



2018

ANNUAL REPORT

We know each other. We trust each other.

ANNUAL REPORT 2018

Contents

- 3. Foreword by the Chairman of the Board of Directors
- 4. Company Bodies - Board of Directors and Supervisory Board
- 6. Report of the Board of Directors on the Company's business and assets for 2018
 - Basic Indicators
 - External Environment
 - Basic facts on the Bank's Performance
 - Financial Results
 - Business results
 - Retail Banking
 - Corporate Banking
 - Development of the Bank
 - Outlook for the Bank's business
 - Additional Information
- 12. Retail network – branches to 31. 12. 2018
- 14. Vision, Mission
- 14. Code of Ethics
- 15. Statement on compliance with the principles of the Corporate Governance Code for Slovakia
 - I. PRINCIPLE: SHAREHOLDERS' RIGHTS AND KEY FUNCTIONS OF OWNERSHIP
 - II. PRINCIPLE: FAIR TREATMENT OF SHAREHOLDERS
 - III. RINCIPLE: ROLE OF STAKEHOLDERS IN CORPORATE GOVERNANCE
 - IV. PRINCIPLE: PUBLICATION OF INFORMATION AND TRANSPARENCY
 - V. PRINCIPLE: ACCOUNTABILITY OF THE COMPANY'S BODIES
- 27. Separate Financial Statements and Independent Auditor's Report

Dear shareholders, clients and business partners,

I would like to thank you for your trust and support over the last year. 2018 was mainly a year of the modernisation of internal processes and the implementation of legislative changes.

For a bank of our size, the implementation of projects arising from the requirements of the European legislation not only means high costs but also significant dedication of staff capacity.

Therefore, it was necessary to make more effort to find, in addition to these “obligatory rides”, sufficient capacities and funds for development projects in the field of bank services competitiveness. We were putting particular emphasis on the projects of digitisation, simplification of processes in the bank, better services for clients and on the introduction of automatic credit systems.

To find funds for these development projects, besides mandatory legislative implementation, meant to strictly manage the costs of the bank.

The bank had limited room for higher revenues on the market of low interest rates in the field of loans. Lower margins had to be compensated with a higher volume of the sale of consumer and mortgages credits. These two products were the main topics of our communication activities over the last year.

The bank's balance sheet was also affected by re-financing in the field of personal loans. Within the corporate segment, in terms of long-term sustainability and protection against market fluctuations, we were mainly supporting the financing of small and medium-sized enterprises. The focus on smaller clients in the initial year of this change was negatively reflected in the development of the balance amount of corporate loans. In the long term, however, the diversification will bring greater stability for the bank.

We also put great emphasis on higher security. As for mobile banking, our latest update has strengthened log-in security features and has

also implemented a higher 3D Secure protection standard for card payments. In 2018, we paid particular attention to the quality of our loan portfolio. The volume of non-performing loans decreased over the year with higher coverage of these loans by loan-loss provisions, i.e. primarily in the field of loans for citizens.

In 2018, the banking market became a battlefield in a fight for the client. Therefore, we appreciate very much our active clients, who significantly contributed to the financial revenues of the bank. We want to repay their loyalty not only with quality services, but also with activities in the field of social responsibility. By means of our OTP READY Foundation, we support children's and students' financial literacy not only in the Slovak language, but also in Hungarian language schools, in sign language and also for pupils with special needs. Using simple parallels, we also teach the youngest to understand the value of money and sound management of finances. In order to increase learning capacity, we opened our own financial education centre in Trnava last year.

Let me thank the shareholders, clients and employees of the bank for their support in 2018.

Ing. Zita Zemková

Chairwoman of the Board of Directors
and Director General
OTP Banka Slovensko, a.s.



Companie bodies

Board of Directors

Ing. Zita Zemková,

Chairwoman of the Board of Directors
and CEO of OTP Banka Slovensko, a.s.,
responsible for the management of the 1st Division – Organisation & Support

Ing. Rastislav Matejsko,

Member of the Board of Directors
and Deputy CEO of OTP Banka Slovensko, a.s.,
responsible for the management of the 2nd Division – Finance & Treasury

Ing. Radovan Jenis,

Member of the Board of Directors
and Deputy CEO of OTP Banka Slovensko, a.s.,
responsible for the management of the 3rd Division – Risk

Dr. Sándor Patyi,

Member of the Board of Directors
and Deputy CEO of OTP Banka Slovensko, a.s.,
responsible for the management of the 4th Division – Business

Supervisory Board

József Németh,

Chairman

Ágnes Rudas,

Member

Angelika Mikócziová,

Member

Atanáz Popov,

Member

Attila Angyal,

Member

Tamás Endre Vörös,

Member

Krisztína Kovács,

New Member of the Supervisory Board
commencement of the term of office from
19 June 2018

Jaroslav Hora,

New Member of the Supervisory Board,
commencement of the term of office from
13 December 2018

Shareholders structure

31 December 2018

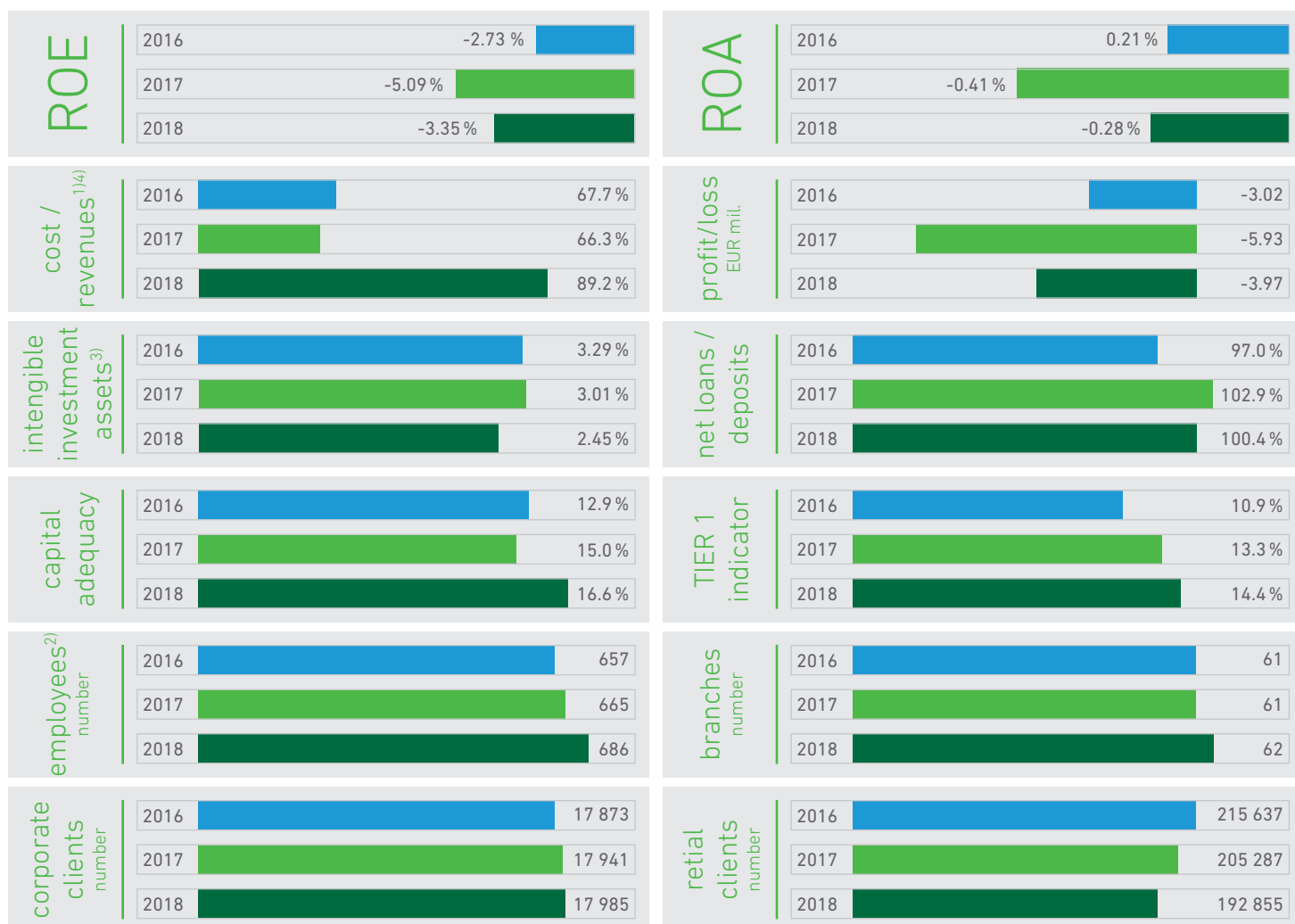
The share of domestic shareholders in share capital as of 31 December 2018 accounted for 0.54% and the share of foreign shareholders accounted for 99.46%. OTP Bank, Nyrt., is the only shareholder with a share of more than 1% in the Bank's registered capital.

Shareholder	Shareholding participation (in ths. EUR)	Share (in %)
OTP Bank, Nyrt.	125 887	99.44
Others	704	0.56
Total registered capital	126 591	100

The report of the board of directors on the company's business activities and status of assets

The report on the company's business activities and status of assets for 2018.

1. Basic indicators



1) After excluding the impact of individual VISA transactions (2016).

2) The number of full-time employees.

3) In 2018, the indicator was affected by a change in the recognition of revenues. If there was no change in methodology, the level of the indicator would account for 2.72%.

4) In 2018, the indicator was affected by a change in the recognition of revenues. If there was no change in methodology, the level of the indicator would account for 81.3%.

2. External environment

Tendencies of favourable global macro-economic developments from the previous period slightly worsened, while the previous year has also brought several economic risks. Particularly, the consensus of free international trade was threatened after several restricting trade measures between the United States of America and China had been implemented. Potential negative measures could highlight uncertainty in the development of financial markets. Spearheaded by the USA, several central banks started to gradually increase basic interest rates. The eurozone adopted measures to restrict the volume of the purchase of government bonds. The form of the exit of the United Kingdom from the EU will have a significant impact on the development the eurozone economy and the financial system. The most risky development scenario emphasises the slowdown of the growth of the United Kingdom economy with a markedly negative impact on the banks in the eurozone that have a large volume of financial derivatives and loans towards entities operating in the United Kingdom.

Like in most of the EU countries, the Slovak economy has also recorded an accelerated economic growth. The expansion of the automotive industry and public expenditure has strengthened the share of investments in the growth of domestic demand. The production of new automobile manufacturer could also kick-start net export development. The labour market has been experiencing particularly favourable times. Historically low unemployment level and the further increase in wages have been reflected in growing household consumption. The improving financial situation of the population suggests a higher tendency for indebtedness, while the share of non-performing loans should fall. This fact is also strengthened by the development of inflation, which remains above the average of interest rates, especially housing loans and some types of business loans.

The Slovak banking market is characterised by a high share of interest income in their total income. In an environment of low interest rates and falling margins, the sector's profitability could be maintained especially due to the growth of loan portfolios, higher income from fees and commissions and the lower costs of credit risk. Long-term sustainability of these costs, despite the NBS's limiting measures, can, however, be negatively affected by the fast growth of loan portfolios and deteriorated conditions in the external environment. The total loan stocks in the sector increased on a year-on-year basis by 9.4%. Despite the measures the NBS adopted, the rate of growth in housing loans maintained a high level of 11.7%, mainly thanks to the low values of average interest rates from new transactions at the level of 1.55%. Consumer credits increased, compared to the last year's volume, by 12.2%, however, the dynamics of their growth has slightly slowed down in recent months. Against the background of steady interest margins, particularly in relation to higher volumes, the dynamics of the growth in business loans remained stable at a level of approximately 5.0%. Growth was

recorded mainly in investment loans, while of operating loans stagnated. The highest share in the year-on-year increase in deposits, +12.6% (+EUR 2.2 bil.), was contributed by personal current accounts, thanks to higher disposable household incomes, which was a reflection of an improving situation on the labour market. There also was a significant increase in business accounts, which increased by 11.7% (+EUR 1.7 bil.). Slovak banks have succeeded in the transition to the new international standard IFRS 9, while the overall immediate impact on the sector's own resources was assessed as relatively low. The most significant impact of the higher volume of loan-loss provisions was recorded in the case of loans where there was a significant increase in the coverage of credit risks from initial recognition (Stage 2). In the previous year, the banks also had to deal with liquidity aspects, which arises from the increasing average maturity of assets with the increase in liabilities with the shortest maturity, from a lower share of liquid assets in total assets and from a faster growth of the share of loans in deposits.

In the following period, financial institutions will have to focus on the question as to what extent they will be able to make use of operationally more effective forms of functioning, to what extent they will be able to acquire and activate their clientèle towards the more intensive use of products and services against the background of the growing rate of digitisation and automatisisation and how successful the sale of insurance products and collective investment products will be, which currently are the greatest alternative resource of the banks' fee income.

3. Basic facts about the bank's performance

2018 was a year of adaptation to legislative and methodological changes in relation to the transition to financial reporting according to the rules of the international standard IFRS 9 and the harmonisation of accounting procedures at the level of the bank group as a whole. These changes were fundamentally reflected in a lower operating income due to the accounting for interest income from delinquent receivables and interests on late payment on a net basis. The total volume of rectifying items slightly decreased on a year-on-year basis, while there was an increase in total rectifying items in relation to non-performing loans from 62.5% to 86.5%. The improved quality of the loan portfolio was reflected in the lower costs of credit risks by 61.7%, particularly due to a higher quality of assets, where the bank recorded a positive increase in the portfolio with a zero delay from 88.3% to 90.5% and simultaneously a decrease in assets with a delay over 90 days from 8.9% to 6.5%. On the basis of a year-on-year comparison, the bank recorded a significant decrease in delinquent portfolio by EUR 34.6 mil., which was also caused by write-offs and the sale of non-performing loans.

As for retail loans, the bank granted a slightly higher volume of loans to its clients compared to 2017. The year-end

gross balance of housing loans was EUR 9 mil. higher on a year-on-year basis. As for consumer loans, the bank was supporting the sale during the year also with marketing campaigns, but due to the more significant volumes of sold non-performing loans granted in the previous periods, their gross balance dropped by EUR 16 mil. The improved quality of the loans granted was also reflected in a year-on-year increase in the total portfolio of performing loans by EUR 21 mil. and also in their share in the total portfolio. This positive development was achieved in both the segment of personal loans and in the segment of business clientèle loans.

The bank also continued to optimise its financing, it succeeded in the acquisition of non-term deposits in the business segment (+11.7%) and in the personal segment (+6.8%) as well. An active account was selected by 15% more clients than a year ago, the number of the bank's active clients increased on a year-on-year basis by 8%, which was also reflected in an increase in the number of transactions and in a higher rate of the use of mobile banking applications. Savings accounts remained interesting also thanks to its bonus interest rate. The clients increased its total volume on a year-on-year basis by EUR 17 mil.

The process of stabilisation and further education of a quality and experienced team of employees was important in 2018 as well.

4. Financial results

4.1. Operating revenues

4.1.1. Net interest income

It decreased by 19.8% compared to the previous year. On the one hand, lower interest income was caused by strong competition in the market environment where, in 2018, the interest rates of retail loans exceeded their historical minimum and where the impacts of the NBS's legislative restrictions began to be felt. On the other hand, the decrease was significantly affected by a methodological change in the accounting for revenue, which was adopted by the bank in order to harmonise the recognition of revenues and costs at the level of the bank group as a whole. According to the new methodology, income interests from delinquent receivables are accounted for on a net basis, while in the past a gross method was used, and subsequently, loan-loss provisions were created for interest receivables. Simultaneously, the bank changed the method for the recognition of interest on late payment, which, according to the new methodology, will be included in revenues at the time they are paid. The effect of this methodological change represented approximately a half of the above year-on-year decrease. Net interest margin dropped by 56 b.p. and at the end of the year it amounted to 2.45% (a NIM decrease would amount to 29 b.p. excluding the impact of methodological changes).



4.1.2. Net fee and commission income

ropped on a year-on-year basis by 5.4%. Lower fees than in the previous years were collected by the bank from both loan and deposit products. In the field of retail loans, the amount of collected fees for early repayments and reminders were reduced by price adjustments in accordance with the NBS applicable regulation, and in the case of fees for changed contractual terms and conditions, also a new accounting method according to the "revenue recognition" accounting principle (revenue recognition). As for corporate fees from loans, fees for the monitoring of long-term loans were accrued in a similar way. In 2018, in the field of deposit fees, managed redirecting of clients to new products was performed by means of more favourable package prices. Simultaneously, the bank was trying to motivate its clients to actively use advanced and more effective digital channels. In the field of card business, the bank recorded, on a year-on-year basis, higher income fees by 28.8%, with the highest share of the fees contributed by card transactions. Simultaneously, it was able to make significant costs savings (-12.3%). The volume of other fee income in 2018 was developing in a positive way. The bank achieved an 11.3% (+EUR 239,000.00) year-on-year growth, mainly generated by higher volumes of commissions from mediating the sale of third parties' products.



4.2. Operation costs

increased by 10.8% compared to 2017. Personnel costs increased due to a higher price of labour and a higher average number of employees. The bank spent more on advertising and promotion in order to support the sale of personal loans in particular. In 2018, there was a more dynamic growth in the costs of IT operation and depreciation caused by new investments in the previous years. The bank's wedge was slightly higher compared to the previous year. It was caused by a higher contribution to the Resolution Fund.

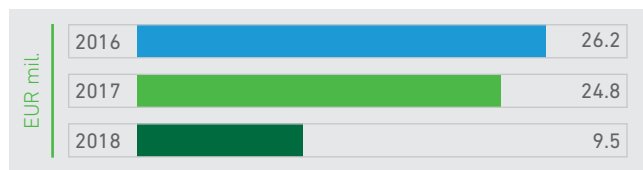
The year-on-year ratio of operation costs to income was not only affected by higher operation costs, but also by a significantly lower operation income. Therefore, on a year-on-year basis, the indicator increased from 66% to 89% (excluding the impact of methodological changes, C/I ratio would have been lower, at a level of 81%).



4.3. Credit risk costs

In 2018, the bank continued to conservatively assess the quality of its loan portfolio, using measures focused on both the exis-

ting portfolio and newly granted loans. These activities brought several positive effects, primarily a higher ratio of total loan-loss provisions to non-performing loans from 62.5% to 86.5%. The quality of assets increased as well. The bank recorded a positive increase in the portfolio with a zero delay from 88.3% to 90.5% and simultaneously a decrease in assets with a delay over 90 days from 8.7% to 6.4%. On the basis of a year-on-year comparison, the bank recorded a significant total decrease in delinquent portfolio by EUR 38.3 mil., which was also caused by write-offs and the sale of non-performing loans. In compliance with regulation, the bank implemented a methodological change in the calculation of loan-loss provisions according to the IFRS 9 rules on 1 January 2018. On the basis of a year-on-year comparison, the bank decreased the balance sheet stock of loan-loss provisions by EUR 0.13 mil., which amounted to EUR 85.9 mil. at the end of 2018. The volume of total risk costs in 2018 amounted to EUR 9.5 mil. It decreased by as much as 61.7% on the basis of a year-on-year comparison.



4.4. Profit/loss

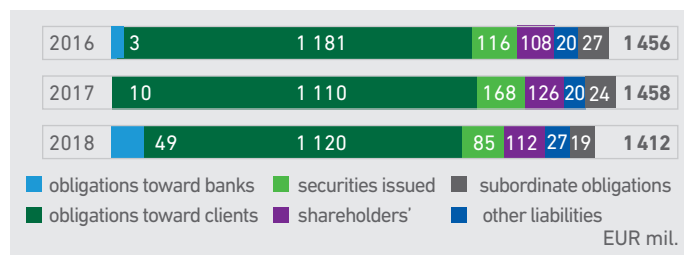
Demanding market conditions and the change in the methodology of accounting for revenues, on an accrual basis in relation to interest income and fee income, had a significant impact on the amount of the bank`s operating revenues. Despite a significant year-on-year decrease in credit risk costs, higher operation costs, arising primarily from the current situation on the labour market, resulted in the fact that the bank, in 2018, recognised an after tax profit/loss – a loss of EUR 3.97 mil., which was lower than the bank had expected, and also on the basis of a year-on-year comparison. The 2018 loss will be settled from retained earnings from the previous years.

5. Business results

5.1. Liabilities and shareholders` equity

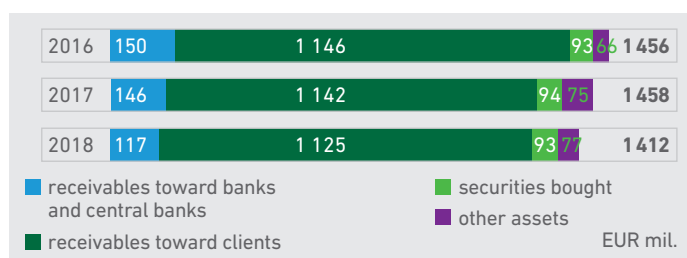
The bank`s balance sheet total decreased by 3.1% in 2018. The total volume of client deposits increased by 1%, while increases in the volumes of non-term accounts were recorded in all segments. The volume of business current accounts increased by 11.7% (+EUR 42 mil.). Funds deposited by personal banking clients increased on a year-on-year basis by 6.7% (+EUR 15 mil.). As for retail clients, the savings account product, where, compared to the previous year, they deposited EUR 17 mil. more, remained active. In 2018, there was a legislative change that stopped the mandatory issuance of mortgage bonds, as an instrument to cover mortgage loans. The amendment to the act reacted to the changing conditions of the real estate market and the capital market and to the ongoing activities at the European level leading to the

definition of harmonised quality standards for so-called covered bonds. In compliance with the changed conditions pursuant to the transitional provisions of §122ya of Act No. 483/2001 Coll. on Banks, the bank did not perform new issuance of mortgage bonds in 2018. The bank repaid mortgage bonds with a total nominal value of EUR 8 mil. and it also repurchased mortgage bonds worth EUR 9 mil. The bank issued short-term bonds with a total nominal value of EUR 40 mil. and it repaid bonds issued in the previous periods with a nominal value of EUR 105 mil. Therefore, the portfolio of issued securities decreased on a year-on-year basis by 49.3%. The issuance of common shares in December 2018 resulted in a higher equity of the bank by EUR 15 mil. and on the basis of a year-on-year comparison there was an increase in the volume of the bank`s subordinate obligations by EUR 7 mil. in order to strengthen the capital position and to create room for covering increasing legislative demands on capital. The bank fulfilled all European and national legislative requirements in the field of capital and, at the end of the year, it achieved adequacy of own funds at a level of 16.6%.



