



**OTP Banka Slovensko, a.s.**

**Separate Financial Statements  
for the Year Ended 31 December 2015  
prepared in accordance with  
International Financial Reporting  
Standards as adopted by the European  
Union and Independent Auditor's Report**

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## OTP Banka Slovensko, a.s.

### INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of OTP Banka Slovensko, a.s.:

We have audited the accompanying separate financial statements of OTP Banka Slovensko, a.s. (the "Bank"), which comprise the separate statement of financial position as at 31 December 2015, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Statutory Body's Responsibility for the Financial Statements**

The Bank's statutory body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the statutory body, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

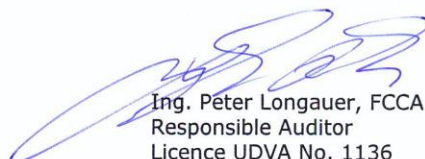
#### **Opinion**

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of OTP Banka Slovensko, a.s. as of 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Bratislava, 26 February 2016



Deloitte Audit s.r.o.  
Licence SKAu No. 014




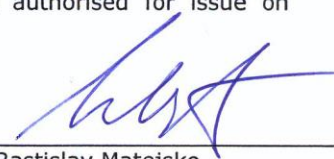
Ing. Peter Longauer, FCCA  
Responsible Auditor  
Licence UDVA No. 1136

**Separate Statement of Financial Position**  
as at 31 December 2015

(EUR '000)	Note	31 Dec 2015	31 Dec 2014
<b>Assets</b>			
Cash, due from banks and balances with the National Bank of Slovakia	4	45 021	57 305
Placements with other banks, net of provisions for possible placement losses	5	126 705	199 085
Financial assets at fair value through profit or loss	6	824	73
Available-for-sale financial assets	7	12 312	8 157
Loans and receivables, net of provisions for possible losses	8	1 144 606	1 093 741
Held-to-maturity financial investments	9	73 643	75 463
Investments in subsidiaries	10	93	151
Non-current tangible assets	11	21 817	22 202
Non-current intangible assets	11	6 788	6 758
Deferred tax asset	20	1 021	759
Other assets	12	2 285	3 122
<b>Total assets</b>		<b>1 435 115</b>	<b>1 466 816</b>
<b>Liabilities</b>			
Due to banks and deposits from the National Bank of Slovakia and other banks	13	14 262	36 379
Amounts due to customers	14	1 233 534	1 197 994
Liabilities from issued debt securities	15	34 843	59 098
Current tax liability	20	950	862
Provisions for liabilities	21	2 963	3 479
Other liabilities	16	14 735	13 873
Subordinated debt	17	20 007	47 056
<b>Total liabilities</b>		<b>1 321 294</b>	<b>1 358 741</b>
<b>Equity</b>			
Share capital	18	88 539	88 539
Reserve funds		5 695	5 479
Retained earnings		13 849	14 292
Revaluation reserve – available-for-sale financial assets		2 784	208
Profit/(loss) for the year		2 954	(443)
<b>Total equity</b>		<b>113 821</b>	<b>108 075</b>
<b>Total liabilities and equity</b>		<b>1 435 115</b>	<b>1 466 816</b>

These financial statements were approved by the Board of Directors and authorised for issue on 23 February 2016.

  
Zita Zemková  
Chairman of the Board of Directors

  
Rastislav Matejsko  
Member of the Board of Directors

**Separate Statement of Comprehensive Income**  
for the year ended 31 December 2015

(EUR '000)	Note	Year Ended 31 Dec 2015	Year Ended 31 Dec 2014
Interest income		61 116	64 334
Interest expense		(13 826)	(17 986)
<b>Net interest income</b>	23	<b>47 290</b>	<b>46 348</b>
<b>Provisions for impairment losses on loans and off-balance sheet, net</b>	24	<b>(14 134)</b>	<b>(14 189)</b>
<b>Net interest income after provisions for impairment losses on loans and off-balance sheet</b>		<b>33 156</b>	<b>32 159</b>
Fee and commission income		14 385	12 814
Fee and commission expense		(3 447)	(3 091)
<b>Net fee and commission income</b>	25	<b>10 938</b>	<b>9 723</b>
Gains/(losses) on financial transactions, net	26	(1 243)	(529)
Gains/(losses) on financial assets, net	27	(58)	-
General administrative expenses	28	(38 964)	(41 130)
Other operating revenues/(expenses), net	29	(44)	(695)
<b>Profit/(loss) before income tax</b>		<b>3 785</b>	<b>(472)</b>
Income tax	19	(831)	29
<b>Net profit/(loss) after tax</b>		<b>2 954</b>	<b>(443)</b>
<b>Items of other comprehensive income that will be reclassified subsequently to profit or loss, net of tax</b>			
Revaluation of available-for-sale financial assets	30	2 576	(314)
<b>Total comprehensive income for the year</b>		<b>5 530</b>	<b>(757)</b>
Profit/(loss) per share in face value of EUR 3.98 (in EUR)	40	0.133	(0.022)
Profit/(loss) per share in face value of EUR 39 832.70 (in EUR)	40	1 329.11	(222.551)
Profit/(loss) per share in face value of EUR 1.00 (in EUR)	40	0.033	(0.006)

**Separate Statement of Changes in Equity**  
as at 31 December 2015

(EUR '000)	Share Capital	Reserve Funds	Retained Earnings	Revaluation of Available-for-Sale Financial Assets	Profit/ (Loss) for the Year	Total
<b>Equity as at 1 Jan 2014</b>	<b>78 508</b>	<b>5 172</b>	<b>14 393</b>	<b>522</b>	<b>-</b>	<b>98 595</b>
Transfers	-	101	(101)	-	-	-
Increase of share capital	10 031	-	-	-	-	<b>10 031</b>
Share-based payments	-	206	-	-	-	<b>206</b>
Total comprehensive income	-	-	-	(314)	(443)	<b>(757)</b>
<b>Equity as at 31 Dec 2014</b>	<b>88 539</b>	<b>5 479</b>	<b>14 292</b>	<b>208</b>	<b>(443)</b>	<b>108 075</b>

(EUR '000)	Share Capital	Reserve Funds	Retained Earnings	Revaluation of Available-for-Sale Financial Assets	Profit/ (Loss) for the Year	Total
<b>Equity as at 1 Jan 2015</b>	<b>88 539</b>	<b>5 479</b>	<b>13 849</b>	<b>208</b>	<b>-</b>	<b>108 075</b>
Share-based payments	-	216	-	-	-	<b>216</b>
Total comprehensive income	-	-	-	2 576	2 954	<b>5 530</b>
<b>Equity as at 31 Dec 2015</b>	<b>88 539</b>	<b>5 695</b>	<b>13 849</b>	<b>2 784</b>	<b>2 954</b>	<b>113 821</b>



**Separate Statement of Cash Flows**  
for the year ended 31 December 2015

(EUR '000)	Note	Year Ended 31 Dec 2015	Year Ended 31 Dec 2014
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Net profit/(loss) after tax</b>		<b>2 954</b>	<b>(443)</b>
<i>Adjustments to reconcile net income/(loss) to net cash provided by operating activities:</i>			
Provisions for loans and off-balance sheet		14 134	14 189
Provisions for other assets		(1)	73
Provisions for contingent liabilities		(447)	727
Provisions for investments in subsidiaries		58	-
Foreign exchange (gains)/losses on cash and cash equivalents		58	(759)
Depreciation and amortisation		4 693	4 858
Net effect of assets sold		87	-
Net effect of income tax		831	(29)
Share-based payments		216	206
<i>Changes in operating assets and liabilities:</i>			
Net decrease/(increase) in statutory minimum reserves stipulated by the National Bank of Slovakia		14 489	(10 368)
Net decrease/(increase) in placements with other banks		-	-
Net decrease/(increase) in financial assets at fair value through profit or loss		(751)	(53)
Net decrease/(increase) in available-for-sale financial assets		(853)	50 525
Net decrease/(increase) in loans and receivables before provisions for possible losses		(65 068)	(51 830)
Net (decrease)/increase in amounts due to banks and deposits from the National Bank of Slovakia and other banks		(20)	(40 203)
Net (decrease)/increase in amounts due to customers		35 540	73 580
Net decrease/(increase) in other assets before provisions for possible losses		838	(80)
Net (decrease)/increase in other liabilities		(869)	(631)
<b>Net cash flows from/(used in) operating activities</b>		<b>5 889</b>	<b>39 762</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
Net decrease/(increase) in held-to-maturity investments		1 820	119 306
Net decrease/(increase) in non-current tangible and intangible assets		(4 425)	(5 907)
<b>Net cash flows from/(used in) investment activities</b>		<b>(2 605)</b>	<b>113 399</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net (decrease)/increase in issued debt securities		(24 255)	(24 702)
Net (decrease)/increase in subordinated debt		(27 049)	18 000
Increase of share capital		-	10 031
<b>Net cash flows from/(used in) financial activities</b>		<b>(51 304)</b>	<b>3 329</b>
Effect of exchange rate fluctuations on cash and cash equivalents		(58)	759
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(48 078)</b>	<b>157 249</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>34</b>	<b>200 441</b>	<b>43 192</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>34</b>	<b>152 363</b>	<b>200 441</b>

In 2015, OTP Banka Slovensko, a.s. received cash from interest in the amount of EUR 61 015 thousand (2014: EUR 66 462 thousand) and paid out interest in the amount of EUR 15 128 thousand (2014: EUR 17 872 thousand).

## **1. Introduction**

OTP Banka Slovensko, a.s. (hereinafter the "Bank" or "OTP Slovensko") was established on 24 February 1992 and incorporated on 27 February 1992. The Bank's seat is at Štúrova 5, 813 54 Bratislava. The Bank's identification number (IČO) is 31318916 and its tax identification number (DIČ) is 2020411074.

### **Members of Statutory and Supervisory Boards as at 31 December 2015**

#### **Board of Directors:**

Ing. Zita Zemková (Chairman)  
Ing. Rastislav Matejsko  
Mgr. Peter Leško  
Dr. Sándor Patyi

#### **Supervisory Board:**

József Németh (Chairman)  
Ágnes Rudas  
Atanáz Popov  
Péter Forrai  
Ing. Jozef Brhel  
Ing. Angelika Mikócziová

*Changes in the Bank in 2015:*

#### **Board of Directors:**

Mgr. Peter Leško, office terminated with effect from 30 September 2015 and re-elected to office with effect from 1 October 2015

#### **Supervisory Board:**

Ing. Katarína Mihók, resignation from office with effect from 26 February 2015  
Gábor Kovács, resignation from office with effect from 1 April 2015  
Ágnes Rudas, office terminated with effect from 12 April 2015 and re-elected to office with effect from 13 April 2015  
Ing. Angelika Mikócziová, start of office with effect from 24 April 2015  
Péter Forrai, start of office with effect from 21 May 2015

### **Scope of Business**

The Bank holds a universal banking licence issued by the National Bank of Slovakia ("NBS" or "National Bank of Slovakia") and carries out business in Slovakia.

The core activity of the Bank is the provision of a wide range of banking and financial services to various entities, mainly to large- and mid-sized enterprises, private individuals, and institutional customers.

The Bank's core scope of business, under the banking licence from the NBS, is as follows:

- Acceptance of deposits;
- Provision of loans;
- Provision of investment services, investment activities and non-core services under Act No. 566/2001 Coll. on Securities and Investment Services within the scope of the banking licence granted by the NBS;
- Trading on own account with money market financial instruments in both the local and foreign currency including the exchange activity;
- Trading on own account with capital market financial instruments in both the local and foreign currency;
- Trading on own account with coins made of precious metals, commemorative bank notes and coins, with bank note sheets and sets of circulating coins;
- Administration of receivables in the client's account including related advisory services;
- Financial leasing;
- Domestic transfers of funds and cross-border transfers of funds (payments and settlements);
- Issuance and administration of payment instruments;
- Granting of bank guarantees, opening and validation of letters of credit;
- Issuance of securities, participation in issues of securities and provision of related services;
- Financial brokerage;
- Business consulting services;
- Safe custody;
- Depository services pursuant to separate regulations;
- Banking information services;
- Renting of safe deposit boxes;
- Special mortgage instruments pursuant to Article 67 par. 1 under provision 2 par. 2 n) to Act No. 483/2001 Coll.; and
- Processing of bank notes, coins, commemorative bank notes and coins.



The Bank is authorised to provide investment services, investment activities, and non-core services under the Act on Securities as follows:

- Receipt and transfer of the client's instruction related to one or more financial instruments in relation to financial instruments: negotiable securities, money market instruments, trust certificates or securities issued by foreign entities of collective investment, swaps related to interest rates or earnings which can be settled by delivery or in cash;
- Execution of the client's instruction at its own account in relation to financial instruments: negotiable securities, money market instruments, trust certificates or securities issued by foreign entities of collective investment;
- Trading at own account in relation to financial instruments: negotiable securities, money market instruments, trust certificates or securities issued by foreign entities of collective investment, currency futures and forwards which can be settled by delivery or in cash;
- Investment advisory in relation to financial instruments: negotiable securities, money market instruments, trust certificates or securities issued by foreign entities of collective investment;
- Firm commitment underwriting and placement of financial instruments in relation to negotiable securities;
- Placement of financial instruments without firm commitment in relation to financial instruments: negotiable securities, trust certificates or securities issued by foreign entities of collective investment;
- Custody of trust certificates or securities issued by foreign entities of collective investment, custody and administration of negotiable securities at the client's account excluding holder's administration, and related services, mainly administration of cash and financial collaterals;
- Trading with foreign exchange values if relevant to the provision of investment services;
- Conducting of investment research and financial analysis or other form of general recommendation related to transactions with financial instruments; and
- Services related to underwriting of financial instruments.

On 17 September 2012, the National Bank of Slovakia decided to extend the banking licence of OTP Banka Slovensko, a. s. in banking activities of the provision of investment services, investment activities and ancillary services under Act No. 566/2001 Coll. on Securities and Investment Services for a new financial instrument, as follows:

- Execution of orders on behalf of clients under the provision of Article 6 (1b) of the Act on Securities with respect to swaps related to interest rates or interest income that may be settled physically or in cash, as stipulated in the provision of Article 5 (1d) of the Act on Securities;
- Dealing on own account under the provision of Article 6 (1c) of the Act on Securities with respect to swaps related to interest rates or interest income that may be settled physically or in cash, as stipulated in the provision of Article 5 (1d) of the Act on Securities.

Operating profit/loss was mainly generated from the provision of banking services in Slovakia.

### **Shareholders' Structure**

The majority shareholder of the Bank is OTP Bank Nyrt. Hungary ("OTP Bank Nyrt.") with 99.26% share of the Bank's share capital. OTP Bank Nyrt. is the direct parent company of the Bank. The shareholders' structure (with respective shares exceeding 1%) and their share on the share capital are as follows:

<b>Name/Business Name</b>	<b>Share in Subscribed Share Capital as at 31 Dec 2015</b>	<b>Share in Subscribed Share Capital as at 31 Dec 2014</b>
OTP Bank Nyrt. Hungary	99.26%	99.26%
Other minority owners	0.74%	0.74%

The shareholders' shares of voting rights are equal to their shares of the share capital.

### ***Increase in the Share Capital by Subscription of New Ordinary Shares***

On 12 September 2014, in accordance with the authorisation by the General Meeting after the prior approval of the Supervisory Board, the issuer's Board of Directors decided to increase the share capital. The increase in the issuer's share capital was performed by the subscription of new shares. The existing shareholders had the preferential subscription right for the subscription of shares to increase the share capital in proportion of the face value of their shares to the amount of the existing share capital.

The time limit for the subscription of shares by the shareholders was from 30 October to 13 November 2014. The subscribers were obligated to pay the 100% rate of issue for the subscribed shares no later than by 14 November 2014.

The number of effectively subscribed shares is 10 031 209 shares. The face value per subscribed share is EUR 1. The subscribed shares are registered ordinary shares issued as uncertified shares. No special rights are attached to the subscribed shares. The total increase of the Bank's share capital amounts to EUR 10 031 209 and it was paid up in full.

### ***Organisational Structure and Number of Employees***

As at 31 December 2015, the Bank operated 5 regional centres (31 December 2014: 5) and 60 branches (31 December 2014: 61) in Slovakia.

As at 31 December 2015, the full-time equivalent of the Bank's employees was 662 (31 December 2014: 660 employees), of which 25 managers (31 December 2014: 27).

As at 31 December 2015, the actual registered number of employees was 669 (31 December 2014: 661), of which 24 managers (31 December 2014: 25).

"Managers" means members of the Board of Directors and managers directly reporting to the statutory body or a member of the statutory body.

The full-time equivalent of employees and the actual registered number of employees does not include members of the Supervisory Board.

As at 31 December 2015, the Bank's Supervisory Board had 6 members (31 December 2014: 6).

### ***Regulatory Requirements***

The Bank is subject to the banking supervision and regulatory requirements of the NBS. These regulations include indicators, and limits pertaining to liquidity, capital adequacy ratios, risk management system and the currency position of the Bank.

### ***Data on Consolidating Entity***

The Bank is part of the consolidation group of OTP Group; consolidated financial statements for all groups of consolidation group entities are prepared by Országos Takarékpénztár és Kereskedelmi Bank Nyrt., the parent company with its seat at Nádor utca 16, 1051 Budapest, Hungary ("OTP Bank Nyrt."). OTP Bank Nyrt. is also an immediate consolidating entity of the Bank.

### ***Data on the Subsidiary***

Company's Name	Seat	Type of Interest
Faktoring SK, a.s. v likvidácii	Tallerova 10, 811 02 Bratislava	Direct

In 2010, as part of the strategic decisions made at the OTP Group level, a decision was made to terminate the activities of OTP Faktoring Slovensko, a.s. On 1 April 2011, OTP Faktoring Slovensko, a.s. entered into liquidation and its business name was changed to "Faktoring SK, a.s. v likvidácii". As at 31 December 2015, the company's liquidation was completed. At the company's General Meeting to be held in 2016 the conclusions regarding the liquidation and the distribution of the liquidation balance will be confirmed. In 2015, the Bank created additional provisions in the amount of EUR 58 thousand to cover an expected loss from the liquidation.

## **2. Principal Accounting Policies**

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

### ***Statement of Compliance***

The separate financial statements of the Bank for the year ended 31 December 2015 and comparative data for the previous reporting periods have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

IFRS as adopted by the EU do not differ from the standards issued by the International Accounting Standards Board ("IASB"), except for portfolio hedge accounting under IAS 39, which has not been approved by the EU. The Company has determined that portfolio hedge accounting under IAS 39 would not impact these separate financial statements had it been approved by the EU at the reporting date.

### ***Adaption of New and Revised Standards***

#### ***a) Standards and Interpretations Effective in the Current Period***

The Bank adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB as adopted by the EU that are relevant to its operations and effective for reporting periods commencing 1 January 2015:

- IFRIC 21 – "Levies" with effective date from or after 17 June 2014. The Interpretation clarifies the recognition of an obligation to settle a levy that is not income tax. The Interpretation could lead to the recognition of an obligation later than required by the current rules, especially in respect of levies for which the obligation arises on a specific date.
- Amendments to various standards "Improvements to IFRS (cycle 2011 – 2013)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording.

The adoption of the standards and interpretations has not resulted in any changes in the Bank's accounting policies.

#### ***b) Standards and Interpretations in Issue not yet Effective***

At the preparation date of these financial statements, the following standards and interpretations did not apply to the reporting period beginning 1 January 2015 and were not effective:

IASB documents endorsed by the EU:

- Amendments to various standards "Improvements to IFRS (cycle 2010 - 2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 February 2015);
- Amendments to IAS 19 "Employee Benefits" (revised in 2011) with the objective of clarifying the application of the standard to benefit plans that require employees or third parties to make contributions to the costs of benefits (effective for annual periods beginning on or after 1 February 2015).
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" – Bearer Plants. The amendments require that biological assets meeting the definition of bearer plants are recognised as property, plant and equipment under IAS 16 (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations – apply to the acquisition of interests in joint operations and the contribution of a business to joint operations upon inception, and regulate the operator's recognition of the acquisition of an interest in joint operations whose activities constitute a "business" (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Clarification of Acceptable Methods of Depreciation and Amortisation – the amendments prohibit

entities from using a revenue-based depreciation method for items of property, plant and equipment (effective for annual periods beginning on or after 1 January 2016).

- Amendments to various standards "Improvements to IFRS (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 27 "Separate Financial Statements" – Equity Method in Separate Financial Statements allows the entity to apply the equity method when recognising investments in subsidiaries, joint ventures and associates in the entity's separate financial statements (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure Initiative – the amendments are aimed to improve disclosure efficiency and encourage entities to apply a professional judgement when determining which information is to be disclosed in their financial statements (effective for annual periods beginning on or after 1 January 2016).

The Bank has elected not to adopt the standards and interpretations that were issued as at the reporting date but were not yet effective before their effective dates.

### ***c) Standards and Interpretations Issued but not yet Endorsed by the EU***

At present, IFRS as adopted by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments to the existing standards and interpretations that were not endorsed for use as at 31 December 2015.

IASB documents not yet endorsed by the EU:

- IFRS 9 "Financial Instruments" will supersede IAS 39 Financial Instruments: Recognition and Measurement. The final wording includes requirements for the classification and measurement of financial assets and financial liabilities; furthermore, it includes an expected credit loss model and hedge accounting (hedging) (effective for annual periods beginning on or after 1 January 2018).

**Classification and measurement** – IFRS 9 introduces a three-step model that reflects changes in the credit quality since initial recognition. Impairment-related requirements are based on an expected credit loss model ("ECL") that will supersede the current incurred loss model under IAS 39.

The first level includes financial instruments with no significant increase in credit risk since initial recognition. For these assets, the Bank records a 12-month ECL, and interest income is recognised based on the gross book value of assets.

The second level includes financial instruments with a significant increase in credit risk since the initial recognition, but no objective proof of impairment exists. For these assets, the Bank records an ECL for the whole life cycle, and interest income is recognised based on the gross book value of assets.

The third level includes financial instruments with a significant increase in credit risk since initial recognition, and objective proof of their impairment exists. For these assets, the Bank records an ECL for the whole life cycle, and interest income is recognised based on the net book value of assets.

The ECL estimation should represent a probability-weighted result and the effect of the time value of money should be based on adequate and documentable information which is available without unreasonable costs or excessive effort.

**Hedge accounting** – IFRS 9 introduces a substantially modified model for hedge accounting with extended requirements for the disclosure of risk management information.

**Own credit risk** – IFRS 9 removes the volatility in profits or losses arising from obligations issued by the Bank caused by changes in own credit risk, while profits or losses were measured at fair value. Profits arising from a deterioration of the entity's own credit risk will no longer be recognised in the income statement but rather in equity.

- IFRS 14 "Regulatory Deferral Accounts" is effective only for reporting entities that are first-time adopters of IFRS. The entities are allowed to continue recognising amounts related to regulatory deferral accounts in accordance with their previous accounting standards; however, the effect of price regulation must be recognised separately from other items (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016).
- IFRS 15 "Revenue from Contracts with Customers" – The core principle of the new standard is to allow the entity to recognise revenues in order to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services (effective for annual periods beginning on or after 1 January 2018).

