two years	<b>3</b>	4
Two to three years	<b>3</b>	4
Three to four years	<b>3</b>	4
Four to five years	<b>2</b>	3
More than five years	<b>1</b>	2
<b>Total</b>	<b>15</b>	21

## Notes to the consolidated financial statements (continued)

### 42. Subsequent events

#### Acquisition of ABC Bank

On 22 February 2025, the Group announced its offer to acquire all of the shares of ABC Bank for EUR 5.0 billion. The transaction still has to be approved by the Group's shareholders and by regulatory authorities. Approvals are not expected until late in 2025. Due to the early stage of the transaction, an estimate of the financial effect of this proposed acquisition cannot be made reliably.

IAS 10.21–22(a)

# Notes to the consolidated financial statements (continued)

IFRS 7.31

## 43. Financial risk management

### A. Introduction and overview

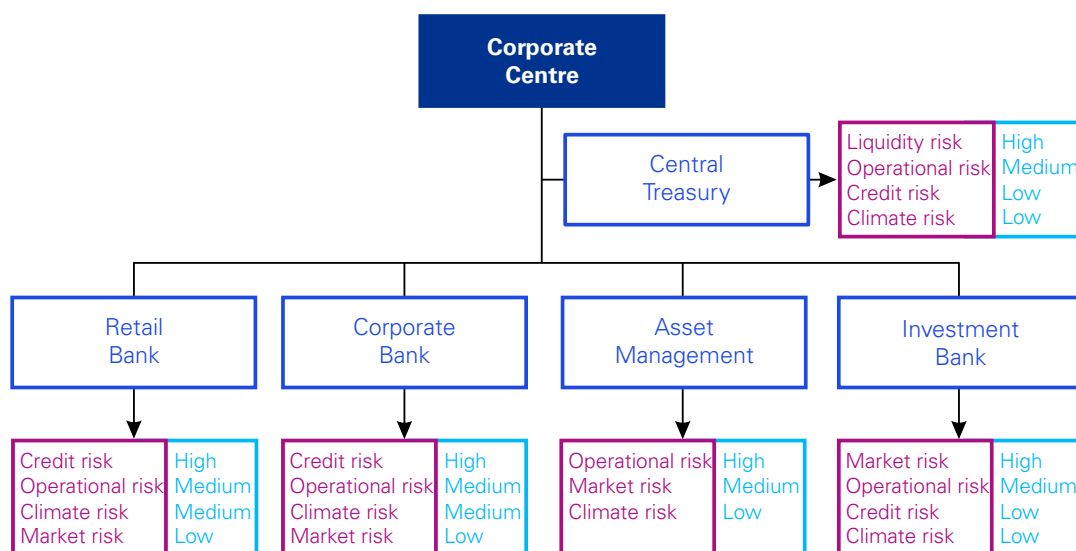
IFRS 7.31–32

The Group has exposure to the following risks from financial instruments:

- credit risk;
- liquidity risk;
- market risks; and
- operational risk.

In addition, the Group has identified climate-related risk as an emerging risk arising from financial instruments that has a growing impact on the Group’s activities.<sup>a</sup>

The following chart provides a link between the Group’s business units and the principal risks that they are exposed to. The significance of risk is assessed within the context of the Group as a whole and is measured based on allocation of the regulatory capital within the Group.<sup>b</sup>



IFRS 7.33

This note presents information about the Group’s objectives, policies and processes for measuring and managing risk.

a. ESMA has identified climate-related disclosures as one of its [enforcement priorities for 2023](#). In its [2024 statement](#), ESMA included connectivity between financial and sustainability statements as one of the general considerations and reminders.

b. *The EDTF report recommends that a bank describe the key risks that arise from the bank’s business models and activities, the bank’s risk appetite in the context of its business models and how the bank manages such risks. This is to enable users to understand how business activities are reflected in the bank’s risk measures and how those risk measures relate to line items in the balance sheet and income statement. It also notes that investors have suggested that consistent tabular presentation is particularly important to improving their understanding of the disclosed information and facilitating comparability among banks. The Group has concluded that including a chart that sets out a link between the Group’s business units and the principal risks that they are exposed to would facilitate users’ understanding of the remaining risk disclosures.*

## Notes to the consolidated financial statements (continued)

### 43. Financial risk management (continued)

#### A. Introduction and overview (continued)

##### i. Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the Group ALCO, which is responsible for approving and monitoring Group risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

#### B. Credit risk

'Credit risk' is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk.

The market risk in respect of changes in value in trading assets arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk; for further details, see (D) below.

##### i. Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transaction, the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free-settlement trades requires transaction-specific or counterparty-specific approvals from Group Risk.

IFRS 7.31

IFRS 7.33

Introduction

Primary statements

NOTES

Appendices

## Notes to the consolidated financial statements (continued)

### 43. Financial risk management (continued)

#### B. Credit risk (continued)

##### ii. Management of credit risk

The board of directors created the Group Credit Committee for the oversight of credit risk. A separate Group Credit department, reporting to the Group Credit Committee, is responsible for managing the Group's credit risk, including the following.

- *Formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Group Credit, the Head of Group Credit, the Group Credit Committee or the board of directors, as appropriate.
- *Reviewing and assessing credit risk*: Group Credit assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- *Developing and maintaining the Group's risk gradings* to categorise exposures according to the degree of risk of default. The current risk grading framework consists of 12 grades reflecting varying degrees of risk of default (see [Note 6\(A\)\(i\)](#) and [\(iii\)](#)). The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by Group Risk.
- *Developing and maintaining the Group's processes for measuring ECL*: This includes processes for:
  - initial approval, regular validation and back-testing of the models used;
  - determining and monitoring significant increase in credit risk; and
  - incorporation of forward-looking information.
- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Group Credit, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- *Providing advice, guidance and specialist skills* to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures, with credit approval authorities delegated from the Group Credit Committee. Each business unit has a Chief Credit Risk Officer who reports on all credit-related matters to local management and the Group Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and Group Credit processes are undertaken by Internal Audit.

IFRS 7.31

IFRS 7.33

IFRS 7.35B(a)

## Notes to the consolidated financial statements (continued)

IFRS 7.31

### 43. Financial risk management (continued)

IFRS 7.33

#### C. Liquidity risk

'Liquidity risk' is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Group's operations and investments.

IFRS 7.39(c)

#### Management of liquidity risk

The Group's Board of Directors sets the Group's strategy for managing liquidity risk and oversight of the implementation is administered by ALCO. ALCO approves the Group's liquidity policies and procedures created by the Financial Risk group. Central Treasury manages the Group's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of both the Group and operating subsidiaries and foreign branches. A summary report, including any exceptions and remedial action taken, is submitted to ALCO on a monthly basis or ad hoc when predefined thresholds are breached.

IFRS 7.39(b)

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The key elements of the Group's liquidity strategy are as follows.

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring maturity mismatches, behavioural characteristics of the Group's financial assets and financial liabilities, and the extent to which the Group's assets are encumbered and so not available as potential collateral for obtaining funding.
- Stress testing of the Group's liquidity position against various exposures and global, country-specific and Group-specific events.

Central Treasury receives information from other business units regarding the liquidity profile of their financial assets and financial liabilities and details of other projected cash flows arising from projected future business. Central Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other interbank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of business units and subsidiaries are met through loans from Central Treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

If an operating subsidiary or branch is subject to a liquidity limit imposed by its local regulator, then the subsidiary or branch is responsible for managing its overall liquidity within the regulatory limit in co-ordination with Central Treasury. Central Treasury monitors compliance of all operating subsidiaries and foreign branches with local regulatory limits on a daily basis.

## Notes to the consolidated financial statements (continued)

### 43. Financial risk management (continued)

#### C. Liquidity risk (continued)

##### **Management of liquidity risk (continued)**

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed taking into account both Group-specific events (e.g. a rating downgrade) and market-related events (e.g. prolonged market illiquidity, reduced fungibility of currencies, natural disasters or other catastrophes).

#### D. Market risks

'Market risk' is the risk that changes in market prices – e.g. interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group's solvency while optimising the return on risk.

##### **i. Management of market risks**

The Group separates its exposure to market risks between trading and non-trading portfolios. Trading portfolios are mainly held by the investment banking unit, and include positions arising from market making and proprietary position taking, together with financial assets and financial liabilities that are managed on a fair value basis.

With the exception of translation risk arising on the Group's net investments in its foreign operations, all foreign exchange positions within the Group are transferred by Central Treasury to the investment banking unit. Accordingly, the foreign exchange positions are treated as part of the Group's trading portfolios for risk management purposes.