5.2. Assets

In 2018, the development of the bank`s loan portfolio was affected by several methodological changes. The IFRS 9 standard was implemented, which, in addition to other changes, significantly changes the way of creating loan-loss provisions and provisions for receivables, based on which the bank performed the classification of financial instruments as of 1 January 2018, and increased the balance of loan-loss provisions by EUR 23 mil., which was also recognised in shareholders` equity. Simultaneously with the implementation of the IFRS 9, the bank also changed the recognition of interest on loan receivables, and as of 1 January 2018 it decreased the initial gross balances of loans by EUR 15 mil. and the balances of loan-loss provisions created for them by EUR 14 mil. The change in book value was accounted for in shareholders` equity. In 2018, the bank completed sales and depreciation of bad debts in the amount of EUR 24 mil., by which it increased the ratio of healthy portfolio to total portfolio by 3%. Due to the above facts, the total gross stock of loans decreased on a year-on-year basis by 1% (-EUR 17 mil.). The ratio of net loans to deposits improved from 103% to 100% at the end of 2018. There were no significant changes in relation to other components of assets. The bank managed its financial assets so as to meet all regulative and internal requirements in the field of liquidity management in its effort to utilise them in a more effective way.



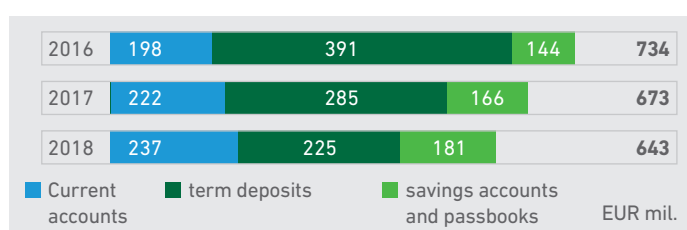
6. Retail banking

6.1. Retail deposits

In the field of retail current accounts and savings accounts, a positive trend from the previous year continued thanks to the focusing on active clients. In 2018, the number of clients with an Active Account product increased by 15%, which was also reflected in the increase in the number of the bank's active clients. The growth in the number of active clients and their increasing interest in mobile banking applications, where the clients appreciate simple and comfortable use, were the most important factors that contributed to the overall increase in the number of transactions on deposit accounts. There was a significant 21% increase in the number of transactions completed with payment cards on POS terminals. The increase in the volume of transactions by 20% resulted in the same increase in the income from interchange fees from vendors.

On 21 June, the bank implemented for their clients a 3D secure instrument for internet payments in order to minimise the number of misuses of payment cards.

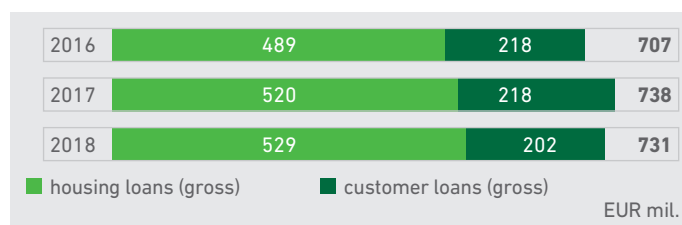
Thanks to the bonus interest rate, the combination of the Active Account with the Savings Account continued to be an advantageous offer on the market, which was also reflected in the increase in deposits to the Savings Account in relation to current accounts by 11.2%.



6.2. Retail loans

In 2018, the bank recorded a decrease in the portfolio of retail loans, when with a decrease in gross balance by EUR 7 mil. (-1%) it achieved a level of EUR 731 mil. 2018 was a successful year for the bank in the granting of housing loans. Gross balance increased on a year-on-year basis by EUR 9 mil. (+1.7%). Compared to the last year, the dynamics of growth slowed down also due to legislative changes made by the NBS. In 2018, the bank put emphasis on media support of the sale of consumer loans without security, primarily refinancing consumer loans. The higher number of new transactions, however, did not fully cover the volume of regular and extraordinary instalments together with the vo-

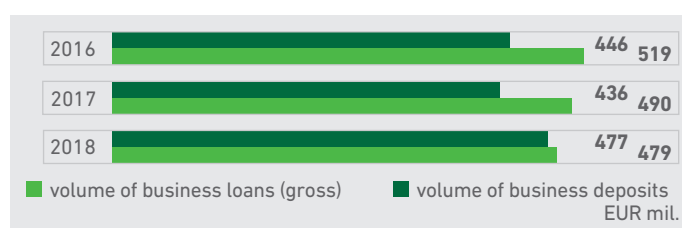
lume of the sale of non-performing loans due to the cleaning of loan portfolio. Therefore, gross volume decreased to EUR 202 mil. The emphasis put on the quality of newly granted loans in recent years was reflected in the growth in the volume of performing loans by EUR 17 mil. in total.



7. Corporate banking

In the field of corporate banking, strong competition continued on the banking market in 2018, which resulted in more aggressive conditions for the financing of corporate clients. The bank focused on the financing of preferred market segments and the maintaining of profitability of corporate transactions. There also was a gradual recovery of the loan portfolio and more significant sales and depreciation of non-performing credit claims. The emphasis put on the improvement of the quality of loan portfolio was reflected in a year-on-year increase in performing loans by EUR 4 mil. As for corporate deposits, the bank recorded a positive development in 2018. Funds on non-term accounts increased on a year-on-year basis by 11.7%.

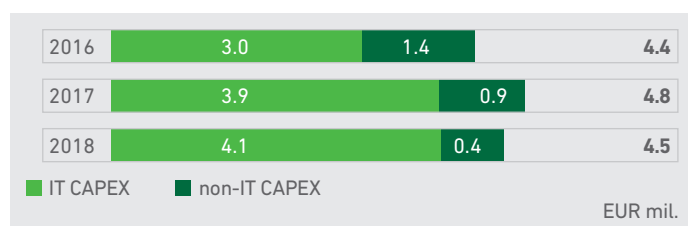
With support from a team of specialists, the bank started to be active in the provision of corporate financing products. In order to improve and increase the sale and service for corporate clients, the bank started to implement new processes and instruments of sales management.



8. Development of the bank

In 2018, the bank spent EUR 4.5 mil. towards investment development. The main part of the investments consisted of information technology development projects. The volume of funds invested in the field of IT amounted to EUR 4.1 mil. As for investments, particular attention was paid to a new loan system in order to ensure the maximum automation of the granting of loan products to clients. The development of internet banking, mobile banking and the purchase of

recycling ATMs in order to expand and modernise the ATM network was another priority in the field of supporting sales and increasing the quality of services rendered to clients. Also activities focused on the implementation of a directive on payment services PSD2, GDPR, the security of information systems and on achieving compliance with international legislation were important for the bank in terms of investment scope. In 2018, the bank also focused on the reconstruction of its head office premises in order to increase the quality of its work environment.



9. Anticipated business development

The expected continuation of rapid economic growth, bringing a an unemployment rate at a record low, wage growth and demand growth, also affects the banking sector development especially in the field of retail, where, in 2019, the above-standard growth of retail loans and the continuing high growth of household indebtedness in the EU will continue. In addition to the positive economic situation, it is also based on the population's attitude to housing, which is connected with personal ownership rather than rental, creating pressure on growth in housing loans. Also in 2019, the banking sector will find itself in an environment of low interest rates and it will generate its profit also thanks to the high volumes of newly granted loans, low credit risk costs and higher effectiveness of own operation.

In 2019, the NBS's measures that restrict the granting of retail loans leading to a slower growth in household indebtedness will become stricter. In the second half of 2019, the percentage of countercyclical capital buffer will increase, while the regulator does not exclude further increase. In 2019, the bank expects a 7% increase in the total loan portfolio, while the main areas, as in the previous years, will consist of housing loans and consumer loans, the sale of which will be supported by the bank in the form of marketing campaigns. Loans granted to the micro-segment and small enterprises will also play an important role in the planned growth in the loan portfolio. As for deposits, the bank will focus on maintaining the effectiveness of its financing, while increasing the comfort and

services for clients, where the bank, among other things, will focus on further development of internet banking and mobile banking. In 2019, the bank expects a growth of deposits secured by current and savings accounts.

In the next period, the bank will pay increased attention to further improvement and automation of business processes at branches and at the head office.

10. Additional information

The bank does not have a foreign branch. It does business in the field of banking, while this activity has no specific negative impact on the environment.

In 2018, OTP Group was represented in Slovakia, in addition to the bank, by OTP Faktoring Slovensko, s. r. o. and OTP Buildings, s. r. o.

In 2018, the bank continued to expand the OTP Ready Foundation activities, which are focused on financial education for pupils at elementary and secondary schools in the whole territory of Slovakia.

The bank did not acquire own shares, temporary certificates or stakes, nor did it acquire shares, temporary certificates or stakes in the parent accounting unit Also, it did not acquire any public subsidies.

At the end of 2018, a total of 15,010,203 pieces of common shares were subscribed, with a nominal value per share of EUR 1.00. The total volume of the issue amounted to EUR 15,010,203.00. OTP Bank, Nyrt. subscribed 15,000,000 pieces (99.932%) of shares, other domestic shareholders own 10,203 pieces of issued shares (0.068 %).

Structure of shareholders as of 31 December 2018.

The share of domestic shareholders in share capital as of 31 December 2018 accounted for 0.54% and the share of foreign shareholders accounted for 99.46%.

Shareholder	Shareholding participation (in ths. EUR)	Share (%)
Domestic shareholders	682	0.54
Foreign shareholders	125 909	99.46
Total registered capital	126 591	100

OTP Bank, Nyrt. is a sole shareholder with a share in the bank's registered capital higher than 1%.

Shareholder	Shareholding participation (in ths. EUR)	Share (%)
OTP Bank, Nyrt.	125 887	99.44
Others	704	0.56
Total registered capital	126 591	100

Retail network – branches as at 31. 12. 2018

Por. č.	Pobočka	Ulica	PSČ	Mesto
1	Bratislava-Štúrova	Štúrova 5	813 54	Bratislava
2	Malacky	Záhorácka 46/30	901 01	Malacky
3	Senec	Lichnerova 93	903 01	Senec
4	Pezinok OC Plus	Holubyho 28	902 01	Pezinok
5	Bratislava-Dúbravka	Saratovská 6 B	841 01	Bratislava
6	Bratislava-Blumentálska	Blumentálska 20	811 07	Bratislava
7	Bratislava-Hurb. nám.	Hurbanovo nám. 7	811 03	Bratislava
8	Bratislava-Polus	Vajnorská 100	831 04	Bratislava
9	Bratislava-Twin City	Mlynské Nivy 14	821 09	Bratislava
10	Bratislava-Kazanská	Kazanská 58	821 06	Bratislava
11	Bratislava-Muchovo nám.	Muchovo námestie 4	851 01	Bratislava
12	Nitra	Štúrova 71/A	949 01	Nitra
13	Dunajská Streda	Korzo Bélu Bartóka 344	929 01	Dunajská Streda
14	Galanta	Poštová 914/2	924 00	Galanta
15	Komárno	Záhradnícka 10	945 01	Komárno
16	Levice	Komenského 2	934 01	Levice
17	Nové Zámky	Petőfiho 1	940 24	Nové Zámky
18	Senica	Hviezdoslavova 309	905 01	Senica
19	Topoľčany	Škultétyho 4720/2A	955 01	Topoľčany
20	Trenčín	Jesenského 7371/2	911 62	Trenčín
21	Trnava	Andreja Žarnova 5	917 02	Trnava
22	Piešťany	Nálepková 38	921 01	Piešťany
23	Šaľa	Hlavná 33/36	927 01	Šaľa
24	Partizánske	Februárová 152/1	958 01	Partizánske
25	Šamorín	Gazdovský rad 39	931 01	Šamorín
26	Veľký Meder	Bratislavská cesta 2467/122	932 01	Veľký Meder
27	Štúrovo	Hlavná 27	943 01	Štúrovo
28	Kolárovo	Kostolné nám. 15	946 03	Kolárovo
29	Komárno-Trend	Tržničné nám. 4810	945 01	Komárno
30	Banská Bystrica	Námestie SNP 15	974 01	Banská Bystrica
31	Čadca	Palárikova 98	022 01	Čadca

Por. č.	Pobočka	Ulica	PSČ	Mesto
32	Dolný Kubín	Radlinského 1729	026 01	Dolný Kubín
33	Liptovský Mikuláš	1. mája 26	031 01	Liptovský Mikuláš
34	Lučenec	Železničná 1	984 01	Lučenec
35	Martin	M. R. Štefánika 42	036 53	Martin
36	Považská Bystrica	Centrum 2304	017 01	Považská Bystrica
37	Prievidza	Kláštorná 4	971 01	Prievidza
38	Rimavská Sobota	SNP 2	979 01	Rimavská Sobota
39	Zvolen	Nám. SNP 27	960 01	Zvolen
40	Žilina	Sládkovičova 9	010 01	Žilina
41	Detva	Tajovského 10	962 12	Detva
42	Ružomberok	Antona Bernoláka 3963	034 01	Ružomberok
43	Veľký Krtíš	SNP 16	990 01	Veľký Krtíš
44	Šahy	E. B. Lukáča 603	936 01	Šahy
45	Fiľakovo	Biskupická 4	986 01	Fiľakovo
46	Tornaľa	Mierová 23	982 01	Tornaľa
47	Košice-Alžbetina	Alžbetina 2	040 41	Košice
48	Bardejov	Radničné námestie 10	085 20	Bardejov
49	Humenné	Námestie Slobody 43	066 82	Humenné
50	Michalovce	Št. Kukuru 14	071 01	Michalovce
51	Poprad	Námestie sv. Egídia 3633/44	058 01	Poprad
52	Prešov	Hlavná 13	080 01	Prešov
53	Rožňava	Šafárikova 17	048 01	Rožňava
54	Spišská Nová Ves	Letná 48	052 01	Spišská N. V.
55	Stará Ľubovňa	Nám. sv. Mikuláša 20	064 01	Stará Ľubovňa
56	Trebišov	M. R. Štefánika 3782/25/A	075 01	Trebišov
57	Vranov nad Topľou	A. Dubčeka 1	093 25	Vranov nad Topľou
58	Svidník	Centrálna 817/21	089 01	Svidník
59	Košice-Murgašova	Murgašova 3	040 01	Košice
60	Sabinov	Námestie Slobody 1	083 01	Sabinov
61	Moldava nad Bodvou	Hviezdoslavova 32	045 01	Moldava nad Bodvou
62	Kráľovský Chlmec	Nemocničná 8	077 01	Kráľovský Chlmec

Vision and mission

Vision

Our bank's vision is not only to continue in what we have become in the Slovak financial market, but to achieve the maximum satisfaction and convenience for our clients, while our work and its results would convince other clients who are looking for quality services to express their trust in OTP Banka Slovensko as a modern, reliable and well-established financial institution. We use the expertise, human potential of employees and the experience of an international group to satisfy our clients' needs, providing them with convenient services and exceeding their expectations.

Mission

The mission of OTP Banka Slovensko, a.s. is to provide professional and high quality services to its retail, corporate and local government clients. To apply fine-tuned management practices to combine existing potential and to act transparently and prudently, and also to proactively promote efficient innovations. Our motto is to satisfy each client. Our clients need to know that we are here for them, that they are important to us, regardless of whether they are a large company or an employee of a small business. We listen to their needs and respect them. We will convince them with the high quality of modern products, with the level of the services provided, with our personal approach, reliability, professionalism and open communication.

Code of ethics

Basic moral requirements

Honesty and integrity

To act honestly and fairly in personal and business relationships, while taking care to comply with all applicable rules and regulations and adhere to moral principles and rules of decent behaviour.

Professionalism

To perform all work activities at the highest possible professional level and in accordance with the rules and principles of honest business conduct.

Principles of professional activity

Professional credibility

To continuously advance the development of the Bank staff's expertise, with the aim of meeting and exceeding the expecta-

tations associated with a good business reputation. To sell products and services by means of experienced staff, paying particular attention to providing complete and correct information to clients.

Conflict of interest

Pursuant to legal regulations, to avoid conflicts of interest relating to the standing of the Bank, work and person, as well as to prevent such conflicts from arising. Refrain from all activities that are in conflict with the Bank's or clients' interests, to make decisions impartially and objectively.

Confidentiality

One of the key conditions for a relationship of trust established between the Bank and its clients is the strict protection of business secrets, banking secrets and confidential information. We protect personal data that we obtain in the course of providing our financial services

Statement on compliance with the Principles of the Corporate Governance Code for Slovakia

OTP Banka Slovensko, a.s. and the members of its bodies have committed to raising overall the level of corporate governance and have adopted the Corporate Governance Code for Slovakia, published on the CECGA website at:

<http://www.cecga.org/sk/o-nas/kodex>. The Code can also be found on the Bank's website.

With the aim of committing to fulfil and comply with the Code's individual principles, to advert to the manner of such compliance and to issue a Corporate Government Statement pursuant to § 20(6) of the Accountancy Act no. 431/2002 Coll. as amended, the Company hereby makes the following Statement: The records of

registered shares are kept by the Central Securities Depository of the SR (Centralny depozitar Cennych papierov SR, a.s.) and these supersede the list of shareholders. In order to be effective the transfer of a registered share requires that a record of the transfer be made in the register of issuers of securities, as maintained by the Central Securities Depository of the SR, where the share is registered. The Articles of Association do not restrict transferability of the shares. To acquire or exceed an interest in the registered capital or voting rights of the Bank amounting to 20%, 30% or 50% in one or several operations, prior approval of the authorities supervising the Company is required.

I. Principle: Shareholder's rights and key functions of ownership

A.Shareholders' fundamental rights

At a general meeting, a shareholder is entitled to require information and explanations relating to the Company's affairs or the affairs of entities controlled by the Company, to submit proposals relating to the agenda under discussion and to vote. Upon request, the Board of Directors is obliged to provide a shareholder at the general meeting complete and true information and explanations relating to the subject of the general assembly's agenda. If the Board of Directors is unable to provide the shareholder at the General Meeting with complete information or if requested by the shareholder at the General Meeting, the Board of Directors is obliged to provide such information to the shareholder in writing within 15 days following the General Meeting. The Board of Directors shall send the information to the shareholder to the address specified by the shareholder, else to the address specified in the list of shareholders. The Board of Directors is entitled to refuse to give such information only if it would constitute a breach of law, or if it is clear from a careful assessment of the information that its provision could cause harm to the Company or an entity controlled by the Company. Information relating to

the management and assets of the Company must be provided in any circumstances. If the Board of Directors refuses to provide information, the Supervisory Board will, at the shareholder's request, decide on the Board of Directors' obligation to provide the required information during the negotiation of the General Meeting. Shareholders are entitled to view the Minutes of a Meeting of the Supervisory Board. Shareholders are obliged to keep such information obtained confidential.

Shareholders may only exercise their right to take part in the management of the Company at the General Meeting, respecting the organisational measures applicable to the General Meeting. The number of the votes of each shareholder is determined by the ratio of the nominal value of their shares and the amount of the registered capital. Shareholders may exercise their rights at the General Meeting by means of an authorised representative. The authorisation must be in writing and the shareholder's signature must be certified. The authorisation will expire, if the shareholder takes part in the General Meeting. If the shareholder authorises more than one person to exercise their voting rights connected with the same shares at one General Meeting, the Company

will allow only the authorised representative who first registered in the attendance list to vote. A member of the Supervisory Board of the Company may not be an authorised representative. The Board of Directors is obliged not to allow the shareholder to exercise their rights, if the relevant body has decided to suspend the exercise of the shareholder's rights or otherwise restrict the shareholder's rights. Shareholders are entitled to a share in the profit, determined by the ratio of the nominal value of their shares and nominal value of all shareholders' shares.

B. Right to take part in the decisionmaking process relating to substantial changes in the Company and right of access to information

Amendment to Articles of Association

A draft amendment to the Articles of Association may be submitted by a shareholder or the Board of Directors of the Company. A shareholder may exercise this right at the General Meeting, if the amendment to the Articles of Association has been included in the General Meeting agenda, or under circumstances specified in Art. VIII of the Articles of Association, and request that a General Meeting be convened in order to negotiate the draft amendment to the Articles of Association. The complete text of the draft amendments must be available at the Company's seat at least 30 days prior to the General Meeting. The Board of Directors is obliged to ensure that each shareholder is able to view the complete wording of the amendments upon registration in the attendance list. Amendments to Articles of Association and amended Articles of Association (for the purposes of this Section hereinafter referred to as an "Amendment to the Articles of Association") approved by the General Meeting will become valid and effective upon approval by the bodies supervising the Company's activity. If the body supervising the Company's activity fails to decide on the Company's request for approval to an Amendment to the Articles of Association within 30 days following delivery of a complete request, the Amendment to the Articles of Association will be deemed approved. By decision of the General Meeting or a generally binding legal regulation, the Amendment to the Articles of Association may become valid and effective on any later date. A Notarial Deed must be made with regard to the decision on the Amendment to the Articles of Association. If the Amendment to the Articles of Association changes any facts registered in the Commercial Register of the Slovak Republic the Board of Directors will be obliged to file a petition for registration of such changes with the Commercial Register of the Slovak Republic without undue delay.

By-Laws

Within the scope defined by the generally binding legal regulations and decisions of the Company's bodies, the Company's activities are regulated by its by-laws. By-laws break down into instructions of the Board of Directors, instructions of the CEO, working regulations and working instructions. Instructions given by the Board of Directors regulate the fundamental relationships in the Company, in particular acting on behalf of the Company, labour relationships and organisation of the Company. The Board of Directors' instructions also regulate employees' procedures in entering into deals with clients. The CEO's instructions regulate those areas of the Company's activity that transcend the acti-

vities of a particular division. Working regulations regulate the subtasks, obligations and working procedures in the individual fields of the Bank's activity. By way of working instructions, the Executive Assistant to CEO regulates the activity of the organisational unit and employees of the division that he/she manages.

Approval of the issue of new shares

The registered capital of the Company may be increased or decreased by the Company's General Meeting at the request of the Board of Directors or, as relevant, the Board of Directors may do so in accordance with legal regulations and the Articles of Association. The General Meeting may decide on the issue of several types of shares distinguished by name and content of the rights connected therewith (voting right, amount of share in profits). Shares may be of different nominal value. All of the types of shares must have the type and form laid down by generally binding legal regulations

Bonds

Based on the decision of the General Meeting, the Company may issue bonds carrying rights for their conversion to the Company's shares, or bonds carrying right to preferential subscription of shares, if, at the same time, the General Meeting decides on a contingent increase in the registered capital.

Extraordinary Transactions

Shareholders are continuously informed of major transactions carried out by the Bank.