The Bank's management expects that the adoption of new IFRS 9 will have a significant impact on the financial statements primarily with respect to the classification of financial instruments and expected losses from credit risks. Adoption will lead to significant changes in the Bank's processes and systems as there will be a volume change in the provisioning. Quantification of the impact will be prepared in the following periods. The Bank's management also analyses how significant the impact of IFRS 15 will be on the financial statements. The Bank's management also expects that adopting the other standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

#### ***Purpose of Preparation***

These separate financial statements were prepared in Slovakia so as to comply with the article 17a) of Act on Accounting No. 431/2002 Coll. as amended, under special regulations - Regulation (EC) 1606/2002 of the European Parliament and of the Council on the Application of International Accounting Standards (IFRS).

As described in Note 1 "Introduction" paragraph "Data on the Subsidiary", the Bank is a parent company of the subsidiary Faktoring SK, a.s. v likvidácii. Since the effect of consolidating the subsidiary is not material, the Bank had no obligation to prepare consolidated financial statements under Article 22 (12) of Act on Accounting No. 431/2002 Coll.

Since the Bank is not required to prepare consolidated financial statements according to national legislation, which is in compliance with Seventh Council Directive 83/349/EEC of 13 June 1983 on Accounting as amended, it's the European Commission's view that the IFRS 10 requirements to prepare consolidated financial statements do not apply under IFRS as adopted by EU.

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

#### ***Basis for the Financial Statements Preparation***

Separate financial statements were prepared under the historical cost basis, except for certain financial instruments, which have been recognised at fair value. The financial statements were prepared under the accrual principle of accounting: transactions and recognised events are recorded in the period to which they are related in time.

Separate financial statements were prepared under the assumption that the Bank will continue as a going concern in the foreseeable future.

The reporting currency used for disclosure in these separate financial statements is the Euro, which is rounded to thousands of euros, unless stipulated otherwise. The amounts in brackets refer to negative values.

### ***Significant Accounting Assessments and Judgements***

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

Significant areas of judgment include the following:

In connection with the current economic environment, based on the currently-available information the management has considered all relevant factors which could have an impact on the valuation and impairment of assets and liabilities in these financial statements, impact on the liquidity, funding of operations of the Bank and other effects these may have on financial statements. All such impacts, if any, have been reflected in these financial statements. There is a persisting increased level of uncertainty about future development, which could result in a material change in the market value of the securities and the increased impairment of assets. The Bank's management continues to monitor the situation and any further possible impacts of the economic environment on its operations.

The provisioning for loan losses and identified contingent liabilities includes many uncertainties as to the outcomes of the aforementioned risks and requires the Bank's management to make subjective judgments when estimating loss amounts. As described below, the Bank creates provisions for the impairment of loans and receivables where there is objective evidence that, as a result of past events, the estimated future cash-flows are negatively impacted. These provisions are based on the Bank's historical and current experience concerning default rates, recovery rates of loans, or time needed from a loss event to loan default, as well as subjective judgments of the Bank's management about estimated future cash-flows. Considering current economic conditions, the outcome of these uncertainties could differ from the amounts of impairment provisions recognised as at 31 December 2015 and the difference could be material.

The amounts recognised as provisions for liabilities are based on the judgement of the Bank's management and represent the best estimate of expenditures required to settle a liability of uncertain timing or amount resulting from an obligation.

In recent years, income tax rules and regulations underwent significant changes. In connection with the broad and complex issues affecting the banking industry, there are no historical precedents and/or interpretation judgments. In addition, tax authorities have broad powers as regards the interpretation of the effective tax laws and regulations during the tax audit of a taxpayer. As a result, there is a higher degree of uncertainty as to the final outcome of a potential audit conducted by tax authorities.

### ***Translation of Amounts Denominated in Foreign Currencies***

Assets and liabilities denominated in a foreign currency are translated to euros using the reference exchange rate determined and announced by the European Central Bank valid as at the reporting date. Revenues and expenses denominated in a foreign currency are recognised as translated using the exchange rate valid as at the transaction date. Foreign exchange gains/losses on transactions are recognised on the statement of comprehensive income line "*Gains/(losses) on financial transactions, net*".

### ***Cash and Cash Equivalents***

Cash and cash equivalents comprise cash and balances in demand deposits with the NBS, and only include amounts of cash immediately available and highly-liquid investments with an original maturity of up to three months. For the purposes of the cash flow statement, such amounts exclude a mandatory minimum reserve deposited with the NBS. The items are recorded in the statement of financial position line "*Cash, due from banks and balances with the National Bank of Slovakia*".

### ***Placements with Other Banks and Loans to Other Banks***

Placements with other banks and loans to other banks are stated at amortised costs net of provisions for possible placement losses in the statement of financial position line "*Placements with other banks, net of provisions for possible placement losses*". Interest is accrued using the effective interest rate method and credited to the profit or loss based on the amount of an outstanding receivable. Such interest is recognised in the statement of comprehensive income in "*Interest income*".



### **Financial Instruments - Initial Recognition**

All financial assets are recognised and derecognised on the trade date on which the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for financial assets at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial investments, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### **Financial Assets at Fair Value through Profit or Loss**

Financial assets at fair value through profit or loss include securities and derivative financial instruments held for trading and for the purposes of profit generating. At acquisition, held-for-trading securities are measured at cost. Subsequently, they are remeasured to fair value. Revaluation gains and losses are recognised in the statement of comprehensive income line "*Gains/(losses) on financial assets, net*".

If quoted market prices are not available, the fair value of debt securities is determined based on a model using valuation techniques.

Net interest income from securities at fair value through profit or loss is accrued using the effective interest rate method and recognised directly in the statement of comprehensive income line "*Interest income*".

### **Available-for-sale financial assets**

Available-for-sale financial assets include securities that the Bank intends to hold for an indefinite period or which may be sold as liquidity requirements arise or market conditions change. Upon acquisition, these investments are measured at cost. Available-for-sale financial assets are then remeasured to fair value. Gains and losses on revaluation are recognised in equity as "*Revaluation of available-for-sale financial assets*". Upon sale of the available-for-sale financial asset, accumulated gains/losses from revaluation previously recognised in equity are recognised through the statement of comprehensive income as "*Gains/(losses) on financial assets, net*".

Interest income is accrued using the effective interest rate and recognised directly through the statement of comprehensive income as "*Interest income*".

Available-for-sale financial assets also include investments with ownership interest less than 20% of the registered capital and/or voting rights. These investments are measured at cost less impairment provisions for a permanent decrease in value, as their market price in an active market cannot be reliably measured. The Bank assesses the value of such investments on an individual basis and compares movements in the equity of companies to their cost. A continued significant decrease in the equity is regarded by the Bank as objective evidence of the impairment and, thus, provisions are recorded. Impairment losses are recognised in the statement of comprehensive income line "*Gains/(losses) on financial assets, net*".

### **Treasury Bills**

Treasury bills are debt securities issued by the central bank with a maturity of up to 12 months. Treasury bills are recognised as "*Available-for-sale financial assets*" in the separate statement of financial position. The accounting principles stated in the section "*Available-for-sale financial assets*" are applied to measure treasury bills.

### **Sale and Repurchase Agreements**

Debt or equity securities sold under sale and repurchase agreements are recognised as assets in the statement of financial position line "*Financial assets at fair value through profit or loss*" and "*Available-for-sale financial assets*" and the contracted payable is recorded in "*Due to banks and deposits from the National Bank of Slovakia and other banks*" and/or in "*Amounts due to customers*".

Securities purchased under agreements to resell securities are recorded as assets in the statement of financial position line "*Cash, due from banks and balances with the National Bank of Slovakia*", and/or in "*Placements with other banks, net of provisions for possible losses*", or in "*Loans and receivables, net of provisions for possible losses*".

The difference between the sale and repurchase prices is treated as interest and accrued over the life of each REPO agreement using the effective interest rate method.

### ***Loans and Receivables and Provisions for Possible Losses***

Loans to customers are stated at amortised cost net of provisions for loan losses in the statement of financial position line "*Loans and receivables, net of provisions for possible losses*". Interest is accrued using the effective interest rate method and credited to the profit or loss based on the amount of an outstanding receivable in the line "*Interest income*". Interest is no longer accrued on loan receivables when bankruptcy is declared on a debtor, upon the start of the restructuring proceedings by law, in the case of withdrawal by either party from the loan agreement or in extraordinary cases when interest is waived based on the Bank's decision.

Fees and commissions related to loans are gradually amortised over the contractual term of the loan using the effective interest rate method and are recognised in the line "*Loans and receivables, net of provisions for possible losses*".

In line with the Bank's objectives, loan receivables acquired through assignment are classified in accordance with IAS 39 as "*Loans and receivables*". Upon initial recognition, loans are measured at cost including all transaction costs related to acquisition. For purchased loans, this means that their initial measurement equals the amount of financial settlement for assigned receivables.

Any differences between the carrying amount as at the date of acquisition of loan receivables acquired by an assignment and the due amount (acquisition cost, transfer fee, margin differentials etc.) are accrued over the whole maturity period of the loan using the effective interest rate method.

The Bank has a methodology in place that contains the definition of attributes of the impairment of loan receivables, the method of their identification and assessment, and the subsequent calculation of provisions in accordance with IFRS.

Provisions cover estimated losses from impairment of loans if objective proof of impairment exists. Provisions representing the impairment of loan receivables are recognised if their carrying amount is higher than their estimated recoverable amount. The recoverable amount is the present value of estimated future cash flows including cash flows from the realisation of a collateral using the discount rate on the loan as at the recognition date.

Objective proof of impairment may include information about the severe financial difficulties of the debtor which result in a loss event, and which were identified after the initial recognition of the loan receivable. A loss event means delay in the repayment of a loan receivable by more than 90 days, declaration of early maturity, write-off of a debtor's receivable or a portion thereof, bankruptcy proceedings or restructuring proceedings by law, sale of receivables resulting in a loss, or forced restructuring of a debt.

The Bank assesses credit risk on an individual and portfolio basis and creates specific and portfolio provisions. The Bank creates specific provisions for individually-significant loan receivables and portfolio provisions for the loan receivables that are not individually significant, or for which no impairment was identified based on an individual assessment.

Provisions are recorded and reversed through "*Provisions for impairment losses on loans and off-balance sheet, net*" in the statement of comprehensive income.

The Bank recognises write-offs of loans as "*Provisions for impairment losses on loans and off-balance sheet, net*" with releasing the relevant provisions for loan losses. Written-off loans and advances made to clients are recorded on the off-balance sheet, whereas the Bank continues to monitor and recover such loans except for loans where the Bank lost the legal title for their recovery or where the Bank ceased the recovery process as the recovery costs exceed the amount receivable. Each subsequent income on written-off receivables is recognised in the statement of comprehensive income as "*Provisions for impairment losses on loans and off-balance sheet, net*".

Detailed information about the credit risk management is stated in Note 36 Credit Risk.

### **Held-to-Maturity Financial Investments**

Held-to-maturity financial investments represent debt financial assets with pre-defined date of maturity that the Bank intends and has the ability to hold until their maturity. At acquisition, such assets are measured at cost, which include transaction costs. These investments are subsequently remeasured to the amortised cost based on the effective interest rate method, net of provisions for impairment. Interest income, discounts and premiums on held-to-maturity securities are accrued using the effective interest rate method and recognised directly in the statement of comprehensive income line "Interest income".

### **Investments in Subsidiaries**

Investments in subsidiaries include the Bank's investments in companies with an ownership interest more than 50% of the registered capital or more than 50% of the voting rights. Investments in subsidiaries are recognised at cost less provisions for the impairment.

Impairment losses are recognised in the statement of comprehensive income line "Gains/(losses) on financial assets, net". Income from dividends is recognised in the statement of comprehensive income as "Gains/(losses) on financial assets, net" at the moment when the Bank's title to receive dividends originates.

### **Non-Current Tangible Assets**

Non-current tangible assets (Property, Plant and Equipment) are stated at cost, less accumulated depreciation and accumulated impairment losses. Depreciation charges are computed using the straight-line method over the estimated useful lives of the assets corresponding to future economic benefits from assets based on the annual percentage depreciation rates as follows:

Type of Asset	Useful Life in Years	Depreciation Rate per Annum in %
ATMs and motor vehicles, computers, office machines, telecommunication equipment, intangible assets	4	25.0
Software	5	20.0
Software	2	50.0
Software	3	33.3
Fixtures, fittings and office equipment, software, machines and equipment	6	16.7
Computers, machines, equipment, ATMs, furniture	8	12.5
Technical upgrade of leased buildings	10	10.0
Time vaults	10	10.0
Heavy bank program (safes), transportation means, air-conditioning facilities	12	8.4
Technical upgrade of leased buildings	15	6.7
Technical upgrade of leased buildings	10	10.0
Technical upgrade of leased buildings	20	5.0
Buildings and structures	40	2.5

Depreciation of tangible assets is charged to the statement of comprehensive income line "General administrative expenses". Depreciation commences in the month that such assets are put into use. Land and works of art are not depreciated.

At the reporting date, the Bank reviews the carrying value of its non-current tangible assets, and the estimated useful life and the method of depreciation thereof. The Bank also reassesses the recoverable amount of the asset, which is estimated to determine the extent (if any) of the impairment loss. Where the carrying value of buildings and equipment is greater than the estimated recoverable amount, it is written down to the estimated recoverable amount through the profit or loss. If the impairment is of a temporary nature, impairment provisions are recognised in the statement of comprehensive income as "Other operating revenues/(expenses), net".

At the reporting date, the Bank also assesses whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset. If the estimated recoverable amount exceeds the carrying value of an asset, it is dissolved through the statement of comprehensive income in "Other operating revenues/(expenses), net".

### **Non-Current Intangible Assets**

Non-current intangible assets are stated at cost, less accumulated amortisation and accumulated impairment losses. The Bank amortises non-current intangible assets using the straight-line method over the estimated useful lives of the assets corresponding to future economic benefits from assets based on the annual percentage depreciation rates. In the Bank, non-current intangible assets mainly include software.

Amortisation of non-current intangible assets is recognised in the statement of comprehensive income line *"General administrative expenses"*. Amortisation starts in the month when the assets are put into use.

At the reporting date, the Bank reviews the carrying amount of its intangible assets, their estimated useful lives and methods of amortisation.

### **Accrued Interest Receivable/Payable**

Accrued interest on loans and placements made is recognised in lines *"Placements with other banks, net of provisions for possible placement losses"* and *"Loans and receivables, net of provisions for possible losses"*. Accrued interest on received loans and deposits is recognised in line *"Due to banks and deposits from the National Bank of Slovakia and other banks"* and *"Amounts due to customers"*. Accrued interest on securities is recognised for individual items of securities in the statement of financial position.

The Bank recognises accrued interest on loans, deposits and securities using the effective interest rate method.

### **Recognition of Revenues and Expenses**

Revenues and expenses are recognised in the profit or loss for all interest-bearing instruments on an accrual basis using the effective interest rate. Interest income on securities includes revenues from fixed and floating interest rate coupons and accrued discount and premium.

For loans in relation to which restructuring proceedings started pursuant to the Act on Bankruptcy and Restructuring, interest income is not recognised in the profit or loss from the commencement date of such restructuring proceedings, as it is unlikely that interest income will result in economic benefits for the Bank. If the court confirms the restructuring plan, the Bank loses its title to such interest.

Fees and commissions are recognised in the profit or loss on an accrual basis. Fees and commissions related to the provision of loans are accrued over the entire maturity period of a loan and recognised in the statement of comprehensive income line *"Interest income"*.

Fees and commissions that are not part of the effective interest rate are recognised as expenses and income in the statement of comprehensive income line *"Fee and commission expense"* and *"Fee and commission income"* on an accrual basis and as at the date of transaction.

Income from dividends is recognised in the period of the origin of the title to receive dividends and is recognised in the statement of comprehensive income as *"Gains/(losses) on financial assets, net"*.

Other expenses and revenues are recognised in the relevant period on an accrual basis.

### **Income Tax and Other Tax**

The annual income tax liability is based on the tax base calculated from the profit/loss under IFRS and Slovak tax law. To determine the current income tax, tax rates valid as at the reporting date are applied.

The deferred income tax is calculated by the Bank using the balance sheet liability method in respect of all temporary differences between the tax bases of assets and liabilities and their carrying amount in the statement of financial position.

Deferred income taxes are computed using tax rates set for the subsequent taxable period and applicable at the moment of the tax asset realisation or the tax liability recognition. The tax rate of 22% remains applicable for 2015.

Deferred tax assets are recognised if it is probable, beyond any significant doubt, that profits will be available in the future against which deductible temporary difference can be utilised. Tax assets are reassessed as at the reporting date.

Deferred tax is recognised in the profit or loss as "*Income Tax*", except for the deferred tax arising from items that are recognised through equity, such as available-for-sale financial assets. In this case, the deferred tax is also recognised through equity as part of items of comprehensive income.

The Bank is a payer of the value added tax and selected local taxes. Taxes are recognised in the statement of comprehensive income line "*General administrative expenses*", except for the value added tax on acquisition of tangible and intangible assets, which enters the cost of non-current tangible and intangible assets.

### ***Special Levy on Selected Financial Institutions and Resolution Fund***

As of 1 January 2012, Act No. 384/2011 Coll. on the Special Levy of Selected Financial Institutions came into effect. The levy calculation is based on the amount of the Bank's liabilities less equity, subordinated debt and deposits protected by the Deposit Protection Fund. In 2012, Act No. 233/2012 Coll. amending and supplementing the Act on the Special Levy of Financial Institutions was adopted with effect from 1 September 2012. The amendment primarily regulates the base for levy calculation, where the amount of deposits protected by the Deposit Protection Fund does not decrease the base for levy calculation, and stipulates the conditions under which the rate for the levy calculation is decreased.

Average recalculated figures derived from data as at the last date of a calendar month of the preceding calendar quarter are used to determine the base for calculating the levy for the relevant calendar quarter. The levy is paid in quarterly instalments at the beginning of the relevant quarter.

The Ministry of Finance of the Slovak Republic published in the Collection of Laws Decree No. 253 dated 10 September 2014 on the meeting of the condition for the rate of a special levy for certain financial institutions under Article 8 (5) of Act 384/2011 Coll., in which the Ministry declares the meeting of the condition under Article 8 (1) of Act 384/2011 Coll. with effect from 25 September 2014. The Bank had no obligation for the special levy for 4Q 2014. The rate for calculating the special levy for selected financial institutions was reduced from 0.4% to 0.2% for 2015.

In 2015, the rate for calculating the special levy for selected financial institutions amounted to 0.2% for the calendar year.

On 1 January 2015, Act No. 371/2014 on the resolution of crisis situations on the financial market became effective and introduced an obligation to banks to pay a contribution to the resolution fund. The resolution fund is financed from financial contributions made by financial institutions, ie banks and selected security dealers. The financial funds of the national fund are deposited in a separate account held with the National Bank of Slovakia. The administration of such funds is provided by the Deposit Protection Fund. The resolution fund may be used under strictly defined conditions for the resolution of crisis situations.

The Bank recognises the levies as incurred in the statement of comprehensive income line "*General administrative expenses*". (Note 28)

### ***Derivative Financial Instruments***

In the ordinary course of business, the Bank is a party to contracts for derivative financial instruments, which represent a low initial value investment compared to the notional value of the contract. Generally, derivative financial instruments include currency forwards and currency swaps. The Bank mainly uses these financial instruments for business purposes and to hedge its currency exposures associated with transactions in financial markets.

Derivative financial instruments are initially recognised at acquisition cost, which includes transaction expenses and which is subsequently again re-measured to fair value. Their fair values are determined using valuation techniques by discounting future cash flows by a rate derived from the market yield curve and foreign currency translations using the ECB rates valid on the calculation day.

Changes in the fair value of derivative financial instruments that are not defined as hedging derivatives are recognised in the statement of comprehensive income line "*Gains/(losses) on financial transactions, net*". Derivatives with positive fair values are recognised as assets in the in the statement of financial position line "*Financial assets at fair value through profit or loss*". Derivatives with negative fair values are recognised as liabilities in the statement of financial position line "*Other liabilities*".

Transactions with derivative financial instruments, although providing the Bank with an effective economic hedging in risk management, do not qualify for the recognition of hedging derivatives under specific rules of IAS 39, and therefore, they are recognised in the accounting books as derivative financial instruments held for trading, and gains and losses from the fair value are recognised as "*Gains/(losses) on financial transactions, net*".

#### ***Liabilities from Issued Debt Securities***

Liabilities from issued debt securities are recognised at amortised cost. The Bank mainly issues mortgage bonds. Interest expense is included in the statement of comprehensive income line "*Interest expense*", and it is accrued using the effective interest rate method.

#### ***Subordinated Debts***

Subordinated debt refers to the Bank's external debt where in the event of the Bank's bankruptcy, composition or liquidation the entitlement to its repayment is subordinated to liabilities to other creditors. The Bank's subordinated debt is recognised on a separate line of the statement of financial position as "*Subordinated debt*". Interest expenses paid for the received subordinated debt are recognised in the statement of comprehensive income line "*Interest expense*".

#### ***Provision for Off-Balance Sheet Liabilities***

In the ordinary course of business, off-balance sheet liabilities, such as guarantees, financial commitments to grant a loan and a letter of credit are recorded by the Bank. Provisions for expected losses from off-balance sheet contingent liabilities are recognised in such amounts that enable the covering of possible future losses. The management determines the adequacy of the provisions based on the reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of products, and other pertinent factors.

To cover estimated losses on contingent unused loans, guarantees and letters of credit, the Bank creates provisions in the case when a payable - as a result of past events - has to be settled and it is likely that such settlement of a payable will require a cash outflow and the amount payable can be reliably determined. The calculation of the provisions for off-balance sheet liabilities is analogical to credit exposures. Issued guarantees, irrevocable letters of credit, and unused loan commitments are subject to similar monitoring of credit risks and credit principles, as in the case of extended loans.

Provisions for estimated losses are recognised through the profit or loss when the Bank has a present legal or implied obligation to make a payment as a result of a past event, when it is probable that an outflow of resources representing economic benefits will be required, and when a reliable estimate of the amount to be paid can be reliably determined.

Provisions are recognised in the statement of financial position line "*Provisions for liabilities*". Expenses for the recorded provision are recognised in the statement of comprehensive income as "*Provisions for impairment losses on loans and off-balance sheet, net*".

#### ***Provision for Liabilities and Employee Benefits***

The amount of provisions for liabilities is recognised as an expense and a liability when the Bank is exposed to potential liabilities from litigation or indirect liabilities as a result of past events, and when it is probable that to settle such liabilities a cash outflow will be required, which will result in the reduction of resources embodying the economic benefits and a reasonable estimate of the amount of the resulting loss can be made. Any amount related to the recognition of the provision for liabilities is recognised in the profit or loss for the period.

In line with the valid legislation, the Bank provides a lump-sum payment upon retirement. The recorded provision represents a liability to an employee that is calculated using the set actuarial methods; the calculation is based on discounted future expenditures. As at the reporting date, the liability is measured at the present value.

The provision is recognised in the statement of financial position line "*Provisions for liabilities*". Expenses for the recorded provision are recognised through the statement of comprehensive income line "*General administrative expenses*".