Overall authority for market risk is vested in ALCO. ALCO sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios. The Group Market Risk Committee is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

The Group employs a range of tools to monitor and limit market risk exposures. These are discussed below, separately for trading and non-trading portfolios.

##### **ii. Exposure to market risks – Trading portfolios**

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is VaR. The VaR of a trading portfolio is the maximum estimated loss that can arise with a specified probability (confidence level) in the portfolio over a specified period of time (holding period) from an adverse market movement. The VaR model used by the Group is based on a 99 percent confidence level and assumes a 10-day holding period. The VaR model used is based mainly on historical simulation. Taking account of market data from the previous two years, and observed correlation between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements.

IFRS 7.31

IFRS 7.33

IFRS 7.39(c)

IFRS 7.33

IFRS 7.41(a)



## Notes to the consolidated financial statements (continued)

IFRS 7.31

IFRS 7.33

IFRS 7.41(b)

### 43. Financial risk management (continued)

#### D. Market risks (continued)

##### ii. Exposure to market risks – Trading portfolios (continued)

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following.

- A 10-day holding period assumes that it is possible to hedge or dispose of positions within that period. This may not be the case for illiquid assets or in situations in which there is severe market illiquidity.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used, there is a 1 percent probability that losses could exceed the VaR in any given 10-day period.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes does not cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent on the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if market price volatility declines and vice versa.

The Group uses VaR limits for total market risk and specific foreign exchange, interest rate, credit spread and other price risks (e.g. equity). The overall structure of VaR limits is subject to review and approval by ALCO. VaR limits are allocated to trading portfolios. VaR is measured at least daily and more regularly for more actively traded portfolios. Daily reports of utilisation of VaR limits are submitted to Group Market Risk and summaries are submitted to ALCO on a monthly basis or ad hoc if defined thresholds are breached.

IFRS 7.41(b)

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Group's overall position. The Group determines the scenarios as follows:

- *sensitivity scenarios* consider the impact of any single risk factor or set of factors that are unlikely to be captured within the VaR models;
- *technical scenarios* consider the largest move in each risk factor without consideration of any underlying market correlation; and
- *hypothetical scenarios* consider potential macroeconomic events – e.g. periods of prolonged market illiquidity, reduced fungibility of currencies, natural disasters or other catastrophes, health pandemics, etc.

The analysis of scenarios and stress tests is reviewed by ALCO.

The Group VaR models are subject to regular validation by Group Market Risk to ensure that they continue to perform as expected, and that assumptions used in model development are still appropriate. As part of the validation process, the potential weaknesses of the models are analysed using statistical techniques, such as back-testing.

## Notes to the consolidated financial statements (continued)

### 43. Financial risk management (continued)

#### D. Market risks (continued)

##### iii. Exposure to market risk – Non-trading portfolios

###### Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Central Treasury in its day-to-day monitoring activities. These day-to-day activities include monitoring changes in the Group's interest rate exposures, which include the impact of the Group's outstanding or forecast debt obligations. ALCO is responsible for setting the overall hedging strategy of the Group. Central Treasury is responsible for implementing that strategy by putting in place the individual hedge arrangements. Many of those hedge arrangements are designated in hedging relationships for accounting purposes (see [Note 22](#)).

###### Foreign exchange risk

###### *Non-structural positions*

The Group's risk management policies do not allow holding of significant foreign currency positions outside the trading book. ALCO is the monitoring body for compliance with this policy and is assisted by Central Treasury in its day-to-day monitoring activities.

###### *Structural positions*

The Group's structural foreign exchange exposures comprise the net asset value of its foreign currency equity investments in subsidiaries and branches that have functional currencies other than EUR. The Group's policy of hedging such exposures is explained in [Note 22\(C\)](#).

###### Equity price risk

Equity price risk is subject to regular monitoring by Group Market Risk, but is not currently significant in relation to the Group's overall results and financial position.

## Notes to the consolidated financial statements (continued)

### 43. Financial risk management (continued)

#### E. Operational risk<sup>a</sup>

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks – e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, Group policy requires compliance with all applicable legal and regulatory requirements.

The board of directors has created a Group Operational Risk Committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- IT and cyber risks; and
- risk mitigation, including insurance where this is cost-effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the Group Operational Risk Committee, with summaries submitted to the Audit Committee and senior management of the Group.

<sup>a</sup>. Operational risk is not a financial risk, and is not specifically required to be disclosed by IFRS 7. However, operational risk in a financial institution is commonly managed and reported internally in a formal framework similar to financial risks, and may be a factor in capital allocation and regulation.

## Notes to the consolidated financial statements (continued)

IFRS 7.31

### 43. Financial risk management (continued)

#### F Climate-related risk

'Climate-related risks' are potential negative impacts on the Group arising from climate change. Climate-related risks have an impact on the principal risk categories discussed above (i.e. credit, liquidity, market and operational risks), but due to their pervasive nature have been identified and managed by the Group on an overall basis.

The Group distinguishes between physical risks and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate-related patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels. Transition risks arise as a result of measures taken to mitigate the effects of climate change and transition to a low-carbon economy – e.g. changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand.

The Group has set up a Climate Risk Committee, which is responsible for developing group-wide policies, processes and controls to incorporate climate-related risks in the management of principal risk categories.

The Group has developed a climate-related risk framework for:

- identifying risk factors and assessing their potential impact on the Group's financial statements; and
- allocating responsibilities for managing each identified risk factor.

The Group has also set out principles on how to incorporate climate-related risk into stress test scenarios.

## Notes to the consolidated financial statements (continued)

### 43. Financial risk management (continued)

#### F Climate-related risk (continued)

The Group has identified the following climate-related risk factors as having an impact on the Group's financial instruments and included them in its principal risk management processes.

- *Industries exposed to increased transition risks:* The Group has identified industries that are subject to increased risk of climate-related regulation negatively affecting their business model. The Group Credit Committee has set overall lending limits for these industries.
- *Physical risk to real estate:* The Group has identified areas in which it operates that are exposed to increased physical risk such as hurricanes or floods. Heightened physical risk is considered in valuing collateral, such as real estate, plant or inventory.

In addition, the Group is in the process of developing models that aim to assess how borrowers' performance is linked to climate change. The Group plans to use these models in pricing credit risk and in calculating ECLs.

## Notes to the consolidated financial statements (continued)

### 44. Analysis of changes in financing during the year

#### A. Reconciliation of movements of liabilities to cash flows arising from financing activities<sup>a</sup>

IAS 7.44A–44E

<i>In millions of EUR</i>	Note	Liabilities	
		Debt securities	Subordinated liabilities
<b>Balance at 1 January 2024</b>		<b>10,248</b>	<b>4,985</b>
<b>Changes from financing cash flows</b>			
Proceeds from issue of debt securities		1,018	-
Repayment of debt securities		(96)	-
Proceeds from issue of subordinated liabilities	35	-	667
Payment of lease liability		-	-
Proceeds from exercise of share options	35	-	-
Dividends and coupon on equity instruments paid	35	-	-
<b>Total changes from financing cash flows</b>		<b>922</b>	<b>667</b>
<b>The effect of changes in foreign exchange rates</b>		<b>-</b>	<b>49</b>
<b>Changes in fair value</b>		<b>27</b>	<b>-</b>
<b>Other changes</b>		<b>-</b>	<b>-</b>
<b>Liability-related</b>			
Interest expense	9	343	410
Interest paid		(313)	(469)
<b>Total liability-related other changes</b>		<b>30</b>	<b>(59)</b>
<b>Total equity-related other changes</b>		<b>-</b>	<b>-</b>
<b>Balance at 31 December 2024</b>		<b>11,227</b>	<b>5,642</b>

IAS 7.44B(a)

IAS 7.44B(c)

IAS 7.44B(d)

IAS 7.44B(e)

Liabilities		Equity						
Lease liabilities	Ordinary shares	Share premium	Other equity instruments	Retained earnings	Reserves	NCI	Total	
<b>441</b>	<b>1,756</b>	<b>439</b>	<b>500</b>	<b>3,135</b>	<b>199</b>	<b>117</b>	<b>21,820</b>	
-	-	-	-	-	-	-	<b>1,018</b>	
-	-	-	-	-	-	-	<b>(96)</b>	
-	-	-	-	-	-	-	<b>667</b>	
<b>(78)</b>	-	-	-	-	-	-	<b>(78)</b>	
-	<b>3</b>	<b>29</b>	-	-	-	-	<b>32</b>	
-	-	-	<b>(20)</b>	<b>(263)</b>	-	-	<b>(283)</b>	
<b>(78)</b>	<b>3</b>	<b>29</b>	<b>(20)</b>	<b>(263)</b>	-	-	<b>1,260</b>	
-	-	-	-	-	<b>(52)</b>	-	<b>(3)</b>	
-	-	-	-	-	<b>(35)</b>	-	<b>(8)</b>	
<b>4</b>	-	-	-	-	<b>25</b>	<b>20</b>	<b>49</b>	
<b>11</b>	-	-	-	-	-	-	<b>764</b>	
<b>(11)</b>	-	-	-	-	-	-	<b>(793)</b>	
-	-	-	-	-	-	-	<b>(29)</b>	
-	-	-	<b>20</b>	<b>463</b>	-	-	<b>483</b>	
<b>367</b>	<b>1,759</b>	<b>468</b>	<b>500</b>	<b>3,335</b>	<b>137</b>	<b>137</b>	<b>23,572</b>	

IAS 7.44D–44E, 60 a. This example illustrates one possible format to meet the disclosure requirement in paragraphs 44A–44E of IAS 7 by providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. Other presentation formats are possible. Although the amendments only require disclosure of a reconciliation of changes in liabilities arising from financing activities, the Group has elected to expand the disclosure to cover changes in equity balances arising from financing activities as well. If an entity provides the disclosures required by paragraph 44A of IAS 7 in combination with disclosures of changes in other assets and liabilities, then it discloses the change in liabilities arising from financing activities separately from changes in those other assets or liabilities.