General Meeting is the Supreme Body of the Company

- a) amendment to the Articles of Association,
- b) decision to increase the registered capital, entrusting the Board of Directors with the power to decide on an increase or decrease in the registered capital,
- c) decision on the issue of bonds under Art. V of the Articles of Association
- d) decision on the termination of and change to the legal form of the Company upon the prior approval of bodies supervising the Company's activity,
- e) election and dismissal of members of the Supervisory Board except members of the Supervisory Board elected and dismissed by employees,
- f) approval of the ordinary and extraordinary individual Financial Statements, decision on the distribution of profit, including the amount of royalties and dividends, or settlement of loss,
- g) approval of the Annual Report,
- h) decision on the transformation of shares issued as registered securities to letter securities and vice versa,
- i) decision on the termination of trading of the Company's shares at a stock exchange and decision to cease the Company as a public joint-stock company,
- j) decision on other issues entrusted by the Articles of Association to the General Meeting,
- k) decision on approval of an Agreement on Transfer of an Enterprise or Part of an Enterprise, and
- l) decision on matters otherwise pertaining to other bodies of the Company, if reserved by the General Meeting, which, however, does not apply to deciding on matters entrusted to other bodies of the Company by a generally binding legal regulation

m) decision on matters otherwise pertaining to other bodies of the Company, if reserved by the General Meeting, which, however, does not apply to deciding on matters entrusted to other bodies of the Company by a generally binding legal regulation.

In order to approve a decision of the General Meeting on an Amendment to the Articles of Association, an increase or decrease in the registered capital, commissioning the Board of Directors to increase the registered capital, an issue of priority or convertible bonds, dissolution of the Company, change of legal form or approval of a decision to end trading of the Company's shares on a listed securities market, a two-thirds majority of all shareholders' votes is necessary, and a Notarial Deed thereof must be made. In order to approve any other decision of the General Meeting, a two-thirds majority of the votes of all shareholders' votes is necessary.

C. Right to take part in decisionmaking regarding remuneration of the members of the bodies and management

Remuneration of the members of the bodies and management, the main principles and rules of remuneration and their implementation are governed by the applicable SR legislation and are contained in the Bank's internal Statement on compliance with the principles of the Corporate Governance Code for Slovakia Annual Report 2015 23 regulations, "Rules of Remuneration Policy at OTP Banka Slovensko, a.s.". Legal framework of the regulation related to the principles of remuneration:

- Annex I to Directive 2010/76/EU (CRD III) of the European Parliament and of the Council,
- CEBS Guidelines on Remuneration Policies and Practices (dated 12 December 2010),
- Act No. 483/2001 Coll. on Banks and on amendments and supplements to certain acts, as amended,
- Act No. 566/2001 Coll. on Securities and Investment Services (The Securities Act) and on amendments and supplements to certain acts.

The bank has concluded 4 contracts with employees who are simultaneously members of the Board of Directors for the provision of compensation under the circumstances stated in §20 (7) (j) of Act on Accounting. The amount of remuneration has not been set in the form of a fixed amount. It depends on the duration of their employment contracts, but it shall not exceed 12 times the employee's basic wage. The payment of remuneration depends on the employee's weighted performance average over 5 years that precede the end of employment. If the employee acted unfairly, or if employment was terminated due to a breach of work discipline, the remuneration is not paid.

D. Right to take part in voting at the General Meeting

The Board of Directors convenes the General Meeting by a written invitation and notice of the General Meeting published in the nationwide periodical press publishing stock exchange news. The Board of Directors sends the written invitation to the shareholders to the address of their seat or permanent residence specified in the list of shareholders at least 30 days prior to the General Meeting. The invitation to the General Meeting must include

all requisites laid down by generally binding legal regulations. If the Board of Directors fails to convene the General Meeting as described above, a member of the Board of Directors, Supervisory Board or shareholder may convene the General Meeting under the conditions laid down by the generally binding legal regulations. The Board of Directors must ensure that the Minutes of the Meeting are prepared within 15 days following the meeting. The Minutes of Meeting are to be signed by the minutes clerk, Chair of the General Meeting and two elected verifiers. In the event that the generally binding legal regulations stipulate that a Notarial Deed of the General Meeting be prepared, the Board of Directors must ensure the preparation thereof. Each shareholder may ask the Board of Directors to issue a copy of the Minutes of Meeting or a portion thereof along with the attachments thereto. At the shareholder's request, the Board of Directors is obliged to send such copy to the shareholder to the address specified by the shareholder or provide it to the shareholder otherwise as agreed with the shareholder without undue delay; otherwise it must make it accessible at the Company's seat. The cost of producing and sending the copy of the Minutes of a Meeting or a portion thereof along with the attachments is borne by the shareholder who asked for such a copy. The Minutes of a Meeting along with the notice of a General Meeting or invitation to the General Meeting and the list of attendees must be kept by the Company for the whole period of its existence. If the Company ceases to exist without any legal successor, the Company must deliver the documents to the relevant national archive.

E. Ownership structure and control

The company has not concluded any agreements to which it is a contracting party and has no knowledge of agreements between shareholders.

F. Ways to acquire control over the Company

To acquire or exceed an interest in the registered capital or voting rights of the Bank amounting to 20%, 30% or 50% directly or through action taken in concert in one or several operations, prior approval of the authorities supervising the Company is required.

G. Simplifying the exercise of shareholder rights

The Company has ensured access to all relevant information about events at the Company, particularly access to documents intended for discussion by the General Meeting, and financial information, by means of its website. The Company addresses the issue of resolving any conflict of interests in accordance with applicable legal regulations, for which it has drawn up Procedures for Managing a Conflict of Interests, a Code of Ethics, Monitoring of Persons with a Special Relationship to the Bank, and Rules for Personal Deals Concerning Investment Services.

H. Possibility for mutual consultations among shareholders

Shareholders are not restricted by legal regulations in force or Articles of Association in their mutual consultations.

II. Principle: Fair treatment of shareholders

A. Equal Treatment of Shareholders

The number of a shareholder's votes is determined by the ratio of the nominal value of their shares and the amount of registered capital. All shares carry equal rights and obligations. A shareholder or shareholders owning shares, whose nominal value amounts to at least 5% of the registered capital, may, stating a reason, request in writing that the Extraordinary General Meeting or Supervisory Board be convened to discuss proposed issues. If the shareholders requested that the Extraordinary General Meeting be convened to discuss an Amendment to the Articles of Association or election of the members of the Supervisory Board, they are obliged to submit a draft Amendment to the Articles of Association or names of persons proposed to be the members of the Supervisory Board along with a request for convening an Extraordinary General Meeting. The request for convening an Extraordinary General Meeting may only be satisfied if these shareholders prove that they have owned their shares at least 3 months prior to the end of the deadline for the Board of Directors to convene an Extraordinary General Meeting. Any shareholder listed in the list of shareholders or a person authorised by him/her may take part in the voting. Only shareholders who are present at the General Meeting may vote.

Discussions of the General Meeting

1. The General Meeting decides by voting based on a call of the Chair of the General Meeting.
2. If any proposal amending an original proposal (amendment) is filed, the General Meeting shall first vote on such an amendment. The Chair of the General Meeting may combine voting on several amendments into one vote by the General Meeting.
3. If there are several proposals and it is not possible to apply the procedure under point 2), the Chair of the General Meeting shall decide on the order in which the proposals will be voted on.
4. If there are mutually exclusive proposals (competing proposals), the General Meeting shall only vote until one of such proposals is adopted. The General Meeting will not vote on the other proposals.
5. Competing proposals also include proposals to elect members of the company's bodies in an extent to which they exceed the number of vacant posts in the company's bodies.
6. Upon the election of members of the Supervisory Board elected by the General Meeting, the General Meeting shall vote on each person proposed to the post of a member of the Supervisory Board individually.
7. Issues not included in the agenda of the General Meeting may only be decided on with the participation and approval of all of the Company's shareholders.
8. Voting is performed by handing over a voting ticket or any other verifiable manner.
9. Result of the vote is reported by the scrutineers to the Chair of the General Meeting and minutes clerk.

B. Prohibition on the misuse of confidential information

Trading on one's own account on the basis of misuse of confidential information is considered a serious breach of work discipline, with corresponding consequences. The Bank has a list of persons who have access to confidential information. The Bank, in this regard, respects the law (Banking Act, Securities Act, Commercial Code, Securities Exchange Act), as well as standards based on legal regulations (Dealer Code of Conduct, Exchange Rules and Stock Exchange Rules). The Bank has rules in place for the handling of confidential information, which prohibit members of the Company's bodies and persons close to them, employees and also the Company itself from misusing confidential information and from market manipulation. Control of the fulfilment of these rules is performed by the Compliance department, which also investigates any misuse of confidential information that could damage the Bank's reputation or a client's interest.

C. Transparency in conflict of interests

The bank has undertaken to avoid conflicts between the private interests of its employees and the interests of the bank. In the light of the above-mentioned, members of the Board of Directors, the Supervisory Board and managers are obligated to inform specific entities on matters (personal, business and family matters) that could affect their impartiality in connection with a specific transaction. In such cases, the senior management level is obligated to replace the employee with other employee to perform the transaction. The concealment of facts that result in the damage of legally protected interests implies responsibility for such misconduct regardless of the function held in the bank. Employees are prohibited from using their connection with the bank in order to promote personal interests or to damage the bank's reputation through their behaviour. Also, they must not use their status or confidential information acquired during their activity. Conflicts of interest are addressed in a separate work regulation entitled Procedures for the Management of Conflicts of Interests, in the Ethical Code and in the Rules for Personal Transactions Related to Investment Services. These principles are available at the following websitej <https://www.otpbanka.sk/eticky-kodex>. Of course, the bank complies with the provision of §23 of Act on Banks by adapting it to the bank's internal conditions. As for main transactions, the bank uses a team decision-making and a correctly set-up remuneration system.

III. Principle: Role of stakeholders in corporate governance

A. Respecting stakeholders' rights

At OTP Banka Slovensko, a.s., stakeholders include employees and their trade union. The rights of employees and their trade union are regulated primarily by the Commercial Code and Labour Code.

B. Possibilities for effective protection of rights of interest groups

The protection of interest groups' rights is ensured primarily through members of the Supervisory Board who are elected by employees and the trade union organisation, and by means of collective bargaining.

C. Participation of employees in the Company's bodies

Three out of eight members of the Supervisory Board are elected by employees.

D. Right of access to information

Stakeholders have access to information through the members of the Supervisory Board and trade union.

E. Control mechanisms of the stakeholders

Control mechanisms of the stakeholders are not formalised. Employees may apply control mechanisms through the members of the Supervisory Board and trade union.

F. Protection of creditors

Control mechanisms of the stakeholders are not formalised. Employees may apply control mechanisms through the members of the Supervisory Board and trade union.

IV. Principle: publication of information and transparency

A. Minimum publication requirements

The management of OTP Banka Slovensko, a.s. complies with a Code of Corporate Governance and the rules of Stock Exchange in Bratislava when disclosing all fundamental information. The financial and operating results of the bank are further disclosed under Act on Banks, Act on Accounting and relevant measures of the National Bank of Slovakia. The bank discloses audited financial statements for relevant accounting period. Financial statements for relevant accounting period and financial statements as of the end of individual quarters of accounting period are published on the bank's internet site. The bank ensures access to the information for all shareholders, clients, potential clients and employees. The information is disclosed and processed according to international accounting standards and international financial reporting standards. The information includes data on company's financial situation, the bank's management, the bank's assets, and describes transactions with related parties.

1. The Company's business activities include:

1. acceptance of deposits,
2. provision of credit,
3. provision of payments service and settlement,

4. provision of investment services, investment activities and ancillary services pursuant to Act No. 566/2001 Coll. on Securities and Investment Services and on Amendments to Certain Acts as amended (the "Act on Securities") to the extent specified in point 2 of this Article, and investment in securities on own account,
5. trading on own account
 - a) in money market instruments in euro and foreign currency, in gold, including currency exchange,
 - b) in capital market instruments in euro and foreign currency,
 - c) in coins made of precious metals, commemorative banknotes and coins, sheets of banknotes and aggregates of circulating coins,
6. management of clients' receivables on their accounts, including relating advisory services,
7. financial leasing,
8. provision of guarantees, opening and confirmation of letters of credit,
9. issue and management of means of payment,

10. provision of advisory services in the business area,
11. issue of securities, participation in the issue of securities and provision of related services,
12. financial intermediation,
13. safekeeping of things,
14. leasing of security boxes,
15. provision of banking information,
16. separate mortgage deals pursuant to the provision of § 67 (1) of Act No. 483/2001 Coll. on Banks and on Amendments to Certain Acts as amended,
17. depository function,
18. processing of banknotes, coins and commemorative banknotes and coins.

2. The Company is entitled to provide the following investment services, investment activities and ancillary services pursuant to the Act on Securities:

1. Acceptance and assignment of a client's instruction relating to one or more financial instruments in relation to the financial instruments:
 - a) transferable securities,
 - b) money market instruments,
 - c) mutual funds or securities issued by foreign collective investment entities,
 - d) swaps relating to interest rates or yields that may be settled by delivery or in cash,
2. Performance of a client's instruction on his/her account in relation to the financial instruments:
 - a) transferable securities,
 - b) money market instruments,
 - c) mutual funds or securities issued by foreign collective investment entities,
 - d) swaps relating to interest rates or yields that may be settled by delivery or in cash,
3. Trading on own account in relation to the financial instruments:
 - a) transferable securities,
 - b) money market instruments,
 - c) mutual funds or securities issued by foreign collective investment entities,

- d) futures and forwards relating to currencies that may be settled by delivery or in cash,
- e) swaps relating to interest rates or yields that may be settled by delivery or in cash,
4. Investment advisory services in relation to the financial instruments:
 - a) transferable securities,
 - b) money market instruments,
 - c) mutual funds or securities issued by foreign collective investment entities,
5. Subscription and placing of financial instruments based on a fixed liability in relation to a transferable security,
6. Uploading of financial instruments without a fixed liability in relation to the financial instruments:
 - a) transferable securities,
 - b) mutual funds or securities issued by foreign collective investment entities,
7. Safekeeping of mutual funds or securities issued by foreign collective investment entities and safekeeping and management of transferable securities on the client's account, except tenure, and related services, especially management of funds and financial collaterals,
8. Performance of forex trades, if connected with the provision of investment services
9. Performance of investment research and financial analysis or any other form of general recommendation relating to trading in financial instruments,
10. Services connected with the subscription of financial instruments.
11. The Company's business also includes financial intermediation under Act no. 186/2009 Coll. on financial intermediation and financial advice and on the amendment of certain acts, as amended, in the scope of a tied financial agent in the insurance and reinsurance sector, a tied financial agent in the capital market sector, a tied financial agent in the deposits taking sector and a tied financial agent in the loans sector.

Structure of the registered capital

The Company's registered capital amounts to **EUR 126 590 711.84** and is composed of Shares:

ISIN: **SK 1110001452**

Nominal value: EUR 3.98

Number: 3 000 000 pcs

Kind: ordinary share

Type: registered

Form: registered securities

Description of rights: right to take part in the management of the Company, profit and liquidation balance, right to preferential subscription of shares, right to request convening of the General Meeting and Supervisory Board, right to view Minutes of Meeting of the Supervisory Board

Transferable: no restrictions

% in the registered capital: 9.43

Accepted for trading: 2 999 710 pcs (upon the transformation of letter shares to registered securities owners of 290 pcs of letter shares did not submit these for transformation).

ISIN: **SK 1110004613**

Nominal value: EUR 3.98

Number: 8 503 458 pcs

Kind: ordinary share

Type: registered

Form: registered securities

Description of rights: right to take part in the management of the Company, profit and liquidation balance, right to preferential subscription of shares, right to request convening and of the General Meeting and Supervisory Board, right to view Minutes of Meeting of the Supervisory Board

Transferable: no restrictions

% in the registered capital: 26.74

Accepted for trading: 8 503 458 pcs

ISIN: **SK 1110003003**

Nominal value: EUR 39 832.70

Number: 570 pcs

Kind: ordinary share

Type: registered

Form: registered securities

Description of rights: right to take part in the management of the Company, profit and liquidation balance, right to preferential subscription of shares, right to request convening of the General Meeting and Supervisory Board, right to view Minutes of Meeting of the Supervisory Board

Transferable: no restrictions

% in the registered capital: 17.94

Accepted for trading: no

ISIN: **SK 1110016559**

Nominal Value: EUR 1

Number: 10 019 496 pcs

Kind: ordinary share

Type: registered

Form: registered securities

Description of rights: right to take part in the management of the Company, profit and liquidation balance, right to preferential subscription of shares, right to request convening of the General Meeting and Supervisory Board, right to view Minutes of Meeting of the Supervisory Board

Transferable: no restrictions

% in the registered capital: 7.91

Admitted for trading: 10 019 496 pcs

ISIN: **SK 1110017532**

Nominal Value: EUR 1

Number: 10 031 209 pcs

Kind: ordinary share

Type: registered

Form: registered securities

Description of rights: right to take part in the management of the Company, profit and liquidation balance, right to preferential subscription of shares, right to request convening of the General Meeting and Supervisory Board, right to view Minutes of Meeting of the Supervisory Board

Transferable: no restrictions

% in the registered capital: 7.92

Accepted for trading: 10 031 201 pcs (8 pcs of shares are not emitted as of 31.12.2018 – the share owner does not have equity account)

ISIN: **SK 1110019850**

Nominal Value: EUR 1

Number: 23 041 402 pcs

Kind: ordinary share

Type: registered

Form: registered securities

Description of rights: The right to participate in the Company's management, to a share in the profit and liquidation balance, the right to preferential subscription of shares, the right to request convening of the General Meeting and Supervisory Board, right to view minutes from the Supervisory Board meeting

Transferable: no restrictions

% in registered capital: 18.20

Admitted for trading: 23 041 402 pcs

IISIN: **SK 1110020684**

Nominal value EUR 1

Qty: 15 010 203 pcs

Type: common share

Form: name share

Kind: registered security

Description of rights: the right to participate in the company management, profits and liquidation balance, the pre-subscription right, the right to request the convening of the General Meeting and the meeting of the Supervisory Board, the right to view the minutes of a meeting of the Supervisory Board

Transferability: without limitation

% in RC: 11.86

Accepted for trading: 15,010,203 pcs

The registered capital structure does not include shares whose owners would have special control rights.
The bank does not know of any agreements between owners of securities, which could lead to the restriction of the transferability of securities and the restriction of voting rights.

Qualified participation in the registered capital pursuant to Act No. 566/2001 Coll.

OTP Bank, Nyrt. Budapest, Hungary, has a qualified interest in the registered capital of the Bank. The share of the majority owner amounts to 99.44%.

Remuneration Strategy

Detailed information on the remuneration strategy is given in the Bank's by-laws, such as the Remuneration and Salary Code of the Bank, available to employees on the Bank's website. Certain information depending on its nature and content are available upon request.

Information on members of the Company's Bodies

Board of Directors

Members of the Board of Directors as of 31. 12. 2018

Ing. Zita Zemková,
d.o.b. 23. 11. 1959, Mierova 66, 821 05 Bratislava, SR;
Chair of the Board of Directors and CEO of OTP Banka Slovensko, a.s.

Ing. Rastislav Matejsko,
d.o.b. 23. 7. 1973, Podlesná 29, 900 91 Limbach, SR;
member of the Board of Directors and Executive Assistant to CEO of OTP Banka Slovensko, a.s., managing the 2nd division - Finance & Treasury

Ing. Radovan Jenis,
d.o.b. 20. 2. 1974, Saratovská 10, 841 02 Bratislava, SR,
member of the Board of Directors and Executive Assistant to CEO of OTP Banka Slovensko, a.s., managing the 3rd Division - Risk

Dr. Sándor Patyi,
d.o.b. 10. 3. 1957, Hóvirág utca 4, 2083 Solymár, Hungary,
member of the Board of Directors and Executive Assistant to CEO of OTP Banka Slovensko, a.s., managing the 4th division - Business

Supervisory Board

Members of the Supervisory Board as of 31. 12. 2018

József Németh,
date of birth: 9. 2. 1964, Szabo E. u. 2, 9700 Szombathely, Hungary; chairman

Ágnes Rudas,
date of birth: 3. 7. 1958, Viragvolgyi u. 5, 1239 Budapest, Hungary

Angelika Mikócziová,
date of birth: 15. 11. 1975, Eliášovce 815, 930 38 Nový Život

Atanáz Popov,
date of birth: 19. 7. 1980, Szent Laszlo ut 34-38, 1135 Budapest, Hungary

Ing. Mgr. Attila Angyal,
date of birth: 23. 8. 1973, Bagarova 1179/8, 841 08 Bratislava

Tamás Endre Vörös
date of birth: 8. 1. 1973, 1037 Budapest, Göllöncsér u. FSZT. 1/A 92

Ing. Jaroslav Hora,
date of birth: 2. 12. 1968, Kvetná 7/864, 900 42 Dunajská Lužná

Dr. Krisztína Kovács,
date of birth: 25. 11. 1977, Pusztaszeri út. 21/a, 1025 Budapest

Changes in the Supervisory Board during 2018

The General Meeting appointed Dr. Krisztína Kovács a member of the Supervisory Board.

Another member of the Supervisory Board elected by employees is Ing. Jaroslav Hora.

Ing. Angelika Mikócziová was elected by employees as a member of the Supervisory Board for another 4-year term of office.

Members of the Supervisory Board elected by employees

Members of the Supervisory Board elected by employees are Ing. Angelika Mikócziová, Ing. Mgr. Attila Angyal and Ing. Jaroslav Hora.