Representatives of the Bank's statutory body and selected employees receive remuneration for rendered services in a form of a cash-settled payment and an equity-settled financial instrument in the form of parent company's shares. The remuneration is paid based on the compensation policy of the OTP Group. In the case of a cash-settled remuneration, the payment is recognised in the statement of comprehensive income in "*General administrative expenses*" with the counter entry in "*Other liabilities*" in the statement of financial position. A portion of the remuneration in the form of a financial instrument being the parent company's shares is recognised in the statement of comprehensive income in "*General administrative expenses*" with the corresponding entry in "*Reserve funds*" in the statement of financial position (see Note 32). The Bank recognises remuneration and share-based payments from the moment when the claim can be exercised.

The compensation policy within the OTP Group is consistent with the compensation policy and principles for risk management under Act No. 483/2001 Coll. on Banks, as amended.

### ***Bank's Regulatory Capital***

In the administration of its regulatory capital, the Bank aims to ensure business prudence and to maintain the Bank's regulatory capital continuously at least at the level required for Bank's own funds while taking into account the defined minimum requirement in respect of the system for the assessment of internal capital adequacy for the relevant year and the relevant amounts of capital buffer.

To accomplish this, when preparing the yearly business plan the Bank also prepares a plan of adequacy of regulatory capital considering its business objectives and applying the knowledge gained from previous experience.

During the year, the Bank monitors the development of requirements for regulatory capital on a monthly basis for internal purposes and prepares reports on regulatory capital and on the requirements for the Bank's regulatory capital, which are submitted to the National Bank of Slovakia, on a quarterly basis. The achieved results are also discussed at the Board of Directors and Supervisory Board meetings on a quarterly basis.

The Bank's regulatory capital is defined by Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012. The Bank's regulatory capital comprises the sum of its TIER 1 capital (regulatory and supplementary) and TIER 2 capital.

### ***Segment Reporting***

When preparing segment reporting, the Bank uses its internal information, which is presented to the Bank's management on a regular basis. The breakdown by individual segment categories recognised in the notes is based on the principle applied for the classification of the Bank's customers as follows:

- Retail customers;
- Corporate customers;
- Treasury;
- Not specified.

The "retail customers" segment includes the following customers: individuals. The segment also includes private banking customers who are defined separately according to the individual management of their funds. The Bank provides to retail customers standard bank products, particularly: consumer loans, mortgage loans, general-purpose loans, deposit products. The most common deposit products offered are current accounts, term deposits, saving accounts, credit and payment cards. The core products of this segment included housing loans and otp EXPRES and OTP refinance express consumer loans.

The segment of "corporate customers" includes domestic and foreign companies and state-owned entities. This segment comprises the SME subsegment (small and medium-sized enterprises with sales of up to EUR 17 million) and the large client and project financing subsegment (enterprises with sales of over EUR 17 million).

In terms of products, corporate customers were mostly provided with overdraft facilities, EU Agro loans for the MSE segment and with long- and medium-term loans for housing cooperatives as well as loans for the apartment owners associations for the insulation of apartment buildings.

The segment of "Treasury" includes transactions performed on the Bank's own account or on the client's account and comprises the following types of transaction: trading with securities, trading with derivative instruments, trading on money markets, management of the Bank's liquidity, investment portfolio on the Bank's account.

Geographically, operating profit was primarily generated by the provision of banking services in Slovakia. Some assets and liabilities are placed outside Slovakia.

The breakdown of selected items of the financial statements by segments, the summary of the most significant exposures of total assets and liabilities to foreign entities and information on the amount of total revenues from foreign entities is included in Note 31.

### **Statement of Cash Flows**

Cash and cash equivalents for the purposes of cash flow presentation include cash, amounts due from banks and balances with the National Bank of Slovakia, excluding the compulsory minimum reserve required by the NBS and amounts due to banks due up to three months as these form an integral part of the Bank's cash flow management.

### **3. Fair Value of the Bank's Financial Assets and Liabilities**

The fair value of the Bank's financial assets and liabilities is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, fair value estimates are made based on quoted market prices. In circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other valuation models as appropriate. Market inputs are used in valuation models to the maximum extent. Changes in underlying assumptions, including discount rates and estimated future cash flows or other factors, significantly impact the estimates. Therefore, the estimated fair market values may not be realised in the current sale of the financial instrument.

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

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

Level 2: inputs other than "level 1" quoted prices, which can be obtained for assets or liabilities either directly (eg prices) or indirectly (derived from interest rates etc.);

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

The following tables present an analysis of financial instruments that are measured after their initial recognition at fair value. Financial instruments are classified into three levels/categories based on the level of the fair value determination:

<b>31 December 2015 (EUR'000)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>TOTAL</b>
<b>Assets</b>				
Financial assets at fair value through profit or loss	-	824	-	<b>824</b>
<i>Derivative financial instruments for trading</i>	-	824	-	<b>824</b>
Available-for-sale financial assets	8 890	-	2 896	<b>11 786</b>
<i>Available-for-sale securities – bonds issued by         foreign banks</i>	8 890	-	-	<b>8 890</b>
<i>Available-for-sale securities – shares*</i>	-	-	2 896	<b>2 896</b>
<b>Liabilities</b>				
Liabilities from derivative transactions	-	13	-	<b>13</b>

\*The fair value cannot be derived from market data, it is determined in the amount of an expected selling price – see Note 7.

<b>31 December 2014 (EUR'000)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>TOTAL</b>
<b>Assets</b>				
Financial assets at fair value through profit or loss	-	73	-	<b>73</b>
<i>Derivative financial instruments for trading</i>	-	73	-	<b>73</b>
Available-for-sale financial assets	7 631	-	-	<b>7 631</b>
<i>Available-for-sale securities – bonds issued by         foreign banks</i>	7 631	-	-	<b>7 631</b>
<b>Liabilities</b>				
Liabilities from derivative transactions	-	109	-	<b>109</b>

The following tables present the fair value hierarchy for financial instruments measured in assets and liabilities at amortised cost (the values below represent amortised cost):

<b>31 December 2015 (EUR'000)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>TOTAL</b>
<b>Assets</b>				
Loans and receivables	-	1 144 606	-	<b>1 144 606</b>
Held-to-maturity financial investments	73 643	-	-	<b>73 643</b>
<b>Liabilities</b>				
Amounts due to customers	-	-	1 233 534	<b>1 233 534</b>
Liabilities from issued securities	-	34 843	-	<b>34 843</b>
Subordinated debt	-	20 007	-	<b>20 007</b>
<b>31 December 2014 (EUR'000)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>TOTAL</b>
<b>Assets</b>				
Loans and receivables	-	1 093 741	-	<b>1 093 741</b>
Held-to-maturity financial investments	75 463	-	-	<b>75 463</b>
<b>Liabilities</b>				
Amounts due to customers	-	-	1 197 994	<b>1 197 994</b>
Liabilities from issued securities	-	59 098	-	<b>59 098</b>
Subordinated debt	-	47 056	-	<b>47 056</b>

The fair value of term deposits with a fixed interest rate is estimated by discounting their future cash flows, while current interest rates offered by the Bank for customers' term deposits are used for discounting.

When estimating the fair value of its financial instruments, the Bank used the following methods and assumptions:

#### **Cash, Amounts due from Banks, and Balances with the National Bank of Slovakia and Placements with Other Banks**

The net book values of cash and balances with central banks are generally deemed to approximate their fair value.

The estimated fair value of amounts due from banks that mature in 365 days or less approximates their net book values. The fair value of other amounts due from banks is estimated based upon discounted cash flow analyses using interest rates currently offered for investments with similar terms (market rates adjusted to reflect credit risk).

#### **Loans and Receivables**

Generally, the fair value of variable yield loans that are regularly re-valued approximates their net book values with no significant changes in credit risks. The fair value of loans at fixed interest rates is estimated using discounted cash flow analyses, based upon interest rates currently offered for loans with similar terms to borrowers of similar credit risks. The fair value of non-performing loans to customers is decreased on a pro-rata basis using a percentage of the impairment.

#### **Held-to-Maturity Financial Investments**

The fair value of securities recorded in the held-to-maturity portfolio was determined based on quoted prices on active markets, if available, and using valuation techniques when applying market input factors. In government and banking bonds, whose issuers have rating comparable with the country rating, the fair value is calculated using the market yield curve without credit margin. For other types of securities the credit margin reflecting the issuer's credit risk is applied in addition to the market yield curve.

## **Amounts due to Banks and Deposits from the National Bank of Slovakia and Other Banks and Amounts due to Customers**

The estimated fair value of amounts due to banks with maturity within 365 days approximates their net book values. The fair value of term deposits payable on demand represents the net book value of amounts payable on demand as at the statement of financial position date. The fair value of term deposits at variable interest rates approximates their net book values. The fair value of term deposits with a fixed interest rate is estimated by their discounted future cash flows using current interest rates offered by the Bank for customers' term deposits with various maturity periods – Level 3 of the fair value estimate.

## **Liabilities from Issued Debt Securities and Subordinated Debt**

The fair value of issued debt securities and subordinated debt is determined using valuation techniques by discounting future cash flows by a rate derived from the market yield curve by level 2 of the fair value estimate. Fair value is determined separately for individual issues of securities considering the relevant credit margin.

The following table presents a comparison of the estimated fair value and carrying amount of the selected financial assets and liabilities where the difference between such values is material:

<b>(EUR '000)</b>	<b>Fair Value 31 Dec 2015</b>	<b>Net Book Value 31 Dec 2015</b>	<b>Difference 31 Dec 2015</b>
<b>Assets</b>			
Loans and receivables *	1 184 788	1 144 606	40 182
Held-to-maturity financial investments	84 945	73 643	11 302
<b>Liabilities</b>			
Amounts due to customers	1 237 120	1 233 534	3 586
Liabilities from issued debt securities	35 013	34 843	170

<b>(EUR '000)</b>	<b>Fair Value 31 Dec 2014</b>	<b>Net Book Value 31 Dec 2014</b>	<b>Difference 31 Dec 2014</b>
<b>Assets</b>			
Loans and receivables *	1 123 447	1 093 741	29 706
Held-to-maturity financial investments	85 108	75 463	9 645
<b>Liabilities</b>			
Amounts due to customers	1 203 117	1 197 994	5 123
Liabilities from issued debt securities	58 611	59 098	(487)

*\*During 2015, the Bank updated its method of calculating the fair value of loans and receivables. To maintain the comparability of data, the Bank also applied the updated calculation of the fair value of loans and receivables for 2014.*

## Supplementary Data to the Financial Statements

### 4. Cash, Due from Banks and Balances with the National Bank of Slovakia

(EUR '000)	31 Dec 2015	31 Dec 2014
Cash on hand:		
In EUR	31 089	29 927
In foreign currency	4 326	3 600
	<b>35 415</b>	<b>33 527</b>
Due from banks and balances with NBS:		
Residual maturity within one year:		
In EUR	6 055	21 961
In foreign currency	3 551	1 817
	<b>9 606</b>	<b>23 778</b>
<b>Total</b>	<b>45 021</b>	<b>57 305</b>

Included in the 'Due from banks and balances with NBS' denominated in EUR is the compulsory minimum reserve with the NBS in the amount of EUR 5 101 thousand (31 December 2014: EUR 19 590 thousand), the withdrawal of which is restricted.

The average amount of the Bank's compulsory minimum reserves during the period bears an average threshold interest rate of the Eurosystem main refinancing operation. Excess monetary reserves bear no interest. As at 31 December 2015, compulsory minimum reserves bear interest at 0.05% (31 December 2014: 0.05%).

### 5. Placements with Other Banks, Net of Provisions for Possible Placement Losses

(EUR '000)	31 Dec 2015	31 Dec 2014
Residual maturity within one year:		
In EUR	1	-
In foreign currency	126 704	199 085
<b>Total</b>	<b>126 705</b>	<b>199 085</b>

Interest on deposits with other banks, loans to other banks:

	31 Dec 2015 in %		31 Dec 2014 in %	
	From	Until	From	Until
Contractual maturity within one year:				
In EUR	-	-	-	-
In foreign currency	0.25	0.40	0.01	2.10

The majority of foreign currency short-term deposits with other banks as at 31 December 2015 are denominated in GBP and HUF (31 December 2014: CZK, GBP and HUF).

The Bank entered into reverse REPO transactions with OTP Bank Nyrt in 2015. As at 31 December 2015, the Bank recognised an open reverse REPO transaction in the amount of EUR 124 251 thousand (31 December 2014: EUR 190 149). The loan bears interest at 1.35% and is secured by securities issued by the parent company totalling EUR 127 900 thousand. Income from such transactions is continuously recognised in the statement of comprehensive income as "Interest income".

## 6. Financial Assets at Fair Value through Profit or Loss

(EUR '000)	31 Dec 2015	31 Dec 2014
Derivative financial instruments held for trading (Note 22)	824	73
<b>Total financial instruments held for trading</b>	<b>824</b>	<b>73</b>

As at 31 December 2015 and 31 December 2014, the held-for-trading securities portfolio included ordinary shares of businesses which are in the bankruptcy proceedings.

Derivative financial instruments held for trading do not comprise hedging derivatives; they are held to earn profit. They include forward currency swaps.

As at 31 December 2015, the Bank recognised a net gain/loss on financial assets at FVTPL from derivative transactions (Note 26) in the amount of EUR -2 143 thousand (31 December 2014: EUR -1 270 thousand).

## 7. Available-for-sale financial assets

(EUR '000)	31 Dec 2015	31 Dec 2014
Available-for-sale securities – bonds issued by foreign banks	8 890	7 631
Available-for-sale securities – shares of foreign entities*	2 896	-
Investments in corporate entities	526	526
<b>Total financial instruments available-for-sale</b>	<b>12 312</b>	<b>8 157</b>

*\*In connection with a transaction announced on 2 November 2015 by which VISA Inc. will acquire 100% of the shares of VISA Europe Ltd. in 2016, as at 31 December 2015 the Bank remeasured to fair value the shares of VISA Europe Ltd. held in the available-for-sale portfolio through the statement of comprehensive income. The revaluation in the amount of EUR 2 896 thousand is based on the portion of the selling price of the shares which will be paid to the Bank in cash during 2016. The fair value of other components of the selling price (VISA Inc. shares and additional income upon meeting the set conditions) was not estimated, as such components cannot be reliably measured based on the information available.*

The structure as per interest rates and residual maturities (except for investments in corporations) is provided below:

(EUR '000)	31 Dec 2015	31 Dec 2014
Less than five years, fixed interest rates	8 890	7 631
Within one year, interest-free	2 896	-
<b>Total</b>	<b>11 786</b>	<b>7 631</b>

All bonds are denominated in EUR bearing interest at 5.875% as at 31 December 2015 (31 December 2014 at 5.875%).

As at 31 December 2015, the Bank recognised no pledged securities as part of available-for-sale financial assets (31 December 2014: EUR 0).

In 3Q 2013, the Bank purchased for the available-for-sale financial assets portfolio subordinated bonds issued by the parent company, OTP Nyrt. The proceeds from such bonds are recognised in the statement of comprehensive income as "Interest income".

Under the conditions of issue, the subordinated bond has no fixed maturity of the face value. The Bank's management expects that it is very likely that the bond will be repaid at face value in November 2016; under this assumption interest income from this bond is recognised using the effective interest rate method totalling EUR 1 381 thousand (2014: EUR 1 246 thousand).

In the first half of 2014, the Bank purchased short-term treasury bills of a foreign central bank into the portfolio of available-for-sale financial assets. The proceeds from such securities are recognised in the statement of comprehensive income as "Interest income". The Bank did not perform such transactions in the second half of 2014 and in 2015, ie as at 31 December 2015 its portfolio did not include bonds issued by foreign central banks.



Under the Securities Pledge Agreements, the pledger (the Bank) cannot handle the pledged securities without prior approval by the pledgee (the client).

As at 31 December 2015, the portfolio of available-for-sale debt securities was remeasured to fair value. A gain on revaluation for 2015 amounts to EUR 2 576 thousand (2014: a loss of EUR 314 thousand), net of deferred income tax. The revaluation of the portfolio is recognised through equity as "Revaluation reserve – available-for-sale financial assets".

An analysis of investments in corporate entities as at 31 December 2015 and 31 December 2014 (unless otherwise indicated, the companies are incorporated in Slovakia) is as follows:

Company Name	Business Activity	Share	Cost	Provision	Net
OTP Buildings, s.r.o.	Real estate	19.00%	6	6	-
S.W.I.F.T (Belgium)	International clearing	0.005%	6	-	6
RVS, a.s.	Wellness	12.65%	867	347	520
<b>Total (EUR '000)</b>			<b>879</b>	<b>353</b>	<b>526</b>

An analysis of movements in the provision for available-for-sale financial assets related to equity share in corporate entities is as follows:

(EUR '000)	31 Dec 2015	31 Dec 2014
Balance at the beginning of reporting period	353	353
Creation/(release) of provision during the reporting period, net	-	-
<b>Balance at the end of reporting period</b>	<b>353</b>	<b>353</b>

The Bank is not an unlimited guarantee partner in any reporting entities.

## 8. Loans and Receivables, Net of Provisions for Possible Losses

### Loans and Receivables by Type of Product

31 Dec 2015 (EUR '000)	Carrying Amount Before Provisions	Specific Provision	Portfolio Provision	Carrying Amount After Provisions
<b>Corporate loans</b>	<b>505 579</b>	<b>24 927</b>	<b>4 654</b>	<b>475 998</b>
Corporate clients	446 743	19 775	2 011	424 957
Overdrafts	54 181	5 152	622	48 407
Mass loans*	36	-	35	1
Mortgage loans	89	-	-	89
Factoring loans**	1 395	-	3	1 392
Other	3 135	-	1 983	1 152
<b>Retail loans</b>	<b>692 443</b>	<b>2 101</b>	<b>21 734</b>	<b>668 608</b>
Mortgage loans	42 657	285	1 327	41 045
Consumer loans	646 221	1 816	19 423	624 982
Other	3 565	-	984	2 581
<b>Total</b>	<b>1 198 022</b>	<b>27 028</b>	<b>26 388</b>	<b>1 144 606</b>

In 2015, the Bank began creating provisions on an individual basis for retail receivables where bankruptcy is declared, are declared due or are in default for more than 1 550 days.

31 Dec 2014 (EUR '000)	Carrying Amount Before Provisions	Specific Provision	Portfolio Provision	Carrying Amount After Provisions
<b>Corporate loans</b>	<b>485 884</b>	<b>23 439</b>	<b>15 556</b>	<b>446 889</b>
Corporate clients	415 356	18 644	3 055	393 657
Overdrafts	56 844	4 795	834	51 215
Mass loans*	9 318	-	9 146	172
Mortgage loans	246	-	44	202
Other	4 120	-	2 477	1 643
<b>Retail loans</b>	<b>663 627</b>	<b>204</b>	<b>16 571</b>	<b>646 852</b>
Mortgage loans	59 855	-	1 704	58 151
Consumer loans	599 054	204	12 548	586 302
Other	4 718	-	2 319	2 399
<b>Total</b>	<b>1 149 511</b>	<b>23 643</b>	<b>32 127</b>	<b>1 093 741</b>

\*Mass loans include fast corporate loans and solvent business card product for corporate clients. In 2015, the Bank assigned receivables from mass loans in the total gross amount of EUR 7 209 thousand and wrote down receivables from mass loans in the total amount of EUR 1 952 thousand.

\*\*In October 2015, the Bank started to provide factoring loans to finance trade receivables.

## The Summary of Provisions for Possible Loan Losses

(EUR '000)	31 Dec 2015	31 Dec 2014
Balance at the beginning of reporting period	55 770	59 834
Provisions for impairment losses on loans, net	14 203	14 175
Loan write-offs and assignments (Note 24)	(16 559)	(18 239)
Foreign exchange differences	2	-
<b>Balance at the end of reporting period</b>	<b>53 416</b>	<b>55 770</b>

## Interest on loans and receivables:

	31 Dec 2015 in %		31 Dec 2014 in %	
	From	Until	From	Until
Contractual maturity within one year:				
In EUR	0.70	19.90	1.52	30.90
In foreign currency	-	20.00	-	-
Contractual maturity over one year:				
In EUR	0.19	30.90	0.30	31.50
In foreign currency	2.88	2.88	3.70	3.70

## Other Information on Loans and Receivables

In previous years, the Bank provided a loan for housing construction. The total loan amount recognised as at 31 December 2015 amounted to EUR 5 724 thousand (31 December 2014: EUR 5 724 thousand). The repayment of the loan depends on the results of litigations held against a number of entities. Based on the legal counsels' opinion and the current status of the receivable recovery, the Bank's management has estimated the amount of the possible incurred loan loss as at the reporting date. Given the fact that the final outcome of all litigations and other actions related to the recovery of the loan as well as their timing is uncertain, the final outcome of such uncertainties may differ from the estimated volume of the impairment provisions recognised as at 31 December 2015, and this difference may be significant in relation to the total loan amount.

Loans with non-accrual status as at 31 December 2015 amounted to EUR 10 613 thousand, net of provisions for potential loan losses (31 December 2014: EUR 8 036 thousand). The Bank has stopped charging interest on these loans as bankruptcy was declared on the debtor or due to the Bank's withdrawal from the loan contract following the client's failure to meet contractual conditions.

For loans in bankruptcy and restructuring proceedings (under the Act on Bankruptcy and Restructuring) for 2015, the Bank records interest income that was not recognised in the statement of comprehensive income (Note 2) in the amount of EUR 63 thousand (2014: EUR 85 thousand).

Interest income of the Bank for 2015 from loans impaired as at 31 December 2015 amounted to EUR 2 834 thousand and are recognised in the income statement in "Interest income" (31 December 2014: EUR 2 365 thousand). The receivables from interest income are combined with related loan balances when determining impairment provision.

As at 31 December 2015, loans denominated in a foreign currency accounted for approximately 0.03% of the loan portfolio before provisions for potential loan losses (31 December 2014: 0.03%).

## 9. Held-to-Maturity Financial Investments

As at 31 December 2015 and 31 December 2014, the Bank recognised the following held-to-maturity investments:

(EUR '000)	31 Dec 2015	31 Dec 2014
Government bonds	73 643	73 803
Bonds issued by banks	-	1 660
<b>Total held-to-maturity securities</b>	<b>73 643</b>	<b>75 463</b>

All held-to-maturity securities are denominated in euros.

Of the portfolio as at 31 December 2014, bonds issued by banks with a face value of EUR 1 660 thousand fell due and were settled in 2015.

In 2015, the Bank did not purchase securities into the held-to-maturity securities portfolio.

Interest on held-to-maturity investments:

	31 Dec 2015 in %		31 Dec 2014 in %	
	From	Until	From	Until
Contractual maturity within one year:				
In EUR	-	-	0.28	0.28
Contractual maturity over one year:				
In EUR	3.00	3.00	3.00	3.00

As at 31 December 2014, the Bank recorded a liability to the NBS from a received loan as part of a REPO transaction. Pursuant to the framework contract, government bonds are pledged in favour of the NBS to secure liabilities. As at 31 December 2014, the bonds used to cover liabilities from REPO transactions with the NBS amounted to EUR 25 000 thousand.