## Notes to the consolidated financial statements (continued)

### 44. Analysis of changes in financing during the year (continued)

#### A. Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

IAS 7.44A–44E

*In millions of EUR***Note**

#### Balance at 1 January 2023

IAS 7.44B(a)

#### Changes from financing cash flows

Proceeds from issue of debt securities

Repayment of debt securities

Proceeds from issue of subordinated liabilities

35

Payment of lease liability

Proceeds from exercise of share options

35

Dividends and coupon on equity instruments paid

35

#### Total changes from financing cash flows

#### The effect of changes in foreign exchange rates

IAS 7.44B(c)

#### Changes in fair value

IAS 7.44B(d)

#### Other changes

IAS 7.44B(e)

#### Liability-related

Interest expense

9

Interest paid

#### Total liability-related other changes

#### Total equity-related other changes

#### Balance at 31 December 2023



Liabilities			Equity							
Debt securities	Subordinated liabilities	Lease liabilities	Ordinary shares	Share premium	Other equity instruments	Retained earnings	Reserves	NCI	Total	
9,387	4,391	517	1,756	439	500	3,027	231	99	20,347	
762	-	-	-	-	-	-	-	-	762	
(99)	-	-	-	-	-	-	-	-	(99)	
-	651	-	-	-	-	-	-	-	651	
-	-	(80)	-	-	-	-	-	-	(80)	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	(20)	(263)	-	-	(283)	
663	651	(80)	-	-	(20)	(263)	-	-	951	
-	(70)	-	-	-	-	-	(14)	-	(84)	
184	-	-	-	-	-	-	(34)	-	150	
-	-	4	-	-	-	-	16	18	38	
316	353	15	-	-	-	-	-	-	684	
(302)	(340)	(15)	-	-	-	-	-	-	(657)	
14	13	-	-	-	-	-	-	-	27	
-	-	-	-	-	20	371	-	-	391	
10,248	4,985	441	1,756	439	500	3,135	199	117	21,820	

## Notes to the consolidated financial statements (continued)

IAS 1.112(a), 117(a)

### 45. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following material items, which are measured on the following alternative basis on each reporting date.

Items	Measurement basis
Non-derivative financial instruments at FVTPL	Fair value
Derivative financial instruments	Fair value
Debt and equity securities at FVOCI	Fair value
Investment property	Fair value
Liabilities for cash-settled share-based payment arrangements	Fair value
Recognised financial assets and financial liabilities designated as hedged items in qualifying fair value hedging relationships (which otherwise would have been measured at amortised cost)	Amortised cost adjusted for hedging gain or loss
Net defined benefit (asset) liability	Fair value of plan assets less the present value of the defined benefit obligation, limited as explained in <a href="#">Note 46(W)(iv)</a>

IAS 1.112(a), 116, 117(b), 119–121

### 46. Material accounting policies<sup>a</sup>

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.<sup>b</sup>

- <sup>a.</sup> The example accounting policies illustrated reflect the circumstances of the Group on which these financial statements are based, by describing only the specific policies that are relevant to an understanding of the Group's financial statements. For example, the accounting policy for provisions is not intended to be a complete description of all types of provisions available in general, but only of those that are relevant for the Group. These example accounting policies should not be relied on for a complete understanding of IFRS Accounting Standards and should not be used as a substitute for referring to the accounting standards and interpretations themselves. To help you identify the underlying requirements in IFRS Accounting Standards, references to the recognition and measurement requirements in IFRS Accounting Standards that are relevant for a particular accounting policy have been included and indicated by square brackets – e.g. *IFRS 3.19*.
- <sup>b.</sup> For further information about material accounting policies, see our [article](#) and read our [talkbook](#).

IAS 1.112(a), 116,  
117(b), 119–121

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

Set out below is an index of the material accounting policies, the details of which are available on the pages that follow.

	Page
A. Basis of consolidation	194
B. Foreign currency	195
C. Interest	196
D. Fees and commission	198
E. Net trading income	198
F. Net income from other financial instruments at fair value through profit or loss	198
G. Dividend income	198
H. Leases	198
I. Income tax	200
J. Financial assets and financial liabilities	202
i. Recognition and initial measurement	202
ii. Classification	202
iii. Derecognition	206
iv. Modifications of financial assets and financial liabilities	207
v. Offsetting	208
vi. Fair value measurement	209
vii. Impairment	209
viii. Designation at fair value through profit or loss	213
K. Cash and cash equivalents	214
L. Trading assets and liabilities	214
M. Derivatives held for risk management purposes and hedge accounting	214
N. Loans and advances	217
O. Investment securities	217
P. Property and equipment	218
Q. Investment property	219
R. Intangible assets and goodwill	219
S. Impairment of non-financial assets	219
T. Deposits, debt securities in issue and subordinated liabilities	220
U. Financial guarantees and loan commitments	221
V. Other provisions	221
W. Employee benefits	221
X. Share capital, other equity and reserves	222
Y. Earnings per share	223
Z. Segment reporting	223

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### A. Basis of consolidation

##### i. Business combinations

The Group accounts for business combinations under the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see (A)(ii)).

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see (S)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (see (J)(i) and (X)(ii)).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

##### ii. Subsidiaries

'Subsidiaries' are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

#### Securitisation vehicles

Certain securitisation vehicles sponsored by the Group under its securitisation programme are run according to predetermined criteria that are part of the initial design of the vehicles. The Group is exposed to variability of returns from the vehicles through its holding of debt securities in the vehicles and by issuing financial guarantees. Outside the day-to-day servicing of the receivables (which is carried out by the Group under a servicing contract), key decisions are usually required only when receivables in the vehicles go into default. In assessing whether it has control, the Group considers whether it manages the key decisions that most significantly affect these vehicles' returns. As a result, the Group has concluded that it controls some of these vehicles (for more information on consolidated vehicles, see Note 36).

[IFRS 3.3–4, 32, 34, 53, B5–B12]

[IFRS 3.B52]

[IFRS 3.40, 58]

[IFRS 3.30, B57–B61]

[IFRS 10.6, 8, 20, B80]

[IFRS 12.7(a), 9(b)]

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### A. Basis of consolidation (continued)

##### ii. Subsidiaries (continued)

###### Investment funds

[IFRS 12.7(a), 9(c)]

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the investors' rights to remove the fund manager. For all funds managed by the Group, the investors (whose number ranges from 300 to over 1,000) are able to vote by simple majority to remove the Group as fund manager without cause, and the Group's aggregate economic interest is in each case less than 15 percent. As a result, the Group has concluded that it acts as agent for the investors in all cases, and therefore has not consolidated these funds.

For further disclosure in respect of unconsolidated securitisation vehicles and investment funds in which the Group has an interest or for which it is a sponsor, see [Note 37](#).

##### iii. Non-controlling interests

[IFRS 3.19]

NCl are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.<sup>a</sup>

[IFRS 10.23, B96]

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

##### iv. Loss of control

[IFRS 10.25, B98–B99]

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCl and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

##### v. Transactions eliminated on consolidation

[IFRS 10.B86(c)]

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### B. Foreign currency

##### i. Foreign currency transactions

[IAS 21.21]

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the date of the transactions.

[IAS 21.23(a)]

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

[IAS 21.23(b)–(c)]

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

[IFRS 3.19]

- a. An entity has a choice on a combination-by-combination basis to measure any NCl in the acquiree at either the proportionate share of the acquiree's identifiable net assets or fair value. The Group has elected the former approach.