Commencement and termination of the office of the member of the board of directors

- 1) The Company's Board of Directors has 4 members.
- 2) The members of the Board of Directors are elected and dismissed by the Supervisory Board.
- 3) A proposal to elect or dismiss a member of the Board of Directors may be submitted to the Chair of the Supervisory Board by
 - a) shareholders owning shares whose nominal value exceeds 10% of the registered capital, and
 - b) a member of the Supervisory Board.
- 4) A proposal to elect or dismiss a member of the Board of Directors must be submitted in person and in advance. Such a proposal must then be included in the agenda of the next meeting of the supervisory Board by the Chair of the Supervisory Board. A member of the Supervisory Board may submit a proposal to elect or dismiss a member of the Board of Directors right at the meeting of the Supervisory Board. The Supervisory Board shall decide on the inclusion of an oral proposal to elect or dismiss a member of the Board of Directors in the agenda of the meeting of the Supervisory Board. A member of the Board of Directors may be dismissed by the Supervisory Board even before the end of his/her office. The Supervisory Board shall decide on the election or dismissal of a member of the Board of Directors by an absolute majority of votes of the members of the Supervisory Board.
- 5) The office of the member of the Board of Directors commences on the day of election, unless the Supervisory Board has decided that the office of the member of the Board of Directors commences on a later day.
- 6) The office of the member of the Board of Directors ends at the end of his/her office, by dismissal, resignation, validity of the court's decision on the restriction or termination of legal capacity to act, by death or declaration as deceased.
- 7) The office of the member of the Board of Directors lasts 4 years.
- 8) The member of the Board of Directors may resign from his/her office. A written resignation shall become effective as of the day of the first meeting of the Supervisory Board following the delivery of the resignation. If the member of the Board of Directors resigns at the meeting of the Supervisory Board, the resignation shall be effective immediately. If, by resignation of any member of the Board of Directors, the number of the members of the Board of Directors falls below three, the Supervisory Board may decide that the resignation shall become effective at the end of the period determined by the Supervisory Board. The above period must not exceed 30 days and shall start on the day following the day of the meeting of the Supervisory Board, where the resignation was discussed.
- 9) For any change or election of a new member of the Board of Directors, prior approval of the bodies supervising the Company's activity is necessary.
- 10) The Chair of the Board of Directors is elected by the Supervisory Board from the members of the Board of Directors.

Commencement and termination of the office of a member of the supervisory board

- 1) The Supervisory Board has eight members.
- 2) Five members of the Supervisory Board are elected and remo-

- ved by the General Meeting. Three members of the Supervisory Board are elected and removed by the company employees.
- 3) Each shareholder is entitled to propose candidates for members of the Supervisory Board elected and dismissed by the General Meeting.
 - 4) Only the employees who are employed by the company at the time of elections (hereinafter referred to as the "eligible voters") have the right to elect members of the Supervisory Board. Election of members of the Supervisory Board by employees is organized by the Board of Directors in cooperation with the trade union so that as many eligible voters or their authorized representatives as possible can participate in the elections. If the trade union is not established within the company, elections of members of the Supervisory Board elected by employees of the company is organized by the Board of Directors in cooperation with the eligible voters or their authorized representatives. The trade union or at least 10% of the authorised voters are entitled to file a proposal for the election or dismissal of the members of the Supervisory Board elected by the Company's employees. For the appointment or removal of members of the Supervisory Board elected by employees of the company to be valid, the voting of eligible voters must be secret and at least a majority of eligible voters or their authorized representatives having at least a majority of votes of eligible voters must participate in the elections. The candidates with the highest number of votes of the present eligible voters or their authorized representatives become members of the Supervisory Board. The election code for the election and dismissal of the members of the Supervisory Board elected by the employees of the Company is prepared and approved by the trade union. If there is no trade union, the election code is prepared and approved by the Board of Directors in collaboration with the authorised voters.
 - 5) The office of the member of the Supervisory Board commences on the day of election, unless the General Meeting or employees decided that the office shall commence on a later day.
 - 6) The office of the members of the Supervisory Board terminates by dismissal, resignation, validity of the court's decision on the restriction or termination of legal capacity to act, by death or declaration as deceased. The office of the member of the Supervisory Board terminates as at the end of the office of the member of the Supervisory Board, if a new member of the Supervisory Board was elected; otherwise the office shall be extended until the new member of the Supervisory Board is elected, however, by no more than 1 year.
 - 7) The office of the members of the Supervisory Board is four years.
 - 8) The member of the Supervisory Board may resign from his/her office. A written resignation shall be effective as of the day of the first meeting of the Supervisory Board following the delivery of the resignation. If the member of the Supervisory Board resigns from his/her office at the meeting of the Supervisory Board, the resignation may be effective immediately.
 - 9) For any change or election of a new member of the Supervisory Board, prior approval of the bodies supervising the Company's activity is necessary.
 - 10) The Chair of the Supervisory Board is elected by the Supervisory Board from the members of the Supervisory Board.

Within the scope of regular business activity, the Bank also performs transactions with related parties. In the case of OTP this concerns primarily the following companies within OTP:

OTP Bank Nyrt, Budapest (Hungary)

OTP Buildings, s.r.o. (Slovakia)

OTP Kartyagyártó és Szolgáltató Kft. (Hungary)

OTP Financing Netherlands, B.V (The Netherlands)

OTP FINANCING MALTA COMPANY Limited

OTP Faktoring, s.r.o. (Slovakia)

Transactions with related parties are performed under normal business conditions.

Transactions with related parties are performed under normal business conditions. The purpose and monetary valuation of the relationship and other necessary details are presented transparently by the Bank:

- in its Annual Report,
- on its website,
- regularly pursuant to legal obligations to the National Bank of Slovakia.

Foreseeable Risk Factors

The Bank's auditor has the possibility to require additional information and the external auditor has Access contractually ensured to the members of the Bank's bodies. The Bank manages risks resulting from foreseeable risk factors. The most important risks include credit risk, operational risk, market risk and liquidity risk. Credit risk is defined as a moment of uncertainty accompanying the Bank's business activity. Credit risk means any possible loss caused by the Bank's own activity or by any other facts independent of the Bank. It especially includes the default of a contractual partner not discharging its liabilities resulting from the agreed contractual terms in time and in full, thus causing a loss to the Bank. The Bank's evaluation system monitors the credit risk from two points of view: risk of default by a borrower and risk factors specific to a particular deal – transaction (guarantees, priorities, type of product, limits etc.). The acceptance of the credit risk towards the client depends on the outcomes of the analyses of the ability of the borrower to pay its liabilities (direct credit risk, risk of the business partner, country risk). The analyses include quality of the security instruments (residual risk – risk of security). The Bank has defined acceptable and unacceptable types of security and the acceptable amounts of collaterals. The credit exposure of the Bank is governed by a system of set limits (risk of concentration and asset exposure). Operational risk means the risk of loss resulting from inappropriate or erroneous internal processes at the Bank, failure of a human factor, failure of the systems used by the Bank or external events. The bank has developed an information system for the collection of operational risk events and it is used for continuous monitoring and provides a basis for the evaluation of effectiveness of adopted measures and instruments to mitigate operational risk. The bank, as a member of OTP Group, calculates capital requirement for the coverage of operational risk using an advance approach by means of a group model. The model includes all the relevant internal and external data, business environment factors and results of scenario analyses. The Bank is exposed to the impacts of market risks. Market risks result from open positions of transactions in interest, forex and stock products, which are subject to the effects of general and specific market changes. The forex risk is the risk

that the value of a financial instrument will change due to changes in forex rates. The Bank manages this risk by determining and monitoring the limits for open positions. To analyse the sensitivity of the currency risk, the Bank uses the Value At Risk (VaR) method. Interest risk means the risk resulting from changes in interest rates. It originates as a result of a difference in due dates or periods of the revaluation of assets and liabilities. When measuring interest rate risk, the bank calculates the impact of the change of interest rates on the change in economic value and the change in net interest income. Liquidity risk means the risk that the Bank will have problems gaining funds to discharge its liabilities connected with financial instruments. The Bank monitors and manages liquidity based on the expected inflow and outflow of funds based on and appropriate changes to interbank deposits. Liquidity risk is limited by the system of limits. Legislative and internal indicators and gap analysis are primarily used when managing liquidity risk. The Bank also prepares liquidity development scenarios. The bank, within Compliance and Security Section, has implemented a system of instruments to monitor unusual business transactions and the mitigation of risk associated with the laundering of funds from criminal activities. More detailed information on the bank's approach to individual risks and the management thereof is included in Notices to Financial Statements, which constitute a part of the bank's Annual Report.

Issues concerning employees and other stakeholders

Issues concerning employees are published on the Company's intranet and are updated as necessary.

Corporate governance strategy

The Bank supports the Corporate Governance Code for Slovakia. The composition and activity of the Company's bodies is published in the Annual Report, and updated in the relevant section on the Bank's website. The internal control system consists of methods, procedures, rules and measures of the Bank incorporated in internal bank processes, serving primarily to protect its assets, guarantee the reliability and accuracy of the accounting data, support compliance with the prescribed business policy and compliance with laws and other generally binding legal regulations. The managing bodies and managers of the Company are responsible for the adequacy and efficiency of the internal control system.

B. Quality of information

The Bank's management complies with the Corporate Governance Code. The Bank publishes its audited Financial Statements and information exclusively according to the International Accounting Standards and International Financial Reporting Standards. The Company regularly reviews the application of international standards in data processing and in financial reporting against the current state in the interest of the quality publication of information under International Financial Reporting Standards.

C. Independent audit

Internal Control and Internal Audit Section, which reports to the Supervisory Board of the company, is an independent, out-of-process component of internal control system. The main role consists in an independent, objective, assuring and consulting activity focused on adding value and improving processes. It helps the organisation

to achieve its objectives by bringing a systematic methodological approach to the evaluation and improvement of risk management effectiveness, management and control processes and the management of the bank.

The Internal Control and Internal Audit Section inspects compliance with acts, generally binding legal regulations and internal rules and procedures in the company, it reviews and evaluates the functionality and effectiveness of the company management and control system, it reviews and evaluates the risk management system and compliance with the prudential principles of the bank, it reviews and evaluates the company's readiness to perform new types of transactions in terms of risk management, it reviews and evaluates information provided by the company on its activity, and at the Supervisory Board's request it conducts inspection within the defined scope. It carries out its activity in all organisational units of the company.

D. Auditor's accountability to shareholders

The statutory auditor is answerable to the shareholder by being invited to the Supervisory Board meeting for discussions about

financial statements. He also participates in the company General Meeting.

E. Access of shareholders and stakeholders to information at the same time and to the same extent

The Company ensures that all shareholders and public are informed in time by means of its own website.

F. Independent analyses and advisory services

In selecting external suppliers the Bank proceeds so as to gain maximum quality and economically substantiated costs taking into account the conditions of each entity of the financial group. The by-laws regulate the automated processes within the group, guaranteeing the preservation of transparency and objectivity in the procurement of assets and services. As regards information, the main suppliers in the financial market are the independent agencies Reuters and Bloomberg, whose credit in terms of independence and objectivity is regarded as an internationally respected market standard.

V. principle: Accountability of the company's bodies

A. Action of members of the bodies based on complete information in the interest of the Company and its shareholders

The members of the Board of Directors, Supervisory Board and other bodies of the Bank act based on information that is complete, correct and verifiable. The decision-making of members of the bodies may not be distorted by an existing or potential conflict of interests under any circumstances. Several well-established procedures work as a prevention: transfer of competences, publication of the information, refusal to act. The legal basis for the declarability of acting in the interest of the Company and the shareholders is the Act on Banks, Act on Securities, Commercial Code and Labour Code. According to the nature of their offices, the members of the bodies are subject to the principles of fair treatment of shareholders, monitoring and reporting to NBS in terms of transactions with persons with a special relationship towards the Bank and principles of remuneration of members of the bodies and management of the Company.

B. Equitable treatment of the members of the bodies and shareholders

The Company and the members of the bodies of the Company respect the rights of the shareholders resulting from legal regulations and the Articles of Association.

C. Application of ethical standards

The bank is committed to compliance not only with legal standards, but also with standards in the field of moral principles and principles of social responsibility, whose obser-

vance and fulfilment is not stipulated by any act, however, the bank considers them necessary. On its website <https://www.otpbanka.sk/eticky-kodex>, the bank publishes its Ethical Code as a summary declaration of basic ethical principles declared at the group level:

- honesty, integrity, professionalism, transparency,
- prevention of conflict of interests, confidentiality,
- legalisation of income from criminal activity and terrorism financing,
- prohibition of discrimination, fight against corruption and fraudulent conduct,
- protection of the bank's means and reputation,
- respect for clients and adequate treatment,
- responsible management of the company and social responsibility,
- settlement of ethical misconduct and complaint handling.

The Ethical Code, as a set of principles, applies to all employees and contractors, while compliance with it is continuously monitored and its breach is sanctioned. A breach of the Ethical Code is punishable and reports of its breach can be sent to the following e-mail address compliance.OTP@otpbanka.sk.

Further, OTP adheres to the Ethical Code of Banks in the field of consumer protection, prepared by the Slovak Banking Association. The Code is a set of ethical rules for consumer protection, which represent a commitment by participating banks to providing financial services to clients at a high level, complying with the principles of decency and business transparency. By adopting the Code, the bank has committed itself to cooperation with the Institute for Alternative Dispute Settlement estab-

lished by the Slovak Banking Association within its competence with respect to matters of dispute in providing services to their clients.

D. Key Functions:

Strategic planning is the key tool for the further advancement and orientation of the Bank and is managed by the parent bank. The Bank compiles its strategic plan according to the parent bank's guidelines. Strategic objectives form the basis for the annual business plan and financial budget. In preparing the strategic objectives, especial attention is dedicated to the risk profile of the planned business activities, which is subsequently reflected in the planned risk results. The strategy also includes a general investment plan, by means of which the Bank implements certain strategic goals. The investment plan is implemented in the form of projects. Following approval of the investment plan by the parent company, projects are prepared. By prioritising projects, a project Master Plan is prepared for the relevant year. The project Master Plan is continuously monitored, and reports for the Board of Directors on the fulfilment of the Master Plan are prepared quarterly, in which especially problematic areas and risks of individual projects, as well as proposals for reducing these risks, are specified for the individual projects. Monitoring of the effectiveness of the Company's procedures in the field of corporate governance is performed at the level of the Company's bodies. The Bank's Board of Directors processes and submits information from meetings of the Board of Directors to meetings of the Supervisory Board. Furthermore, the roles of the Company's bodies are monitored and evaluated by the Integration and Steering Committee of Subsidiaries. The fundamental principles of the personnel policy relating to top management are a part of the Remuneration and Salary Code. The principles of remuneration are based on the long-term interests of the Company and its shareholders. The fundamental rules for the prevention of unethical behaviour are regulated in the Ethical Declaration of the Bank, published on its website <https://www.otpbanka.sk/eticky-kodex>. By its strict regulation of the Bank's processes, and building control awareness at the Company, the Bank limits the room for any potential conflict of interests. The Bank protects itself from unfavourable transactions with related parties by making them accessible to the public and the auditor. The Company's bodies support anonymous whistle-blowing regarding unethical/unlawful actions, so that whistle-blowers need not fear retaliation. Clear determination of accountability and specific obligations are one of the fundamental principles applied at the Company. The integrity of accounting and financial reporting systems in the interest of accurate, timely and regular reporting of financial results of the bank is, among other things, supported by a systematic risk management by means of Risk Division and by the implementation of independent audit function. In addition to the annual report, the disclosure of information and communication with the surrounding are ensured by means of the company's website, through the publishing of press releases, the publishing of notices in the media or the distribution of directed notices.

Increase in registered capital

The General Meeting decides on an increase in the Company-

's registered capital. A Notarial Deed must be prepared with regard to an increase in the registered capital. An increase in the registered capital may be performed by subscription of new shares, an increase in the registered capital from retained earnings or funds created from profit, whose use is not stipulated by law, or by subscription of new shares, where part of the issue rate will be paid from the Company's own funds reported in the Financial Statements in the Company's equity (combined increase in the registered capital).

Acquisition of own shares

The Company may acquire its own shares only under the conditions laid down by legal regulations. The basic precondition for the acquisition of own shares is a decision of the General Meeting approving the acquisition of own shares and the conditions of such acquisition. The Board of Directors also exercises the rights of the employer in collective negotiations, approves the remuneration principles of the Company's employees, decides on the provision of credit or guarantee for a person having a special relationship towards the Company, appoints and dismisses directors of the Internal Control and Audit Unit following prior approval by the Supervisory Board or at the Supervisory Board's request. It decides on the implementation of new types of deals, grants and revokes proxies (granting and revoking of proxies requires prior approval by the Supervisory Board), grants and revokes other general authorisations and/or Powers of Attorney.

E. Objectivity and independence of the Company's bodies

The members of the Supervisory Board have several years' experience in managerial functions in the field of finance. At the same time, several members of the Supervisory Board were educated abroad and have international work experience. The Board of Directors has no committees.

Several committees composed of employees of the company operate within the company, the most important of which are the Credit Committee, ALCO Committee and the Risk Management Committee. As at 31.12.2018 the Company has no committee for appointments and no committee for remuneration. One person responsible for remuneration is appointed in the Company. In 2018 the activities of the Audit Committee were performed by the Supervisory Board to the full extent. The members of the bodies of the Company are sufficiently qualified and experienced in the area of management, including finance.

F. Members' right of access to precise, relevant and timely information

The right of Access and tools for accessing precise, relevant and timely information are specified in the Company's Articles of Association and the Supervisory Board's Rules of Procedure. By law, the members of the Supervisory Board are entitled to verify whether the submitted information is correct. For this purpose, they may use the independent internal audit unit. Similarly, they may require the Company to ensure external advisory services at the Company's expense.

Special part of the Annual Report

The Annual Report of OTP Banka Slovensko, a.s. has been compiled according to the Accountancy Act no. 431/2002 Coll., as amended. The Board of Directors of OTP Banka Slovensko, a.s. confirms that information comprised in the „Statement on compliance with the principles of the Corporate Governance Code for Slovakia“ include all data pursuant to Article 20 Paragraphs (6) and (7) of the Accountancy Act as amended.

The subject-matter of the declaration consists of information on the code and on management methods, information on the activities of the General Assembly and other bodies of the

company, on registered capital structure, and information on securities.

Information on activities in the field of the environment, social matters and employment, on respect for human rights and on the fight against corruption and bribery is published on the bank`s website:

<https://www.otpbanka.sk/spolocenska-zodpovednost>

More detailed information is available in the group report on social responsibility at the following website:

<https://www.otpfenntarthatosag.hu/hu/jelentesek>

Independent Auditor's Report

OTP Banka Slovensko, a.s.

Separate Financial Statements for the Year Ended 31 December 2018 prepared in accordance with International Financial Reporting Standards as adopted by the European Union and Independent Auditor's Report

Independent auditor's report



Deloitte Audit s.r.o.
Digital Park II, Einsteinova 23
851 01 Bratislava
Slovak Republic

Tel: +421 2 582 49 111
Fax: +421 2 582 49 222
deloitteSK@deloitteCE.com
www.deloitte.sk

Registered in the Commercial
Register of the District Court Bratislava I
Section Sro, File 4444/B
Id. Nr.: 31 343 414
VAT Id. Nr.: SK2020325516

OTP Banka Slovensko, a.s.

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of OTP Banka Slovensko, a.s. (the "Bank"), which comprise the separate statement of financial position as at 31 December 2018, and the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud	Summary of the auditor's response to the risks
Loan Loss Provision for Loans to Customers <i>See Note 6 to the financial statements</i> The assessment of loan loss provisions for loans to customers requires the Bank's management to exercise a significant level of judgment, especially with regard to identifying impaired receivables and quantifying loan impairment. To assess the amount of provisions for expected losses, the Bank applies statistical models with input parameters obtained from internal and external sources. In accordance with the requirements of IFRS 9 "Financial Instruments", the Bank distinguishes three stages of impairment, where the criteria for classification to individual stages are based on an assessment of the objective characteristics of loans and relevant debtors, and subjective judgments of the Bank.	 We assessed the adequacy of the methodology used by the Bank to identify loan impairment and calculate provisions for the selected significant portfolios. We tested the design and operating effectiveness of key controls the Bank's management has implemented over the loan impairment assessment processes. For provisions for loan losses in impairment stage III, the testing included controls related to reassessment of expected recovery, approval of expert's collateral valuation and approval of the impairment evaluation results by the Bank's management.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/sk/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, transaction advisory and legal services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's approximately 245,000 professionals are committed to making an impact that matters.

This is an English translation of the original Slovak language document.

<p>Impairment stage III includes distressed receivables where a significant increase in credit risk occurred and where objective proof of impairment exists, eg:</p> <ul style="list-style-type: none"> • The customer is in default with payments for more than 90 days; • The Bank withdrew from the loan agreement; • The customer is in bankruptcy or legal restructuring or a similar event occurred; • There was a specific modification or emergency restructuring of the loan agreement resulting from an obvious significant decrease in credit quality; • Negative information was identified from loan receivable monitoring. <p>When determining the provision amount for this impairment stage, the Bank's management primarily considers the following factors:</p> <ol style="list-style-type: none"> a) The Bank's estimated success rate of recovering debt; b) Amount and timing of expected future cash flows; c) Collateral value. <p>Where no repayment difficulties have been identified for a particular receivable (Stage I and Stage II), the Bank creates a provision using a statistical model for a homogeneous group of loans.</p> <p>The statistical model used is based on deriving the probability of loan default and the estimated amount of the subsequent loss. Input data for the model and the calculation logic and its comprehensiveness depend on the Bank's management judgment.</p> <p>The provisions for loan losses in impairment stage III amount to EUR 66.75 million and provisions for the remaining receivables amount to EUR 19.15 million of the total provisions of EUR 85.89 million recognised as at 31 December 2018.</p>	<p>For receivables in Stage I and Stage II with regard to which the Bank has not identified any difficulties likely to prevent the full repayment of receivables the testing focused on controls related to regular review of customer creditworthiness, timely identification of potential difficulties with debt repayment and correct classification of receivables to corresponding impairment stages.</p> <p>On a sample of the Bank's loans we evaluated appropriateness of provisioning methodologies and their application. We formed an independent view on the levels of provisions required by examining available external and internal information. These procedures involved assessing the work of experts used by the Bank to value the collateral or to assess the estimates of future cash flows.</p> <p>On a sample of individually assessed loans in impairment stage III we verified correctness of discounted cash flows calculations applied in deriving the recoverable amount of loans. Where we determined that a more appropriate assumption or input in provision measurement could be made, we recalculated the provision on that basis and compared the results in order to assess whether there is any indication of error or management bias.</p> <p>For loans in impairment stages I and II we assessed, for selected significant portfolios, the adequacy of the estimates of the Bank's management related to the probability of loan defaults and estimated amount of the subsequent loss and on a sample of loans we verified correctness and appropriateness of input data used in the calculation models of the Bank.</p> <p>The overall conclusion was supported by an analysis performed at an overall portfolio level aimed to identify anomalies in:</p> <ol style="list-style-type: none"> a) Classification of loans to corresponding impairment stages, and b) The provision amount calculated by the Bank.
<p>Interest income and fee and commission income recognition</p>	
<p><i>Refer to Note 22 and Note 24 of the financial statements</i></p> <p>While interest income is accrued over the life of the financial instrument, the moment of fee and commission income recognition depends on the nature of the fees and commissions as follows:</p> <ul style="list-style-type: none"> • Fees and commissions that are directly attributable to the financial instrument are accrued over the expected life of such an instrument using the effective interest rate method; • Fees and commissions for services provided are recognised when service is provided; • Fees and commissions for the execution of an act are recognised when the act has been completed. 	<p>We tested the design and operating effectiveness of the key controls implemented by the Bank's management over the processes for the recognition of interest income and fee and commission income, and focused on controls related to:</p> <ul style="list-style-type: none"> • Assessment of interest/fee recognition policies during new product approval • Validity and correctness of data inputs related to customer loans and deposits, including authorisation of changes in the interest and fee price list and authorisation of non-standard interest/fees; • Management oversight over recognition of fee and commission income and interest income; and • IT controls over access rights and change management of relevant IT applications with the assistance of our IT specialists.