In accordance with the securities pledge contracts, the pledger (the Bank) cannot dispose of pledged securities without approval by the pledgee (client).

As at 31 December 2015 and 31 December 2014, the Bank did not record any other restrictions on the disposal of securities in its portfolio within held-to-maturity investments.

## 10. Investments in Subsidiaries

As at 31 December 2015 and 31 December 2014, the Bank recognised the following investments in subsidiaries and associates:

(EUR '000)	31 Dec 2015	31 Dec 2014
Subsidiaries	1 202	1 202
<b>Total – gross value</b>	<b>1 202</b>	<b>1 202</b>
Provision for investments in subsidiaries	(1 109)	(1 051)
<b>Total – net value</b>	<b>93</b>	<b>151</b>

An analysis of investments in subsidiaries, as at 31 December 2015 and 31 December 2014 (all companies incorporated in Slovakia), is as follows:

Company	Company Seat	Business Activity	Ownership Interest/ Voting Power Held
Faktoring SK, a.s. v likvidácii	Tallerova 10, 811 02 Bratislava	Factoring	100.00%

In 2010, as part of the strategic decisions made at the OTP Group level, a decision was adopted to terminate OTP Faktoring Slovensko, a.s.'s activities. On 1 April 2011, OTP Faktoring Slovensko, a.s. entered into liquidation and also its business name was changed from the original "OTP Faktoring Slovensko, a.s." to "Faktoring SK, a.s. v likvidácii". The company's liquidation was completed on 15 December 2015. In 2015, the Bank created additional provisions in the amount of EUR 58 thousand to cover an expected loss from the liquidation.

A summary of changes in provisions for investments in subsidiaries:

(EUR '000)	31 Dec 2015	31 Dec 2014
Balance at the beginning of the reporting period	1 051	1 051
Creation/(cancellation) of provisions – net	58	-
<b>Balance at the end of the reporting period</b>	<b>1 109</b>	<b>1 051</b>

## 11. Non-Current Tangible and Intangible Assets

Movements of Assets (EUR '000)	Buildings and Land	Fittings and Fixtures	Motor Vehicles	Tangible Assets in Acquisition	Intangible Assets	Intangible Assets in Acquisition	Total
Cost at 1 Jan 2014	26 403	25 890	946	423	24 740	1 403	79 805
Additions (+)	1 074	1 965	-	3 377	3 705	2 600	12 721
Disposals (-)	(309)	(3 183)	(15)	(3 039)	(9)	(3 705)	(10 260)
<b>Cost at 31 Dec 2014</b>	<b>27 168</b>	<b>24 672</b>	<b>931</b>	<b>761</b>	<b>28 436</b>	<b>298</b>	<b>82 266</b>
Accumulated depreciation and provisions at 1 Jan 2014	10 308	21 499	454	-	19 633	-	51 894
Depreciation (+)	994	1 317	195	-	2 352	-	4 858
Disposal (-)	(243)	(3 182)	(12)	-	(9)	-	(3 446)
<b>Accumulated depreciation and provisions at 31 Dec 2014</b>	<b>11 059</b>	<b>19 634</b>	<b>637</b>	<b>-</b>	<b>21 976</b>	<b>-</b>	<b>53 306</b>
<b>Net book value at 31 Dec 2014</b>	<b>16 109</b>	<b>5 038</b>	<b>294</b>	<b>761</b>	<b>6 460</b>	<b>298</b>	<b>28 960</b>
Cost at 1 Jan 2015	27 168	24 672	931	761	28 436	298	82 266
Additions (+)	456	1 705	75	2 243	1 711	2 213	8 403
Disposals (-)	(315)	(2 554)	-	(2 144)	(1 235)	(1 795)	(8 043)
<b>Cost at 31 Dec 2015</b>	<b>27 309</b>	<b>23 823</b>	<b>1 006</b>	<b>860</b>	<b>28 912</b>	<b>716</b>	<b>82 626</b>
Accumulated depreciation and provisions at 1 Jan 2015	11 059	19 634	637	-	21 976	-	53 306
Depreciation (+)	1 058	1 385	151	-	2 099	-	4 693
Disposal (-)	(201)	(2 542)	-	-	(1 235)	-	(3 978)
<b>Accumulated depreciation and provisions at 31 Dec 2015</b>	<b>11 916</b>	<b>18 477</b>	<b>788</b>	<b>-</b>	<b>22 840</b>	<b>-</b>	<b>54 021</b>
<b>Net book value at 31 Dec 2015</b>	<b>15 393</b>	<b>5 346</b>	<b>218</b>	<b>860</b>	<b>6 072</b>	<b>716</b>	<b>28 605</b>

A summary of insurance of non-current tangible and intangible assets as at 31 December 2015:

(EUR '000)	Anticipated Annual Premium	Actual Insurance Costs
MTPL insurance	5	5
Motor hull insurance	32	32
Insurance of assets	58	58
<b>Total</b>	<b>95</b>	<b>95</b>

Costs of insurance coverage are recognised in the statement of comprehensive income line "General administrative expenses".

As at 31 December 2015, the Bank's non-current tangible and intangible assets were insured up to 100% of the total amount of assets (31 December 2014: 100%).

As at 31 December 2015, the Bank does not record as part of its non-current tangible and intangible assets the following:

- Assets encumbered by a pledge;
- Assets with a limited right of disposal;
- Acquired assets for which the ownership title was not recorded in the Land Register as at the reporting date, but which is used by the Bank; and
- Assets acquired in privatisation.

## 12. Other Assets

(EUR '000)	31 Dec 2015	31 Dec 2014
Loss receivables from various debtors	2 636	2 625
Loss receivables from securities	6 104	6 104
Operating advances made	193	196
Inventories	147	235
Deferred expenses	745	998
Receivables from various debtors	82	29
Receivables from shortages and damage	154	131
Other receivables from clients	411	1 121
Other receivables	706	579
<b>Other assets before provisions</b>	<b>11 178</b>	<b>12 018</b>
Provisions for possible losses from other assets	(8 893)	(8 896)
<b>Total other assets</b>	<b>2 285</b>	<b>3 122</b>

Provisions for possible losses from other assets mainly relate to the loss receivables from various debtors and loss receivables from securities.

An analysis of movements in provisions for possible losses from other assets is as follows:

(EUR '000)	31 Dec 2015	31 Dec 2014
Balance at the beginning of reporting period	8 896	8 825
Provisions for impairment losses on other assets, net (Note 29)	(1)	73
Other assets written-off and assigned (Note 29)	(2)	(2)
<b>Balance at the end of reporting period</b>	<b>8 893</b>	<b>8 896</b>

As at 31 December 2015 and 31 December 2014, the Bank does not recognise as part of other assets any amounts to which a pledge is attached or for which it has a limited right of disposal.

The Bank does not recognise any subordinated financial assets as part of other assets.



### 13. Due to Banks and Deposits from the National Bank of Slovakia and Other Banks

(EUR '000)	31 Dec 2015	31 Dec 2014
Residual maturity within one year:		
In EUR	14 194	36 332
In foreign currency	68	47
<b>Total</b>	<b>14 262</b>	<b>36 379</b>

Amounts due to banks by type of product:

(EUR '000)	31 Dec 2015	31 Dec 2014
Deposits	2 906	210
Term accounts of other banks	11 169	11 047
Loans received from other financial institutions	96	25 122
Other liabilities to financial institutions	91	-
<b>Total</b>	<b>14 262</b>	<b>36 379</b>

An analysis of received loans by individual types of banks (all loans are denominated in EUR, unless stated otherwise):

(EUR '000)	Type of Loan According to Maturity	Contractual Maturity as at 31 Dec 2015	31 Dec 2015	31 Dec 2014
Loans received from issuing banks:				
Central banks	Short-term	-	-	25 000
Loans received from banks:				
Reconstruction and development banks	Long-term	Individual	96	122
<b>Total</b>			<b>96</b>	<b>25 122</b>

Of the total amounts due to banks as at 31 December 2015 and 31 December 2014, the Bank does not recognise any overdue payables.

Interest on amounts due to banks:

	31 Dec 2015 in %			31 Dec 2014 in %		
	From	Until		From	Until	
Contractual maturity within one year:						
In EUR	0.05	0.05		0.05	0.06	
In foreign currency	0.05	0.50		2.20	2.20	

## 14. Amounts due to Customers

Amounts due to customers by type:

(EUR '000)	31 Dec 2015	31 Dec 2014
Current accounts and other short-term amounts due to customers	543 311	438 715
Term deposits	641 540	717 405
Pass books	16 644	16 910
Received loans	5 003	2 001
Municipality accounts	26 812	22 932
Other liabilities	224	31
<b>Total</b>	<b>1 233 534</b>	<b>1 197 994</b>

In 2014, the Bank participated in the financing programme for SME clients in co-operation with the Slovenský záručný a rozvojový fond. At the end of 2015, the Bank recorded funds amounting to EUR 5 003 thousand (2014: EUR 2 001 thousand).

Amounts due to customers by sector:

(EUR '000)	31 Dec 2015	31 Dec 2014
Non-financial organisations	265 470	235 354
Individuals	780 701	816 222
Financial institutions	11 591	21 480
Trade licence holders	19 497	15 929
Insurance companies	4 911	4 948
Non-profit organisations	26 701	17 616
Non-residents	97 851	63 512
Government sector	26 812	22 932
Not categorised in sectors	-	1
<b>Total</b>	<b>1 233 534</b>	<b>1 197 994</b>

Amounts due to customers by residual maturity:

(EUR '000)	31 Dec 2015	31 Dec 2014
Residual maturity within one year:		
In EUR	1 059 176	963 264
In foreign currency	31 463	28 959
Residual maturity over one year:		
In EUR	142 886	205 763
In foreign currency	9	8
<b>Total</b>	<b>1 233 534</b>	<b>1 197 994</b>

Interest on amounts due to customers:

	31 Dec 2015 in %		31 Dec 2014 in %	
	From	Until	From	Until
Contractual maturity within one year:				
In EUR	0.01	2.50	0.01	3.10
In foreign currency	0.01	1.75	0.01	2.00
Contractual maturity over one year:				
In EUR	0.01	12.00	0.01	12.00
In foreign currency	-	-	-	-

As part of its liquidity risk management efforts, the Bank regularly monitors deposit exposures and adjusts the structure of its assets to ensure its sufficient liquidity (in the form of highly-liquid assets) in the event that it may need to pay out cash deposits.

As at 31 December 2015, the total of primary deposits of depositors with deposits exceeding EUR 3 320 thousand represented 10.92% of the Bank's funds (31 December 2014: 10.85%).

## 15. Liabilities from Issued Debt Securities

(EUR '000)	31 Dec 2015	31 Dec 2014
Residual maturity within one year:		
Liabilities from financial bills of exchange	3 796	3 581
Liabilities from mortgage bonds	31 047	47 555
Residual maturity over one year:		
Liabilities from mortgage bonds	-	7 962
<b>Total</b>	<b>34 843</b>	<b>59 098</b>

Interest on liabilities from issued debt securities:

	31 Dec 2015 in %		31 Dec 2014 in %	
	From	Until	From	Until
Contractual maturity within one year:				
In EUR	0.58	1.60	0.23	3.04
In foreign currency	1.00	1.40	1.30	1.30
Contractual maturity over one year:				
In EUR	4.00	4.00	4.00	4.00
In foreign currency	-	-	-	-

In 2015, the Bank repaid Mortgage Bonds, Issues XX a VII with a total face value of EUR 47 472 thousand.

In 2015, the Bank issued mortgage bonds with a total face value of EUR 23 000 thousand.

In 2014, the Bank repaid Mortgage Bonds, entire Issue XXIII with a total face value of EUR 25 000 thousand and settled the outstanding amount, EUR 3 thousand, of Mortgage Bonds, Issue XXIV in connection with the outcome of inheritance proceedings.

In 2014, the Bank did not issue any debt securities.

Summary of mortgage bonds as at 31 December 2015 and 31 December 2014:

Mortgage Bonds Issued	Currency	Quantity	Face Value per Share in EUR	Face Value of Issue	Net Book Value 31 Dec 2015	Net Book Value 31 Dec 2014	Interest Income (coupon)	Frequency of Coupon Payout	Issue Date	Due Date
Mortgage bonds Issue VII	EUR	677	33 193.92	22 472	-	22 474	3M EURIBOR + 0.15% p. a.	Quarterly	21 Dec 2005	21 Dec 2015
Mortgage bonds Issue XX	EUR	2 500	10 000.00	25 000	-	25 000	3M EURIBOR + 2.72% p. a.	Quarterly	30 Mar 2010	30 Mar 2015
Mortgage bonds Issue XXV	EUR	7 962	1 000.00	7 962	8 044	8 043	4.00%	Annual	28 Sep 2012	28 Sep 2016
Mortgage bonds Issue XXVI	EUR	80	100 000.00	8 000	8 000	-	3M EURIBOR + 0.89% p.a.	Quarterly	30 Mar 2015	29 Mar 2016
Mortgage bonds Issue XXVII	EUR	150	100 000.00	15 000	15 003	-	3M EURIBOR + 0.71% p.a.	Quarterly	17 Dec 2015	16 Dec 2016
<b>Total</b>					<b>31 047</b>	<b>55 517</b>				

As at 31 December 2015, mortgage bonds Issues XXV were listed and traded on the Bratislava Stock Exchange (31 December 2014: mortgage bonds Issues VII, XX and XXV).

According to the Banking Act, the mortgage bonds issued must cover at least 90% of the outstanding amount of mortgage loans provided by the Bank. This threshold was reduced to 70% for the Bank for the period from 1 March 2015 until – 28 February 2017 under the decision of the NBS. As at 31 December 2015, the Bank's coverage was 73.90% (31 December 2014: 93.77%).

## 16. Other Liabilities

(EUR '000)	31 Dec 2015	31 Dec 2014
Various creditors	1 854	1 448
Tax liabilities (except for income tax liabilities)	1 023	1 137
Provisions for unbilled and other liabilities	585	623
Social fund	67	98
Settlement with employees	1 634	1 264
Settlement with social institutions	426	317
Negative fair value of financial derivatives (Note 22)	13	109
Liabilities from payment transactions	6 340	4 913
Other liabilities	2 793	3 964
<b>Total</b>	<b>14 735</b>	<b>13 873</b>

Summary of changes in the social fund:

(EUR '000)	31 Dec 2015	31 Dec 2014
Balance at the beginning of reporting period	98	92
Additions during the reporting period	178	182
Drawings during the reporting period	(209)	(176)
<b>Balance at the end of reporting period</b>	<b>67</b>	<b>98</b>

## 17. Subordinated Debt

Type of Loan	Curr.	Type of Loan by Maturity	Start of Loan Drawdown	Contractual Maturity	Interest Rate	31 Dec 2015	31 Dec 2014
Subordinated debt:							
- OTP Financing Netherlands B.V.	EUR	Long-term	Mar 2008	Mar 2015	3M EURIBOR + 1.0% p. a.	-	11 000
- OTP Financing Netherlands B.V.	EUR	Long-term	Apr 2008	Apr 2015	3M EURIBOR + 1.5% p. a.	-	18 051
- OTP Financing Netherlands B.V.	EUR	Long-term	Sep 2014	Sep 2021	3M EURIBOR + 3.41% p. a.	18 007	18 005
- OTP Financing Malta Company Ltd.	EUR	Long-term	Dec 2015	Dec 2022	3M EURIBOR + 2.37% p. a.	2 000	-
<b>Total (EUR'000)</b>						<b>20 007</b>	<b>47 056</b>

In the first half of 2015, the Bank repaid subordinated debts with a total face value of EUR 29 million on their contractual maturity date.

In December 2015, the Bank received a long-term subordinated debt from OTP Financing Malta Company Ltd. with a total face value of EUR 2 million.

Subordinated debt totalling EUR 20 million represents Tier 2 capital for the Bank in the amount of EUR 20 million pursuant to Regulation of the European Parliament and of the Council No. 575/2013 (Note 33).

OTP Financing Netherlands B.V. is a financial company, a member of the OTP Group, with its seat at Westblaak 89, 3012 KG Rotterdam, Netherlands. OTP Financing Malta Company Ltd. is a member of the OTP Group with seat at Level 2, Regional Business Centre, University Heights, MSD 1751, Msida, Malta.

The scope of business of the above companies primarily includes:

- Raising and provision of financial borrowings and loans, accession to a debt as a co-debtor;
- Provision of financial guarantees, provision of securities to third parties;
- Advisory and consulting activities;
- Investments of financial funds; and
- Lease, development, management, acquisition of movable and immovable assets.

## 18. Equity

The Bank's equity comprises:

(EUR '000)	31 Dec 2015	31 Dec 2014
Share capital	88 539	88 539
Reserve funds	5 695	5 479
Retained earnings	13 849	14 292
Revaluation of available-for-sale financial assets	2 784	208
Gain/(loss) for the reporting period	2 954	(443)
<b>Total equity</b>	<b>113 821</b>	<b>108 075</b>

### Share Capital

The Bank's share capital as at 31 December 2015 and 31 December 2014 comprises:

Face Amount	ISIN	Number of Shares	Face Value of Shares
<b>Repaid and registered in the Commercial Register</b>			
EUR 3.98 per share	SK1110001452	3 000 000	11 940
EUR 3.98 per share	SK1110004613	8 503 458	33 843
EUR 39 832.70 per share	SK1110003003	570	22 705
EUR 1.00 per share	SK1110016559	10 019 496	10 020
EUR 1.00 per share	SK1110017532	10 031 209	10 031
<b>Total share capital</b>			<b>88 539</b>

In November 2014, the Bank's share capital was increased in the amount of EUR 10 031 thousand and paid in full. The increase of the share capital became effective when the subscribed shares were paid by the shareholders.

The type, form, nature and tradability of shares as at 31 December 2015 and 31 December 2014 was as follows:

Face Amount	ISIN	Type	Form	Nature	Tradability
EUR 3.98 per share	SK1110001452	ordinary	registered	uncertified	publicly tradable
EUR 3.98 per share	SK1110004613	ordinary	registered	uncertified	publicly tradable
EUR 39 832.70 per share	SK1110003003	ordinary	registered	uncertified	publicly non-tradable
EUR 1.00 per share	SK1110016559	ordinary	registered	uncertified	publicly tradable
EUR 1.00 per share	SK1110017532	ordinary	registered	uncertified	publicly tradable

No special rights are attached to the shares. Voting rights per share are equivalent to the face value per share.

As at 31 December 2015, no shares of OTP Banka Slovensko, a.s. are held by the Bank and its subsidiaries.

### ***Reserve Funds***

As at 31 December 2015, reserve funds in the amount of EUR 5 695 thousand (31 December 2014: EUR 5 479 thousand) comprise the legal reserve fund in the amount of EUR 4 739 thousand (31 December 2014: EUR 4 739 thousand) and other capital reserves in the amount of EUR 956 thousand (31 December 2014: EUR 740 thousand).

The legal reserve fund is intended to cover potential future losses; its distribution to shareholders is restricted in accordance with the Slovak Commercial Code.

### ***Retained Earnings***

As at 31 December 2015, the Bank recognises in equity retained earnings in the amount of EUR 13 849 thousand (31 December 2014: EUR 14 292 thousand).

Based on a decision of the General Meeting (Note 41), in 2Q 2015 the Bank settled a loss reported for 2014 from retained earnings in the amount of EUR 443 thousand.

### ***Revaluation of Available-for-sale Financial Assets***

Available-for-sale financial assets are remeasured to fair value. Gains and losses on revaluation are recognised in equity as "*Revaluation of available-for-sale financial assets*".

As at 31 December 2015, the Bank recognises in equity the gain on revaluation of available-for-sale financial assets, net of income tax, in the amount of EUR 2 784 thousand (31 December 2014: EUR 208 thousand).



## 19. Income Taxes

(EUR '000)	31 Dec 2015	31 Dec 2014
Current tax expense	1 819	862
Deferred tax (income)/expense	(988)	(891)
<b>Total</b>	<b>831</b>	<b>(29)</b>

As at 31 December 2015, the Bank recognised a total income tax expense in the amount of EUR 831 thousand in the statement of comprehensive income (31 December 2014: income of EUR 29 thousand). With respect to items recognised through equity, the Bank recognised an increase in the deferred tax liability for 2015 in the amount of EUR 726 thousand (2014: decrease in the amount of EUR 88 thousand).

The Bank's tax on pre-tax profit differs from the theoretical tax which would arise if the income tax rate was applied as follows:

(EUR '000)	31 Dec 2015	31 Dec 2014
<b>Pre-tax profit/(loss)</b>	<b>3 785</b>	<b>(472)</b>
Theoretical tax at 22% (2014: 22%)	833	(104)
Non-taxable income	(37)	(100)
Non-deductible expenses	918	620
Provisions for assets and provisions for liabilities, net	(455)	207
Adjustment of provisions for uncertain utilisation of deferred tax assets	(432)	(652)
Adjustment of the current tax for 2014	4	-
<b>Income tax expense/(revenue) for the current reporting period</b>	<b>831</b>	<b>(29)</b>
<b>Effective tax for the reporting period</b>	<b>21.96%</b>	<b>6.08%</b>

For the reporting period, the Bank recorded a positive tax base of EUR 8 710 thousand (31 December 2014: a positive tax base of EUR 8 857 thousand).

## 20. Current and Deferred Income Tax

(EUR '000)	31 Dec 2015	31 Dec 2014
Current tax liability	950	862
<b>Total current tax liability</b>	<b>950</b>	<b>862</b>

Deferred income taxes are recognised using the liability method on a balance sheet basis. The application of this method reports temporary differences, ie the differences between the tax base of assets or liabilities and their carrying amount in the statement of financial position. The effective 22% tax rate valid for the following reporting period was applied (2014: 22%):

(EUR '000)	31 Dec 2015	31 Dec 2014
<b>Deferred tax liability</b>		
Difference between net book value and net tax value of tangible assets	(660)	(758)
Revaluation reserves on available-for-sale securities (recognised through equity)	(785)	(59)
<b>Total deferred tax liability</b>	<b>(1 445)</b>	<b>(817)</b>
<b>Deferred tax asset</b>		
Loans (provisions for loan impairment losses)	5 069	4 622
Provisions for liabilities	372	261
Tax losses that can be carried forward	202	303
<b>Total deferred tax asset</b>	<b>5 643</b>	<b>5 186</b>
<b>Adjustment for uncertain utilisation of deferred tax asset</b>	<b>(3 177)</b>	<b>(3 610)</b>
<b>Net deferred tax asset/(liability)</b>	<b>1 021</b>	<b>759</b>

(EUR '000)	31 Dec 2015	31 Dec 2014
<b>Net deferred tax asset/(liability) – opening balance at 1 Jan</b>	759	(220)
(Debited)/credited to profit/loss for the reporting period	988	891
(Debited)/credited to equity	(726)	88
<b>Net deferred tax asset/(liability) – closing balance</b>	<b>1 021</b>	<b>759</b>

When recognising the deferred tax asset, the Bank followed the prudence principle. Based on the approved budget and effective tax legislation the Bank expects to recognise positive tax bases in the following years, against which tax losses from previous years can be utilised (carried forward).

The Bank did not recognise a deferred tax asset of EUR 3 177 thousand (31 December 2014: EUR 3 610 thousand), associated mainly with temporary differences resulting from provisions for loans and a portion of tax losses carried-forward, owing to its uncertain timing and utilisation in future reporting periods.