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### B. Foreign currency (continued)

##### i. Foreign currency transactions (continued)

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI (see Note 25);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see (B)(iii) and (M)(iii)); and
- qualifying cash flow hedges to the extent that the hedges are effective.

##### ii. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into EUR at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into EUR at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to NCI.

##### iii. Hedge of a net investment in foreign operation

See (M)(iii).

#### C. Interest

##### i. Effective interest rate

Interest income and expense are recognised in profit or loss under the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

##### ii. Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation under the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

[IFRS 9.B5.73]

[IAS 21.39]

[IFRS 10.B94,  
IAS 21.41]

[IAS 21.48–48D]

[IFRS 7.21, B5(e)]

[IFRS 9.A, B5.4.7]

[IFRS 9.A]

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### C. Interest (continued)

##### iii. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see (J)(vii).

#### Presentation

Interest income calculated under the effective interest method presented in the statement of profit or loss and OCI includes:<sup>a</sup>

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense;
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk; and
- negative interest on financial liabilities measured at amortised cost.

Other interest income presented in the statement of profit or loss and OCI includes interest income on lease receivables (see (H)).

Interest expense presented in the statement of profit or loss and OCI includes:

- financial liabilities measured at amortised cost;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense;
- negative interest on financial assets measured at amortised cost; and
- interest expense on lease liabilities.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income (see (E)).

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income and from other financial instruments at FVTPL (see (F)).

Cash flows related to capitalised interest are presented in the statement of cash flows consistently with interest cash flows that are not capitalised.

IFRS 7.21, B5(e)

IFRS 9.5.4.1

IFRS 9.5.4.1(b),  
5.4.2

IFRS 9.5.4.1(a)

IFRS 9.5.4.1

Insights 7.10.70.20 a. IFRS Accounting Standards allow scope for an entity to select its presentation of items of income and expense relating to financial assets and financial liabilities as either interest or other line items. The manner of presentation of components of interest income and expense in this guide is not mandatory – other presentations are possible.

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### D. Fees and commission

IFRS 7.21,  
[IFRS 9.B5.4.1–B5.4.3]

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see (C)).

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. Information about the related Group's accounting policies is provided in Note 10(C).

IFRS 15.7

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

IFRS 7.21, B5(e)

#### E. Net trading income<sup>a</sup>

'Net trading income' comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences.

IFRS 7.21, B5(e)

#### F. Net income from other financial instruments at fair value through profit or loss<sup>a</sup>

Net income from other financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest, dividends and foreign exchange differences.

IFRS 7.21

#### G. Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment.

Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

#### H. Leases

IFRS 16.9

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

<sup>a</sup> In this guide, net trading income is presented separately from net income from other financial instruments at FVTPL based on the distinction described in the notes. However, other presentations are possible.



## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### H. Leases (continued)

##### i. Group acting as a lessee

[IFRS 16.15, 45]

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and associated non-lease components as a single lease component.

[IFRS 16.22–24]

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

[IFRS 16.29–33]

The right-of-use asset is subsequently depreciated under the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

[IFRS 16.26]

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

IAS 1.112(c)

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

[IFRS 16.27]

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

[IFRS 16.36, 40, 42]

The lease liability is measured at amortised cost under the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

[IFRS 16.39]

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

[IFRS 16.105]

Where the basis for determining future lease payments changes as required by interest rate benchmark reform (see (J)(iv)), the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

[IFRS 16.47–48]

The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### H. Leases (continued)

##### i. Group acting as a lessee (continued)

##### Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### ii. Group acting as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

At the commencement date of a finance lease, as a lessor, the Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease.

At the commencement of an operating lease, as a lessor, the Group recognises lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Group applies another systematic basis if that basis is more representative of the pattern in which the benefit from the use of the underlying asset is diminished.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see (J)(iii) and (vii)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

#### I. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*<sup>a</sup> and has recognised the related expenses in 'other expenses'.

The Group has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred<sup>b</sup>.

IFRS 16.60,  
[IFRS 16.5–6, 8,  
B3–B8, BC100]

[IFRS 16.17]

[IFRS 16.61–62]

[IFRS 16.62–63]

[IFRS 16.67]

[IFRS 16.81]

[IFRS 16.77]

[IAS 12.58]

[IAS 12.88A]

Insights 3.13.45.10 a. Interest and penalties related to income taxes are not explicitly included in the scope of IAS 12. The IFRS Interpretations Committee discussed the accounting for interest and penalties related to income taxes and noted that an entity first considers whether interest or a penalty itself is an income tax. If so, then it applies IAS 12. If the entity does not apply IAS 12, then it applies IAS 37 to that amount. The Committee also noted that this is not an accounting policy choice – i.e. an entity needs to apply judgement based on the specific facts and circumstances.

Insights 3.13.43.20 b. Pillar Two top-up taxes are determined based on taxable profit or loss in a specific jurisdiction. They are included in the consolidated financial statements of the ultimate parent entity, before eliminating intra-group items and after making other adjustments – i.e. top-up taxes are levied on a net amount. Therefore, in our view all Pillar Two top-up taxes levied by tax authorities are generally income taxes in the scope of IAS 12.

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### I. Income tax (continued)

##### i. Current tax

[IAS 12.2, 12, 46,  
IFRIC 23.11]

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

[IAS 12.71]

Current tax assets and liabilities are offset only if certain criteria are met.

##### ii. Deferred tax

[IAS 12.15, 24, 39, 44]

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that:
  - is not a business combination; and
  - at the time of the transaction (i) affects neither accounting nor taxable profit or loss and (ii) does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

[IAS 12.56]

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

[IAS 12.37]

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

[IAS 12.47,  
IFRIC 23.11]

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

[IAS 12.51, 51C]

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

[IAS 12.74]

Deferred tax assets and liabilities are offset only if certain criteria are met.

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### J. Financial assets and financial liabilities

##### i. Recognition and initial measurement

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

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument on initial recognition is generally its transaction price. See [Notes 21\(C\)](#) and [46\(J\)\(vi\)](#) for a description of the policy if the fair value of a financial instrument on initial recognition differs from the transaction price.

##### ii. Classification

###### Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

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

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

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI – see [\(O\)](#). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise (see [\(J\)\(viii\)](#)).

IFRS 7.21

IFRS 7.21, B5(e)

[[IFRS 9.3.1.1–3.1.2,  
B3.1.3–B3.1.6]

[[IFRS 9.5.1.1]

[[IFRS 9.4.1.1]

[[IFRS 9.4.1.2]

[[IFRS 9.4.1.2A]

[[IFRS 9.4.1.4]

[[IFRS 9.4.1.4]

[[IFRS 9.4.1.5]

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### J. Financial assets and financial liabilities (continued)

##### ii. Classification (continued)

###### Business model assessment

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

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

The Group's retail and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the retail business the loans comprise mortgages, overdrafts, unsecured personal lending and credit card facilities. Sales of loans from these portfolios are very rare.

Certain debt securities are held by the Group Central Treasury in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

Certain other debt securities are held by the Group Central Treasury in separate portfolios to meet everyday liquidity needs. The Group Central Treasury seeks to minimise the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual cash flows as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Group considers that these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The Group originates certain loans and advances to customers and investment securities for sale to securitisation vehicles that are not consolidated by the Group. Such financial assets are held within a business model whose objective is to realise cash flows through sale.

IFRS 7.21

(IFRS 9.B4.1.2)

(IFRS 9.B4.1.2B, B4.1.2C, B4.1.4.A, B4.1.5)

(IFRS 9.B4.1.1–B4.1.2, Insights 74.70.30, 100)

(IFRS 9.B4.1.1–B4.1.2), Insights 74.70.30

- The objective of the entity's business model is not based on management's intentions with respect to an individual instrument, but rather is determined at a higher level of aggregation. The assessment needs to reflect the way that an entity manages its business or businesses. A single reporting entity may have more than one business model for managing its financial instruments.
- Entities disclose specific information about their business model assessment, including key judgements. Some examples of entity-specific information that may be relevant include:
  - how the Group has determined the appropriate level of aggregation at which the business model is applied;
  - how the entity determines whether the frequency and value of sales in prior periods and expected in future periods are infrequent/insignificant;
  - how the entity assesses whether sales from a held-to-collect portfolio are made due to an increase in the asset's credit risk or close to maturity, such that they are consistent with the held-to-collect business model; and
  - application to specific portfolios.

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### J. Financial assets and financial liabilities (continued)

##### ii. Classification (continued)

##### Business model assessment (continued)

Certain non-trading loans and advances to customers held by the Group's investment banking business and debt securities held by the Group Central Treasury are managed with an objective of realising cash flows through sale. The Group primarily focuses on fair value information and uses that information to assess the asset's performance and to make decisions.