This is an English translation of the original Slovak language document.

<p>The revenue recognition specifics, their high volume consisting of many individually insignificant transactions, the need for high input data quality and the reliability of IT solutions for their recognition resulted in this matter being identified as a key audit matter.</p> <p>For the year ended 31 December 2018, interest income amounted to EUR 37.60 million and fee and commission income amounted to EUR 15.68 million, the main source of which are loans to customers and transactions with customers' deposits.</p>	<p>With respect to the recognition of interest income and fee and commission income we performed the following procedures:</p> <ul style="list-style-type: none"> a) We evaluated the accounting treatment applied by the Bank with respect to the fees charged to customers to determine whether the applied methodology complies with the requirements of the relevant accounting standards; b) We evaluated the correctness of the accruals of the relevant income over the expected loan life; c) We performed analytical calculation of significant interest income and fee and commission income; d) We assessed the correctness of the recognition of interest income for loans classified in impairment stage III. <p>We assessed the completeness and accuracy of data used for the calculation of interest income based on data analysis.</p>
--	---

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

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

This is an English translation of the original Slovak language document.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual Report

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

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

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

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

- Information disclosed in the annual report prepared for 2018 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

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

Other reporting obligations as required by Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public interest entities

Appointment of the Auditor

We were appointed as the statutory auditor by the Bank's General Meeting on 4 April 2017. The length of our total uninterrupted engagement including previous renewals of the engagement (extensions of the period for which we were appointed) and our reappointments as the statutory auditors is 17 years.

Consistency with the Additional Report to the Audit Committee

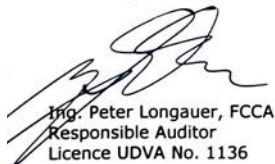
Our audit opinion expressed herein is consistent with the additional report prepared for the Bank's Audit Committee, which we issued on 28 February 2019.

Non-Audit Services

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

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

Bratislava, 1 March 2019



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

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

This is an English translation of the original Slovak language document.

Separate Statement of Financial Position



Separate Financial Statements
for the Year Ended 31 December 2018
prepared in accordance with International Financial
Reporting Standards as adopted by the European Union

Separate Statement of Financial Position as at 31 December 2018

(EUR '000)	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Financial assets at amortised cost			
Cash, due from banks and balances with the National Bank of Slovakia	4	154 724	181 333
Placements with other banks, loans to other banks, net of provisions for expected losses	5	219	9
Loans and receivables, net of provisions for expected losses	6	1 124 840	1 142 231
Debt securities, net of provisions for expected losses	7	83 610	83 874
Financial assets at fair value			
Financial assets at fair value through profit or loss	8	8 271	1
Financial assets at fair value through other comprehensive income	9	1 571	9 970
Non-current tangible assets	10	19 406	20 761
Non-current intangible assets	10	9 884	8 299
Current tax asset	19	499	1 904
Deferred tax asset	19	5 406	5 033
Other assets	11	3 363	4 152
Total assets		1 411 793	1 457 567
LIABILITIES			
Financial liabilities at amortised cost			
Due to banks and deposits from the National Bank of Slovakia and other banks	12	48 739	10 368
Amounts due to customers	13	1 120 371	1 109 679
Liabilities from debt securities	14	85 105	167 745
Subordinated debt	15	27 032	20 008
Financial liabilities held for trading	21	17	-
Provisions for liabilities	20	4 222	3 231
Other liabilities	16	14 735	20 997
Total liabilities		1 300 221	1 332 028
Equity			
Share capital		126 591	111 580
Reserve funds		6 496	6 338
Profit/(loss) from previous years		(18 079)	13 487
Accumulated other comprehensive income		536	64
Profit/(loss) for the year		(3 972)	(5 930)
Total equity		111 572	125 539
Total liabilities and equity		1 411 793	1 457 567

These financial statements were approved by the Board of Directors and authorised for issue on 26 February 2019.


Zita Zemková
Chairman of the Board of Directors


Rastislav Matejsko
Member of the Board of Directors

The accompanying notes on pages 5 to 80 are an integral part of these separate financial statements.
This is an English translation of the original Slovak language document.

1

Separate Statement of Comprehensive Income

for the year ended 31 December 2018

(EUR '000)	Note	Year Ended 31 Dec 2018	Year Ended 31 Dec 2017
Interest income		37 599	47 372
Interest expense		(2 399)	(3 496)
Net interest income	22	35 200	43 876
Provisions for impairment losses on loans and off-balance sheet, net	23	(9 515)	(24 844)
Net interest income after provisions for impairment losses on loans and off-balance sheet		25 685	19 032
Fee and commission income		15 676	15 952
Fee and commission expense		(4 573)	(4 216)
Net fee and commission income	24	11 103	11 736
Gains/(losses) on financial transactions, net	25	682	695
Gains/(losses) on financial assets, net	26	(445)	-
General administrative expenses	27	(41 532)	(37 511)
Other operating revenues/(expenses), net	28	38	259
Profit/(loss) before income tax		(4 469)	(5 789)
Income tax	18	497	(141)
Net profit/(loss) after tax		(3 972)	(5 930)
Items of other comprehensive income that will be reclassified subsequently to profit or loss, net of tax			
Gain/(loss) on revaluation of financial assets at fair value through other comprehensive income	29	223	597
Total comprehensive income for the reporting period		(3 749)	(5 333)
Profit/(loss) per share in face value of EUR 3.98 (in EUR)	39	(0.140)	(0.264)
Profit/(loss) per share in face value of EUR 39 832.70 (in EUR)	39	(1 402.23)	(2 637.70)
Profit/(loss) per share in face value of EUR 1.00 (in EUR)	39	(0.035)	(0.066)

The notes to the separate financial statements form an integral part of the financial statements.

Separate Statement of Changes in Equity

as at 31 December 2018

(EUR '000)	Share Capital	Reserve Funds	Retained Earnings	Revaluation of Available-for-Sale Financial Assets	Profit/(Loss) for the Year	Total
Equity as at 1 Jan 2017	88 539	6 179	13 487	(533)	-	107 672
Transfers	-	-	-	-	-	-
Increase in the share capital	23 041	-	-	-	-	23 041
Share-based payments	-	159	-	-	-	159
Total comprehensive income	-	-	-	597	(5 930)	(5 333)
Equity as at 31 Dec 2017	111 580	6 338	13 487	64	(5 930)	125 539

(EUR '000)	Share Capital	Reserve Funds	Profit/(Loss) from Previous Years	Accumulated Other Comprehensive Income	Profit/(Loss) for the Year	Total
Equity as at 1 Jan 2018	111 580	6 338	7 557	64	-	125 539
Change upon initial application of IFRS 9	-	-	(25 636)	249	-	(25 387)
Equity as at 1 Jan 2018 after restatement	111 580	6 338	(18 079)	313	-	100 152
Transfers	-	-	-	-	-	-
Increase in the share capital	15 011	-	-	-	-	15 011
Share-based payments	-	158	-	-	-	158
Total comprehensive income	-	-	-	223	(3 972)	(3 749)
Equity as at 31 Dec 2018	126 591	6 496	(18 079)	536	(3 972)	111 572

The notes to the separate financial statements form an integral part of the financial statements.

Separate Statement of Cash Flows

for the year ended 31 December 2018

(EUR '000)	Note	Year Ended 31 Dec 2018	Year Ended 31 Dec 2017
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss) after tax		(3 972)	(5 930)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Provisions for loans and off-balance sheet		9 515	24 844
Provisions for other assets		4	(28)
Provisions for contingent liabilities		(248)	(610)
Foreign exchange (gains)/losses on cash and cash equivalents		222	166
Depreciation and amortisation		4 195	3 809
Net effect of assets sold		-	189
Net effect of income tax		(497)	141
Share-based payments		158	159
Changes in operating assets and liabilities:			
Net decrease/(increase) in statutory minimum reserves stipulated by the National Bank of Slovakia		6 148	(5 460)
Net decrease/(increase) in placements with other banks, loans to other banks		(217)	-
Net decrease/(increase) in financial assets at fair value through profit or loss		451	5
Net decrease/(increase) in available-for-sale financial assets		(39)	117
Net decrease/(increase) in loans and receivables before provisions for expected losses		(16 347)	(20 913)
Net (decrease)/increase in amounts due to banks and deposits from the National Bank of Slovakia and other banks		38 571	8 007
Net (decrease)/increase in amounts due to customers		10 692	(71 812)
Net decrease/(increase) in other assets before provisions for expected losses		2 362	(2 886)
Net (decrease)/increase in other liabilities		(6 247)	(2 543)
Net cash flows from/(used in) operating activities		44 751	(72 745)
CASH FLOW FROM INVESTMENT ACTIVITIES			
Net decrease/(increase) in held-to-maturity investments		233	233
Net decrease/(increase) in investments in subsidiaries		-	-
Net decrease/(increase) in non-current tangible and intangible assets		(4 425)	(4 799)
Net cash flows from/(used in) investment activities		(4 192)	(4 566)
CASH FLOW FROM FINANCING ACTIVITIES			
Net (decrease)/increase in issued debt securities		(82 640)	51 436
Net (decrease)/increase in subordinated debt		7 024	-
Increase of share capital		15 011	23 041
Net cash flows from/(used in) financial activities		(60 605)	74 477
Effect of exchange rate fluctuations on cash and cash equivalents		(222)	(166)
Net increase/(decrease) in cash and cash equivalents		(20 268)	(3 000)
Cash and cash equivalents at the beginning of the reporting period	34	168 249	171 249
Cash and cash equivalents at the end of the reporting period	34	147 981	168 249

In 2018, OTP Banka Slovensko, a.s. received cash from interest in the amount of EUR 36 502 thousand (2017: EUR 47 666 thousand) and paid out interest in the amount of EUR 2 619 thousand (2017: EUR 4 522 thousand).

The notes to the separate financial statements form an integral part of the financial statements.

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 2018

Board of Directors:

Ing. Zita Zemková (Chairman)
Ing. Rastislav Matejsko
Ing. Radovan Jenis
Dr. Sándor Patyi

Supervisory Board:

József Németh (Chairman)
Ágnes Rudas
Atanáz Popov
Tamás Endre Vörös
Dr. Krisztina Kovács
Ing. Angelika Mikócziová
Ing. Attila Angyal
Ing. Jaroslav Hora

Changes in the Bank in 2018:

Board of Directors:

Ing. Rastislav Matejsko, termination of office with effect from 21 May 2018 and re-election with effect from 22 May 2018
Ing. Zita Zemková, termination of office with effect from 15 August 2018 and re-election with effect from 16 August 2018

Supervisory Board:

József Németh, termination of office with effect from 20 May 2018 and re-election with effect from 21 May 2018
Dr. Krisztina Kovács, start of office with effect from 19 June 2018
Ing. Jaroslav Hora, start of office with effect from 13 December 2018

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;
- Services related to underwriting of financial instruments;
- 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; and
- 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 99.44% 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:

Name/Business Name	Share in Subscribed Share Capital as at 31 Dec 2018	Share in Subscribed Share Capital as at 31 Dec 2017
OTP Bank Nyrt. Hungary	99.44 %	99.38 %
Other minority owners	0.56 %	0.62 %

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

Organisational Structure and Number of Employees

As at 31 December 2018, the Bank operated 10 regional centres (31 December 2017: 5) and 62 branches (31 December 2017: 61) in Slovakia.

As at 31 December 2018, the full-time equivalent of the Bank's employees was 681 (31 December 2017: 656 employees), of which 21 managers (31 December 2017: 22).

As at 31 December 2018, the actual registered number of employees was 686 (31 December 2017: 665), of which 21 managers (31 December 2017: 22).

"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 2018, the Bank's Supervisory Board had 8 members (31 December 2017: 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.

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 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

Accounting policies and accounting methods applied when preparing these financial statements differ from those applied when preparing the annual financial statements of the Bank as at 31 December 2017 as a result of the application of IFRS 9 "Financial Instruments" for the annual period beginning on 1 January 2018.

IFRS 9 Disclosures

IFRS 9 "Financial Instruments" superseded IAS 39 "Financial Instruments: Recognition and Measurement". The standard includes requirements for the classification and measurement of financial assets and financial liabilities and also includes an expected credit loss model and hedge accounting (hedging).

Classification and Measurement of Financial Assets

Compared to IAS 39, IFRS 9 establishes new financial reporting principles for most financial assets and financial liabilities which provide users of financial statements with relevant and useful information to assess the amount, timing and uncertainty of a reporting entity's future cash flows.

IFRS 9 introduces three categories for the classification of financial instruments depending on whether they are subsequently measured at amortised cost ("AC"), at fair value with gains and losses recognised in other comprehensive income (fair value through other comprehensive income – FVOCI), or at fair value with gains and losses recognised in profit or loss (fair value through profit or loss – FVTPL).

A financial asset is measured at fair value through other comprehensive income if the following two conditions are met:

- a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) The contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if the following two conditions are met:

- a) The principal is the fair value of the financial asset at initial recognition; and
- b) The interest consists of consideration for the time value of money, credit risk associated with the outstanding principal amount during the relevant period, other basic risks and expenses of borrowing and the profit margin

A financial asset is measured at fair value through profit or loss if it is not measured at amortised cost or fair value through other comprehensive income. However, a reporting entity may make an irrevocable election at initial recognition to present subsequent fair value changes of certain equity investments, which would otherwise be measured at fair value through profit and loss, in other comprehensive income.

A reporting entity should only reclassify relevant financial assets if its business model for the management of financial assets changes.

A reporting entity is required to classify its financial assets based on its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows, where:

- a) The principal is the fair value of the financial asset at initial recognition; and
- b) The interest consists of consideration for the time value of money, credit risk associated with the outstanding principal amount during the relevant period, other basic risks and expenses of borrowing and the profit margin.

The classification of financial instruments under IFRS 9 in OTP Banka Slovensko, a.s. (hereinafter "OBS") is based on the business model used by the Bank to manage its financial assets and on whether the contractual cash flows represent solely payments of principal and interest (SPPI). The business model expresses how the Bank manages its financial assets to generate cash flows and create value. Therefore, the business model determines whether cash flows will flow from the collection of contractual cash flows, from the sale of financial assets, or from both.

If a financial instrument is held to collect contractual cash flows, it may be classified in the AC category if it also meets the SPPI requirement. Financial instruments that meet the SPPI requirement, which are held in the Bank's portfolio of financial assets to collect cash flows and sell financial assets, may be classified as FVOCI. Financial assets that do not generate cash flows meeting the SPPI must be measured at FVTPL (eg financial derivatives).

The Bank's basic business model for investing in financial assets is:

- Ensuring a primary return on invested funds by collecting contractual cash flows;

- Investing in instruments and counterparties that may be used for refinancing transactions if necessary; and
- Stabilising interest income.

For all credit products, the intent of the Bank's transaction with a client is to collect contractual cash flows and realise a margin. A credit transaction involves an agreed repayment schedule consisting of repayments of principal, interest and fees, if applicable. The loan price, ie the interest rate, is calculated from the loan principal and takes into account the transaction's/client's credit risk, financing costs (or time value of money), other costs associated with the loan provision and the Bank's business margin. The Bank does not intend to sell its receivable from the client in any of its credit products. The Bank does not purchase impaired receivables from banks or other third parties. Receivables are only sold in the event of a significant increase in credit risk and/or impairment of a receivable and based on approved recovery strategies.

Provisions for Expected Losses

IFRS 9 introduces a three-step model that reflects changes in the credit quality since the initial recognition. Impairment-related requirements are based on an expected credit loss model ("ECL") which replaces the incurred-loss model under IAS 39. This model requires that a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored. If a significant increase in credit risk since initial recognition is identified, the financial instrument is classified to Stage 2, but is not deemed to be credit-impaired. If the financial instrument is credit-impaired, it is classified to Stage 3.

Stage 1 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.

Stage 2 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.

Stage 3 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 Bank identifies a credit risk increase using predefined criteria at the level of individual transactions and portfolio-level estimates. 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.

As part of the IFRS 9 Group Project, the Bank has developed and designed processes, definitions and analytical methods for risk management. Models have been developed to identify significant increases in credit risk and ECL calculation using the relevant parameters in accordance with IFRS 9.

Interest on Loan Receivables

As a result of IFRS 9 application, the Bank also changed the recognition of interest on loan receivables (hereinafter "changes in revenue recognition"). Receivables classified in STAGE 3 bear interest on a net basis from 1 January 2018, interest on a gross basis was applied in the past years and a provision for interest receivables was recorded. The Bank also started to recognise penalty interest on a cash basis, ie since 1 January 2018, penalty interest has been recognised in revenues at the moment of its payment. In past years, it was recognised at the moment interest was charged to a client and a provision for the receivable was then recorded.

As regards changes in revenue recognition, the Bank restated the opening balance as at 1 January 2018, and the restatement of the carrying amount was recognised through equity in "Profit/(loss) from previous years". Data for previous periods was not restated/recalculated.

Summary of Financial Asset Measurement in Accordance with IAS 39 and IFRS 9:

1 January 2018 (EUR'000)	IAS 39		IFRS 9	
	Measurement Category	Carrying Amount	Measurement Category	Carrying Amount
Cash, due from banks and balances with the National Bank of Slovakia	Amortised cost	181 333	Amortised cost	181 333
Placements with other banks, loans to other banks, net of provisions for expected losses	Amortised cost	9	Amortised cost	9
Loans and receivables, net of provisions for expected losses	Amortised cost	1 142 231	Amortised cost	1 118 360
Debt securities, net of provisions for expected losses	Amortised cost	83 874	Amortised cost	83 843
Financial assets at fair value	Fair value through profit or loss	1	Fair value through profit or loss	1
			Mandatorily, fair value through profit or loss	8 721
	Fair value through other comprehensive income	9 970	Fair value through other comprehensive income	1 249

The Bank analysed requirements under IFRS 9 and classified financial instruments pursuant to IFRS 9 requirements and concluded that as at the date of first application (1 January 2018), the measurement method for the Bank's financial instruments should be changed compared to IAS 39, as regards bonds in the available-for-sale portfolio – from FVOCI to FVTPL. The related remeasurement recognised in equity as “Accumulated other comprehensive income” was transferred to “Profit/(loss) from previous years” as at 1 January 2018 without an impact on the value of the Bank's equity.

Reconciliation of Balances in the Statement of Financial Position in Accordance with IAS 39 and IFRS 9:

1 January 2018 (EUR '000)	Carrying Amount Under IAS 39 at 31.12.2017	Changes in the Carrying Amount upon First Application of IFRS 9			Carrying Amount Under IFRS 9 at 1.1.2018
		Reclassification	Revenue Recognition	Provisions for Assets and Liabilities	
Cash, due from banks and balances with the National Bank of Slovakia	181 333	-	-	-	181 333
Placements with other banks, loans to other banks, net of provisions for expected losses	9	-	-	-	9
Loans and receivables, net of provisions for expected losses	1 142 231	-	(591)	(23 280)	1 118 360
Debt securities, net of provisions for expected losses	83 874	-	-	(31)	83 843
Financial assets at fair value through profit or loss	1	8 721	-	-	8 722
Financial assets at fair value through other comprehensive income	9 970	(8 721)	-	-	1 249
Other assets	4 152	-	-	172	4 324
Provisions for liabilities	(3 231)	-	-	(1 590)	(4 821)
TOTAL	x	-	(591)	(24 729)	x

Changes in the carrying amount of financial assets were recognised through equity and are included in the opening balances as at 1 January 2018 under “Profit/(loss) from previous years”.

The notes to the separate financial statements form an integral part of the financial statements.

Reconciliation of Provisions for Assets and Provisions for Liabilities in Accordance with IAS 39 and IFRS 9:

1 January 2018 (EUR'000)	Impairment under IAS 39 at 31.12.2017	Changes upon First Application of IFRS 9		Impairment under IFRS 9 at 1.1.2018
		Revenue Recognition	Provisions for Assets and Liabilities	
Cash, due from banks and balances with the National Bank of Slovakia	-	-	-	-
Placements with other banks, loans to other banks	-	-	-	-
Loans and receivables	86 028	(13 956)	23 280	95 352
Debt securities	-	-	31	31
Other assets	8 894	-	(172)	8 722
Provisions for liabilities	3 231	-	1 590	4 821

Adoption 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 beginning on 1 January 2018:

- **IFRS 9 “Financial Instruments”** – adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 15 “Revenue from Contracts with Customers”** and amendments to IFRS 15 “Effective Date of IFRS 15” – adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IFRS 2 “Share-based Payment”** – Classification and Measurement of Share-based Payment Transactions – adopted by the EU on 26 February 2018 (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IFRS 4 “Insurance Contracts”** – Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts” – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 “Financial Instruments” is applied for the first time);
- **Amendments to IFRS 15 “Revenue from Contracts with Customers”** – Clarifications to IFRS 15 “Revenue from Contracts with Customers” – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018);

- **Amendments to IAS 40 “Investment Property”** – Transfers of Investment Property – adopted by the EU on 14 March 2018 (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IFRS 1 and IAS 28 due to “Improvements to IFRSs (cycle 2014 – 2016)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018);
- **IFRIC 22 “Foreign Currency Transactions and Advance Consideration”** – adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018).

The adoption of IFRS 9 “Financial Instruments” that superseded IAS 39 “Financial Instruments: Recognition and Measurement” required a change in the Bank’s accounting principles as described in Note 2 “IFRS 9 Disclosures”. The adoption of other new standards, amendments to the existing standards and interpretation had no material impact on the Bank’s financial statements.

b) Standards and Interpretations in Issue but not yet Effective

At the date of authorisation of these financial statements, the following new standard, amendments to the existing standard, and the interpretation issued by IASB and adopted by the EU are not yet effective:

- **Amendments to IFRS 9 “Financial Instruments”** – Pre-payment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019);

- **IFRIC 23 “Uncertainty over Income Tax Treatments”** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).
- **IFRS 16 “Leases”** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019).