## **21. Provisions for Liabilities, Contingent Liabilities and Other Off-Balance Sheet Items**

In the ordinary course of business, the Bank becomes party to various financial transactions that are not reflected in the statement of financial position but recognised in the off-balance sheet. These include liabilities resulting from provided guarantees, unused loan commitments and issued letters of credit. The following represent notional amounts of these off-balance sheet financial liabilities, unless stated otherwise.

<b>(EUR '000)</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Unused loan commitments	26 679	30 998
Other guarantees provided to banks	794	-
Other guarantees provided to clients	17 264	20 342
Unused overdrafts and authorised overdraft facilities	23 268	18 619
<b>Total</b>	<b>68 005</b>	<b>69 959</b>

Loan commitments represent the unused part of permissions to provide financial funds as loans, guarantees, or letter of credits. The Bank faces potential losses related to credit risks resulting from loan commitments in the amount of unused loan commitments. The estimated amount of exposure is, however, lower than the total unused loan commitments, since the majority of such commitments are subject to loan covenants that clients are required to comply with.

To cover estimated losses on unused loans, guarantees, and letters of credit, the Bank creates provisions in the case when a payable - as a result of past events - has to be settled and it is likely that such settlement of a payable will require cash outflow, and the amount payable can be reliably estimated. The calculation of the provision for off-balance sheet liabilities is analogous to the case of credit exposure. Issued guarantees, irrevocable letters of credit, and unused loan commitments are subject to detailed monitoring of credit risks and loan principles, as in the case of loans extended.

Within its ordinary activities the Bank is party to court and other disputes and litigation. Each dispute is subject to monitoring and regular re-assessment as part of the Bank's standard procedures. If it is probable that the Bank will be required to settle the claim and a reliable estimate of the amount can be made, provisions are recorded.

The management of the Bank believes that obligations that could arise from these disputes and litigation would not significantly affect the current and future financial situation of the Bank. Considering the advice of lawyers and the status of individual cases, the Bank created provisions for these risks in the amount of EUR 2 757 thousand as at 31 December 2015 (31 December 2014: EUR 3 206 thousand).

The Bank recognised the following provisions:

<b>(EUR '000)</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Provisions for:		
Unused loan commitments	78	131
Guarantees	21	37
Litigations and other disputes	2 757	3 206
Retirement payments	107	105
<b>Total</b>	<b>2 963</b>	<b>3 479</b>

The creation and release of provisions for off-balance sheet liabilities is recognised in the statement of comprehensive income line "*Provisions for impairment losses on loans and off-balance sheet, net*". The creation and release of a provision for retirement payments is recognised in the income statements line "*General administrative expenses*". The creation and release of provisions for litigations and other disputes is recognised in the statement of comprehensive income line "*Other operating revenues/(expenses), net*".

An analysis of changes in provisions for guarantees and unused loan commitments:

<b>(EUR '000)</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Balance at the beginning of reporting period	168	154
Creation of provision	401	402
Release of provision	(470)	(388)
<b>Balance at the end of reporting period</b>	<b>99</b>	<b>168</b>

An analysis of changes in the provision for litigations and other disputes:

<b>(EUR '000)</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Balance at the beginning of reporting period	3 206	2 498
Creation of provision	231	711
Use of provision	(606)	-
Release of provision	(74)	(3)
<b>Balance at the end of reporting period</b>	<b>2 757</b>	<b>3 206</b>

The creation of provisions in 2014 is mainly related to an event resulting from operating risks to which the Bank is exposed in the course of its operations. In 2015, the provision was used to cover expenses resulting from operating risks, to which the Bank is exposed during its operations.

An analysis of changes in the provision for retirement payments:

<b>(EUR '000)</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Balance at the beginning of reporting period	105	86
Creation of provision	32	26
Release of provision	(30)	(7)
<b>Balance at the end of reporting period</b>	<b>107</b>	<b>105</b>

## 22. Derivative Financial Instruments

The Bank uses derivative financial instruments for trading purposes. The tables below represent the financial derivative instruments at face and fair values as at 31 December 2015 and 31 December 2014:

<b>(EUR '000)</b>	<b>Face Value of Assets</b>		<b>Face Value of Liabilities</b>	
	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
<b>Currency instruments</b>				
Currency swaps	142 401	135 112	4 760	70 032
<b>Total</b>	<b>142 401</b>	<b>135 112</b>	<b>4 760</b>	<b>70 032</b>

<b>(EUR '000)</b>	<b>Positive Fair Value</b>		<b>Negative Fair Value</b>	
	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
<b>Currency instruments</b>				
Currency swaps	824	73	13	109
<b>Total</b>	<b>824</b>	<b>73</b>	<b>13</b>	<b>109</b>

Positive fair value is included in "Financial assets at fair value through profit or loss" and negative fair value is included in "Other liabilities". Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of comprehensive income line "Gains/(losses) on financial transactions, net".

## 23. Net Interest Income

(EUR '000)	Year Ended 31 Dec 2015	Year Ended 31 Dec 2014
Interest income:		
Loans and other receivables	54 341	54 341
Placements with other banks	3 433	2 285
Financial assets for sale	1 382	2 445
Held-to-maturity financial investments	1 960	5 263
Total interest income	61 116	64 334
Interest expense:		
Due to banks and deposits from the National Bank of Slovakia and other banks and other payables	(17)	(915)
Amounts due to customers	(12 440)	(14 780)
Liabilities from issued debt securities	(645)	(1 663)
Subordinated debt	(724)	(628)
Total interest expense	(13 826)	(17 986)
<b>Net interest income</b>	<b>47 290</b>	<b>46 348</b>

## 24. Provisions for impairment losses on loans and off-balance sheet, net

(EUR '000)	Year Ended 31 Dec 2015	Year Ended 31 Dec 2014
Creation of provisions for loan receivables	(31 428)	(28 427)
Release of provisions for loan receivables	33 784	32 491
Loans written off and assigned (Note 8)	(16 559)	(18 239)
(Creation)/reversal of provisions for guarantees and unused loan commitments, net (Note 21)	69	(14)
<b>Provisions for impairment losses on loans and off-balance sheet, net</b>	<b>(14 134)</b>	<b>(14 189)</b>

## 25. Net Fee and Commission Income

(EUR '000)	Year Ended 31 Dec 2015	Year Ended 31 Dec 2014
Fee and commission income:		
Banks	1 397	1 172
Public administration	289	274
Individuals	6 838	5 972
Other sectors	5 861	5 396
Total fee and commission income	14 385	12 814
Fee and commission expense:		
Banks	(974)	(918)
Individuals	(110)	(22)
Other sectors	(2 363)	(2 151)
Total fee and commission expense	(3 447)	(3 091)
<b>Net fee and commission income</b>	<b>10 938</b>	<b>9 723</b>

## 26. Gains/(Losses) on Financial Transactions, Net

(EUR '000)	Year Ended 31 Dec 2015	Year Ended 31 Dec 2014
Gain/(loss) from foreign exchange transactions	900	741
Gain/(loss) from futures and forwards	(2 143)	(1 270)
<b>Net gains/(losses) on financial operations</b>	<b>(1 243)</b>	<b>(529)</b>

In 2015 and 2014, the Bank carried out interrelated transactions within the Group, which are assessed as a whole. Such transactions include currency swaps concluded with the parent company and subsequent investing of available funds into treasury bills of a foreign central bank (Note 7) or through reverse repurchase transactions with the parent company (Note 5). The total profit/(loss) from such transactions is presented in the following table:

(EUR '000)	Year Ended 31 Dec 2015	Year Ended 31 Dec 2014
Loss on fixed futures and forwards	(2 150)	(1 267)
Interest income on treasury bills of a foreign central bank	-	1 194
Interest income on reverse repurchase transactions	2 965	1 746
<b>Total</b>	<b>815</b>	<b>1 673</b>

## 27. Gains/(Losses) on Financial Assets, Net

(EUR '000)	Year Ended 31 Dec 2015	Year Ended 31 Dec 2014
Net gain/(loss) on provisions for investments in subsidiaries	(58)	-
<b>Net gains/(losses) on financial assets</b>	<b>(58)</b>	<b>-</b>

## 28. General Administrative Expenses

(EUR '000)	Year Ended 31 Dec 2015	Year Ended 31 Dec 2014
<b>Personnel expenses</b>		
Wages and salaries	(12 689)	(12 524)
Social security expenses	(4 447)	(4 369)
Supplementary pension scheme contributions	(177)	(182)
Other social expenses	(178)	(182)
<b>Expenses for provisions</b>		
(Creation)/release of provisions for retirement payments, net	(2)	(19)
<b>Other administrative expenses</b>		
Purchased services	(6 237)	(6 752)
Expenses for IT administration and maintenance	(2 470)	(2 325)
Entertainment expenses	(1 413)	(1 714)
Other purchased supplies	(1 572)	(1 575)
Local and other taxes other than income tax	(1 207)	(1 316)
Special levy on selected financial institutions	(2 718)	(3 889)
Contributions to other funds*	(667)	(1 160)
Other expenses	(494)	(265)
<b>Depreciation, amortisation and write-downs of non-current tangible and intangible assets</b>		
Non-current tangible assets	(2 594)	(2 506)
Non-current intangible assets	(2 099)	(2 352)
<b>General administrative expenses - total</b>	<b>(38 964)</b>	<b>(41 130)</b>

\*This item includes a contribution to the Deposit Protection Fund and expenses for a resolution fund for 1-4Q/2015.

In 2015, the costs of verification the financial statements by an auditor amounted to EUR 144 thousand (2014: EUR 156 thousand), costs of assurance services provided by an audit firm amounted to EUR 17 thousand (2014: EUR 32 thousand) and expenses for other related audit services to EUR 3 thousand (2014: EUR 0).

The Bank has no pension scheme other than Slovakia's state pension system. Pursuant to the Slovak legal regulations, an employer is obliged to pay contributions to social security, health insurance, medical insurance, accident insurance, unemployment insurance, and contributions to a guarantee fund set as a percentage of the assessment base. These expenses are charged to the statement of comprehensive income in the period in which the employee was entitled to receive the salary.

## 29. Other Operating Revenues/(Expenses), Net

(EUR '000)	Year Ended 31 Dec 2015	Year Ended 31 Dec 2014
<b>Provisions for impairment losses on other assets</b>		
Creation of provisions for other assets	(70)	(84)
Release of provisions for other assets	73	13
Other assets written-off and assigned (Note 12)	(2)	(2)
<b>Costs for the creation of provisions</b>		
(Creation)/release of provisions for litigations and other disputes and other risks, net (Note 21)	(157)	(708)
<b>Other revenues</b>		
Revenues from sale of real estate and other assets	27	1
Lease revenues	8	8
Revenues from sale of commemorative coins	13	12
Other operating revenues	64	65
<b>Other operating revenues/(expense), net</b>	<b>(44)</b>	<b>(695)</b>



### 30. Items of Other Comprehensive Income

The items of other comprehensive income will be reclassified to profit or loss as at the derecognition of available-for-sale financial assets.

(EUR '000)	Year Ended 31 Dec 2015	Year Ended 31 Dec 2014
Net gain/(loss) on revaluation of available-for-sale financial assets	3 302	(402)
Deferred tax liability/(deferred tax asset) on revaluation reserves on available-for-sale financial assets	(726)	88
<b>Items of other comprehensive income that will be reclassified subsequently to profit or loss, net of tax</b>	<b>2 576</b>	<b>(314)</b>

### 31. Segment Reporting

The separate statement of comprehensive income and other indicators by segment as at 31 December 2015:

31 Dec 2015 (EUR '000)	Retail	Corporate	Treasury	Not specified	Total
Interest income	38 042	16 299	6 775	-	61 116
Interest expense	(10 683)	(1 757)	(1 386)	-	(13 826)
<b>Net interest income</b>	<b>27 359</b>	<b>14 542</b>	<b>5 389</b>	<b>-</b>	<b>47 290</b>
<b>Provisions for impairment losses on loans and off-balance sheet, net</b>	<b>(7 322)</b>	<b>(6 812)</b>	<b>-</b>	<b>-</b>	<b>(14 134)</b>
<b>Net interest income net of provisions for impairment losses on loans and off-balance sheet</b>	<b>20 037</b>	<b>7 730</b>	<b>5 389</b>	<b>-</b>	<b>33 156</b>
Fee and commission income	9 026	4 555	13	791	14 385
Fee and commission expense	(2 803)	(26)	(71)	(547)	(3 447)
<b>Net fee and commission income</b>	<b>6 223</b>	<b>4 529</b>	<b>(58)</b>	<b>244</b>	<b>10 938</b>
Gains/(losses) on financial transactions, net	-	-	(1 243)	-	(1 243)
Gains/(losses) on financial assets, net	-	-	(58)	-	(58)
General administrative expenses	-	-	-	(38 964)	(38 964)
Other operating revenues/(expenses), net	(4)	11	-	(51)	(44)
<b>Profit/(loss) before income tax</b>	<b>26 256</b>	<b>12 270</b>	<b>4 030</b>	<b>(38 771)</b>	<b>3 785</b>
Income tax	-	-	-	(831)	(831)
<b>Net profit/(loss) after tax</b>	<b>26 256</b>	<b>12 270</b>	<b>4 030</b>	<b>(39 602)</b>	<b>2 954</b>
<b>Items of other comprehensive income that will subsequently be reclassified to profit or loss, net of tax</b>					
Revaluation of available-for-sale financial assets	-	-	2 576	-	2 576
<b>Total comprehensive income for the year</b>	<b>26 256</b>	<b>12 270</b>	<b>6 606</b>	<b>(39 602)</b>	<b>5 530</b>
<b>Assets by segment</b>	<b>670 376</b>	<b>521 668</b>	<b>219 635</b>	<b>23 436</b>	<b>1 435 115</b>
<b>Liabilities by segment</b>	<b>813 757</b>	<b>417 291</b>	<b>42 132</b>	<b>48 114</b>	<b>1 321 294</b>

The separate statement of comprehensive income and other indicators by segment as at 31 December 2014:

31 Dec 2014 (EUR '000)	Retail	Corporate	Treasury	Not specified	Total
Interest income	37 705	16 636	9 993	-	64 334
Interest expense	(12 933)	(1 847)	(3 206)	-	(17 986)
<b>Net interest income</b>	<b>24 772</b>	<b>14 789</b>	<b>6 787</b>	<b>-</b>	<b>46 348</b>
<b>Provisions for impairment losses on loans and off-balance sheet, net</b>	<b>(8 548)</b>	<b>(5 641)</b>	<b>-</b>	<b>-</b>	<b>(14 189)</b>
<b>Net interest income net of provisions for impairment losses on loans and off-balance sheet</b>	<b>16 224</b>	<b>9 148</b>	<b>6 787</b>	<b>-</b>	<b>32 159</b>
Fee and commission income	7 608	4 334	24	848	12 814
Fee and commission expense	(2 508)	(54)	(85)	(444)	(3 091)
<b>Net fee and commission income</b>	<b>5 100</b>	<b>4 280</b>	<b>(61)</b>	<b>404</b>	<b>9 723</b>
Gains/(losses) on financial transactions, net	-	-	(529)	-	(529)
Gains/(losses) on financial assets, net	-	-	-	-	-
General administrative expenses	-	-	-	(41 130)	(41 130)
Other operating revenues/(expenses), net	75	6	-	(776)	(695)
<b>Profit/(loss) before income tax</b>	<b>21 399</b>	<b>13 434</b>	<b>6 197</b>	<b>(41 502)</b>	<b>(472)</b>
Income tax	-	-	-	29	29
<b>Net profit/(loss) after tax</b>	<b>21 399</b>	<b>13 434</b>	<b>6 197</b>	<b>(41 473)</b>	<b>(443)</b>
<b>Items of other comprehensive income that will subsequently be reclassified to profit or loss, net of tax</b>					
Revaluation of available-for-sale financial assets	-	-	(314)	-	(314)
<b>Total comprehensive income for the year</b>	<b>21 399</b>	<b>13 434</b>	<b>5 883</b>	<b>(41 473)</b>	<b>(757)</b>
<b>Assets by segment</b>	<b>648 038</b>	<b>473 804</b>	<b>304 709</b>	<b>40 265</b>	<b>1 466 816</b>
<b>Liabilities by segment</b>	<b>841 078</b>	<b>353 403</b>	<b>113 813</b>	<b>50 447</b>	<b>1 358 741</b>

## Foreign Assets and Liabilities

The Bank provides banking services primarily in the territory of the Slovak Republic. Some assets and liabilities were placed outside of the Slovak Republic.

The structure of assets and liabilities related to counterparties outside the Slovak Republic:

(EUR '000)	31 Dec 2015	31 Dec 2014
Assets	162 898	239 623
Of which: Hungary	136 625	208 161
Of which: Other EU countries	21 657	22 293
Liabilities	141 263	135 960
Of which: Hungary	69 398	59 463
Of which: Other EU countries	52 363	68 731

As at 31 December 2015 and 31 December 2014, the Bank's non-current tangible and intangible assets were localised only in the territory of the Slovak Republic.

## Revenues from Foreign Entities

(EUR '000)	Year Ended 31 Dec 2015	Year Ended 31 Dec 2014
Interest income on:		
Treasury bills of the Hungarian National Bank	-	1 194
Bonds issued by a foreign bank (Hungary)	-	1 267
Term deposits provided to OTP Bank Nyrt, (Hungary)	419	395
Subordinated bonds issued by OTP Bank Nyrt, (Hungary)	1 381	1 246
Government bonds of the Hungarian Republic	-	2 512
Reverse REPO transactions with OTP Bank Nyrt (Hungary)	2 965	1 746
Remeasurement of available-for-sale securities through the statement of comprehensive income (Note 7)	2 896	-

The amount of income from other foreign entities is not significant for the Bank.

## **32. Related Party Transactions**

Under "IAS 24 – Related Party Disclosures" (IAS 24), a related party is defined as:

- a) A person or a close family member of that person if that person:
  - 1) *has control or joint control over the reporting entity*, whereas control means authority to control financial and operating policy of the reporting entity in order to gain benefits from its activities and joint control means contractually agreed participation in control of operating activities;
  - 2) *has significant influence over the reporting entity*, whereas significant influence means authority to participate in decisions on financial and operating policies of the reporting entity, but not control over such policies; significant influence can be gained by holding shares, through articles of association or an agreement; or
  - 3) *is a member of the key management personnel of the reporting entity or of a parent of the reporting entity*, whereas the key management personnel include individuals who have authority and responsibility for planning, governance and control of the reporting entity's activities, directly or indirectly, including each director (whether executive or other) of this reporting entity;
- b) The entity and the reporting entity are members of the same group;
- c) An associate or joint venture of the reporting entity (or an associate or joint venture of a member of the group of which the reporting entity is a member);
- d) The entity, if this entity and the reporting entity are joint ventures of the same third party;
- e) The entity, if this entity is a joint venture of the third party and the reporting entity is an associate of the third party and/or if the entity is an associate of the third party and the reporting entity is a joint venture of the third party;
- f) The entity is controlled or jointly controlled by a person identified in a);
- g) A person identified in a1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

In ordinary business, the Bank enters into transactions with related parties made on an arm's length basis.

The following tables present an overview of assets and liabilities, and expenses and revenues in relation to the Bank's related parties.

Overview of balances in the statement of financial position as at 31 December 2015:

31 Dec 2015 (EUR '000)	OTP Bank Nyrt.	Subsidiaries	Other Companies OTP Group	Transactions with Key Management Personnel of the Bank	Transactions with Key Management Personnel of OTP Bank Nyrt.	Other Related Parties	Total
<b>Assets</b>							
Cash, due from banks and balances with the National Bank of Slovakia	675	-	464	-	-	-	<b>1 139</b>
Placements with other banks, net of provisions for possible placement losses	126 703	-	-	-	-	-	<b>126 703</b>
Financial assets at fair value through profit or loss	824	-	-	-	-	-	<b>824</b>
Available-for-sale financial assets	8 890	-	3 422	-	-	-	<b>12 312</b>
Loans and receivables, net of provisions for possible losses	-	-	10 312	228	-	-	<b>10 540</b>
Held-to-maturity financial investments	-	-	-	-	-	-	<b>-</b>
Investments in subsidiaries and associates	-	93	-	-	-	-	<b>93</b>
Non-current tangible assets*	-	-	4 465	-	-	-	<b>4 465</b>
Non-current intangible assets*	919	-	-	-	-	-	<b>919</b>
Other assets	1	-	259	-	-	-	<b>260</b>
<b>Total</b>	<b>138 012</b>	<b>93</b>	<b>18 922</b>	<b>228</b>	<b>-</b>	<b>-</b>	<b>157 255</b>
<b>Liabilities</b>							
Due to banks and deposits from the National Bank of Slovakia and other banks	68	-	-	-	-	-	<b>68</b>
Amounts due to customers	-	-	2 733	2 734	-	7 221	<b>12 688</b>
Liabilities from issued debt securities	23 003	-	-	-	-	-	<b>23 003</b>
Other liabilities	318	-	657	-	-	-	<b>975</b>
Subordinated debt	-	-	20 007	-	-	-	<b>20 007</b>
<b>Total</b>	<b>23 389</b>	<b>-</b>	<b>23 397</b>	<b>2 734</b>	<b>-</b>	<b>7 221</b>	<b>56 741</b>

\*Non-current tangible and non-current intangible assets are presented at net value.

Overview of balances in the statement of financial position as at 31 December 2014:

31 Dec 2014 (EUR '000)	OTP Bank Nyrt.	Subsidiaries	Other Companies OTP Group	Transactions with Key Management Personnel of the Bank	Transactions with Key Management Personnel of OTP Bank Nyrt.	Other Related Parties	Total
<b>Assets</b>							
Cash, due from banks and balances with the National Bank of Slovakia	2 407	-	723	-	-	-	<b>3 130</b>
Placements with other banks, net of provisions for possible placement losses	197 732	-	-	-	-	-	<b>197 732</b>
Financial assets at fair value through profit or loss	73	-	-	-	-	-	<b>73</b>
Available-for-sale financial assets	7 631	-	526	-	-	-	<b>8 157</b>
Loans and receivables, net of provisions for possible losses	-	-	8 729	89	-	-	<b>8 818</b>
Held-to-maturity financial investments	-	-	-	-	-	-	<b>-</b>
Investments in subsidiaries and associates	-	151	-	-	-	-	<b>151</b>
Non-current tangible assets*	-	-	4 349	-	-	-	<b>4 349</b>
Non-current intangible assets*	814	-	-	-	-	-	<b>814</b>
Other assets	-	-	494	-	-	-	<b>494</b>
<b>Total</b>	<b>208 657</b>	<b>151</b>	<b>14 821</b>	<b>89</b>	<b>-</b>	<b>-</b>	<b>223 718</b>
<b>Liabilities</b>							
Due to banks and deposits from the National Bank of Slovakia and other banks	-	-	12	-	-	-	<b>12</b>
Amounts due to customers	-	145	3 037	2 894	-	-	<b>6 076</b>
Liabilities from issued debt securities	25 000	-	-	-	-	-	<b>25 000</b>
Other liabilities	217	-	400	-	-	-	<b>617</b>
Subordinated debt	-	-	47 056	-	-	-	<b>47 056</b>
<b>Total</b>	<b>25 217</b>	<b>145</b>	<b>50 505</b>	<b>2 894</b>	<b>-</b>	<b>-</b>	<b>78 761</b>

\*Non-current tangible and non-current intangible assets are presented at net value.