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

##### Assessment of whether contractual cash flows are solely payments of principal and interest

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

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:<sup>a</sup>

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

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

The Group has granted loans that include features that change contractual cash flows based on the borrower meeting certain contractually specified sustainability targets. For example, the contractual interest rate is reduced if the borrower meets specific targets for reducing carbon emissions. If the sustainability-related feature could only have a *de minimis* effect on the contractual cash flows of the loan, then the feature does not affect the classification of the loan. However, if the effect of the sustainability-related feature could be more than *de minimis*, then judgement is required about whether the feature would be consistent with a basic lending arrangement and meet the SPPI criterion. Based on the contractual interest rates that the Group charges on the sustainability-related loans and the relative variability from the sustainability-related features, the Group considers that variability of the interest rate of up to 2bp is *de minimis*.

- a. Entities disclose significant judgements that they have made in determining whether the SPPI criterion is met for specific financial assets. The disclosures reflect the particular circumstances of the entity. For example, for some entities such judgements may include:
- how the entity carries out an assessment of whether a modified time value of money is consistent with the SPPI criterion;
  - how the entity assesses whether a prepayment penalty substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for the early termination of the contract; and
  - judgements made to determine whether a particular asset is a contractually linked instrument and whether it meets the SPPI criterion.

IFRS 7.21

[IFRS 9.B4.1.2]

[IFRS 9.B4.1.6]

[IFRS 9.B4.1.7, B4.1.7A]

[IFRS 9.4.1.3, B4.1.7A]

IAS 1.123(d)

Insights 7.4.255

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### J. Financial assets and financial liabilities (continued)

##### ii. Classification (continued)

#### Assessment whether contractual cash flows are solely payments of principal and interest (continued)

In some cases, the sustainability-linked adjustment to the contractual interest rate reflects compensation for a change in the credit risk of a loan and, therefore, does not prevent the loan from meeting the SPPI criterion. Where the sustainability-related feature represents compensation for exposure to a particular sustainability-related risk, the feature is not consistent with the SPPI criterion and the loan is measured at FVTPL.

Equity instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected (see below).

##### *Non-recourse loans*

In some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The Group applies judgement in assessing whether the non-recourse loans meet the SPPI criterion. The Group typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Group's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Group will benefit from any upside from the underlying assets.

##### *Contractually linked instruments*

The Group has some investments in securitisations (see [Note 38](#)) that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:

- the contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;
- the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and
- the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

##### **Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

IFRS 7.21

[IFRS 9.B4.1.7, B4.1.7A]

Insights 74.320.70

[IFRS 9.B4.1.21, B4.1.23–B4.1.25]

[IFRS 9.B4.1.21, B4.1.23–B4.1.25]

IFRS 9.4.4.1

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### J. Financial assets and financial liabilities (continued)

##### iii. Derecognition

###### Financial assets

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

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

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

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

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

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group securitises various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitisation vehicles and in the Group transferring substantially all of the risks and rewards of ownership. The securitisation vehicles in turn issue securities to investors. Interests in the securitised financial assets are generally retained in the form of senior or subordinated tranches, or other residual interests (retained interests). Retained interests are recognised as investment securities and measured as explained in (O).

###### Financial liabilities

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

IFRS 7.21

[IFRS 9.3.2.3–3.2.6]

[IFRS 9.3.2.12]

[IFRS 9.3.2.6]

[IFRS 9.B3.2.5(c)]

[IFRS 9.3.2.6]

[IFRS 9.3.2.10]

[IFRS 9.3.3.1]

Insights  
710.700.20, 710.10

a. The definition of 'transfer' in IFRS 9 for the purpose of determining whether a financial asset should be derecognised is different from the one in IFRS 7 for the purposes of disclosures about transfers of financial assets.



## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### J. Financial assets and financial liabilities (continued)

##### iv. Modifications of financial assets and financial liabilities

###### Financial assets

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

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

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

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

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.<sup>a</sup> Any costs or fees incurred and modification fees received<sup>b</sup> adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (see (vii)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated under the effective interest rate method (see (C)).<sup>c</sup>

IFRS 7.21

(IFRS 9.5.4.3, B5.5.26)

Insights 7.7.360.40

Insights 7.7.350.10–30

a. In our view, an entity may choose an accounting policy, to be applied consistently, to apply the guidance on floating-rate financial instruments (paragraph B5.4.5 of IFRS 9) to changes in cash flows resulting from the modification of a floating-rate component under the original contractual terms to a new rate of interest (whether floating or fixed) that reflects current market terms. We believe that under such a policy, the original effective interest rate of the financial asset should be revised, based on the new terms, to reflect changes in cash flows that reflect periodic changes in market rates. In some cases, the original contractual terms may facilitate a repricing of an otherwise fixed interest rate (or an otherwise fixed component of an interest rate) to reflect a change in periodic market rates of interest. In these cases, it appears that an entity may also choose an accounting policy, to be applied consistently, to apply paragraph B5.4.5 of IFRS 9 to a revision of such an interest rate (or a component of an interest rate) to a new current market rate of interest. We believe that such a policy cannot be applied if the pricing of the modified loan reflects the granting of a concession to the borrower or similar forbearance activity. The Group has elected to apply this guidance on floating-rate financial instruments.

Insights 7.7.352.20

b. In our view, an entity may choose one of the following approaches as its accounting policy on how to account for fees received by the lender from the borrower as part of a modification of a financial asset that does not result in derecognition:

- *Approach 1:* Include fees received in the calculation of the modification gain or loss.
- *Approach 2:* Adjust the gross carrying amount for the fees received.
- *Approach 3:* Adjust the gross carrying amount only for the fees received that have been charged by the lender to recover costs or fees incurred and recognise any excess as a modification gain or loss.
- The Group has elected Approach 2.

Insights 7.10.60.50

c. There is no guidance in IFRS 9 on the line item in the statement of profit or loss and OCI in which gains or losses on the modification of financial assets should be presented. Accordingly, an entity exercises judgement to determine an appropriate presentation for the gain or loss.

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### J. Financial assets and financial liabilities (continued)

##### iv. Modifications of financial assets and financial liabilities (continued)

###### Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.<sup>a</sup> Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

##### v. Offsetting

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

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

IFRS 7.21

[IFRS 9.3.3.2]

[IAS 32.42]

[IAS 1.32–35]

Insights 7.7370.20

<sup>a</sup> If the exchange or modification is not accounted for as a derecognition, then the requirements for measuring the amortised cost of a financial liability are consistent with the requirements for measuring the gross carrying amount of a financial asset. An entity applies the guidance in note (a) above to determine whether the effective interest rate of a modified financial liability may be revised. The Group has elected to apply paragraph B5.4.5 of IFRS 9 to a revision of a floating-rate interest rate (or a component of an interest rate) on a financial liability to a new current market rate of interest.

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### J. Financial assets and financial liabilities (continued)

##### vi. Fair value measurement

IFRS 7.21

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

[IFRS 13.9, 24, 42]

[IFRS 13.77, 79, A]

When one is available, the 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.

[IFRS 13.61–62]

If there is no quoted price in an active market, then the 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.

IFRS 7.28(a)

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 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 difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

[IFRS 13.70–71]

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

[IFRS 13.48]

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

[IFRS 13.47]

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

IFRS 13.95

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

##### vii. Impairment

See also [Note 6\(A\)\(iii\)](#).

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### J. Financial assets and financial liabilities (continued)

##### vii. Impairment (continued)

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (see [Note 6\(A\)\(iii\)](#)).

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.<sup>a</sup>

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exception to any other financial instruments.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

#### Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- *financial guarantee contracts*: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

When discounting future cash flows, the following discount rates are used:

- *financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables*: the original effective interest rate or an approximation thereof;
- *POCI assets*: a credit-adjusted effective interest rate;
- *lease receivables*: the discount rate used in measuring the lease receivable;
- *undrawn loan commitments*: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- *financial guarantee contracts issued*: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

See also [Note 6\(A\)\(iii\)](#).

IFRS 7.21

IFRS 7.35F(a)(i),  
IFRS 9.5.5.3, 5.5.5IFRS 7.35F(a)(i),  
IFRS 9.5.5.10,  
B5.5.22–B5.5.24

IFRS 9.A

IFRS 9.A,  
B5.5.28–B5.5.33Insights 78.390.10,  
IFRS 9.5.5.15(b)

<sup>a</sup> For lease receivables, an entity can choose as an accounting policy either to apply the general model for measuring loss allowance or always to measure the loss allowance at an amount equal to the lifetime ECL. In this guide, we assume that the Group has chosen the latter policy.