The Bank has elected not to adopt these new standards, amendments to the existing standards and interpretations in advance of their effective dates. Bank management anticipates that the adoption of these standards and 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, except for the adoption of IFRS 16 “Leases”.

The impact of the adoption of IFRS 16 “Leases” in the period of initial application is described below.

IFRS 16 will be effective for annual periods beginning on or after 1 January 2019 and has been adopted by the European Union. It supersedes the current standard IAS 17 – Leases, interpretation IFRIC 4 – Determining Whether an Arrangement Contains a Lease, SIC 15 – Operating Leases – Incentives and SIC 27 – Evaluating the Substance of Transactions in the Legal Form of a Lease.

The purpose of the new standard is to ease the comparability of the financial statements, presenting both financial and operating leases in the statement of financial position, and providing corresponding information to the users of the financial statements about the risks associated with the agreements.

The new standard discontinues the differentiation between operating and finance leases in the lessee’s books, and requires recognition of a right-of-use asset and lease liability regarding all of the lessee’s lease agreements. Pursuant to IFRS 16, an agreement is a lease, or contains a lease, if it transfers the rights to control the use of an identified asset for a given period in exchange for compensation.

The essential element differentiating the definition of a lease from IAS 17 and from IFRS 16 is the requirement to have control over the used, specific asset, stated directly or indirectly in the agreement.

Expenses related to the use of lease assets, the majority of which were previously recognised in external services costs, will be currently classified as depreciation/amortisation and interest costs. Usufruct rights are depreciated using a straight line method, while lease liabilities are settled using an effective discount rate.

In the cash flow statement, cash flows from the principal of

the lease liability are classified as cash flows from financing activities, while lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash-flows from operating activities. The interest payments regarding the lease liability are classified according to the IAS 7 standard.

The lessee applies IAS 36 – Impairment of Assets to determine whether the right-to-use asset is impaired, and to recognise impairment, if necessary.

For the lessors, the recognition and measurement requirements of IFRS 16 are similar to what is stated in IAS 17. The leases are to be classified as finance and operating leases according to IFRS 16. Compared to IAS 17, IFRS 16 requires the lessors to disclose more information than before; however, the main characteristics of the accounting treatment are unchanged.

Transition

The lessee will use the modified retrospective approach. Applying the modified retrospective approach requires the lessee to present the cumulative impact of IFRS 16 as an adjustment to equity at the start of the current accounting period in which it is first applied.

The entity applies the following practical expedients available:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Adjust the right-of-use asset at the date of initial application by the amount of any provision for onerous leases in the statement of financial position.
- Apply a simplified method for contracts which will mature within 12 months of the date of initial application.
- Exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Use hindsight, eg when determining the lease term if the contract contains options to extend or terminate the lease.

Impact of IFRS 16 on the financial statements

IFRS 16 Project

At the moment of preparation of these financial statements, the Entity had completed most of the work related to implementation of the new standard IFRS 16. The project to implement IFRS 16 (project), which was commenced in the fourth quarter of 2017, was performed in three stages:

Stage I – Analysis of contracts, data collection

During the analysis of all executed agreements, the classifica-

tion was made whether it is a purchase of services or a lease. The analysis covered all the relevant agreements despite their current classification. Furthermore, to calculate the value of the right-of-use assets and lease liabilities, the collection of all the relevant information was performed.

The Entity presents the following types of right-of-use assets in the statement of financial position:

- Branch office
- ATM space

The average life of the lease (useful life of the presented right-of-use assets):

- Branch office ~3.9 years
- ATM space ~ 2.5 years

Stage II – Evaluation of contracts, calculations

In accordance with the application of IFRS 16 an analysis was prepared, which included:

- The effect on the statement of financial position at the date of initial application (01/01/2019)
- The effect of lease agreements recognized and measured in accordance with IFRS 16 on the statement of financial position and on the statement of profit and loss (including the future effects)

Applying a leasing calculation tool, the value of the right-of-use assets, lease liabilities and deferred tax were determined.

Stage III - Implementation of IFRS 16 based on the developed concept, developing accounting policy and disclosures

Description of adjustments

a) Recognition of lease liabilities

Following the adoption of IFRS 16, the Entity will recognise lease liabilities related to leases which were previously classified as operating leases in accordance with IAS 17 Leases. These liabilities will be measured at the present value of lease payments receivable as at the date of commencement of the application of IFRS 16. Lease payments will be discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the incremental borrowing rate. Interest rate applied by the Entity: weighted average lessee's incremental borrowing rate: ~0.084%

At their date of initial recognition, the lease payments contained in the measurement of lease liabilities comprise the following types of payments for the right to use the underlying asset for the life of the lease:

- Fixed lease payments less any lease incentives,
- Variable lease payments which are dependent on market indices,
- Amounts expected to be payable by the lessee under residual value guarantees,
- The strike price of a purchase option, if it is reasonably certain that the option will be exercised, and
- Payment of contractual penalties for terminating the lease if the lease period reflects that the lessee used the option to terminate the lease.

The Entity also applies expedients with respect to short-term leases (less than 12 months) as well as leases in respect of which the underlying asset has a low value (less than USD 5 thousand) and for agreements in which it will not recognise financial liabilities, nor respective right-to-use assets. These types of lease payments will be recognised as costs using the straight-line method during the life of the lease.

b) Recognition of right-to-use assets

Right-to-use assets are initially measured at cost.

The cost of a right-of-use asset comprises:

- The initial estimate of lease liabilities,
- Any lease payments paid at the commencement date or earlier, less any lease incentives receivable,
- Initial costs directly incurred by the lessee as a result of entering into a lease agreement,
- Estimates of costs which are to be incurred by the lessee as a result of an obligation to disassemble and remove an underlying asset or to carry out renovation/restoration.

c) Application of estimates

The implementation of IFRS 16 requires the making of certain estimates and calculations which effect the measurement of financial lease liabilities and of right-to-use assets. These include inter alia:

- Determining which agreements are subject to IFRS 16,
- Determining the life of such agreements (including for agreements with unspecified lives or which may be prolonged),
- Determining the interest rates to be applied for discounting future cash flows,
- Determining depreciation rates.

Impact on the statement of financial position

The impact of implementing IFRS 16 on the recognition of additional financial liabilities and respective right-to-use assets was estimated on the basis of agreements in force at the Entity as at 31 December 2018.

Estimated financial impact

In EUR'000	1 January 2019
Right-of-use asset	3 858
Lease liability	3 858
Cumulative impact recognized as an adjustment to the equity at the date of initial application	0

Average weighted amount of the implicit interest rate/incremental borrowing rate applied as at 1 January 2019 to recognize the lease liabilities: ~0.084%

c) Standards and Interpretations 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 and interpretations that were not endorsed for use as at the reporting date.

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.
- **IFRS 17 “Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2021).
- **Amendments to IFRS 3 “Business Combinations”** – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period);
- **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 and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded);
- **Amendments to IAS 1 “Presentation of Financial Statements”** and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Material (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IAS 19 “Employee Benefits”** – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IAS 28 “Investments in Associates and Joint Ventures”** – Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2015 – 2017)”** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

Bank management anticipates that the adoption of these standards, amendments to existing standards and interpretations will have no material impact on the Bank’s financial statements during the period of initial application. Hedge accounting for a portfolio of financial assets and liabilities whose principles have not yet been adopted by the EU remains unregulated.

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).

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.

The notes to the separate financial statements form an integral part of the financial statements.

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. The Bank's management continues to monitor the situation and any further possible impacts of the economic environment on its operations.

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

The identification of the expected losses from receivables as regards financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

Significant judgments include the definition of criteria to determine a significant increase in credit risk, the selection of appropriate models and assumptions for expected credit

losses, the determination of the number of expected credit loss scenarios and creation of groups of similar financial assets based on products with similar characteristics, collateral and type of customer, for the measurement of expected credit losses.

The Bank believes that the estimates used in the process of determining the amount of expected credit losses including off-balance sheet exposures represent the most reasonable forecasts of the future development of the relevant risks available in the given circumstances. According to Bank management, the disclosed amount of provisions for assets is adequate to cover expected losses from the impairment of receivables.

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 expected losses in the statement of financial position line "Placements with other banks, loans to other banks, net of provisions for expected 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 carried out under contract terms which require delivery of the financial asset within the timeframe established by the relevant market. Financial assets are initially measured at fair value, plus/less transaction costs attributable to the acquisition of a financial asset, 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 categories: financial assets held for trading, non-trade financial assets mandatorily measured at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost. The classification depends on the nature and purpose of the financial asset and is determined at the initial recognition.

Financial Assets at Fair Value Through Profit or Loss

Financial Assets Held for Trading

Financial assets held for trading include financial derivatives held for trading and to generate profit. Revaluation gains and losses are recognised in the statement of comprehensive income line "Gains/(losses) on financial assets, net".

Non-Trade Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss

Financial assets mandatorily measured at fair value through profit or loss include securities that the Bank intends to hold for an indefinite period or which may be sold if liquidity requirements arise or market conditions change. Additionally, their cash flows do not meet the SPPI test requirements. Upon acquisition, such securities are measured at cost. Subsequently, such financial assets are measured at fair value through profit or loss. Gains and losses on fair value remeasurement are recognised in the statement of comprehensive income line "Gains/(losses) on financial assets, net".

Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at fair value through other comprehensive income include securities and investments in entities with ownership interest of less than 20% of the registered capital and voting rights.

These investments are measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. This may be the case if insufficient recent information is available to measure at fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range. Gains and losses on fair value measurement are recognised in the statement of comprehensive income line "Gains/(losses) on revaluation of financial assets at fair value through other comprehensive income".

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

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", "Financial assets at fair value through other comprehensive income" and the contracted liability 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, loans to other banks, net of provisions for expected losses", or in "Loans and receivables, net of provisions for expected 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, Impairment of Loans and Receivables

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 expected 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". Inte-

rest 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 expected losses".

In line with the Bank's objectives, loan receivables acquired through assignment are classified in accordance with IFRS 9 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.

As at 31 December 2018, the Bank has not purchased, or originated credit-impaired financial assets in its portfolio, ie financial assets that were credit-impaired upon the initial recognition.

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.

To classify receivables into individual stages, the Bank has developed policies and approaches to assess whether there has been a significant increase in credit risk and whether the classification to individual levels is required based on the number of days past due, identification of receivables with deferred maturity, identification of default status and the monitoring process results for non-retail debtors.

The Bank considers receivables classified to Stage 1 as non-distressed with no significant increase in credit risk since the initial recognition. Stage 1 includes receivables that, as at the reporting date, do not show characteristics typical for the criteria for classification to Stage 2 or 3.

The Bank considers receivables classified to Stage 2 as non-distressed with a significant increase in credit risk since initial recognition, but there is no objective proof of impairment.

Stage 2 includes receivables that as at the reporting date show the following quantitative criteria:

- Receivables are overdue by 31 to 90 days,
- Receivables are overdue by more than 90 days, but not in default (the amount owed does not exceed the set materiality level),

- For retail loans secured by immovable assets, a significant deterioration of LTV since the initial recognition (more than 125%) was identified,
- A significant currency shock on the market,
- The behavioural scoring is higher than the threshold set in advance, which means that the loan would not be financed if it was decided to provide a loan as at the date of recognition,
- Negative information from banking systems, the customer has DPD30+ in other banks.

The Bank considers receivables classified to Stage 3 as distressed with a significant increase in credit risk since initial recognition, and objective proof of impairment exists.

Stage 3 includes receivables that as at the reporting date show quantitative criteria based on which the default of a receivable or debtor is identified.

Definition of default is stated in Section "Criteria for Definition of Default of Loan Receivables", Note 35 "Credit Risk".

As regards qualitative criteria, the Bank applies the following:

- Identification of receivables with deferred maturity, receivables classified as non-distressed with deferred maturity are included in Stage 2 and receivables classified as distressed with deferred maturity are included in Stage 3,
- For retail receivables default on another loan of a customer, such receivables are classified to Stage 2,
- For non-retail receivables negative information from loan receivable monitoring, ie: Risk status of a customer, where customers with risk status 1, WL1 are classified to Stage 1, customers with risk status 2, WL2 are classified to Stage 2 and customers with risk status 3, WL3 are classified to Stage 3,
- Expert judgement

As at the reporting date, the Bank identifies and reassesses the amount of impairment for provided loan receivables.

The Bank identifies the amount of impairment for receivables classified to Stage 1 and 2 using a portfolio approach. For non-retail receivables classified to Stage 3, the impairment is identified using an individual approach if conditions for the individual assessment are met.

Other non-retail and retail receivables classified to Stage 3 are subject to portfolio assessment.

The following non-retail loans classified to Stage 3 are assessed by the Bank on an individual basis:

- Receivables managed by the Work Out & Monitoring Department, except for small loan receivables (micro loans to be assessed on a portfolio basis),
- Receivables not managed by the Work Out & Monitoring Department with an exposure of over EUR 0.4 million.

Under IFRS 9, the impairment of receivables classified to Stage 1 is measured at an amount equal to the lifetime expected credit losses resulting from potential default events over the following 12 months. For receivables classified to Stage 2 or Stage 3, impairment is measured at an amount of lifetime expected credit losses on the respective receivable.

The amount of impairment for loan receivables classified to Stage 1 is usually lower than of those classified to Stage 2 and 3.

The amount of impairment for loan receivables is recognised through provisions for assets and for off-balance sheet liabilities through provisions for liabilities.

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 35 Credit Risk.

Debt Securities at Amortised Cost

Debt securities at amortised cost 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. Debt securities 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 debt securities at amortised cost are accrued using the effective interest rate method and recognised in the statement of comprehensive income in "Interest income".

Dlhodobý hmotný a nehmotný majetok

Non-current tangible and intangible 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 as follows:

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".

Type of Asset	Estimated Useful Life for 2017 and 2018
ATMs and motor vehicles, computers, office machines, telecommunication equipment, intangible assets	4
Software	2 – 10
Fixtures, fittings and office equipment, machines and equipment	6
Computers, machines, equipment, ATMs, furniture	8
Technical upgrade of leased buildings	10 – 20
Time vaults, air-conditioning facilities	10
Heavy bank program (safes), transportation means	12
Buildings and structures	40

Depreciation of non-current 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 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".

In the Bank, non-current intangible assets mainly include software.

Accrued Interest Receivable/Payable

Accrued interest on loans and placements made is recognised in lines "Placements with other banks, loans to other banks, net of provisions for expected losses" and "Loans and receivables, net of provisions for expected 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.

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 contractual term of the loan until its due date and are recognised in the statement of comprehensive income in "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 21% remains applicable for 2018.

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 financial instruments at fair value through other comprehensive income. 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.

On 12 October 2016, the Ministry of Finance of the Slovak Republic published in the Collection of Laws Act No. 281/2016 Coll. amending Act No. 384/2011 Coll. on the Special Levy of Selected Financial Institutions. It repealed the Decree of the Ministry of Finance of the Slovak Republic No. 253/2014 Coll. on meeting the condition for the rate of a special levy for certain financial institutions under Article 8 and added a new Article 11, which stipulates the rate of the levy for 2017 to 2020 in the amount of 0.2% p.a.

The rate for calculating the special levy for selected financial institutions remained in the amount of 0.2%.

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 27).

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 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 "Financial liabilities held for trading".

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 IFRS 9, 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 Debt Securities

Liabilities from debt securities are recognised at amortised cost. The Bank mainly issues bank bonds and 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.

The Bank creates provisions to cover expected losses on contingent loan commitments, undrawn credit facilities, issued guarantees and issued letters of credit. The calculation of the provisions for off-balance sheet liabilities is analogical to credit exposures. Issued guarantees, irrevocable letters of credit, and undrawn loan commitments are subject to similar monitoring of credit risks and credit principles, as in the case of extended loans.

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 31). 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 Ban-

k'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 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 consumer loans.

The "corporate customers" segment includes domestic and foreign companies and state-owned entities. This segment comprises the following subsegments: micro clients with sales of up to EUR 1 million, small and medium-sized enterprises (SMEs) with sales of up to EUR 17 million and large clients and project financing with sales of over EUR 17 million. In terms of products, corporate customers were mostly provided with the

following products: overdraft otp MICROloans facilities, otp EU MICROloans (with EIF guarantee), otp refinancing MICROloans, overdraft facilities, EU AGROloans, investment loans including project financing loans from EU funds, and loans for the re-construction of residential buildings for the apartment owners associations and apartment owners represented by management companies/housing cooperatives.

The "Treasury" segment 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 and foreign currency markets, and management of the Bank's liquidity and foreign exchange position.

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 30.

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.

The notes to the separate financial statements form an integral part of the financial statements.

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:

31 Dec 2018 (EUR '000)	Level 1	Level 2	Level 3	TOTAL
Assets				
Financial assets held for trading	-	-	-	-
Financial assets mandatorily measured at fair value through profit or loss	8 271	-	-	8 271
Financial assets at fair value through other comprehensive income	-	-	1 571	1 571
Liabilities				
Financial liabilities held for trading	-	17	-	17

31 Dec 2017 (EUR '000)	Level 1	Level 2	Level 3	TOTAL
Assets				
Financial assets held for trading	-	1	-	1
Financial assets mandatorily measured at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income	8 721	-	1 243	9 964
Liabilities				
Financial liabilities held for trading	-	-	-	-

The notes to the separate financial statements form an integral part of the financial statements.

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):

31 Dec 2018 (EUR '000)	Level 1	Level 2	Level 3	TOTAL
Assets				
Loans and receivables	-	-	1 124 840	1 124 840
Debt securities at amortised cost	83 610	-	-	83 610
Liabilities				
Amounts due to customers	-	-	1 120 371	1 120 371
Liabilities from debt securities	-	85 105	-	85 105
Subordinated debt	-	27 032	-	27 032

31 Dec 2017 (EUR '000)	Level 1	Level 2	Level 3	TOTAL
Assets				
Loans and receivables	-	-	1 142 231	1 142 231
Debt securities at amortised cost	83 874	-	-	83 874
Liabilities				
Amounts due to customers	-	-	1 109 679	1 109 679
Liabilities from debt securities at amortised cost	-	167 745	-	167 745
Subordinated debt	-	20 008	-	20 008

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.

Debt Securities at Amortised Cost

The fair value of debt securities at amortised cost 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.

Zá Liabilities from 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:

(EUR '000)	Fair Value 31 Dec 2018	Net Book Value 31 Dec 2018	Difference 31 Dec 2018
Assets			
Loans and receivables	1 137 306	1 124 840	12 466
Debt securities at amortised cost	92 533	83 610	8 923
Liabilities			
Amounts due to customers	1 120 494	1 120 371	123
Liabilities from debt securities	85 020	85 105	(85)

(EUR '000)	Fair Value 31 Dec 2017	Net Book Value 31 Dec 2017	Difference 31 Dec 2017
Assets			
Loans and receivables	1 150 002	1 142 231	7 771
Debt securities at amortised cost	95 310	83 874	11 436
Liabilities			
Amounts due to customers	1 110 095	1 109 679	416
Liabilities from debt securities	167 954	167 745	209

The notes to the separate financial statements form an integral part of the financial statements.

Supplementary Data to the Financial Statements

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

(EUR '000)	31 Dec 2018	31 Dec 2017
Cash on hand:		
In EUR	33 464	30 923
In foreign currency	4 783	4 320
	38 247	35 243
Due from banks and balances with NBS:		
Residual maturity within one year:		
In EUR	98 170	135 854
In foreign currency	18 307	10 236
	116 477	146 090
Total	154 724	181 333

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 6 584 thousand (31 December 2017: EUR 12 732 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 2018, compulsory minimum reserves bear interest at 0.00% (31 December 2017: 0.00%).

As at 31 December 2018, the Bank recognised term deposits with the NBS in the amount of EUR 91 000 thousand (31 December 2017: EUR 121 996 thousand).

5. Placements with Other Banks, Loans to Other Banks, Net of Provisions for Expected Losses

(EUR '000)	31 Dec 2018	31 Dec 2017
Residual maturity within one year:		
In EUR	219	9
In foreign currency	-	-
Total	219	9

As at 31 December 2018, the Bank had no short-term deposits denominated in a foreign currency (31 December 2017: EUR 0).

According to IFRS 9 methodology, a provision for expected losses from loans to other banks was also recorded in 2018. As at 31 December 2018, provisions for expected losses amounted to EUR 1 thousand (31 December 2017: EUR 0).

6. Loans and Receivables, Net of Provisions for Expected Losses

Loans and Receivables by Type of Product

1 January 2018 (EUR '000)	Carrying Amount Under IAS 39 Before Provisions	Changes upon First Application of IFRS 9*	Carrying Amount Under IFRS 9 Be- fore Provisions	STG1	STG2	STG3
Non-retail loans	489 930	(4 173)	485 757	395 970	26 895	62 891
Overdrafts and revolving loans	70 944	(814)	70 130	58 835	4 966	6 329
Investment, operation and other loans	407 359	(3 359)	404 000	327 899	21 560	54 540
Overdrafts on term deposit accounts	2 959	-	2 959	590	366	2 003
Factoring loans	8 665	-	8 665	8 645	2	18
Other	3	-	3	1	1	1
Retail loans	738 329	(10 374)	727 955	648 174	19 900	59 882
Loans secured by immovable assets	520 270	(4 331)	515 939	468 877	16 108	30 954
Other consumer loans	214 338	(6 043)	208 295	177 137	3 705	27 454
Overdrafts on term deposit accounts	3 272	-	3 272	1 838	77	1 356
Other	449	-	449	322	10	118
Total	1 228 259	(14 547)	1 213 712	1 044 144	46 795	122 773
Provision	(86 028)	(9 324)	(95 352)	(13 225)	(4 232)	(77 895)
Total	1 142 231	(23 871)	1 118 360	1 030 919	42 563	44 878

* See "IFRS 9 Disclosures", Note 2.

1 January 2018 (EUR '000)	Provisions Under IAS 39	Changes upon First Application of IFRS 9*	Provision Under IFRS 9	STG1	STG2	STG3
Non-retail loans	38 650	4 241	42 891	6 671	1 564	34 656
Overdrafts and revolving loans	5 569	866	6 435	1 564	189	4 682
Investment, operation and other loans	31 267	2 844	34 111	5 018	1 060	28 033
Overdrafts on term deposit accounts	1 776	487	2 263	18	315	1 930
Factoring loans	38	43	81	71	-	10
Other	-	1	1	-	-	1
Retail loans	47 378	5 083	52 461	6 554	2 668	43 239
Loans secured by immovable assets	14 318	5 301	19 619	935	726	17 958
Other consumer loans	31 780	(108)	31 672	5 279	1 925	24 468
Overdrafts on term deposit accounts	1 165	(91)	1 074	337	15	722
Other	115	(19)	96	3	2	91
Total	86 028	9 324	95 352	13 225	4 232	77 895

* See "IFRS 9 Disclosures", Note 2.