Overview of transactions in the statement of comprehensive income:

31 Dec 2015 (EUR '000)	OTP Bank Nyrt.	Subsidiaries	Other Companies OTP Group	Transactions with Key Management Personnel of the Bank	Transactions with Key Management Personnel of OTP Bank Nyrt.	Other Related Parties	Total
Interest income	4 765	-	272	2	-	1	5 040
Interest expense	(233)	-	(727)	(40)	-	(2)	(1 002)
Provisions for impairment losses on loans and off- balance sheet, net	-	-	16	-	-	-	16
Fee and commission income	2	-	19	-	-	-	21
Fee and commission expense	(303)	-	(321)	-	-	-	(624)
Gains/(losses) on financial transactions (FX), net	(2 166)	-	-	-	-	-	(2 166)
Gains/(losses) on financial assets, net	-	-	-	-	-	-	-
Other operating revenues/(expenses), net	-	-	-	-	-	-	-
General administrative expenses	(348)	-	(1 320)	*	-	-	(1 668)
<b>Total</b>	<b>1 717</b>	<b>-</b>	<b>(2 061)</b>	<b>(38)</b>	<b>-</b>	<b>(1)</b>	<b>(383)</b>

31 Dec 2014 (EUR '000)	OTP Bank Nyrt.	Subsidiaries	Other Companies OTP Group	Transactions with Key Management Personnel of the Bank	Transactions with Key Management Personnel of OTP Bank Nyrt.	Other Related Parties	Total
Interest income	3 387	-	1 532	8	-	-	4 927
Interest expense	(2 036)	-	(633)	(46)	-	-	(2 715)
Provisions for impairment losses on loans and off- balance sheet, net	-	-	40	-	-	-	40
Fee and commission income	1	-	9	-	-	-	10
Fee and commission expense	(304)	-	(261)	-	-	-	(565)
Gains/(losses) on financial transactions (FX), net	(1 262)	-	-	-	-	-	(1 262)
Gains/(losses) on financial assets, net	-	-	-	-	-	-	-
Other operating revenues/(expenses), net	-	-	-	-	-	-	-
General administrative expenses	(271)	-	(1 413)	*	-	-	(1 684)
<b>Total</b>	<b>(485)</b>	<b>-</b>	<b>(726)</b>	<b>(38)</b>	<b>-</b>	<b>-</b>	<b>(1 249)</b>

\*see "Key Management Personnel Compensation"

**In 2015, the Bank performed the following transactions within the OTP Group:**

- Spot and forward transactions with the parent company, OTP Bank Nyrt. – provided and received term deposits, currency spots and currency swaps;
- Short-term loans provided on a recurring basis to the parent company, OTP Bank Nyrt., secured by securities under reverse REPO transactions;
- Repaid subordinated debts from OTP Financing Netherlands B.V. on their contractual maturity dates with a total face value of EUR 29 million;
- Received a long-term subordinated loan from OTP Financing Malta Company Ltd.; and
- Sold Mortgage Bonds Issues XXVI and XXVII to the parent company, OTP Bank Nyrt.

All of the aforementioned transactions were made on an arm's length basis.

**In 2014, the Bank performed the following transactions within the OTP Group:**

- Spot and forward transactions with the parent company, OTP Bank Nyrt. – provided and received term deposits, currency spots and currency swaps;
- Provided on a recurring basis short-term loans to the parent company, OTP Bank Nyrt., secured by securities within reverse REPO transactions;
- Received a long-term subordinated loan from OTP Financing Netherlands B.V.

All of the aforementioned transactions were made on an arm's length basis.

**Key Management Personnel Compensation**

Compensation includes all short-term employee benefits, including all forms of countervalues paid, payable or provided by or on behalf of the reporting entity in exchange for services provided to the reporting entity. In 2015, compensation in the amount of EUR 662 thousand (2014: EUR 790 thousand) was paid to the members of the Board of Directors and the Supervisory Board; they are short-term employee benefits.

The remuneration policy for members of the Board of Directors is compliant with the CRD III Directive.

As at 31 December 2015, the Bank recognises loan receivables from the members of the Board of Directors amounting to EUR 228 thousand (31 December 2014: EUR 89 thousand). In 2015, the received loan instalments totalled EUR 57 thousand (2014: EUR 161 thousand). Loans provided as at 31 December 2015 bore interest in the range of 2.29 to 4.55% (31 December 2014: in the range of 3.70 to 4.00%).

As at 31 December 2015 and 31 December 2014, the Bank does not record loan receivables from the members of the Supervisory Board.

In 2015 and 2014, in respect of the members of the Board of Directors and Supervisory Board:

- The Bank did not waive or write off any loan or other receivables.
- The Bank does not record any other loans, advances, guarantees or other collateral.
- The Bank does not record any significant transactions.

Interest rates and other conditions of related party transactions do not differ from the Bank's standard interest rates and contractual terms and conditions.

### 33. Regulatory Capital

As of 1 January 2014, Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms entered into effect stipulating among others the method for the calculation of the Bank's regulatory capital as well as the calculation of requirements for the Bank's regulatory capital.

Pursuant to the aforementioned Regulation (EU) No. 575/2013 of the European Parliament and of the Council, the Bank's regulatory capital comprises Tier 1 Capital and Tier 2 Capital.

Tier 1 Capital consists of:

- Tier 1 own capital: (share capital, the legal reserve fund, and retained earnings from previous years. Items decreasing the amount of original own funds comprise the net book value of intangible assets).
- Tier 1 supplementary capital – not recorded by the Bank at the end of the period under review.

Tier 2 capital comprises a subordinated debt (Note 17).

Pursuant to Regulation (EU) No. 575/2013 of the European Parliament and of the Council the banks are required to meet the following requirements for regulatory capital:

- a) Share of Tier 1 own capital in the amount of 4.5%;
- b) Share of Tier 1 capital in the amount of 6%; and
- c) Total share of capital in the amount of 8%,  
Increased by the amounts of the relevant capital cushions.

The National Bank of Slovakia stipulated by Act No. 483/2001 as amended and supplemented, a cushion to maintain capital in the form of Tier 1 own capital in the amount of 2.5% of the total risk exposure as of 1 October 2014 and determined the level of countercyclical capital cushion at 0%.

In the period under review, the ratio of the Bank's total own funds exceeded the minimum level required by the EU and Slovak legislation. The Bank achieved the following shares: the share of Tier 1 own capital at 11.21%, the share of Tier 1 capital at 11.21% and the total share of capital at 13.44%.

The structure of the Bank's regulatory capital is as follows:

(EUR '000)	31 Dec 2015	31 Dec 2014
Tier 1 capital	100 339	100 369
Tier 1 own capital	100 339	100 369
Capital instruments allowable as Tier 1 own capital	88 539	88 539
<i>Repaid capital instruments</i>	88 539	88 539
Retained earnings	13 849	13 849
<i>Retained earnings from previous years</i>	13 849	14 292
<i>Allowable gain or (-) loss</i>	-	(443)
Other provisions	4 739	4 739
(-) Intangible assets	(6 788)	(6 758)
(-) Other items decreasing the amount of Tier 1 own capital	-	-
Tier 1 supplementary capital	-	-
Tier 2 capital	20 000	19 398
<i>Repaid capital instruments and subordinated debt</i>	20 000	19 398
<i>Positive revaluation reserves</i>	-	-
(-) Other items decreasing the amount of Tier 2 capital	-	-
<b>Regulatory capital</b>	<b>120 339</b>	<b>119 767</b>
<b>Proportion of own capital (CET1) to risk-weighted assets</b>	<b>11.20%</b>	<b>11.29%</b>
<b>Proportion of Tier 1 capital to risk-weighted assets</b>	<b>11.20%</b>	<b>11.29%</b>
<b>Total proportion of capital to risk-weighted assets</b>	<b>13.44%</b>	<b>13.47%</b>

### 34. Supplementary Data to Statements of Cash Flows

(EUR '000)	31 Dec 2015	31 Dec 2014
Cash, due from banks and balances with NBS except for mandatory minimum reserve	39 920	37 715
Deposits with other banks, falling due within three months	126 705	199 085
Due to banks, falling due within three months	(14 262)	(36 359)
<b>Total cash and cash equivalents</b>	<b>152 363</b>	<b>200 441</b>

Mandatory minimum reserve in the amount of EUR 5 101 thousand (31 December 2014: EUR 19 590 thousand) is excluded from cash and cash equivalents as its withdrawal is restricted (see Note 4).

Significant non-cash movements excluded from cash flows are as follows:

(EUR '000)	31 Dec 2015	31 Dec 2014
Write-off and assignments of loans (Note 8)	(16 559)	(18 239)

### 35. Financial Instruments and Risk Management

A financial instrument means any arrangement that entitles the entity to obtain cash or other financial assets from a counterparty (financial asset), or which binds the entity to pay cash or to provide other financial assets to a counterparty (financial liability).

Financial instruments are recorded by the Bank in the trading or banking book. The trading book includes those positions in financial instruments that are held by the Bank for trading purposes – short-term sale, and to achieve income from actual or expected differences between purchase and selling prices or from other changes in prices or interest rates.

The Bank's exposure to risks results from the use of financial instruments. The most significant risks include:

- Credit risk
- Market risk
  - Currency risk
  - Interest rate risk
  - Other price risk
- Liquidity risk
- Operational risk

#### **Risk Management Framework**

The Risk Division is responsible for risk management in the Bank and comprises the Corporate Credit Risk department, the CPM & Retail Credit Risk department, the Problem Loans department and the stand-alone Market and Operational Risk department.

The Board of Directors represents a statutory body, including the Bank's executive management, which oversees risk-related issues. The authorities to manage risk are also delegated to the following individual steering committees, which oversee the risks:

- Asset/Liability Management Committee (ALCO)  
Based on monitoring key information on assets and liabilities the ALCO makes decisions and proposes measures in order to optimise the structure of assets and liabilities to achieve maximum profitability of the Bank's own capital within the limits of acceptable risk;
- Risk management committee;
- Monitoring committee;
- Workout committee;
- Provisioning committee; and
- Operational risk management committee (ORC).  
ORC has a control, coordination, advisory and decision-making function in the area of operational risk management. It approves the Bank's approach to various areas of operational risk and has an advisory as well as a decision-making function in the management of continuous operations (the so-called business continuity management) and acts as an emergency team in emergency situations.

The Board of Directors delegates its control over risks to the aforementioned committees in the form of statutes where the members of the steering committees, including their competencies and responsibilities, are designated.

The competencies of the advisory and working bodies are specified in the Board of Directors' instruction: "Signature and Competency Order in OTP Banka Slovensko, a.s.". An internal regulation is prepared for each type of risk and defines in detail the competencies and responsibilities of individual bodies of the Bank.

### **36. Credit Risk**

Credit risk is the risk that a client or a counterparty of a financial instrument will fail to meet its contractual obligations, which would expose the Bank to the risk of a financial loss. This risk is predominantly driven by loans advanced to clients, receivables from banks and financial investments. The Bank classifies the level of accepted credit risk using limits for the risks accepted with respect to a single debtor or a group of debtors and with respect to industries.

The credit exposure limit is set based on an analysis of the borrower's ability to repay the granted loan. When analysing credit risks, the Bank takes into consideration the mitigation of risks with collateral instruments and guarantees from individuals and legal entities. The analysis is performed by specialists – loan analysts – who are not involved in the Bank's business activities.

The Bank also evaluates debtors using scoring/rating models developed for individual products and client segments.

Regular monitoring of the quality of the existing loan portfolio and monitoring of trends in the Bank's portfolio form a significant part of risk management that helps maintain the quality of the entire portfolio and the required level of the Bank's risk expenses.

When recovering debts, the Bank applies a wide range of recovery instruments and strategies depending on the type and amount of the relevant debt. For recovery, the Bank applies both internal and external forms of recovery. In the event of the unsuccessful recovery of debts from clients or a failure to conclude an agreement with the client, the Bank performs the hard collection of receivables depending on the collateral type of the receivable and financial conditions of the client, or the assignment or write-off of a receivable (if conditions for writing-off of a receivable are met). Large or specific debts are solved by the Bank's specialised internal team in cooperation with the Legal department and other specialised units.

When monitoring and managing credit risks, the Bank pays attention to concentration and residual risks.

A concentration risk is a risk arising from the concentration of the Bank's transactions with an individual, a group of economically-related entities, the state, a geographic area, an industry, or a risk arising from credit risk mitigation procedures. Bearing in mind concentration risk management efficiency, the Bank focuses on the quality aspect of portfolio management and appropriate portfolio diversification in compliance with the specified concentration limits (large asset exposure, industry or other limits).

Residual risk means a risk arising from the fact that the recognised procedures for credit risk mitigation used by the Bank are less effective than expected.

#### **Credit Risk Management Organisation**

The Risk Division is a business unit managed by the Bank's Deputy CEO, who is a member of the Board of Directors. The division is responsible for reviewing credit risk, including:

- Preparation of the strategies, principles, processes and procedures applied to risk management, which cover the rules for loan assessment, collateral requirements for relevant risk levels and relating reporting;
- Setting limits for concentrating exposure to counterparties, related parties, and countries, and monitoring compliance with the limits;
- Assessment of credit risk in line with the defined principles;
- Monitoring of meeting portfolio quality requirements and compliance with limits, and taking relevant corrective measures;
- Preparation and validation of scoring and rating models;
- Preparation, maintenance and back testing of a provisioning model; and
- Preparation of reports on credit, market and operational risks to be submitted to the Board of Directors and the Supervisory Board.

### **Provisions**

The Bank creates provisions based on the calculation of the incurred loss that is calculated as a difference between the carrying amount of a loan receivable and the present value of estimated future cash flows including the flows from realisation of collaterals discounted by the loan interest rate.

The Bank creates provisions representing the best estimate to cover the existing losses in the loan portfolio. The Bank evaluates credit risk on an individual and portfolio basis and records specific and portfolio provisions. The Bank creates specific provisions for individually-significant loan receivables. For a group of loan receivables that are not individually significant or for loan receivables in which impairment has not been identified on an individual basis, provisions are created on a portfolio basis.

Provisions cover estimated loan impairment losses if objective proof of impairment exists. Objective proof of impairment may include information about major financial difficulties of the debtor, which lead to a loss event and which were identified after the initial recognition of the loan receivable. The loss event means a delay in the repayment of a loan receivable by more than 90 days, the declaration of early maturity of a loan, write-off of a debtor's receivable or a portion thereof, bankruptcy proceeding or restructuring proceeding under the law, the sale of receivables resulting in a loss, forced restructuring of debt.

Loans assessed on an individual basis comprise corporate receivables without any identified impairment with exposure to a customer exceeding EUR 850 thousand, for which the Bank first assesses, on an individual basis, whether individually-significant objective proof of impairment of financial assets exists. If the Bank decides that there is no objective proof of impairment with respect to the financial assets assessed on an individual basis, such assets are included in a portfolio of financial assets with similar credit risk characteristics and their impairment is assessed on a portfolio basis.

The Bank also assesses, on an individual basis, corporate receivables with identified impairment with exposure to a customer exceeding EUR 200 thousand, corporate receivables in bankruptcy proceeding and in restructuring proceeding under the law and retail receivables with identified fraud, retail receivables secured by immovable assets in bankruptcy and in default for more than 1550 days. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans as at the processing date.

Provisions for loan losses are assessed with reference to the credit and economic standing of the debtor and take into account the value of all collateral or third party guarantees. Specific provisions are recognised if objective proof confirming impairment of the loan receivable exists, with the impairment occurring after the initial recognition of the loan. Loan receivables for which impairment is assessed on an individual basis and for which the impairment loss continues to be recognised are not included in a portfolio assessment of impairment of assets.

If the Bank identifies that there is no objective proof of impairment of a loan receivable on an individual basis, such loan receivable is included in a portfolio of loan receivables with similar characteristics and assessed for impairment.

The Bank creates portfolio receivables on a portfolio basis using risk parameters for the given portfolio. Portfolio provisions cover losses that have not been individually identified but based on historical experience are inherent in individual portfolios at the reporting date. In the calculation of provisions for portfolio-measured receivables the Bank applies statistical modelling based on the historical portfolio behaviour trends. The calculation of portfolio provisions is based on the probability of default (PD), loss given default (LGD), rate of return (RI) and receivable value.

Receivables assessed on a portfolio basis include other retail receivables, corporate receivables from mass products (all types of Quick Loans, Solvent Business Card), and corporate receivables with exposure to a customer up to EUR 850 thousand and corporate receivables with identified impairment with exposure to a customer up to EUR 200 thousand.

Individually-significant receivables for which no objective proof of their impairment exists are subject to the measurement on a portfolio basis. In this manner, the Bank measures corporate receivables without identified impairment with exposure to a customer exceeding EUR 850 thousand, ie receivables for which no impairment has been identified on an individual basis. The Bank creates the so-called IBNR provisions for such loan receivables.

Loan receivables, which are not individually significant and which are assessed on a portfolio basis, are classified by the Bank according to the number of days overdue as loan receivables overdue by 0 days without identified impairment, loan receivables overdue from 1 to 90 days with identified impairment and defaulted loan receivables overdue by more than 90 days and with any sign of default.

The Bank adjusts the measurement of loan receivables on a monthly basis as at the reporting date and in the event of an extraordinary or unforeseeable event requiring more attention in terms of risk. In the calculation of provisions, the Bank considers estimated future cash flows to be generated from impaired loans and their timing. These estimates are subject to a number of uncertainties and risks due to the high volatility of external factors affecting the portfolio quality.

The Bank believes that estimates used in the process of quantifying provisions for loan losses, including off-balance sheet exposures (in particular estimates regarding future cash-flows from impaired loans and probabilities of loan default), represent the most reasonable projection of the future development of relevant exposures available under current circumstances. The management considers the recognised amount of provisions to be adequate to cover incurred losses from impaired credit exposures.

The Bank continues to monitor current economic conditions and their impact on estimates used in the loan impairment calculation. All estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to estimates of loan impairment are recognised in the period in which the estimate is revised if the adjustment affects only that period, or in the period of the revision and future periods if the adjustment affects both current and future periods.

#### ***Policy for Writing-Off of Receivables***

The Bank writes off its loans and placements once the Bank receives a document on the client's insolvency, the court's decision on discharge of a receivable, after the end of bankruptcy proceedings, if the debtor died and the receivable cannot be recovered from the heirs, or based on a decision of the Bank's management to drop the collection, should the collection expenses exceed the amount receivable, or based on the decision of the Bank's management to write off such receivable if only a minimum or zero amount of proceeds is expected to be recovered over a long period of time and the customer is overdue with the loan repayment by more than 1080 days.

#### ***Loan Collaterals***

The estimated value of collateral is subject to numerous uncertainties and risks. Amounts that may ultimately be realised on liquidation of collateral for defaulted loans could differ from estimated amounts and the difference may be material. Collateral represents an estimated amount that the Bank would receive upon enforcement of the collateral as a result of a failure to repay the loan.

Collateral fair value is estimated based on the value of collateral when the relevant loan is advanced. Collateral is monitored to review the current value and quality of the collateral in the entire loan period. Individual forms of collateral are subject to revaluation whose frequency depends on the collateral used and the client's segment.

In respect of collateral treatment, the Bank pays special attention to the valuation and revaluation of individual collateral instruments, calculation of accepted collateral value, specification of collateral permissibility for credit risk mitigation and realisation of collateral in case of default of a collateralised loan.

The Bank predominantly accepts the following types of collateral:

- Financial collateral (cash, securities etc.);
- Immovable assets;
- Movable assets; and
- Receivables and inventory.

The Bank uses the following legal instruments:

- Pledge;
- Collateralising transfer of receivables;
- Blocking of cash.

The collateral valuation methodology and collateral revaluation frequency are dependent upon the type of collateral and minimum criteria pursuant to the valid legislative regulations implemented in the Bank's integral regulations. The monitoring of the value of collateral instruments is specific for each type of collateral and the Bank applies an appropriate measure of prudence and conservatism.



The Bank's decision-making in realising collateral is individual and depends on factors such as the current condition and value of collateral, the current value of the receivable, receivable collection speed, costs of recovery etc.

The Bank principally uses the following forms of collateral realisation:

- Voluntary auction;
- Foreclosure proceedings;
- Cash realisation of collateral held in support of the Bank's receivable in bankruptcy or restructuring proceedings;
- Call to subdebtors to pay from pledged trade receivables;
- Enforcement of a bill of exchange in court;
- Assignment of a receivable; and
- Collection through external collection agencies based on a mandate agreement.

### **Defaulted Loans Portfolio**

Defaulted loans represent a portfolio of loan receivables that meet the definition of default. The definition of default is set forth in Article 178 of Regulation No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.

To determine the client's default, the Bank mainly uses the following indicators, also depending on the client's segment: delay in the repayment of a receivable by more than 90 days, declaration of early maturity of the loan, debtor's receivable or a part thereof was written off, bankruptcy proceedings, or restructuring proceedings under the law, sale of receivables resulting in a loss, forced restructuring of debt.