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### J. Financial assets and financial liabilities (continued)

##### vii. Impairment (continued)

##### Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see (iv)) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 6(A)(iii)).
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

##### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost, debt financial assets carried at FVOCI and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

IFRS 7.21

IFRS 7.35F(d),  
[IFRS 9.A]

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### J. Financial assets and financial liabilities (continued)

##### vii. Impairment (continued)

##### POCI financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

##### Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts*: generally, as a provision;
- *where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component*: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *debt instruments measured at FVOCI*: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in retained earnings.

##### Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.<sup>a</sup>

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

##### Financial guarantee contracts held

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another entity within the borrower's group.

IFRS 7.21

[IFRS 9.A]

[IFRS 9.5.5.13–5.5.14, B5.4.7]

IFRS 7.B8E,  
[IFRS 9.5.5.1–5.5.2]IFRS 7.35F(e),  
[IFRS 9.5.4.4]

Insights 7.1.143.10

Insights 78.430.130 a. IFRS 9 does not provide guidance on the presentation of recoveries of amounts previously written off in a specific line item in the statement of profit or loss and OCI. It appears that an entity may (but is not required to) present such recoveries in the line item 'impairment losses, including reversals of impairment losses or impairment gains, determined in accordance with IFRS 9'. This is because these recoveries are similar in nature to reversals of impairment losses. When such amounts are material, we believe that they should be disclosed separately.

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### J. Financial assets and financial liabilities (continued)

##### vii. Impairment (continued)

##### Financial guarantee contracts held (continued)

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Group determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets' (see Note 28). The Group presents<sup>a</sup> gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

##### viii. Designation at fair value through profit or loss

##### Financial assets

On initial recognition, the Group has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, that would otherwise arise.

##### Financial liabilities

The Group has designated certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 19 sets out the amount of each class of financial asset or financial liability that has been designated as at FVTPL. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

IFRS 7.21

Insights 7.1.143.10

IFRS 7.21, B5(a),  
B5(aa)

Insights 7.1.143.10

- a. It appears that an entity that accounts for a non-integral financial guarantee contract held by analogy to the guidance for reimbursements in IAS 37 should choose an accounting policy, to be applied consistently, to present gains or losses on a compensation right in profit or loss either:
- in the line item 'impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with IFRS 9'; or
  - in another appropriate line item.

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### K. Cash and cash equivalents

[IAS 7.46]

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

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

#### L. Trading assets and liabilities

IFRS 7.21,  
[IFRS 9.A, B4.1.6]

'Trading assets and liabilities' are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

#### M. Derivatives held for risk management purposes<sup>a</sup> and hedge accounting

IFRS 7.21

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

The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships.<sup>b</sup>

#### Policy applicable generally to hedging relationships

[IAS 39.88]

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125 percent. For a cash flow hedge of a forecast transaction, the Group makes an assessment of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

The Group normally designates a portion of the cash flows of a financial instrument for cash flow or fair value changes attributable to a benchmark interest rate risk, if the portion is separately identifiable and reliably measurable.

##### i. Fair value hedges

[IAS 39.81, AG99E–AG99F]

[IAS 39.89]

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognised in profit or loss. If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

a. In this guide, the classes of financial instruments reflect the Group's activities. Accordingly, derivatives are presented either as trading assets or liabilities or as derivative assets or liabilities held for risk management purposes to reflect the Group's two uses of derivatives. Derivatives held for risk management purposes include qualifying hedge instruments and non-qualifying hedge instruments held for risk management purposes rather than for trading. However, other presentations are possible.

[IFRS 9.72.21]

b. In this guide, we have assumed that the Group has elected as an accounting policy choice under IFRS 9 to continue to apply the hedge accounting requirements under IAS 39. However, entities may decide instead to apply the new hedge accounting model under IFRS 9.



## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### M. Derivatives held for risk management purposes and hedge accounting (continued)

##### **Policy applicable generally to hedging relationships (continued)**

##### i. Fair value hedges (continued)

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a CCP by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as an adjustment to the recalculated effective interest rate of the item over its remaining life.

On hedge discontinuation, any hedging adjustment made previously to a hedged financial instrument for which the effective interest method is used is amortised to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortisation begins. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

##### ii. Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in the hedging reserve is reclassified from OCI to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a CCP by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated. If the hedged cash flows are no longer expected to occur, then the Group immediately reclassifies the amount in the hedging reserve from OCI to profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows affect profit or loss; if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Group reclassifies the amount in the hedging reserve from OCI to profit or loss on a straight-line basis.

##### iii. Net investment hedges

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of a derivative or the foreign exchange gains and losses of a non-derivative is recognised in OCI and presented in the translation reserve within equity. The effective portion of the change in fair value of the hedging instrument is computed with reference to the functional currency of the parent entity against whose functional currency the hedged risk is measured. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is fully or partially reclassified to profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign operation, respectively.

IFRS 7.21

[IAS 39.91–92]

[IAS 39.95, 97]

[IAS 39.101]

[IAS 39.102]

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### M. Derivatives held for risk management purposes and hedge accounting (continued)

##### **Other non-trading derivatives**

Other non-trading derivatives are recognised on balance sheet at fair value. If a derivative is not held for trading, and is not designated in a qualifying hedging relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at FVTPL.

##### **Embedded derivatives<sup>a</sup>**

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

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

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

The Group has issued a bond with contractual cash flows based on the Group meeting a certain minimum score in a voluntary sustainability audit. The Group has determined that the variability in cash flows linked to the Group's sustainability-related performance is a non-financial variable specific to the party to the contract and, therefore, in accordance with the Group's accounting policy the feature fails to meet the definition of a derivative. Accordingly, the feature is not separated. Instead, it is included in the calculation of the effective interest rate of the bond.

IFRS 7.21

Insights 7.2.380,  
7.10.310

- <sup>a</sup> IFRS 9 does not specify where a separated embedded derivative component is presented in the statement of financial position. In this guide, an embedded derivative component that is separated from the host contract is presented in the same line item in the statement of financial position as the related host contract. However, other presentations are possible.

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### N. Loans and advances

The 'loans and advances to banks' caption in the statement of financial position includes loans and advances measured at amortised cost (see (J)(ii)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost under the effective interest method.

The 'loans and advances to customers' caption in the statement of financial position includes:

- loans and advances measured at amortised cost (see (J)(ii)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost under the effective interest method;
- loans and advances mandatorily measured at FVTPL or designated as at FVTPL (see (J)(ii)); these are measured at fair value with changes recognised immediately in profit or loss; and
- lease receivables (see (H)).

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the consideration paid is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

#### O. Investment securities

The 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost (see (J)(ii)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost under the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL (see (J)(ii)); these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue under the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Group elects to present changes in the fair value of certain investments in equity instruments that are not held for trading in OCI. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

IFRS 7.21

IFRS 7.21

[IFRS 9.5.7.10–5.7.11]

[IFRS 9.5.7.5]

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### O. Investment securities (continued)

Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss (see (J)(ii)) unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.<sup>a</sup>

#### P. Property and equipment

##### i. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

##### ii. Subsequent costs

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

##### iii. Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values under the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property and equipment for the current and comparative periods are as follows:

- buildings 40 years;
- IT equipment 3–5 years; and
- fixtures and fittings 5–10 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

IFRS 7.21

[IFRS 9.B5.7.1]

IAS 16.73(a)

[IAS 16.30]

[IAS 38.4]

[IAS 16.45]

[IAS 16.71]

[IAS 16.7, 12–13]

[IAS 16.53, 58, 60],  
IAS 16.73(b)

IAS 16.73(c)

[IFRS 9.5.B5.7.1,  
BC5.26]

<sup>a</sup> In this guide, the Group has elected to transfer cumulative gains and losses recognised in OCI to retained earnings on disposal of an investment in an equity instrument. However, IFRS 9 does not contain specific requirements on such a transfer, and so other approaches are possible.

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### Q. Investment property

[IAS 40.7, 33, 35]

IAS 40.75(a)

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss within other income.

[IAS 40.69]

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

[IAS 40.60]

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

#### R. Intangible assets and goodwill

##### i. Goodwill

[IAS 38.107–108]

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

##### ii. Software

[IAS 38.74]

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

[IAS 38.57, 66, 74]

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate: that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

[IAS 38.18, 20]

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

IAS 38.97, 118(a)–(b)

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to five years.