The notes to the separate financial statements form an integral part of the financial statements.

31 December 2018 (EUR '000)	Carrying Amount Before Provisions	STG1	STG2	STG3	Provisions	Carrying Amount After Provisions
Non-retail loans	479 390	408 621	18 131	52 638	41 709	437 681
Overdrafts and revolving loans	78 050	69 601	1 664	6 785	5 869	72 181
Investment, operation and other loans	390 577	330 700	16 087	43 790	33 397	357 180
Overdrafts on term deposit accounts	2 999	576	379	2 044	2 295	704
Factoring loans	7 764	7 744	1	19	148	7 616
Other	0	0	0	0	0	0
Retail loans	731 344	663 981	20 707	46 656	44 185	687 159
Loans secured by immovable assets	528 914	485 030	17 482	26 402	21 084	507 830
Other consumer loans	198 409	176 624	3 132	18 653	21 842	176 567
Overdrafts on term deposit accounts	3 147	1 639	69	1 439	1 085	2 062
Other	874	688	24	162	174	700
Total	1 210 734	1 072 602	38 838	99 294	85 894	1 124 840
Provisions	-	(13 618)	(5 531)	(66 745)	(85 894)	-
Total	1 210 734	1 058 984	33 307	32 549	-	1 124 840

31 December 2017 (EUR '000)	Carrying Amount Before Provisions	Specific Provisions	Portfolio Provisions	Carrying Amount After Provisions
Non-retail loans	489 930	34 059	4 591	451 280
Overdrafts and revolving loans	70 944	5 031	538	65 375
Investment, operation and other loans	407 359	29 028	2 239	376 092
Overdrafts on term deposit accounts	2 959	-	1 776	1 183
Factoring loans	8 665	-	38	8 627
Other	3	-	-	3
Retail loans	738 329	5 459	41 919	690 951
Loans secured by immovable assets	520 260	5 180	9 138	505 942
Other consumer loans	214 348	279	31 501	182 568
Overdrafts on term deposit accounts	3 272	-	1 165	2 107
Other	449	-	115	334
Total	1 228 259	39 518	46 510	1 142 231

The notes to the separate financial statements form an integral part of the financial statements.

Summary of Provisions for Expected Credit Losses

(EUR'000)	STG1	STG2	STG3	Total
Provisions as at 31 December 2017	2 387	1 896	81 745	86 028
Changes upon the initial application of IFRS 9*	10 838	2 336	(3 850)	9 324
Provisions as at 1 January 2018	13 225	4 232	77 895	95 352
Increase in provisions due to the origin and acquisition of receivables	5 215	127	17	5 359
Decrease in provisions due to derecognition of receivables (except for write offs)	(3 346)	(480)	(15 952)	(19 778)
Net change in provisions due to a change in credit risk	(9 282)	17 055	5 224	12 997
Net change in provisions due to adjustments without derecognition	-	(1)	423	422
Net change in provisions due to revision of estimation methodology	-	-	-	-
Decrease in provisions due to write offs	-	(5)	(8 453)	(8 458)
Transfers between stages	7 806	(15 397)	7 591	0
Provisions as at 31 December 2018	13 618	5 531	66 745	85 894

* See "IFRS 9 Disclosures", Note 2.

(v tis. EUR)	31 December 2018	31 December 2017
Balance at the beginning of the reporting period	86 028	79 333
Balance at the beginning of the reporting period – restated *	95 352	-
Impairment losses on loans	9 867	24 817
Loan write-offs and assignments (Note 23)	(19 324)	(18 121)
Foreign exchange differences	(1)	(1)
Balance at the end of the reporting period	85 894	86 028

* As a result of changes upon the first application of IFRS 9 – see "IFRS 9 Disclosures", Note 2.

Interest on Loans and Receivables:

	31 December 2018 in %		31 December 2017 in %	
	From	To	From	To
Contractual maturity within one year:				
V EUR	0.40	16.42	0.40	16.76
In foreign currency	5.28	5.28	3.80	4.31
Contractual maturity over one year:				
V EUR	0.30	30.50	0.30	30.70
In foreign currency	2.09	2.09	1.60	1.60

The notes to the separate financial statements form an integral part of the financial statements.

7. Debt Securities, Net of Provisions for Expected Losses

As at 31 December 2018 and 31 December 2017, the Bank recognised the following debt securities at amortised cost:

(EUR '000)	31 December 2018	31 December 2017
Government bonds	73 141	73 314
Foreign government bonds	10 495	10 560
Total	83 636	83 874
Provisions for expected losses	(26)	-
Total debt securities	83 610	83 874

As at 31 December 2018 and 31 December 2017, the Bank did not recognise pledged securities or other restrictions on handling securities in its portfolio under debt securities.

The summary of changes in provisions for expected losses for debt securities at amortised cost:

(EUR '000)	31 December 2018	31 December 2017
Balance at the beginning of the reporting period	-	-
Balance at the beginning of the reporting period – restated *	(31)	-
Increase in provisions	-	-
Decrease in provisions	5	-
Balance at the end of the reporting period	(26)	-

* As a result of changes upon the first application of IFRS 9 – see “IFRS 9 Disclosures”, Note 2.

8. Financial Assets at Fair Value Through Profit or Loss

(EUR '000)	31 December 2018	31 December 2017
Bonds issued by foreign banks*	8 271	-
Derivative financial instruments held for trading (Note 21)	-	1
Total financial assets at fair value through profit or loss	8 271	1

*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 issue terms and conditions, the subordinated bond has no fixed maturity as regards the face value. The Bank’s management expected that the bond was very likely to be repaid at face value in November 2016. In line with the issue terms and conditions, the issuer decided not to repay the bond on the referred date. Interest on the bond changed from fixed to variable. The issuer will again have an option to repay the bond in November 2019. Interest income arising from this bond is recognised using the effective interest rate method totalling EUR 244 thousand in 2018 (2017: EUR 244 thousand).

In 2017, the Bank presented this bond as available-for-sale financial assets. As a result of changes upon the first application of IFRS 9, the bond was mandatorily reclassified to financial assets at fair value through profit or loss. The reclassification is due to the fact that under the issue terms cash flows from holding the bond do not meet SPPI test requirements.

9. Financial Assets at Fair Value Through Other Comprehensive Income

(EUR '000)	31. december 2018	31. december 2017
Bonds issued by foreign banks*	-	8 721
Shares of foreign entities (VISA Inc., C series)	1 565	1 243
Investments in corporate entities (S.W.I.F.T.)	6	6
Total financial assets at fair value through other comprehensive income	1 571	9 970

* A year-on-year change as a result of reclassification upon the first application of IFRS 9 – see “IFRS 9 Disclosures”, Note 2 and see Note 8.

An analysis of investments in corporate entities as at 31 December 2018 and 31 December 2017:

Company Name	Business Activity	Share	Cost	Provision	Net
S.W.I.F.T (Belgium)	International clearing	0.005 %	6	-	6
Total (EUR '000)			6	-	6

The Bank is not an unlimited liability partner in other reporting entities.

10. Non-Current Tangible and Intangible Assetsk

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 2017	27 752	23 882	896	861	30 684	754	84 829
Additions (+)	482	1 114	206	1 704	2 398	3 115	9 019
Disposals (-)	(674)	(3 210)	(125)	(1 769)	(2336)	(2 433)	(10 547)
Cost at 31 Dec 2017	27 560	21 786	977	796	30 746	1 436	83 301
Accumulated depreciation and provisions at 1 Jan 2017	12 493	18 348	770	-	24 959	-	56 570
Depreciation (+)	1 024	1 443	82	-	1 260	-	3 809
Disposal (-)	(480)	(3 197)	(125)	-	(2336)	-	(6 138)
Accumulated depreciation and provisions at 31 Dec 2017	13 037	16 594	727	-	23 883	-	54 241
Net book value at 31 Dec 2017	14 523	5 192	250	796	6 863	1 436	29 060
Cost at 1 Jan 2018	27 560	21 786	977	796	30 746	1 436	83 301
Additions (+)	400	1 325	11	1 182	2 704	3 304	8 926
Disposals (-)	(214)	(1 501)	(10)	(1 633)	-	(2 807)	(6 165)
Cost at 31 Dec 2018	27 746	21 610	978	345	33 450	1 933	86 062
Accumulated depreciation and provisions at 1 Jan 2018	13 037	16 594	727	-	23 883	-	54 241
Depreciation (+)	996	1 518	65	-	1 616	-	4 195
Disposal (-)	(212)	(1 442)	(10)	-	-	-	(1 664)
Accumulated depreciation and provisions at 31 Dec 2018	13 821	16 670	782	-	25 499	-	56 772
Net book value at 31 Dec 2018	13 925	4 940	196	345	7 951	1 933	29 290

The notes to the separate financial statements form an integral part of the financial statements.

A summary of insurance of non-current tangible and intangible assets as at 31 December 2018:

(EUR '000)	Insurance Costs
MTPL insurance	27
Motor hull insurance	3
Insurance of assets	30
Total	60

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

As at 31 December 2018, the Bank's non-current tangible and intangible assets were insured up to 100% of the total amount of assets (31 December 2017: 100%).

As at 31 December 2018, 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.

11. Other Assets

(EUR '000)	31 Dec 2018	31 Dec 2017
Loss receivables (non-credit) from various debtors	522	2 645
Loss receivables from securities	6 104	6 104
Amounts due from assigned receivables	-	43
Operating advances made	161	186
Inventories	56	80
Deferred expenses	809	755
Accrued income	145	94
Receivables from various debtors	371	482
Receivables from shortages and damage	196	118
Other receivables from clients	932	2 124
Other receivables	671	415
Other assets before provisions	9 967	13 046
Provisions for expected losses from other assets	(6 604)	(8 894)
Total other assets	3 363	4 152

In 2018, the Bank wrote off a portion of loss receivables from various debtors in the total amount of EUR 2 116 thousand and released the relevant provisions totalling EUR 2 116 thousand.

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

(EUR '000)	31 Dec 2018	31 Dec 2017
Balance at the beginning of the reporting period	8 894	8 920
Balance at the beginning of the reporting period – restated *	8 722	-
Provisions for impairment losses on other assets, net (Note 28)	4	(28)
Other assets written-off and assigned (Note 28)	(2 121)	1
FX difference	(1)	1
Balance at the end of the reporting period	6 604	8 894

* As a result of changes upon the first application of IFRS 9 – see “IFRS 9 Disclosures”, Note 2.

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

(EUR '000)	31 Dec 2018	31 Dec 2017
Residual maturity within one year:		
In EUR	42 878	1 535
In foreign currency	147	262
Residual maturity of over one year:		
In EUR	5 714	8 571
Total	48 739	10 368

Amounts due to banks by type of product:

(EUR '000)	31 Dec 2018	31 Dec 2017
Deposits	12	4
Term accounts of other banks	40 147	266
Loans received from other financial institutions*	8 578	10 007
Other liabilities to financial institutions	2	91
Total	48 739	10 368

*In 2016, the Bank participated in a sustainable energy project financing programme in cooperation with the European Bank for Reconstruction and Development. At the end of 2018, the Bank recorded funds of EUR 8 572 thousand (31 December 2017: EUR 10 000 thousand).

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 2018	31 Dec 2018	31 Dec 2017
Loans received from banks:				
European Bank for Reconstruction and Development	Long-term	25 Oct 2021	8 578	10 007
Celkom			8 578	10 007

Of the total amounts due to banks as at 31 December 2018 and 31 December 2017, the Bank does not recognise any overdue payables.

Interest on amounts due to banks:

	31 Dec 2018 in %		31 Dec 2018 in %	
	From	Until	From	Until
Contractual maturity within one year:				
V EUR	(0.13)	(0.13)	-	-
In foreign currency	(0.80)	1.90	(0.20)	1.90
Contractual maturity of over one year:				
In EUR	0.55	0.55	0.55	0.55

13. Amounts Due to Customers

Amounts due to customers by type:

(EUR '000)	31 Dec 2018	31 Dec 2017
Current accounts and other short-term amounts due to customers	775 388	701 017
Term deposits	283 654	346 641
Pass books	16 673	17 925
Received loans	6 087	7 371
Municipality accounts and local governments	38 195	36 363
Other liabilities	374	362
Total	1 120 371	1 109 679

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 2018, the Bank recorded funds amounting to EUR 6 087 thousand (2017: EUR 7 371 thousand).

Amounts due to customers by sector:

(EUR '000)	31 Dec 2018	31 Dec 2017
Non-financial organisations	301 823	289 452
Individuals	615 700	643 332
Financial institutions	8 936	8 624
Trade licence holders	19 065	18 246
Insurance companies	7 526	6 772
Non-profit organisations	45 321	38 394
Non-residents	83 805	68 496
Government sector	38 195	36 363
Total	1 120 371	1 109 679

The notes to the separate financial statements form an integral part of the financial statements.

Amounts due to customers by residual maturity:

(EUR '000)	31 Dec 2018	31 Dec 2017
Residual maturity within one year:		
In EUR	1 046 564	1 021 511
In foreign currency	26 754	24 097
Residual maturity over one year:		
In EUR	47 046	64 066
In foreign currency	7	5
Total	1 120 371	1 109 679

	31 Dec 2018 in %		31 Dec 2017 in %	
	From	To	From	To
Contractual maturity within one year:				
In EUR	0.01	1.00	0.01	1.00
In foreign currency	0.00	1.80	0.00	0.90
Contractual maturity over one year:				
In EUR	0.15	12.00	0.15	12.00
In foreign currency	0.00	0.00	0.00	0.00

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 or grant loans.

As at 31 December 2018, the total of primary deposits of depositors with deposits exceeding EUR 3 320 thousand represented 12.66% of the Bank's funds (31 December 2017: 10.61%).

14. Liabilities from Debt Securities

(EUR '000)	31 Dec 2018	31 Dec 2017
Residual maturity within one year:		
Liabilities from financial bills of exchange	-	653
Liabilities from mortgage bonds	-	16 999
Liabilities from issued bonds	40 105	105 093
Residual maturity over one year:		
Liabilities from issued bonds	45 000	45 000
Total	85 105	167 745

The notes to the separate financial statements form an integral part of the financial statements.

Interest on liabilities from issued debt securities:

	31 Dec 2018 in %		31 Dec 2017 in %	
	From	To	From	To
Contractual maturity within one year:				
In EUR	(0.14)	(0.14)	(0.15)	0.50
In foreign currency	-	-	-	-
Contractual maturity over one year:				
In EUR	0.49	0.49	0.49	0.49
In foreign currency	-	-	-	-

In 2018, the Bank issued short-term bonds with a total face value of EUR 40 000 thousand.

In 2018, the Bank repaid Mortgage Bonds, Issue XXXI with a total face value of EUR 8 000 thousand and short-term bonds with a total face value of EUR 105 000 thousand.

In 2018, the Bank repurchased Mortgage Bonds, Issue XXXII with a total face value of EUR 9 000 thousand.

In 2017, the Bank issued short-term bonds with a total face value of EUR 105 000 thousand and Mortgage Bonds, with a total face value of EUR 17 000 thousand.

In 2017, the Bank repaid Mortgage Bonds with a total face value of EUR 20 010 thousand and short-term bonds with a total face value of EUR 50 000 thousand.

Summary of mortgage bonds as at 31 December 2018 and 31 December 2017:

Mortgage Bonds Issued	Currency	Quantity	Face Value per Share in EUR	Face Value of Issue	Net Book Value 31 Dec 2018	Net Book Value 31 Dec 2017	Interest Income (coupon)	Frequency of Coupon Pay-out	Issue Date	Due Date
Mortgage bonds Issue XXXI	EUR	80	100 000,00	8 000	-	8 000	3M EURIBOR + 0.21 % p.a.	Quarterly	29. 3. 2017	28. 3. 2018
Mortgage bonds Issue XXXII	EUR	90	100 000,00	9 000	-	8 999	3M EURIBOR + 0.18 % p.a.	Quarterly	15. 12. 2017	14. 12. 2018
Total					-	16 999				

No mortgage bonds of the Bank were listed on the Bratislava Stock Exchange as at 31 December 2018 and 31 December 2017.
záložné listy.

15. Subordinated Debt

Type of Loan	Currency	Type of Loan by Maturity	Start of Loan Drawdown	Contractual Maturity	Interest Rate	31 Dec 2018	31 Dec 2017
Podriadený úver:							
OTP Financing Netherlands B.V.	EUR	Long-term	Sep 2014	Sep 2021	3M EURIBOR + 3.41 % p. a.	18 008	18 008
OTP Financing Malta Company Ltd.	EUR	Long-term	Dec 2015	Dec 2022	3M EURIBOR + 2.37 % p. a.	2 000	2 000
OTP Financing Malta Company Ltd.	EUR	Long-term	Aug 2018	Aug 2025	3M EURIBOR + 3.94 % p. a.	7 024	-
Total (EUR '000)						27 032	20 008

Subordinated debt totalling EUR 27 million represents Tier 2 capital for the Bank in the amount of EUR 18.4 million pursuant to Regulation of the European Parliament and of the Council No. 575/2013 (Note 32).

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.

16. Other Liabilities

(EUR '000)	31 Dec 2018	31 Dec 2017
Various creditors	1 331	2 086
Tax liabilities (except for income tax liabilities)	116	284
Provisions for unbilled and other liabilities	1 060	726
Social fund	106	112
Settlement with employees	1 327	1 178
Settlement with social institutions	324	280
Liabilities from payment transactions	7 789	13 312
Other liabilities	2 682	3 019
Total	14 735	20 997

Summary of changes in the social fund:

(EUR '000)	31 Dec 2018	31 Dec 2017
Balance at the beginning of reporting period	112	89
Additions during the reporting period	213	192
Drawings during the reporting period	(219)	(169)
Balance at the end of reporting period	106	112

The notes to the separate financial statements form an integral part of the financial statements.

17. Equity

The Bank's equity comprises:

(EUR '000)	31 Dec 2018	31 Dec 2017
Share capital	126 591	111 580
Reserve funds	6 496	6 338
Profit/(loss) from previous years	(18 079)	13 487
Accumulated other comprehensive income	536	64
Profit/(loss) for the year	(3 972)	(5 930)
Total equity	111 572	125 539

Share Capital

The Bank's share capital as at 31 December 2018 is as follows:

Face Amount	ISIN	Number of Shares	Face Value of Shares
<i>Repaid and registered in the Commercial Register</i>			
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
EUR 1.00 per share	SK1110019850	23 041 402	23 041
<i>Repaid and not registered in the Commercial Register</i>			
EUR 1.00 per share	SK1110020684	15 010 203	15 011
Total share capital			126 591

The Bank's share capital as at 31 December 2017 is as follows:

Face Amount	ISIN	Number of Shares	Face Value of Shares
<i>Repaid and registered in the Commercial Register</i>			
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
EUR 1.00 per share	SK1110019850	23 041 402	23 041
Total share capital			111 580

The Bank's share capital increased by EUR 15 011 thousand in 2018 and has been fully paid. The increase in the share capital was effected by the payment of subscribed shares by the shareholders.

The notes to the separate financial statements form an integral part of the financial statements.

The type, form, nature and tradability of shares as at 31 December 2018 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
EUR 1.00 per share	SK1110019850	ordinary	registered	uncertified	publicly tradable
EUR 1.00 per share	SK1110020684	ordinary	registered	uncertified	publicly non-tradable*

* The Bank is obliged under the terms of issue to launch the issue to the securities market. As at the reporting date the procedure was not completed.

The type, form, nature and tradability of shares as at 31 December 2017 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
EUR 1.00 per share	SK1110019850	ordinary	registered	uncertified	publicly non-tradable*

* The Bank is obliged under the terms of issue to launch the issue to the securities market. The procedure was completed on 13 March 2018 and the shares became 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 2018, no shares of OTP Banka Slovensko, a.s. are held by the Bank and its subsidiaries.

Reserve Funds

As at 31 December 2018, reserve funds in the amount of EUR 6 496 thousand (31 December 2017: EUR 6 338 thousand) comprise the legal reserve fund in the amount of EUR 5 034 thousand (31 December 2017: EUR 5 034 thousand) and other capital reserves in the amount of EUR 1 462 thousand (31 December 2017: EUR 1 304 thousand).

The legal reserve fund is intended to cover potential future losses; its distribution to shareholders is restricted in accor-

dance with the Slovak Commercial Code.

Profit/(Loss) from Previous Years

The significant year-on-year change has resulted from the settlement of the 2017 loss (see Note 40) and recognition of a change in the carrying amount of financial assets due to the application of IFRS 9 in the opening balances as at 1 January 2018 (see "IFRS 9 Disclosures", Note 2).

18. Income Tax

(EUR '000)	31 Dec 2018	31 Dec 2017
Current tax expense	2	399
Deferred tax (income)/expense	(499)	(258)
Total	(497)	141

The notes to the separate financial statements form an integral part of the financial statements.

As at 31 December 2018, the Bank recognised net tax income from income tax in the amount of EUR 497 thousand in the statement of comprehensive income (31 December 2017: tax expense of EUR 141 thousand). The Bank recognised an increase in the deferred tax liability for 2018 in the amount of EUR 126 thousand in items recognised through equity (2017: increase of EUR 158 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 2018	31 Dec 2017
Pre-tax profit/(loss)	(4 469)	(5 789)
Theoretical tax at 21% (2017: 21%)	(938)	(1 216)
Non-taxable income	(1 473)	(289)
Non-deductible expenses	2 321	1 322
Provisions for assets and provisions for liabilities, net	(490)	(108)
Adjustment of provisions for uncertain utilisation of deferred tax assets	81	432
Adjustment of the current tax for the previous year	2	-
Income tax expense/(revenue) for the current reporting period	(497)	141
Effective tax rate for the reporting period	11.11%	(2.43)%

The Bank reached a negative tax base of EUR 7 664 thousand for the reporting period (31 December 2017: a positive tax base of EUR 2 358 thousand). The tax effects of changes upon the first application of IFRS 9 (see "IFRS 9 Disclosures", Note 2.) had a significant effect on the tax loss for 2018.