### **Classification of Risks from Loans and Receivables**

<b>31 Dec 2015 (EUR '000)</b>	<b>Exposure</b>	<b>Provisions</b>	<b>Coverage by Provisions</b>	<b>Collateral</b>	<b>Coverage by Provisions and Collaterals</b>
<b>Loans assessed on an individual basis</b>	<b>394 871</b>	<b>27 682</b>	<b>7.00%</b>	<b>216 344</b>	<b>61.80%</b>
<i>Of which measured on an individual basis</i>	69 219	27 028	39.00%	30 026	82.40%
<i>Of which measured on a portfolio basis</i>	325 652	654	0.20%	186 318	57.40%
<b>Retail loans</b>	<b>2 247</b>	<b>2 101</b>	<b>93.50%</b>	<b>1 292</b>	<b>151.00%</b>
Consumer loans	1 962	1 816	92.60%	1 115	149.40%
<i>Of which: defaulted loans</i>	1 962	1 816	92.60%	1 115	149.40%
Mortgage loans	285	285	100.00%	177	162.10%
<i>Of which: defaulted loans</i>	285	285	100.00%	177	162.10%
<b>Corporate loans</b>	<b>392 624</b>	<b>25 581</b>	<b>6.50%</b>	<b>215 052</b>	<b>61.30%</b>
<i>Of which: defaulted loans</i>	50 027	24 927	49.80%	27 184	104.20%
<b>Loans assessed on a portfolio basis</b>	<b>803 151</b>	<b>25 734</b>	<b>3.20%</b>	<b>532 393</b>	<b>69.50%</b>
<b>Corporate loans</b>	<b>112 955</b>	<b>4 000</b>	<b>3.50%</b>	<b>45 692</b>	<b>44.00%</b>
<i>Of which: defaulted loans</i>	5 068	3 312	65.40%	641	78.00%
<b>Retail loans</b>	<b>690 196</b>	<b>21 734</b>	<b>3.10%</b>	<b>486 701</b>	<b>73.70%</b>
Consumer loans	644 259	19 423	3.00%	445 293	72.10%
<i>Of which: defaulted loans</i>	43 316	16 663	38.50%	25 000	96.20%
Mortgage loans	42 372	1 327	3.10%	41 408	100.90%
<i>Of which: defaulted loans</i>	6 735	1 147	17.00%	5 976	105.80%
Other	3 565	984	27.60%	-	27.60%
<i>Of which: defaulted loans</i>	1 045	908	86.90%	-	86.90%
<b>Total</b>	<b>1 198 022</b>	<b>53 416</b>		<b>748 737</b>	

31 Dec 2014 (EUR '000)	Exposure	Provisions	Coverage by Provisions	Collateral	Coverage by Provisions and Collaterals
<b>Loans assessed on an individual basis</b>	<b>361 629</b>	<b>24 221</b>	<b>6.70%</b>	<b>199 064</b>	<b>61.70%</b>
<i>Of which measured on an individual basis</i>	73 224	23 643	32.30%	40 887	88.10%
<i>Of which measured on a portfolio basis</i>	288 405	578	0.20%	158 177	55.00%
<b>Retail loans</b>	<b>526</b>	<b>204</b>	<b>38.80%</b>	<b>427</b>	<b>120.00%</b>
Consumer loans	526	204	38.80%	427	120.00%
<i>Of which: defaulted loans</i>	526	204	38.80%	427	120.00%
<b>Corporate loans</b>	<b>361 103</b>	<b>24 017</b>	<b>6.70%</b>	<b>198 637</b>	<b>61.70%</b>
<i>Of which: defaulted loans</i>	49 624	23 439	47.20%	25 844	99.30%
<b>Loans assessed on a portfolio basis</b>	<b>787 882</b>	<b>31 549</b>	<b>4.00%</b>	<b>557 526</b>	<b>74.80%</b>
<b>Corporate loans</b>	<b>124 781</b>	<b>14 978</b>	<b>12.00%</b>	<b>49 269</b>	<b>51.50%</b>
<i>Of which: defaulted loans</i>	15 993	13 795	86.30%	1 032	92.70%
<b>Retail loans</b>	<b>663 101</b>	<b>16 571</b>	<b>2.50%</b>	<b>508 257</b>	<b>79.10%</b>
Consumer loans	598 528	12 548	2.10%	449 373	77.20%
<i>Of which: defaulted loans</i>	36 402	10 187	28.00%	26 298	100.20%
Mortgage loans	59 855	1 704	2.80%	58 884	101.20%
<i>Of which: defaulted loans</i>	9 231	1 491	16.20%	8 600	109.30%
Other	4 718	2 319	49.20%	-	49.20%
<i>Of which: defaulted loans</i>	2 421	2 274	93.90%	-	93.90%
<b>Total</b>	<b>1 149 511</b>	<b>55 770</b>		<b>756 590</b>	

As for the credit exposure as at 31 December 2015, 10 major credit exposures amounted to 6% of the total gross amount of loans (31 December 2014: 6% of the total gross amount of loans).

### Exposure to Credit Risk from Loans and Receivables by Business Industries

31 Dec 2015 (EUR '000)	Carrying Amount Before Provisions	Specific Provision	Portfolio Provision	Carrying Amount After Provisions
Electricity generation	33 694	-	136	<b>33 558</b>
Households	691 717	2 225	21 761	<b>667 731</b>
Agriculture and food- processing industry	40 803	1 650	385	<b>38 768</b>
Trade and services	80 649	6 450	1 056	<b>73 143</b>
Metallurgy and machinery	15 451	1 749	84	<b>13 618</b>
Chemical industry	8 840	1 225	15	<b>7 600</b>
Transport and infrastructure	9 110	200	349	<b>8 561</b>
Timber and paper production	3 188	26	73	<b>3 089</b>
Construction industry	23 396	5 632	429	<b>17 335</b>
Real estate	101 573	5 065	287	<b>96 221</b>
Public administration and defence	31 144	-	109	<b>31 035</b>
Financial services except insurance	6 452	14	9	<b>6 429</b>
Other industries	152 005	2 792	1 695	<b>147 518</b>
<b>Total</b>	<b>1 198 022</b>	<b>27 028</b>	<b>26 388</b>	<b>1 144 606</b>

31 Dec 2014 (EUR '000)	Carrying Amount Before Provisions	Specific Provision	Portfolio Provision	Carrying Amount After Provisions
Electricity generation	34 598	-	87	<b>34 511</b>
Households	658 145	204	15 119	<b>642 822</b>
Agriculture and food- processing industry	38 046	990	870	<b>36 186</b>
Trade and services	93 103	7 423	6 981	<b>78 699</b>
Metallurgy and machinery	14 694	1 334	101	<b>13 259</b>
Chemical industry	2 464	1 225	6	<b>1 233</b>
Transport and infrastructure	8 067	305	908	<b>6 854</b>
Timber and paper production	3 411	41	305	<b>3 065</b>
Construction industry	21 200	5 282	1 348	<b>14 570</b>
Real estate	102 988	4 180	559	<b>98 249</b>
Public administration and defence	25 209	-	208	<b>25 001</b>
Financial services except insurance	6 302	18	156	<b>6 128</b>
Other industries	141 284	2 641	5 479	<b>133 164</b>
<b>Total</b>	<b>1 149 511</b>	<b>23 643</b>	<b>32 127</b>	<b>1 093 741</b>

As at 31 December 2015, the Bank reported a developer project portfolio in the amount of EUR 30 951 thousand (31 December 2014: EUR 35 202 thousand) and created provisions both on a portfolio basis and on an individual basis in the amount of EUR 30 thousand (31 December 2014: EUR 36 thousand) and EUR 8 516 thousand (31 December 2014: EUR 8 412 thousand), respectively.

### Analysis of Defaulted Loans and Receivables with Identified Impairment, Gross

31 Dec 2015 (EUR '000)	Debtor's Bankruptcy and Liquidation	Declaration of Loan to be Due	Restructuring	Late Payments Over 90 Days	Total	Claimable Amount of Collateral
Consumer loans	789	1 153	-	20	<b>1 962</b>	1 115
Mortgage loans	106	155	-	24	<b>285</b>	177
Overdrafts	4 153	15	-	2 344	<b>6 512</b>	1 558
Corporate clients	19 024	11 230	10 090	3 171	<b>43 515</b>	25 626
Other	-	-	-	-	-	-
<b>Total</b>	<b>24 072</b>	<b>12 553</b>	<b>10 090</b>	<b>5 559</b>	<b>52 274</b>	<b>28 476</b>

31 Dec 2014 (EUR '000)	Debtor's Bankruptcy and Liquidation	Declaration of Loan to be Due	Restructuring	Late Payments Over 90 Days	Total	Claimable Amount of Collateral
Consumer loans	-	422	-	104	<b>526</b>	427
Mortgage loans	-	-	-	-	-	-
Overdrafts	4 058	429	45	2 085	<b>6 617</b>	1 638
Corporate clients	15 459	9 402	11 726	6 420	<b>43 007</b>	24 206
Other	-	-	-	-	-	-
<b>Total</b>	<b>19 517</b>	<b>10 253</b>	<b>11 771</b>	<b>8 609</b>	<b>50 150</b>	<b>26 271</b>

### Analysis of Restructured Loans and Receivables, Gross

Restructuring of a credit liability exists where it will probably result in a decrease of a financial liability for clients with identified financial difficulties due to a waiver or deferral of the settlement of the principal, interest or relevant fees and charges. The Bank may, therefore, modify contractual terms of repayment with their debtors in cases when the debtor's financial position has deteriorated and the debtor is not able to duly repay its obligations.

The following table shows the quantitative analysis of all loan receivables where the Bank identified an event of default "internal debt restructuring" at the end of the reporting period; these receivables did not return from the default status. In addition to the "internal debt restructuring" indicator, these receivables can also be indicated by another default event.

(EUR '000)	31 Dec 2015	31 Dec 2014
<b>Retail loans</b>	<b>6 600</b>	<b>4 476</b>
Overdue up to 30 days	3 887	2 044
Overdue from 31 to 90 days	580	622
Overdue more than 90 days	2 133	1 810
<b>Corporate loans</b>	<b>26 002</b>	<b>24 823</b>
Overdue up to 30 days	6 234	7 254
Overdue from 31 to 90 days	4 546	4 218
Overdue more than 90 days	15 222	13 351
<b>Total</b>	<b>32 602</b>	<b>29 299</b>

### Information on Credit Quality of Selected Categories of the Bank's Financial Assets

The table below summarises the quantitative distribution of individually-assessed corporate loans that are neither overdue nor impaired by rating class:

Rating Class (EUR '000)	31 Dec 2015	31 Dec 2014
Corporate loans		
I (the lowest risk of primary loan recoverability)	12 279	15 400
II	23 851	7 297
III	52 236	52 478
IV	60 161	59 819
V	98 242	76 446
VI	53 920	43 504
VII	24 224	35 806
VIII (the highest risk of primary loan recoverability)	1 136	3 415
<b>Total – corporate loans</b>	<b>326 049</b>	<b>294 165</b>
Loans granted to local governments		
AA (the lowest risk of primary loan recoverability)	2 530	1 845
AB, BA, BB	893	2 412
AC, BC, CA, CB	5 266	2 588
AD, AE, BD, BE, CC, CD, CE, DA, DB, DC, DD, DE, EA, EB, EC, ED, EE (the highest risk of primary loan recoverability)	6 945	4 279
<b>Total - local governments</b>	<b>15 634</b>	<b>11 124</b>
<b>Total</b>	<b>341 683</b>	<b>305 289</b>

The table below summarises the quantitative structure of placements with other banks by individual rating category:

Rating Class (EUR '000)	31 Dec 2015	31 Dec 2014
I	-	-
II	126 703	199 085
III	-	-
IV	-	-
V	-	-
VI	-	-
VII	-	-
VIII	-	-
Non-classified	2	-
<b>Total</b>	<b>126 705</b>	<b>199 085</b>

The table below summarises the quantitative structure of available-for-sale financial assets (excl. investments in commercial companies) by individual rating category:

Rating Class (EUR '000)	31 Dec 2015	31 Dec 2014
I	-	-
II	-	-
III	-	-
IV	-	-
V	8 890	7 631
VI	-	-
VII	-	-
VIII	-	-
Non-classified	2 896	-
<b>Total</b>	<b>11 786</b>	<b>7 631</b>

The table below summarises the quantitative structure of held-to-maturity investments by individual rating category:

<b>Rating Class (EUR '000)</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
I	-	-
II	73 643	73 803
III	-	1 660
IV	-	-
V	-	-
VI	-	-
VII	-	-
VIII	-	-
<b>Total</b>	<b>73 643</b>	<b>75 463</b>

### Summary of Loans and Receivables Secured by a Pledge or Other Form of Collateral

(EUR '000)	Loans and Receivables by Category					
	Assessed on an Individual Basis		Assessed on a Portfolio Basis		TOTAL	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
a) Pledge over	254 113	241 076	533 886	559 046	787 999	800 122
<i>Real estate</i>	211 982	204 834	530 172	554 459	742 154	759 293
<i>Securities</i>	5 126	4 871	-	16	5 126	4 887
<i>Movable assets</i>	26 153	17 337	3 009	3 698	29 162	21 035
<i>Trade receivables</i>	10 852	14 034	705	873	11 557	14 907
b) Other collateral	46 274	55 807	30 419	41 526	76 693	97 333
<i>State guarantees</i>	-	-	-	-	-	-
<i>Bank guarantees</i>	6 609	7 010	105	753	6 714	7 763
<i>Guarantees from other parties</i>	1 715	8 136	8 903	15 367	10 618	23 503
<i>Cash</i>	37 864	40 661	14 658	15 826	52 522	56 487
<i>Other</i>	86	-	6 753	9 580	6 839	9 580
<b>Total amount of secured receivables</b>	<b>300 387</b>	<b>296 883</b>	<b>564 305</b>	<b>600 572</b>	<b>864 692</b>	<b>897 455</b>

*Note: The total amount of secured loans and receivables is higher than the total fair value of received collateral, as in the case of some loans the fair value of received collateral does not cover the total amount of a loan receivable.*

As at 31 December 2015 and 31 December 2014, the Bank did not record any receivables in its loan portfolio over which a pledge would be established or receivables with a restricted right of handling.

### Breakdown of Loans and Receivables by Number of Days Overdue

31 Dec 2015 (EUR '000)	Without Identified Impairment	With Identified Impairment	Defaulted	Provision	Total - Net
Within maturity	1 047 895	10 898	10 898	(3 973)	1 054 820
Up to 30 days overdue	28 527	1 285	1 285	(997)	28 815
From 31 to 90 days overdue	13 162	5 926	5 926	(2 115)	16 973
From 91 to 180 days overdue	-	8 646	8 646	(2 714)	5 932
From 181 to 360 days overdue	-	16 555	16 555	(5 558)	10 997
More than 360 days overdue	-	65 128	65 128	(38 059)	27 069
<b>Total - gross</b>	<b>1 089 584</b>	<b>108 438</b>	<b>108 438</b>	<b>(53 416)</b>	<b>1 144 606</b>
Provisions for loan losses	(4 358)	(49 058)	(49 058)	(53 416)	-
<b>Total - net</b>	<b>1 085 226</b>	<b>59 380</b>	<b>59 380</b>	<b>-</b>	<b>1 144 606</b>
Collateral	688 644	60 093	60 093	-	748 737

31 Dec 2014 (EUR '000)	Without Identified Impairment	With Identified Impairment	Defaulted	Provision	Total - Net
Within maturity	983 975	13 101	13 101	(3 934)	993 142
Up to 30 days overdue	35 057	1 038	1 038	(1 209)	34 886
From 31 to 90 days overdue	16 282	6 494	6 494	(1 944)	20 832
From 91 to 180 days overdue	-	10 790	10 790	(2 184)	8 606
From 181 to 360 days overdue	-	16 944	16 944	(7 059)	9 885
More than 360 days overdue	-	65 830	65 830	(39 440)	26 390
<b>Total - gross</b>	<b>1 035 314</b>	<b>114 197</b>	<b>114 197</b>	<b>(55 770)</b>	<b>1 093 741</b>
Provisions for loan losses	(4 379)	(51 391)	(51 391)	(55 770)	-
<b>Total - net</b>	<b>1 030 935</b>	<b>62 806</b>	<b>62 806</b>	<b>-</b>	<b>1 093 741</b>
Collateral	694 390	62 200	62 200	-	756 590

If any portion of a receivable (principal, interest, etc) is overdue or if the receivable was not settled in full by the maturity date or if the receivable is higher than the approved limit, the receivable is considered to be an overdue receivable.



#### Ageing Structure of Loans and Receivables without Identified Impairments, Gross

31 Dec 2015 (EUR '000)	Within Maturity	Overdue 1 to 30 Days	Overdue More Than 30 Days	Total	Claimable Amount of Collateral
Consumer loans	566 683	23 309	10 952	<b>600 944</b>	420 293
Mortgage loans	31 903	2 184	1 550	<b>35 637</b>	35 432
Overdrafts	46 442	223	238	<b>46 903</b>	23 128
Corporate clients	398 303	2 555	338	<b>401 196</b>	209 702
Factoring loans	1 395	-	-	<b>1 395</b>	-
Other	3 169	256	84	<b>3 509</b>	89
<b>Total</b>	<b>1 047 895</b>	<b>28 527</b>	<b>13 162</b>	<b>1 089 584</b>	<b>688 644</b>

31 Dec 2014 (EUR '000)	Within Maturity	Overdue 1 to 30 Days	Overdue More Than 30 Days	Total	Claimable Amount of Collateral
Consumer loans	525 702	24 069	12 355	<b>562 126</b>	423 076
Mortgage loans	45 595	3 631	1 521	<b>50 747</b>	50 408
Overdrafts	45 058	4 082	154	<b>49 294</b>	25 162
Corporate clients	364 201	3 217	2 113	<b>369 531</b>	195 744
Other	3 419	58	139	<b>3 616</b>	-
<b>Total</b>	<b>983 975</b>	<b>35 057</b>	<b>16 282</b>	<b>1 035 314</b>	<b>694 390</b>

Loans without identified impairments include portfolio- and individually-assessed loans.

#### Ageing Structure of Loans and Receivables with Identified Impairments, Gross

31 Dec 2015 (EUR '000)	Within Maturity	Overdue 1 to 30 Days	Overdue More Than 30 Days	Total	Claimable Amount of Collateral
Consumer loans	1 581	830	42 866	<b>45 277</b>	26 115
Mortgage loans	1 186	341	5 493	<b>7 020</b>	6 153
Overdrafts	149	-	7 129	<b>7 278</b>	1 609
Corporate clients	7 982	114	37 451	<b>45 547</b>	26 216
Other	-	-	3 316	<b>3 316</b>	-
<b>Total</b>	<b>10 898</b>	<b>1 285</b>	<b>96 255</b>	<b>108 438</b>	<b>60 093</b>

31 Dec 2014 (EUR '000)	Within Maturity	Overdue 1 to 30 Days	Overdue More Than 30 Days	Total	Claimable Amount of Collateral
Consumer loans	536	476	35 916	<b>36 928</b>	26 724
Mortgage loans	688	457	8 209	<b>9 354</b>	8 723
Overdrafts	1 123	-	6 427	<b>7 550</b>	1 679
Corporate clients	10 754	105	34 966	<b>45 825</b>	25 074
Other	-	-	14 540	<b>14 540</b>	-
<b>Total</b>	<b>13 101</b>	<b>1 038</b>	<b>100 058</b>	<b>114 197</b>	<b>62 200</b>

### Concentration of Credit Risk to the Slovak Republic

The following table presents the Bank's credit risk to the Slovak Republic, companies controlled by the Slovak government, municipalities, and similar exposures:

(EUR '000)	31 Dec 2015		31 Dec 2014	
	Amount	Portion of Total Assets	Amount	Portion of Total Assets
Cash, due from banks and balances with the National Bank of Slovakia	5 101	0.36%	19 590	1.34%
Loans and receivables, net of provisions for possible losses	31 035	2.16%	25 001	1.70%
Held-to-maturity financial investments	73 643	5.13%	73 803	5.03%
<b>Total</b>	<b>109 779</b>	<b>7.65%</b>	<b>118 394</b>	<b>8.07%</b>

### Concentration of Credit Risk to other EU Member States

As at 31 December 2015 and 31 December 2014, the Bank did not record a credit risk to other EU Member States.

### Maximum Exposure to Credit Risk

The following table provides an overview of the Bank's maximum exposure to credit risk, regardless of any held collateral or other mitigation of credit risk resulting from financial instruments (assets):

(EUR '000)	31 Dec 2015	31 Dec 2014
Due from banks and balances with the National Bank of Slovakia	136 311	222 863
Financial assets at fair value through profit or loss	824	73
Available-for-sale financial assets, gross	12 665	8 510
Loans and receivables, gross	1 198 022	1 149 511
Held-to-maturity financial investments	73 643	75 463
<b>Subtotal of balance sheet risks</b>	<b>1 421 465</b>	<b>1 456 420</b>
Guarantees issued	18 058	20 342
Loan commitments to clients	49 947	49 617
<b>Subtotal of off-balance sheet risks</b>	<b>68 005</b>	<b>69 959</b>
<b>Total</b>	<b>1 489 470</b>	<b>1 526 379</b>

### **37. Market Risk**

The Bank is exposed to market risks. Market risks arise from open positions in transactions with interest rate, foreign exchange, and equity instruments, all of which are exposed to general and specific market changes. The Bank does not undertake any transactions with gold, precious metals or other commodities.

#### ***Market Risk Management***

The Bank's principal risks include currency (foreign exchange) risks and interest rate risk.

The Bank categorises its financial instruments into the trading portfolio (trading book) or the non-trading portfolio (banking book) reflecting the purpose for which the financial instruments have been acquired.

The trading book also includes positions arising from selected banking instruments acquired by the Bank with a view to generating short-term profits from the difference between the purchase and sale price. All other positions in financial instruments are carried in the banking book.

The Bank has established maximum exposure limits to selected counterparties (banks). The counterparty limit is split into the credit limit, settlement limit and pre-settlement limit depending on the type of undertaken transactions.

#### ***Currency Risk***

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

To analyse foreign currency risk sensitivity, the Bank uses the historical simulation method of Value-at-Risk (VaR) methodology. To calculate VaR, the Bank opted for a 99% confidence level, a one-year historical database of daily EUR/foreign currency movements, and a 1-day time limit. The VaR reflects the potential loss that will not be exceeded in 99% of overnight movements in foreign exchange rates.

The set of currency risk limits consists of the following restrictions in respect of the Bank's open positions:

- Overnight limits
- Intraday limits
- VaR limit
- PLA limit
- Stress test limit and extraordinary stress test limit

### Net Foreign Exchange Position

The table below provides an analysis of the Bank's foreign currency exposures in primary currencies for selected categories of asset and liability:

31 Dec 2015 (EUR '000)	EUR	USD	HUF	Other Currencies	Total
<b>Assets</b>					
Cash, due from banks and balances with the National Bank of Slovakia	37 144	1 484	2 920	3 473	<b>45 021</b>
Placements with other banks, net of provisions for possible placement losses	1	-	125 859	845	<b>126 705</b>
Financial assets at fair value through profit or loss	824	-	-	-	<b>824</b>
Available-for-sale financial assets	12 312	-	-	-	<b>12 312</b>
Loans and receivables net of provisions for possible losses	1 144 349	2	255	-	<b>1 144 606</b>
Held-to-maturity financial investments	73 643	-	-	-	<b>73 643</b>
<b>Liabilities</b>					
Due to banks and deposits from the National Bank of Slovakia and other banks	14 194	-	1	67	<b>14 262</b>
Amounts due to customers	1 202 062	18 539	9 020	3 913	<b>1 233 534</b>
Liabilities from issued debt securities	34 781	62	-	-	<b>34 843</b>
Subordinated debt	20 007	-	-	-	<b>20 007</b>
<b>Net currency exposure at 31 Dec 2015</b>	<b>(2 771)</b>	<b>(17 115)</b>	<b>120 013</b>	<b>338</b>	<b>100 465</b>

As at 31 December 2015, the "Value at Risk" calculated from open foreign currency positions of the Bank was EUR 3 thousand.

31 Dec 2014 (EUR '000)	EUR	USD	HUF	Other Currencies	Total
<b>Assets</b>					
Cash, due from banks and balances with the National Bank of Slovakia	51 888	1 403	2 305	1 709	<b>57 305</b>
Placements with other banks, net of provisions for possible placement losses	-	-	197 219	1 866	<b>199 085</b>
Financial assets at fair value through profit or loss	73	-	-	-	<b>73</b>
Available-for-sale financial assets	8 157	-	-	-	<b>8 157</b>
Loans and receivables net of provisions for possible losses	1 093 447	2	292	-	<b>1 093 741</b>
Held-to-maturity financial investments	75 463	-	-	-	<b>75 463</b>
<b>Liabilities</b>					
Due to banks and deposits from the National Bank of Slovakia and other banks	36 332	-	-	47	<b>36 379</b>
Amounts due to customers	1 169 027	16 905	8 823	3 239	<b>1 197 994</b>
Liabilities from issued debt securities	59 058	40	-	-	<b>59 098</b>
Subordinated debt	47 056	-	-	-	<b>47 056</b>
<b>Net currency exposure at 31 Dec 2014</b>	<b>(82 445)</b>	<b>(15 540)</b>	<b>190 993</b>	<b>289</b>	<b>93 297</b>

As at 31 December 2014, the "Value at Risk" calculated from open foreign currency positions of the Bank was EUR 3 thousand.