[IAS 38.104]

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### S. Impairment of non-financial assets

[IAS 36.9–10]

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

[IAS 36.6, 22, 80]

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

[IAS 36.6, 18, 30]

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

[IAS 36.59]

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### S. Impairment of non-financial assets (continued)

[IAS 36.102]

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

[IAS 36.104]

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

[IAS 36.117, 122, 124]

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

IFRS 7.21

#### T. Deposits, debt securities in issue and subordinated liabilities

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

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale-and-repurchase agreement), the consideration received is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

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

Deposits, debt securities in issue and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs. Subsequently, they are measured at their amortised cost under the effective interest method, except where the Group designates liabilities at FVTPL (see (J)(viii)).

IFRS 7.11(c),  
[IFRS 9.5.7.7, B5.75–  
B5.76]

When the Group designates a financial liability as at FVTPL, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in OCI as a liability credit reserve. On initial recognition of the financial liability, the Group assesses whether presenting the amount of change in the fair value of the liability that is attributable to credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. This assessment is made by using a regression analysis to compare:

- the expected changes in the fair value of the liability related to changes in the credit risk; with
- the impact on profit or loss of expected changes in the fair value of instruments whose characteristics are economically related to the characteristics of the liability.

Amounts presented in the liability credit reserve are not subsequently transferred to profit or loss. When these instruments are derecognised, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### U. Financial guarantees and loan commitments

'Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

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

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 (see (J)(vii)) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. Other loan commitments issued are measured at the sum of (i) the loss allowance determined in accordance with IFRS 9 (see (J)(vii)) and (ii) the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognised (see (D)). Derecognition policies in (J)(iii) are applied to loan commitments issued and held.

The Group has issued no loan commitments that are measured at FVTPL.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

#### V. Other provisions

Other provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense.

<b>Restructuring</b>	A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.
<b>Bank levies</b>	A provision for bank levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

#### W. Employee benefits

##### i. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### ii. Share-based payment transactions

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is recognised as personnel expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of SARs, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SARs. Any changes in the liability are recognised as personnel expenses in profit or loss.

IFRS 7.21,  
IFRS 9.A, BC22.2]

IFRS 9.2.1(e), (g),  
4.2.1(c)–(d), B2.5(a)]

IAS 37.14, 45, 47,  
IFRIC 1.8]

IAS 37.72]

IAS 19.11]

IFRS 2.14–15, 19–21,  
21A]

IFRS 2.30, 32]

## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### W. Employee benefits (continued)

##### iii. Defined contribution plans

[IAS 19.28, 51]

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

##### iv. Defined benefit plans

[IAS 19.57, 83]

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

[IAS 19.63–64, 67, IFRIC 14.23–24]

The calculation of defined benefit obligations is performed annually by a qualified actuary under the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

[IAS 19.122, 127–130]

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

[IAS 19.103, 109–110]

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

##### v. Other long-term employee benefits

[IAS 19.155–156]

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

##### vi. Termination benefits

[IAS 19.165]

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

IFRS 7.21

#### X. Share capital, other equity and reserves

##### i. Other equity instruments

[IAS 12.57A, 58, 32.11, 15–16, 35]

The Group classifies instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Group's other equity instruments are not redeemable by holders and bear an entitlement to coupons at the sole discretion of the board of directors. Accordingly, they are presented within equity. Distributions thereon are recognised in equity. Based on the Group's assessment of the terms of the instruments, the coupon payments meet the definition of dividends. Therefore, the related tax impacts are recognised in profit or loss in accordance with IAS 12, unless the transactions or events that generated those distributable profits were recognised outside profit or loss.

##### ii. Share issue costs

[IAS 32.35]

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.



## Notes to the consolidated financial statements (continued)

### 46. Material accounting policies (continued)

#### Y. Earnings per share

*[IAS 33.10, 31]*

The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

#### Z. Segment reporting

*[IFRS 8.5]*

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Group's other components, whose operating results are regularly reviewed by the Group's CODM to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

*[IFRS 8.25]*

Segment results that are reported to the Group's CEO (being the CODM) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Bank's headquarters), head office expenses and tax assets and liabilities.

## Notes to the consolidated financial statements (continued)

### 47. Accounting standards issued but not yet effective<sup>a</sup>

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted. However, the Group has not early adopted the new and amended accounting standards in preparing these consolidated financial statements.

#### A. Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)<sup>b</sup>

In May 2024, the International Accounting Standards Board (IASB) issued *Amendments to the classification and Measurement of Financial Instruments* which amended IFRS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted, and are related to:

- settling financial liabilities using electronic payments system; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Group is in the process of assessing the impact of the new amendments.

#### B. IFRS 18 Presentation and Disclosures in Financial Statements<sup>c</sup>

IFRS 18 will replace *IAS 1 Presentation of Financial Statements* and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Group is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Group's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

#### C. Other accounting standards

The *Lack of Exchangeability (Amendments to IAS 21)*<sup>d</sup> is not expected to have a significant impact on the Group's consolidated financial statements.

IAS 8.30–31

IAS 1.31

- Although new or amended accounting standards that will have no or no material effect on the financial statements need not be provided, the Group has included all new or amended accounting standards and their possible impact on the consolidated financial statements for illustrative purposes only.
- For further information please see our articles on [settlement by electronic payments](#) and [classification of financial assets](#).
- For further information on IFRS 18, see our [article](#) and read out [First Impressions](#) publication.
- For further information, see our [article](#).

# Appendix I

## New accounting standards or amendments for 2024 and forthcoming requirements

Since the December 2023 edition of this guide, a number of accounting standards, and amendments to or interpretations of accounting standards, have been issued. This appendix lists the accounting standards, amendments to or interpretations of accounting standards that have been issued by the IASB as at 30 November 2024, and it contains two tables, as follows.

- **New currently effective requirements:** This table lists the recent changes to the Accounting Standards that are required to be applied by an entity with an annual reporting period beginning on 1 January 2024.
- **Forthcoming requirements:** This table lists the recent changes to the Accounting Standards that are required to be applied for annual periods beginning after 1 January 2024 and that are available for early adoption in annual periods beginning on 1 January 2024.

The tables also include a cross-reference to further KPMG guidance, as appropriate. All of the effective dates in the tables refer to the beginning of an annual accounting period.

### New currently effective requirements

Effective date	New accounting standards or amendments	KPMG guidance
1 January 2024	<i>Non-current Liabilities with Covenants – Amendments to IAS 1</i>	<i>Insights into IFRS (2.9.40, 3.1.40, 7.10.50), <a href="#">Article</a></i>
	and	
	<i>Classification of Liabilities as Current or Non-current – Amendments to IAS 1</i>	
	<i>Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7</i>	<i>Insights into IFRS (2.3.193, 7.10.655), <a href="#">Article</a></i>
	<i>Lease Liability in a Sale and Leaseback – Amendments to IFRS 16</i>	<i>Insights into IFRS (5.1.595), <a href="#">Article</a>, <a href="#">Leases – Sale and leaseback</a></i>

## Forthcoming requirements

Effective date	New accounting standards or amendments	KPMG guidance
1 January 2025	<i>Lack of Exchangeability – Amendments to IAS 21</i>	<i>Insights into IFRS</i> (2.7.94 and 2.7.255), <a href="#">Article</a>
1 January 2026	<i>Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7</i>	<i>Insights into IFRS</i> (7.4.175, 7.4.295, 7.4.335, 7.4.372, 7.4.385, 7.6.15, 7.6.65, 7.6.365, 7.10.235, 7.10.357, 7.11.260), Classification of financial assets <a href="#">article</a> , Settlement by electronic payments <a href="#">article</a>
	<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	<i>Insights into IFRS</i> (7.1.155, 7.7.22), <a href="#">Article</a>
1 January 2027	<i>IFRS 18 Presentation and Disclosure in Financial Statements</i>	<i>Insights into IFRS</i> (1.2.45, 2.1.15, 2.3.35, 2.3.55, 3.1.15, 4.1.13, 4.1.75, 4.1.95, 4.1.125, 4.1.135, 4.1.145, 4.1.155, 4.1.165, 4.1.175, 4.1.215, 5.8.15, 5.9.45, 5.9.68, 7.10.95, 7.10.175), <a href="#">Article</a> , <a href="#">First Impressions</a>
	<i>IFRS 19 Subsidiaries without Public Accountability: Disclosures</i>	<i>Insights into IFRS</i> (1.1.185, 1.1.203), <a href="#">Article</a>
Available for optional adoption/ effective date deferred indefinitely <sup>a</sup>	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28</i>	