### ***Interest Rate Risk***

Interest rate risk is the risk that the net current value of financial instruments will change due to changes in market interest rates. An interest rate risk is a risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates and the risk that the maturity of interest-accruing assets will differ from the maturity of interest-bearing liabilities used to finance these assets. Hence, the period for which the interest rate is attached to the financial instrument shows the extent to which this instrument is exposed to the interest rate risk.

In the classification of interest-rate sensitive assets and liabilities by time bands, the Bank uses a statistical model for the classification of deposits without contractual maturity and loans with an administrative (floating) interest rate. The model is based on the calculation of a minimal margin from correlations between market interest rates and the interest rates of individual deposit and loan products.

In monitoring interest rate risk the Bank uses the following limits for the interest rate risk inherent in the trading book and for the interest rate risk inherent in the banking book:

#### ***Limits for the Interest Rate Risk Inherent in the Trading Book:***

- Trading book position limit
- Duration-position limit

#### ***Limits for the Interest Rate Risk Inherent in the Banking Book:***

- Interest rate risk limit (standard interest rate shock)
- Position-duration limit for the available-for-sale portfolio
- The interest rate risk limit upon a change in the shape of the yield curve for the whole portfolio (jointly the banking book and the trading book)

### Classification of Interest Rate Sensitive Assets and Liabilities by Time Band

The tables below provide an analysis of the selected categories of assets and liabilities by time bands according to interest rate sensitivity. Assets and liabilities that are not sensitive to interest rates are classified as "not specified".

31 Dec 2015 (EUR '000)	On Call	Up to 3 Months	From 3 to 12 Months	From 1 Year to 5 Years	From 5 Years and Over	Not Specified	Total
<b>Assets</b>							
Cash, due from banks and balances with the National Bank of Slovakia	9 606	-	-	-	-	35 415	<b>45 021</b>
Placements with other banks, net of provisions for possible placement losses	-	126 703	-	-	-	2	<b>126 705</b>
Financial assets at fair value through profit or loss	-	-	-	-	-	824	<b>824</b>
Available-for-sale financial assets	-	-	8 890	-	-	3 422	<b>12 312</b>
Loans and receivables, net of provisions for possible losses	-	422 729	245 623	340 660	74 092	61 502	<b>1 144 606</b>
Held-to-maturity financial investments	-	1 771	-	-	71 872	-	<b>73 643</b>
<b>Liabilities</b>							
Due to banks and deposits from the National Bank of Slovakia and other banks	2 906	11 265	-	-	-	91	<b>14 262</b>
Amounts due to customers	139 429	233 115	371 301	338 801	138 968	11 920	<b>1 233 534</b>
Liabilities from issued debt securities	-	26 738	8 105	-	-	-	<b>34 843</b>
Subordinated debt	-	20 007	-	-	-	-	<b>20 007</b>
<b>Interest rate risk at 31 Dec 2015</b>	<b>(132 729)</b>	<b>260 078</b>	<b>(124 893)</b>	<b>1 859</b>	<b>6 996</b>	<b>89 154</b>	<b>100 465</b>

31 Dec 2014 (EUR '000)	On Call	Up to 3 Months	From 3 to 12 Months	From 1 Year to 5 Years	From 5 Years and Over	Not Specified	Total
<b>Assets</b>							
Cash, due from banks and balances with the National Bank of Slovakia	23 778	-	-	-	-	33 527	<b>57 305</b>
Placements with other banks, net of provisions for possible placement losses	-	199 020	-	-	-	65	<b>199 085</b>
Financial assets at fair value through profit or loss	-	-	-	-	-	73	<b>73</b>
Available-for-sale financial assets	-	-	-	7 553	-	604	<b>8 157</b>
Loans and receivables, net of provisions for possible losses	-	420 267	187 285	394 174	8 924	83 091	<b>1 093 741</b>
Held-to-maturity financial investments	-	1 660	-	-	72 027	1 776	<b>75 463</b>
<b>Liabilities</b>							
Due to banks and deposits from the National Bank of Slovakia and other banks	210	36 053	19	-	-	97	<b>36 379</b>
Amounts due to customers	83 116	221 756	388 565	364 618	124 904	15 035	<b>1 197 994</b>
Liabilities from issued debt securities	-	50 762	237	7 962	-	137	<b>59 098</b>
Subordinated debt	-	47 000	-	-	-	56	<b>47 056</b>
<b>Interest rate risk at 31 Dec 2014</b>	<b>(59 548)</b>	<b>265 376</b>	<b>(201 536)</b>	<b>29 147</b>	<b>(43 953)</b>	<b>103 811</b>	<b>93 297</b>

### Interest Rate Risk Sensitivity Analysis

To measure the interest rate risk, a GAP analysis methodology is applied. A net balance sheet position of the Banking Book and a net off-balance sheet position of the Banking Book are calculated based on the difference between the value of assets and liabilities in particular time buckets. Their total (Banking Book GAP) is multiplied in every time bucket by the relevant weight factor, which shows the duration of the financial instrument payable (or re-measured) in the middle of the given time bucket, resulting in weighted positions that can be used to determine the impact of interest rate changes on the Bank's economic value. For a potential decrease in the Bank's economic value in the event of a parallel shift of the yield curve by 200 bp, the Bank has an internal limit of 10% of the Bank's own funds.

An analysis of interest rate risk sensitivity is based on the assumption of a shift of the yield curve by 100 base points during the following 2.5 years (straight-line). Therefore, assets and liabilities with residual maturities over 2.5 years will not have an impact on the Bank's economic value.

Portfolio EUR	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 12 Month	Up to 2 Years	Up to 3 Years	Up to 4 Years	Up to 5 Years	Up to 7 Years	Up to 10 Years	Up to 15 Years	Over 15 Years
Net balance sheet position of Banking Book	(35 398)	57 361	(52 101)	(66 399)	(29 148)	62 801	(22 307)	(9 444)	(36 747)	43 462	274	8
Net off-balance sheet position of Banking Book	102 856	-	-	-	-	-	-	-	-	-	-	-
Banking Book GAP, total	67 458	57 361	(52 101)	(66 399)	(29 148)	62 801	(22 307)	(9 444)	(36 747)	43 462	274	8
Weight factor	0.04%	0.15%	0.31%	0.50%	0.55%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted positions (total GAP x weight factor)	27	86	(162)	(332)	(160)	-	-	-	-	-	-	-

In the EUR portfolio, unfavourable movements in interest rates would have a negative impact on the Bank's economic value in the amount of EUR 541 thousand (31 December 2014: EUR 410 thousand).

In the USD portfolio, unfavourable movements in interest rates would have a negative impact on the Bank's economic value in the amount of EUR 30 thousand (31 December 2014: EUR 31 thousand).

In the CZK portfolio, unfavourable movements in interest rates would have a negative impact on the Bank's economic value in the amount of EUR 1 thousand (31 December 2014: EUR 1 thousand).

The overall impact on the Bank's economic value in all portfolios (USD, EUR, CZK, and other foreign currencies) represents a decrease by EUR 578 thousand (31 December 2014: decrease by EUR 446 thousand) due to unfavourable movements in all interest rates. When using the same scenario for the trading portfolio, there is no impact on the Bank's profit/loss as at 31 December 2015 (31 December 2014: nil effect).

## **Other Price Risks**

Under the IFRS definition, other price risks represent the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices (other than changes arising from the interest rate risk or currency risks) irrespective of whether these changes are attributable to the factors that are specific for the individual financial instrument or factors affecting all similar financial instruments traded on the market.

Other price risks within the Bank primarily include equity and commodity risks. The Bank is not an active player on the equity or commodity markets and hence other price risks are immaterial.

## **38. Liquidity Risk**

Liquidity risk is the risk that the Bank will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Bank monitors its liquidity based on expected cash inflows and cash outflows and manages the liquidity risk by building highly-liquid assets portfolios.

The net on-balance sheet liquidity position represents the extent to which the Bank may be required to provide funding to settle its liabilities associated with financial instruments. The Bank maintains its liquidity profile in accordance with the requirements of the National Bank of Slovakia. The following tables show an analysis of the assets, liabilities and equity according to their maturities, reflecting the remaining period between the reporting date and the contractual maturity date.

This analysis was prepared on the basis of the most prudent consideration of maturity dates in cases where the repayment schedules facilitate earlier repayment. The assets and liabilities that could not be included into the relevant time buckets according the residual maturity are reported in the 'from 5 years and over' category. Liabilities to clients due within one month principally include current accounts from which the clients are authorised to make withdrawals at call. The Bank's historical experience suggests, however, that these accounts represent a stable source of funding.



**Classification of Balance Sheet Assets and Liabilities into Time Bands per Residual Maturity as at 31 December 2015**

(EUR '000)	Within 1 Month	From 1 Month to 3 Months	From 3 to 12 Months	From 1 Year to 5 Years	From 5 Years and Over	Total
<b>Assets</b>						
Cash, due from banks and balances with the National Bank of Slovakia	45 021	-	-	-	-	<b>45 021</b>
Placements with other banks, net of provisions for possible placement losses	126 705	-	-	-	-	<b>126 705</b>
Financial assets at fair value through profit or loss	824	-	-	-	-	<b>824</b>
Available-for-sale financial assets	-	-	11 786	-	526	<b>12 312</b>
Loans and receivables, net of provisions for possible losses	23 220	31 089	147 595	419 177	523 525	<b>1 144 606</b>
Held-to-maturity financial investments	-	1 771	-	-	71 872	<b>73 643</b>
Investments in subsidiaries	-	-	-	93	-	<b>93</b>
Non-current tangible assets	-	-	-	-	21 817	<b>21 817</b>
Non-current intangible assets	-	-	-	-	6 788	<b>6 788</b>
Deferred tax asset	-	-	-	1 021	-	<b>1 021</b>
Other assets	1 072	423	742	48	-	<b>2 285</b>
<b>Total assets</b>	<b>196 842</b>	<b>33 283</b>	<b>160 123</b>	<b>420 339</b>	<b>624 528</b>	<b>1 435 115</b>
<b>Liabilities</b>						
Due to banks and deposits from the National Bank of Slovakia and other banks	6 265	7 997	-	-	-	<b>14 262</b>
Amounts due to customers	665 783	112 446	312 410	141 132	1 763	<b>1 233 534</b>
Liabilities from issued debt securities	3 191	8 546	23 106	-	-	<b>34 843</b>
Current tax liability	-	950	-	-	-	<b>950</b>
Provisions for liabilities	109	96	264	2 494	-	<b>2 963</b>
Other liabilities	10 268	3 182	1 285	-	-	<b>14 735</b>
Subordinated debts	-	7	-	-	20 000	<b>20 007</b>
Equity	-	-	-	-	113 821	<b>113 821</b>
<b>Total liabilities and equity</b>	<b>685 616</b>	<b>133 224</b>	<b>337 065</b>	<b>143 626</b>	<b>135 584</b>	<b>1 435 115</b>
<b>Net balance sheet liquidity position at 31 Dec 2015</b>	<b>(488 774)</b>	<b>(99 941)</b>	<b>(176 942)</b>	<b>276 713</b>	<b>488 944</b>	<b>-</b>
<b>Cumulative net balance sheet liquidity position at 31 Dec 2015</b>	<b>(488 774)</b>	<b>(588 715)</b>	<b>(765 657)</b>	<b>(488 944)</b>	<b>-</b>	<b>-</b>

The classification of balance-sheet assets and liabilities into time bands per residual maturity as at 31 December 2015 represents in the within-one-month time band a GAP of EUR -489 million (31 December 2014: EUR -314 million). The difference in the residual maturity of assets and liabilities due within 1 month is mainly caused by the classification of all non-term deposits and current accounts of clients into this time band. In terms of the estimated maturity based on the standard behaviour of the Bank's clients, the net balance-sheet position of liquidity within one month is positive in the amount of EUR 76 million (31 December 2014: EUR 94 million). The Bank continuously complied with all NBS measures regulating this area throughout 2015.

**Classification of Balance Sheet Assets and Liabilities into Time Bands per Residual Maturity as at 31 December 2014**

(EUR '000)	Within 1 Month	From 1 Month to 3 Months	From 3 to 12 Months	From 1 Year to 5 Years	From 5 Years and Over	Total
<b>Assets</b>						
Cash, due from banks and balances with the National Bank of Slovakia	57 305	-	-	-	-	<b>57 305</b>
Placements with other banks, net of provisions for possible placement losses	199 085	-	-	-	-	<b>199 085</b>
Financial assets at fair value through profit or loss	73	-	-	-	-	<b>73</b>
Available-for-sale financial assets	-	-	78	7 553	526	<b>8 157</b>
Loans and receivables, net of provisions for possible losses	24 504	24 651	130 496	385 055	529 035	<b>1 093 741</b>
Held-to-maturity financial investments	-	1 776	1 660	-	72 027	<b>75 463</b>
Investments in subsidiaries	-	-	-	151	-	<b>151</b>
Non-current tangible assets	-	-	-	-	22 202	<b>22 202</b>
Non-current intangible assets	-	-	-	-	6 758	<b>6 758</b>
Deferred tax asset	-	-	-	759	-	<b>759</b>
Other assets	1 651	423	1 018	30	-	<b>3 122</b>
<b>Total assets</b>	<b>282 618</b>	<b>26 850</b>	<b>133 252</b>	<b>393 548</b>	<b>630 548</b>	<b>1 466 816</b>
<b>Liabilities</b>						
Due to banks and deposits from the National Bank of Slovakia and other banks	36 259	100	20	-	-	<b>36 379</b>
Amounts due to customers	545 271	100 775	346 177	205 766	5	<b>1 197 994</b>
Liabilities from issued debt securities	3 273	25 072	22 791	7 962	-	<b>59 098</b>
Deferred tax liability	-	862	-	-	-	<b>862</b>
Provisions for liabilities	578	149	246	2 506	-	<b>3 479</b>
Other liabilities	11 072	1 879	922	-	-	<b>13 873</b>
Subordinated debts	51	11 005	18 000	-	18 000	<b>47 056</b>
Equity	-	-	-	-	108 075	<b>108 075</b>
<b>Total liabilities and equity</b>	<b>596 504</b>	<b>139 842</b>	<b>388 156</b>	<b>216 234</b>	<b>126 080</b>	<b>1 466 816</b>
<b>Net balance sheet liquidity position at 31 Dec 2014</b>	<b>(313 886)</b>	<b>(112 992)</b>	<b>(254 904)</b>	<b>177 314</b>	<b>504 468</b>	<b>-</b>
<b>Cumulative net balance sheet liquidity position at 31 Dec 2014</b>	<b>(313 886)</b>	<b>(426 878)</b>	<b>(681 782)</b>	<b>(504 468)</b>	<b>-</b>	<b>-</b>

**Classification of Selected Off-balance Sheet Liabilities into Time Bands per Residual Maturity**

<b>31 December 2015 (EUR '000)</b>	<b>Within 1 Month</b>	<b>From 1 Month to 3 Months</b>	<b>From 3 to 12 Months</b>	<b>From 1 Year to 5 Years</b>	<b>From 5 Years and Over</b>	<b>Total</b>
Future loans granted	49 947	-	-	-	-	<b>49 947</b>
Guarantees issued (excluding commitments for guarantees)	194	2 487	6 468	3 881	3 320	<b>16 350</b>
Liabilities from spot transactions	501	-	-	-	-	<b>501</b>
Liabilities from forward transactions with a financial transfer	146 434	-	-	-	-	<b>146 434</b>
Provided guarantees from pledges	81 219	-	-	-	-	<b>81 219</b>
<b>Total as at 31 Dec 2015</b>	<b>278 295</b>	<b>2 487</b>	<b>6 468</b>	<b>3 881</b>	<b>3 320</b>	<b>294 451</b>

<b>31 December 2014 (EUR '000)</b>	<b>Within 1 Month</b>	<b>From 1 Month to 3 Months</b>	<b>From 3 to 12 Months</b>	<b>From 1 Year to 5 Years</b>	<b>From 5 Years and Over</b>	<b>Total</b>
Future loans granted	49 617	-	-	-	-	<b>49 617</b>
Guarantees issued (excluding commitments for guarantees)	536	1 862	3 243	2 776	6 857	<b>15 274</b>
Liabilities from spot transactions	5 649	-	-	-	-	<b>5 649</b>
Liabilities from forward transactions with a financial transfer	205 298	-	-	-	-	<b>205 298</b>
Provided guarantees from pledges	78 644	-	-	-	-	<b>78 644</b>
<b>Total as at 31 Dec 2014</b>	<b>339 744</b>	<b>1 862</b>	<b>3 243</b>	<b>2 776</b>	<b>6 857</b>	<b>354 482</b>

**Classification of Non-discounted Future Cash Flows from Financial Liabilities into Time Bands per Residual Maturity**

<b>31 December 2015 (EUR '000)</b>	<b>Within 1 Year</b>	<b>From 1 Year to 5 Years</b>	<b>From 5 Years and Over</b>	<b>Adjustment</b>	<b>Total</b>
Due to banks and deposits from the National Bank of Slovakia and other banks	14 263	-	-	(1)	<b>14 262</b>
Amounts due to customers	1 093 567	144 937	1 763	(6 733)	<b>1 233 534</b>
Liabilities from issued debt securities	38 979	-	-	(4 136)	<b>34 843</b>
Subordinated debts	640	2 577	20 541	(3 751)	<b>20 007</b>
<b>Total as at 31 Dec 2015</b>	<b>1 147 449</b>	<b>147 514</b>	<b>22 304</b>	<b>(14 621)</b>	<b>1 302 646</b>

<b>31 December 2014 (EUR '000)</b>	<b>Within 1 Year</b>	<b>From 1 Year to 5 Years</b>	<b>From 5 Years and Over</b>	<b>Adjustment</b>	<b>Total</b>
Due to banks and deposits from the National Bank of Slovakia and other banks	36 379	-	-	-	<b>36 379</b>
Amounts due to customers	995 928	214 737	7	(12 678)	<b>1 197 994</b>
Liabilities from issued debt securities	55 186	8 281	-	(4 369)	<b>59 098</b>
Subordinated debts	29 766	2 549	19 116	(4 375)	<b>47 056</b>
<b>Total as at 31 Dec 2014</b>	<b>1 117 259</b>	<b>225 567</b>	<b>19 123</b>	<b>(21 422)</b>	<b>1 340 527</b>

*Note: Non-discounted future cash flows arising from interest are included in individual categories of financial liabilities. A difference between the carrying amount of financial liabilities and their contractual non-discounted cash flows is disclosed in the Adjustment Column.*

### 39. Operational Risk

The Bank defines operational risk as the risk of loss arising from the inappropriateness or failure of internal processes in the Bank, human error, the failure of systems used by the Bank or the risk of loss arising from external events. Operational risk also includes legal risk, ie the risk of loss primarily due to a failure to enforce contracts, the threat of unsuccessful legal disputes or court rulings with adverse impacts.

Operational risk management is addressed in the Instructions of the Board of Directors entitled "Procedures for Operational Risk Management", which provide guidance on identifying, estimating, monitoring and mitigating operational risks. The Bank's principal objectives and principles in managing operational risks and the method of calculating capital requirements for operational risks are outlined in the "Risk Management Strategy" document. The standalone Market & Operational Risks department ensures compliance with the operational risk management requirements, processes and techniques and coordinates the development of basic principles and the development and maintenance of consistent methodology for identifying, monitoring, assessing and mitigating operational risks.

The Bank's objective is to map operational risks in all processes and business activities and, based on an understanding and analysis thereof, to adopt effective measures to mitigate the impacts of operational risks and to improve process quality while sustaining the Bank's competitiveness. The key aspect of the operational risks management system is an active cooperation between process owners and all organisational units of the Bank, wide awareness, communication of information and understanding of the tasks assigned. The Bank has strictly-defined competencies and responsibilities for the respective work procedures in the operational risks area.

The Operational Risk Management Committee is responsible for coordinating the operational risk management system. Operational risks reports are regularly submitted to the ALCO, the Bank's and parent company's managements and the regulator. Undesired disruptions of the Bank's activities and protection of critical processes from the consequences of serious errors and unforeseen events are covered by the Bank's business continuity plans.

In the regular self-assessment process, the Bank analyses significant sources of risk that the Bank is facing, identifies new risks and estimates the impact and likelihood of the origin thereof. The Bank adopts measures to mitigate and eliminate operational risks while considering efficiency and cost effectiveness of proposed measures in respect of the respective process efficiency. In addition to the self-assessment of risks, the Bank uses also other instruments for the operational risk management, such as the system of Key Indicators of Risk and Scenario Analysis.

Based on prior approval granted by the NBS to use the Advanced Measurement Approach and Operational Risk Management (AMA), the Bank as a member of the OTP Group has been calculating the capital requirement to cover operational risk using an advanced approach and the Group model since September 2015. All internal and external data, business environment factors and scenario analysis results are entered in the model.

### 40. Earnings/(Loss) Per Share

The earnings/(loss) per share attributable to ordinary shares of the Bank are computed as net profit for the relevant year attributable to the ordinary share-holders divided by weighted average number of ordinary shares outstanding during the year as follows:

	Note	31 Dec 2015	31 Dec 2014
Profit/(loss) (in EUR '000)		2 954	(443)
Profit/(loss) for the reporting period attributable to ordinary share-holder (in EUR '000)		2 954	(443)
<b>Profit/(loss) per share</b>			
<b>At face value of EUR 3.98 (in EUR)</b>		<b>0.133</b>	<b>(0.022)</b>
Weighted average number of ordinary shares	18	11 503 458	11 503 458
<b>At face value of EUR 39 832.70 (in EUR)</b>		<b>1 329.11</b>	<b>(222.551)</b>
Weighted average number of ordinary shares	18	570	570
<b>At face value of EUR 1.00 (in EUR)</b>		<b>0.033</b>	<b>(0.006)</b>
Weighted average number of ordinary shares	18	20 050 705	10 855 430

#### 41. Settlement of a Loss for the Previous Reporting Period

The General Meeting of OTP Banka Slovensko, a.s. held on 2 April 2015 approved the separate financial statements for 2014 and the settlement of the 2014 loss as :

Settlement of the loss for 2014 (EUR '000)	
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Profit/(loss) for 2014 – loss	(443)
Settlement:	
- Retained earnings from previous years	(443)

#### 42. Proposed Distribution of Profit for the Current Reporting Period

Proposed distribution of the profit for 2015 (EUR '000)	
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Profit/(loss) for 2015 – profit	2 954
Use:	
- Legal reserve fund	295
- Retained earnings from previous years	2 659

The proposed distribution of profit is subject to approval by the General Meeting of OTP Banka Slovensko, a.s.

#### 43. Events After the Reporting Date

No other significant events occurred between the balance sheet date and the authorisation date of the financial statements for publication that would require an adjustment or additional disclosure.