<sup>a</sup> The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

# Appendix II

## Presentation of comprehensive income – Two-statement approach

### Consolidated income statement<sup>a</sup>

For the year ended 31 December

In millions of EUR

	Note	2024	2023
IAS 1.10(b), 10A, 29, 38–38A, 81A, 97, 113			
IFRS 7.20(b), IAS 1.82(a)			
Interest income calculated under the effective interest method	9	3,319	3,509
Other interest income	9	22	19
IFRS 7.20(b), IAS 1.82(b)			
Interest expense	9	(1,409)	(1,414)
Net interest income		1,932	2,114
IFRS 7.20(c)			
Fee and commission income	10	854	759
IFRS 7.20(c)			
Fee and commission expense	10	(179)	(135)
Net fee and commission income		675	624
IFRS 7.20(a)(i)			
Net trading income	11	1,434	987
IFRS 7.20(a)(i)			
Net income from other financial instruments at FVTPL	12	77	27
IFRS 7.20(a)(viii)			
Other revenue	13	79	68
IFRS 7.20A, IAS 1.82(aa)			
Net loss arising from derecognition of financial assets measured at amortised cost	14	(9)	-
IAS 1.82(a), 85			
<b>Revenue</b>		<b>4,188</b>	3,820
Other income		21	84
IAS 1.82(ba)			
Impairment losses on financial instruments	6(A)	(616)	(448)
IAS 1.99			
Personnel expenses	15	(2,529)	(2,301)
IAS 1.99, 38.118(d)			
Depreciation and amortisation	26, 27	(120)	(113)
IAS 1.99			
Other expenses	16	(398)	(585)
IAS 1.85			
<b>Profit before tax</b>		<b>546</b>	457
IAS 1.82(d), 12.77			
Income tax expense	18	(123)	(79)
IAS 1.81A(a)			
<b>Profit for the period</b>		<b>423</b>	378
<b>Profit attributable to</b>			
IFRS 1.81B(a)(ii)			
Holders of ordinary shares of the Bank		383	340
Other equity holders		20	20
IAS 1.81B(a)(i)			
Non-controlling interests		20	18
		423	378
IAS 33.4			
<b>Earnings per share</b>			
IAS 33.66			
Basic earnings per share (EUR)	17	0.22	0.19
IAS 33.66			
Diluted earnings per share (EUR)	17	0.22	0.19

The notes on pages 20 to 224 are an integral part of these consolidated financial statements.

## Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December

In millions of EUR

IAS 1.10(b), 10A, 29, 38–38A, 81A, 97, 113

IAS 1.10A

IAS 1.82A(a)

IAS 1.85

IFRS 7.20(a)(vii)

IFRS 7.20(a)(i)

IAS 1.91(b)

IAS 1.82A(b)

IAS 21.52(b)

IAS 21.52(b)

IFRS 7.24C(b)(i)

IFRS 7.24C(b)(iv),  
IAS 1.92

IFRS 7.20(a)(viii)

IFRS 7.20(a)(viii),  
IAS 1.92

IAS 1.91(b)

IAS 1.81A(b)

IAS 1.81A(c)

IAS 1.81B(b)(ii)

IAS 1.81B(b)(i)

Note

2024

2023

### Profit for the period

423 378

### Other comprehensive income

#### Items that will not be reclassified to profit or loss

Remeasurements of defined benefit liability (asset)	15	7	9
Equity investments at FVOCI – net change in fair value		2	2
Movement in liability credit reserve	31	3	1
Related tax		(4)	(4)
		8	8

#### Items that are or may be reclassified subsequently to profit or loss

Movement in translation reserve:			
Foreign operations – foreign currency translation differences		(45)	(35)
Net gain on hedges of net investments in foreign operations		30	31
Movement in hedging reserve:			
Cash flow hedges – effective portion of changes in fair value		(43)	(22)
Cash flow hedges – reclassified to profit or loss		6	12
Movement in fair value reserve (FVOCI debt instruments):			
Debt investments at FVOCI – net change in fair value		(166)	(160)
Debt investments at FVOCI – reclassified to profit or loss		129	125
Related tax		25	15
		(66)	(34)

### Other comprehensive income for the period, net of tax

(56) (26)

### Total comprehensive income for the period

367 352

### Total comprehensive income attributable to

Holders of ordinary shares of the Bank		327	314
Other equity holders		20	20
Non-controlling interests	36(D)	20	18
		367	352

The notes on pages 20 to 224 are an integral part of these consolidated financial statements.

# Keeping in touch

Follow '[KPMG IFRS](#)' on LinkedIn or visit [kpmg.com/ifrs](https://kpmg.com/ifrs)

Whether you are new to IFRS Accounting Standards or a current user, you can find digestible summaries of recent developments, detailed guidance on complex requirements, and practical tools such as illustrative disclosures and checklists.



## Corporate reporting

<p><b>IFRS Today</b> Our latest insights and guidance on IFRS Accounting Standards</p>		<p><b>ISSB Standards Today</b> Insights and guidance on IFRS Sustainability Disclosure Standards</p>	
<p><b>ESRS Today</b> Insights and guidance on European Sustainability Disclosure Standards</p>		<p><b>Connected Reporting Today</b> Aligning your strategic, sustainability and financial information</p>	
<p><b>The KPMG view</b> Exploring topical issues in financial, ESG and connected reporting</p>		<p><b>News</b> Search all KPMG articles on the standards</p>	

## Emerging issues

<p><b>Clear on climate reporting hub</b> The financial reporting impacts</p>		<p><b>Emissions and green schemes</b> Your questions answered</p>	
<p><b>Ready for ESG reporting</b> Insight, high-level guidance and detailed analysis</p>		<p><b>Uncertain times hub</b> The financial reporting impacts</p>	

## Sustainability reporting

<p><b>IFRS S1 and IFRS S2</b> IFRS Sustainability Disclosure Standards</p>		<p><b>ESRS</b> European Sustainability Reporting Standards</p>	
<p><b>Comparing sustainability reporting requirements</b> Comparing requirements from the ISSB, EU and US SEC</p>		<p><b>GHG protocol</b> Measuring and reporting greenhouse gas emissions</p>	

**Financial reporting**


**Insights into IFRS®**  
Our practical guide to IFRS Accounting Standards



**Guides to financial statements**  
Including past guides and sector supplements



**IFRS toolkit**  
KPMG insights on applying IFRS Accounting Standards



**IFRS compared to US GAAP**  
Your guide to the significant differences




**Presentation and disclosure**  
IFRS 18




**Insurance**  
IFRS 17




**Leases**  
IFRS 16



**Revenue**  
IFRS 15




**Fair value measurement**  
IFRS 13




**Business combinations and consolidation**  
IFRS 10, 11, 12



**Financial instruments**  
IFRS 9




**Share-based payments**  
IFRS 2



**Earnings per share**  
IAS 33



**Income taxes**  
IAS 12  
Including the global minimum top-up tax




**Sectors**

**Banks**



**Investment funds**



For access to an extensive range of accounting, auditing and financial reporting guidance and literature, visit KPMG Accounting Research Online. This web-based subscription service is a valuable tool for anyone who wants to stay informed in today's dynamic environment. For a free 30-day trial, go to [aro.kpmg.com](http://aro.kpmg.com) and register today.



# Acknowledgements

We would like to acknowledge the efforts of the principal contributors to this publication, who include:

Uni Choi and Beakal Ayenew Desta of the KPMG International Standards Group.

## [kpmg.com/ifrs](https://kpmg.com/ifrs)

Publication name: *Guide to annual financial statements – Illustrative disclosures for banks*

Publication number: 137882

Publication date: December 2024

© 2024 KPMG IFRG Limited, a UK company, limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG International Standards Group is part of KPMG IFRG Limited.

KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit [kpmg.com/governance](https://kpmg.com/governance).

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

*This publication contains copyright © material of the IFRS® Foundation. All rights reserved. Reproduced by KPMG IFRG Limited with the permission of the IFRS Foundation. Reproduction and use rights are strictly limited. For more information about the IFRS Foundation and rights to use its material please visit [www.ifrs.org](https://www.ifrs.org).*

**Disclaimer:** *To the extent permitted by applicable law, the IASB, the ISSB and the IFRS Foundation expressly disclaims all liability howsoever arising from this publication or any translation thereof whether in contract, tort or otherwise (including, but not limited to, liability for any negligent act or omission) to any person in respect of any claims or losses of any nature including direct, indirect, incidental or consequential loss, punitive damages, penalties or costs.*

Information contained in this publication does not constitute advice and should not be substituted for the services of an appropriately qualified professional.

*'ISSB™' is a Trade Mark and 'IFRS®', 'IASB®', 'IFRIC®', 'IFRS for SMEs®', 'IAS®' and 'SIC®' are registered Trade Marks of the IFRS Foundation and are used by KPMG IFRG Limited under licence subject to the terms and conditions contained therein. Please contact the IFRS Foundation for details of countries where its Trade Marks are in use and/or have been registered.*