19. Current and Deferred Income Tax

(EUR '000)	31 Dec 2018	31 Dec 2017
Current tax asset/(liability)	499	1 904
Total current tax asset/(liability)	499	1 904

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 21% tax rate valid for the following reporting period was applied (2017: 21%):

(EUR '000)	31 Dec 2018	31 Dec 2017
Deferred tax liability		
Difference between net book value and net tax value of tangible assets	(174)	(632)
Revaluation reserves on securities measured at fair value through other comprehensive income	(142)	(83)
Total deferred tax liability	(316)	(715)
Deferred tax asset		
Loans (provisions for loan impairment losses)	10 803	8 660
Provisions for liabilities	262	222
Tax losses carried-forward	1 609	-
Revaluation reserves on securities measured at fair value through other comprehensive income	-	66
Total deferred tax asset	12 674	8 948
Adjustment for uncertain utilisation of deferred tax asset	(6 952)	(3 200)
Net deferred tax asset/(liability)	5 406	5 033

The notes to the separate financial statements form an integral part of the financial statements.

(EUR '000)	31 Dec 2018	31 Dec 2017
Net deferred tax asset/(liability) – opening balance at 1 Jan	5 033	4 933
Balance at the beginning of the reporting period – restated *	(67)	-
(Debited)/credited to profit/loss for the reporting period	499	258
(Debited)/credited to equity	(59)	(158)
Net deferred tax asset/(liability) – closing balance	5 406	5 033

* As a result of changes upon the first application of IFRS 9 – see “IFRS 9 Disclosures”, Note 2.

When recognising the deferred tax asset, the Bank followed the prudence principle. Based on the approved budget and currently valid tax legislation the Bank expects to recognise positive tax bases in the following years.

The Bank did not recognise a deferred tax asset of EUR 6 952 thousand (31 December 2017: EUR 3 200 thousand) associated with temporary differences resulting from provisions for loans and the tax loss carried-forward, owing to its uncertain timing and utilisation in future reporting periods.

20. 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, undrawn loan commitments and issued letters of credit. The following represent notional amounts of these off-balance sheet financial liabilities, unless stated otherwise.

(EUR '000)	31 Dec 2018	31 Dec 2017
Undrawn loan commitments	35 371	27 288
Other guarantees provided to banks	1 452	402
Other guarantees provided to clients	27 311	23 198
Undrawn overdrafts and authorised overdraft facilities	21 301	24 671
Issued letters of credit	-	150
Total	85 435	75 709

Loan commitments represent the undrawn 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 undrawn loan commitments. The estimated amount of exposure is, however, lower than the total undrawn loan commitments, since the majority of such commitments are subject to loan covenants that clients are required to comply with.

The Bank creates provisions to cover expected losses on undrawn loans, guarantees, and letters of credit. 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 undrawn 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 2 711 thousand as at 31 December 2018 (31 December 2017: EUR 2 946 thousand).

The Bank recognised the following provisions:

(EUR '000)	31 Dec 2018	31 Dec 2017
Provisions for:		
Undrawn loan commitments	1 000	139
Guarantees	410	31
Issued letters of credit	-	1
Litigations and other disputes	2 711	2 946
Retirement payments	101	114
Total	4 222	3 231

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

statement's 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 undrawn loan commitments:

(EUR '000)	31 Dec 2018	31 Dec 2017
Balance at the beginning of the reporting period	171	144
Balance at the beginning of the reporting period – restated *	1 761	-
Creation of provision	4 156	532
Release of provision	(4 508)	(505)
FX difference	1	-
Balance at the end of reporting period	1 410	171

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

(EUR '000)	31 Dec 2018	31 Dec 2017
Balance at the beginning of reporting period	2 946	3 550
Creation of provision	90	80
Use of provision	(325)	(658)
Release of provision	-	(26)
Balance at the end of reporting period	2 711	2 946

* As a result of changes upon the first application of IFRS 9 – see "IFRS 9 Disclosures", Note 2.

An analysis of changes in the provision for retirement payments:

(EUR '000)	31 Dec 2018	31 Dec 2017
Balance at the beginning of reporting period	114	120
Creation of provision	39	16
Release of provision	(52)	(22)
Balance at the end of reporting period	101	114

The notes to the separate financial statements form an integral part of the financial statements.

21. Derivative Financial Instruments

The tables below represent the financial derivative instruments at face and fair values as at 31 December 2018 and 31 December 2017:

(EUR '000)	Face Value of Assets		Face Value of Liabilities	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Currency instruments				
Currency swaps	-	9 504	3 510	-
Total	-	9 504	3 510	-

(EUR '000)	Face Value of Assets		Face Value of Liabilities	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Currency instruments				
Currency swaps	-	1	17	-
Total	-	1	17	-

The positive fair value is included in "Financial assets at fair value through profit or loss" and the negative fair value is included in "Financial liabilities held for trading". 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".

22. Net Interest Income

(EUR '000)	Year Ended 31 Dec 2018	Year Ended 31 Dec 2017
Interest income:		
Loans and other receivables*	35 117	44 732
Placements with other banks, loans to other banks	63	216
Financial assets at fair value through profit or loss	244	-
Financial assets at fair value through other comprehensive income	-	244
Debt securities at amortised cost	2 175	2 180
Total interest income	37 599	47 372
Interest expense:		
Due to banks and deposits from the National Bank of Slovakia and other banks and other payables	(32)	(47)
Amounts due to customers	(1 555)	(2 724)
Liabilities from debt securities	(120)	(121)
Subordinated debt	(692)	(604)
Total interest expense	(2 399)	(3 496)
Net interest income	35 200	43 876

* A year-on-year decrease in interest income on loans is also caused by applying changes in "revenue recognition" as of 1 January 2018 – see "IFRS 9 Disclosures", Note 2.

The notes to the separate financial statements form an integral part of the financial statements.

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

(EUR '000)	Year Ended 31 Dec 2018	Year Ended 31 Dec 2017
Creation of provisions for loan receivables	(52 193)	(43 881)
Release of provisions for loan receivables	40 393	18 275
Write-offs and assignments of loans	1 933	789
Loss on write-offs and assignments of loans (gross)	(19 324)	(18 121)
Use of provisions for written-off and assigned loans	21 257	18 910
(Creation)/reversal of provisions for guarantees and undrawn loan commitments, net (Note 20)	352	(27)
Provisions for impairment losses on loans and off-balance sheet, net*	(9 515)	(24 844)

* The year-on-year increase in costs of credit risks was caused by applying changes in "revenue recognition" as of 1 January 2018 – see "IFRS 9 Disclosures", Note 2.

24. Net Fee and Commission Income

(EUR '000)	Year Ended 31 Dec 2018	Year Ended 31 Dec 2017
Fee and commission income:	2 424	1 771
Banks	213	228
Public administration	6 410	6 945
Individuals	6 629	7 008
Other sectors	15 676	15 952
Total fee and commission income		
Fee and commission expense:	(1 516)	(1 352)
Banks	(64)	(82)
Individuals	(2 993)	(2 782)
Other sectors	(4 573)	(4 216)
Total fee and commission expense		
Net fee and commission income	11 103	11 736

The notes to the separate financial statements form an integral part of the financial statements.

25. Gains/(Losses) on Financial Transactions, Net

(EUR '000)	Year Ended 31 Dec 2018	Year Ended 31 Dec 2017
Gain/(loss) from foreign exchange transactions	904	1 178
Gain/(loss) from fixed term operations	(222)	(483)
Net gains/(losses) on financial operations	682	(695)

The Bank carried out interrelated transactions within the Group, which are assessed on an aggregate basis. Such transactions include currency swaps concluded with the parent company and subsequent investing of available funds or through reverse repurchase transactions with the parent company. The total profit/(loss) from such transactions is presented in the following table:

(EUR '000)	Year Ended 31 Dec 2018	Year Ended 31 Dec 2017
Loss on fixed term operations	(238)	(489)
Interest income on reverse repurchase transactions	23	183
Total	(215)	(306)

26. Gains/(Losses) on Financial Assets, Net

(EUR '000)	Year Ended 31 Dec 2018	Year Ended 31 Dec 2017
Net gain/(loss) on remeasurement of financial assets mandatorily measured at fair value through profit or loss *	(450)	-
Net gain/(loss) on provisions for debt securities at amortised cost	5	-
Net gains/(losses) on financial assets	(445)	-

* A change in the fair value of subordinated bonds of the parent company, OTP, in 2018 – (see Note 8).

27. General Administrative Expenses

(EUR '000)	Year Ended 31 Dec 2018	Year Ended 31 Dec 2017
Personnel expenses		
Wages and salaries	(14 646)	(12 831)
Social security expenses	(5 290)	(4 655)
Supplementary pension scheme contributions	(208)	(182)
Other social expenses	(213)	(192)
(Creation)/release of provisions for retirement payments, net	13	6
Other administrative expenses		
Purchased services	(6 054)	(5 914)
Expenses for IT administration and maintenance	(2 728)	(2 491)
Entertainment expenses	(2 386)	(1 855)
Other purchased supplies	(1 511)	(1 501)
Local and other taxes other than income tax	(1 083)	(1 017)
Special levy on selected financial institutions	(2 602)	(2 630)
Contributions to other funds*	(198)	(108)
Other expenses	(431)	(332)
Depreciation, amortisation and write-downs of non-current tangible and intangible assets		
Non-current tangible assets	(2 579)	(2 549)
Non-current intangible assets	(1 616)	(1 260)
General administrative expenses - total	(41 532)	(37 511)

*This item includes a contribution to the Deposit Protection Fund and expenses for a resolution fund.

In 2018, the costs of auditing the financial statements amounted to EUR 160 thousand (2017: EUR 124 thousand), costs of assurance audit services other than the audit of financial statements and other costs of non-audit services provided by the audit firm and its network member firms amounted to EUR 41 thousand (2017: EUR 73 thousand).

Non-audit services include: audit of the consolidation package and of the Bank's prudential reports, preparation of a long-form auditor's report and a review of securities trader measures for the NBS, conferences, training courses, information system security review, and MIFID II consulting services.

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.

The notes to the separate financial statements form an integral part of the financial statements.

28. Other Operating Revenues/(Expenses), Net

(EUR '000)	Year Ended 31 Dec 2018	Year Ended 31 Dec 2017
Provisions for impairment losses on other assets		
Creation of provisions for other assets	(16)	(19)
Release of provisions for other assets	2 133	46
Other assets written-off and assigned (Note 11)	(2 121)	1
Costs for the creation of provisions		
(Creation)/release of provisions for litigations and other disputes and other risks, net (Note 20)	(90)	(54)
Other revenues		
Revenues from sale of real estate and other assets	2	94
Lease revenues	2	1
Revenues from sale of commemorative coins	-	12
Other operating revenues	128	178
Other operating revenues/(expense), net	38	259

29. Items of Other Comprehensive Income

The items of other comprehensive income:

(EUR '000)	Year Ended 31 Dec 2018	Year Ended 31 Dec 2017
Financial assets at fair value through other comprehensive income		
Gain/(loss) on accumulated other comprehensive income	282	755
Deferred tax liability/(deferred tax asset) on revaluation reserves on financial assets measured through other comprehensive income	(59)	(158)
Other comprehensive income	223	597

The notes to the separate financial statements form an integral part of the financial statements.

30. Segment Reporting

The separate statement of comprehensive income and other indicators by segment as at 31 December 2018:

31 Dec 2018 (EUR '000)	Retail	Corporate	Treasury	Not Specified	Total
Interest income	23 072	12 044	2 483	-	37 599
Interest expense	(1 285)	(270)	(844)	-	(2 399)
Net interest income	21 787	11 774	1 639	-	35 200
Provisions for impairment losses on loans and off-balance sheet, net	(3 612)	(5 902)	(1)	-	(9 515)
Net interest income net of provisions for impairment losses on loans and off-balance sheet	18 175	5 872	1 638	-	25 685
Fee and commission income	9 860	4 296	23	1 497	15 676
Fee and commission expense	(3 770)	-	(74)	(729)	(4 573)
Net fee and commission income	6 090	4 296	(51)	768	11 103
Gains/(losses) on financial transactions, net	-	-	682	-	682
Gains/(losses) on financial assets, net	-	5	(450)	-	(445)
General administrative expenses	-	-	-	(41 532)	(41 532)
Other operating revenues/(expenses), net	3	3	-	32	38
Profit/(loss) before income tax	24 268	10 176	1 819	(40 732)	(4 469)
Income tax	-	-	-	497	497
Net profit/(loss) after tax	24 268	10 176	1 819	(40 235)	(3 972)
Items of other comprehensive income that will subsequently be reclassified to profit or loss, net of tax					
Gain/(loss) on remeasurement of financial assets at fair value through other comprehensive income	-	-	223	-	223
Total comprehensive income for the year	24 268	10 176	2 042	(40 235)	(3 749)
Assets by segment	698 905	432 579	199 261	81 048	1 411 793
Liabilities by segment	641 376	470 106	120 736	68 003	1 300 221

The notes to the separate financial statements form an integral part of the financial statements.

The separate statement of comprehensive income and other indicators by segment as at 31 December 2017:

31 Dec 2017 (EUR '000)	Retail	Corporate	Treasury	Not Specified	Total
Interest income	30 380	14 352	2 640	-	47 372
Interest expense	(2 264)	(460)	(772)	-	(3 496)
Net interest income	28 116	13 892	1 868	-	43 876
Provisions for impairment losses on loans and off-balance sheet, net	(15 228)	(9 616)	-	-	(24 844)
Net interest income net of provisions for impairment losses on loans and off-balance sheet	12 888	4 276	1 868	-	19 032
Fee and commission income	10 517	4 326	25	1 084	15 952
Fee and commission expense	(3 254)	-	(71)	(891)	(4 216)
Net fee and commission income	7 263	4 326	(46)	193	11 736
Gains/(losses) on financial transactions, net	-	-	695	-	695
Gains/(losses) on financial assets, net	-	-	-	-	-
General administrative expenses	-	-	-	(37 511)	(37 511)
Other operating revenues/(expenses), net	(31)	4	-	286	259
Profit/(loss) before income tax	20 120	8 606	2 517	(37 032)	(5 789)
Income tax	-	-	-	(141)	(141)
Net profit/(loss) after tax	20 120	8 606	2 517	(37 173)	(5 930)
Items of other comprehensive income that will subsequently be reclassified to profit or loss, net of tax					
Gain/(loss) on remeasurement of financial assets at fair value through other comprehensive income	-	-	597	-	597
Total comprehensive income for the year	20 120	8 606	3 114	(37 173)	(5 333)
Assets by segment	694 435	440 674	237 440	85 018	1 457 567
Liabilities by segment	671 762	428 602	180 273	51 391	1 332 028

The notes to the separate financial statements form an integral part of the financial statements.

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 2018	31 Dec 2017
Assets	64 314	47 251
Of which: Hungary	18 347	17 240
Of which: Other EU countries	37 714	26 973
Liabilities	244 666	265 865
Of which: Hungary	178 790	219 093
Of which: Other EU countries	56 997	39 743

As at 31 December 2018 and 31 December 2017, 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 2018	Year Ended 31 Dec 2017
Interest income on:		
Term deposits provided to OTP Bank Nyrt (Hungary)	29	152
Subordinated bonds issued by OTP Bank Nyrt (Hungary)	244	244
Reverse REPO transactions with OTP Bank Nyrt (Hungary)	23	183
Foreign government bonds (Bulgaria)	295	295
Issued mortgage bonds and bonds with negative interest (Hungary)	100	113
Dividends from VISA Inc. shares	8	9

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

31. 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 2018:

31 Dec 2018 (EUR '000)	OTP Bank Nyrt.	Subsidiaries	Other Com- panies OTP Group	Transactions with Key Management Personnel of the Bank	Transactions with Key Management Personnel of OTP Bank Nyrt.	Other Related Parties	Total
Assets							
Cash, due from banks and balances with the National Bank of Slovakia	9 780	-	237	-	-	-	10 017
Placements with other banks, loans to other banks, net of provisions for expected losses	1	-	-	-	-	-	1
Financial assets held for trading	-	-	-	-	-	-	-
Non-trade financial assets mandatorily measured at fair value through profit or loss	8 271	-	-	-	-	-	8 271
Financial assets at fair value through other comprehensive income	-	-	1 571	-	-	-	1 571
Loans and receivables, net of provisions for expected losses	-	-	815	464	-	-	1 279
Debt securities at amortised cost	-	-	-	-	-	-	-
Investments in subsidiaries and associates	-	-	-	-	-	-	-
Non-current tangible assets*	-	-	4 475	-	-	-	4 475
Non-current intangible assets*	760	-	-	-	-	-	760
Other assets	1	-	508	-	-	-	509
Total	18 813	-	7 606	464	-	-	26 883
Liabilities							
Due to banks and deposits from the National Bank of Slovakia and other banks	40 146	-	-	-	-	-	40 146
Amounts due to customers	-	-	1 874	3 319	-	503	5 696
Liabilities from debt securities	85 105	-	-	-	-	-	85 105
Financial liabilities held for trading	17	-	-	-	-	-	17
Other liabilities	394	-	46	-	-	-	440
Subordinated debt	-	-	27 032	-	-	-	27 032
Total	125 662	-	28 952	3 319	-	503	158 436

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

The notes to the separate financial statements form an integral part of the financial statements.

Overview of balances in the statement of financial position as at 31 December 2017:

31 Dec 2017 (EUR '000)	OTP Bank Nyrt.	Subsidiaries	Other Com- panies OTP Group	Transactions with Key Management Personnel of the Bank	Transactions with Key Management Personnel of OTP Bank Nyrt	Other Related Parties	Total
Assets							
Cash, due from banks and balances with the National Bank of Slovakia	8 081	-	249	-	-	-	8 330
Placements with other banks, loans to other banks, net of provisions for expected losses	-	-	-	-	-	-	-
Financial assets held for trading	1	-	-	-	-	-	1
Non-trade financial assets mandatorily measured at fair value through profit or loss	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	8 721	-	1 249	-	-	-	9 970
Loans and receivables, net of provisions for expected losses	-	-	696	287	-	-	983
Debt securities at amortised cost	-	-	-	-	-	-	-
Investments in subsidiaries and associates	-	-	-	-	-	-	-
Non-current tangible assets*	-	-	4 814	-	-	-	4 814
Non-current intangible assets*	869	-	-	-	-	-	869
Other assets	2	-	519	-	-	-	521
Total	17 674	-	7 527	287	-	-	25 488
Liabilities							
Due to banks and deposits from the National Bank of Slovakia and other banks	214	-	-	-	-	-	214
Amounts due to customers	-	-	1 905	3 268	-	33	5 206
Liabilities from debt securities	167 092	-	-	-	-	-	167 092
Financial liabilities held for trading	-	-	-	-	-	-	-
Other liabilities	140	-	234	-	-	-	374
Subordinated debt	-	-	20 008	-	-	-	20 008
Total	167 446	-	22 147	3 268	-	33	192 894

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

The notes to the separate financial statements form an integral part of the financial statements.

Overview of transactions in the statement of comprehensive income:

31 Dec 2018 (EUR '000)	OTP Bank Nyrt.	Subsidiaries	Other Com- panies 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	436	-	21	5	-	-	462
Interest expense	347	-	(694)	(13)	-	-	(360)
Provisions for impairment losses on loans and off-balance sheet, net	-	-	14	-	-	-	14
Fee and commission income	19	-	18	-	-	-	37
Fee and commission expense	(730)	-	(305)	-	-	-	(1 035)
Gains/(losses) on financial transactions (FX), net	(286)	-	-	-	-	-	(286)
Gains/(losses) on financial assets, net	(450)	-	-	-	-	-	(450)
Other operating revenues/(expenses), net	-	-	8	-	-	-	8
General administrative expenses	(797)	-	(1 207)	*	-	-	(2 004)
Total	(1 461)	-	(2 145)	(8)	-	-	(3 614)
31 Dec 2017 (EUR '000)	OTP Bank Nyrt.	Subsidiaries	Other Com- panies 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	578	-	134	5	-	-	717
Interest expense	(117)	-	(605)	(15)	-	-	(737)
Provisions for impairment losses on loans and off-balance sheet, net	-	-	21	-	-	-	21
Fee and commission income	19	-	19	-	-	-	38
Fee and commission expense	(509)	-	(343)	-	-	-	(852)
Gains/(losses) on financial transactions (FX), net	(488)	-	-	-	-	-	(488)
Gains/(losses) on financial assets, net	-	-	-	-	-	-	-
Other operating revenues/(expenses), net	-	-	9	-	-	-	9
General administrative expenses	(421)	-	(1 185)	*	-	-	(1 606)
Total	(938)	-	(1 950)	(10)	-	-	(2 898)

*see "Key Management Personnel Compensation"

The notes to the separate financial statements form an integral part of the financial statements.

In 2018, 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 short-term loans on a recurring basis to the parent company, OTP Bank Nyrt., secured by securities within reverse REPO transactions;
- Repurchased Mortgage Bonds, Issue XXXII from the parent company, OTP Bank Nyrt. (see Note 14); and
- Sold the issue of short-term bonds to the parent company, OTP Bank Nyrt. (see Note 14).
- Subordinated debt provided to the Bank by OTP Financing Malta Company Ltd (see Note 15).

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

In 2017, 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 short-term loans on a recurring basis to the parent company, OTP Bank Nyrt., secured by securities within reverse REPO transactions;
- Sold Mortgage Bond Issues XXXI and XXXII to the parent company, OTP Bank Nyrt (see Note 14); and
- Sold the issue of short-term bonds to the parent company, OTP Bank Nyrt. (see Note 14).

All the above 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 2018, compensation in the amount of EUR 799 thousand (2017: EUR 748 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 2018, the Bank recognised loan receivables from the members of the Board of Directors and Supervisory Board in the amount of EUR 290 thousand (31 December 2017: EUR 287 thousand).

In 2018, the received loan repayments totalled EUR 26 thousand (2017: EUR 193 thousand). Loans provided as at 31 December 2018 bore interest ranging between 1.50% and 6.50% (31 December 2017: between 1.50% and 4.55%).

Banka vo vzťahu k členom predstavenstva a členom dozornej rady v priebehu rokov 2018 a 2017:

- 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.

32. 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 15).

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%, zvýšené o hodnoty príslušných kapitálových vankúšov.

Increased by the amounts of the relevant capital cushions.

Under Act No. 483/2001 as amended, the National Bank of Slovakia set a cushion to maintain capital as 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 the countercyclical capital cushion for Slovak exposures at 1.25%. In 2019, the countercyclical capital cushion will be increased to 1.50% with effect from 1 November 2019.

In the period under review and as at the reporting date, the ratio of the Bank's total own funds exceeded the minimum le-

vel required by the EU and Slovak legislation. As at 31 December 2018, the Bank achieved the following shares: the share of Tier 1 own capital at 14.43%, the share of Tier 1 capital at 14.43% and the total share of capital at 16.58%.

Pursuant to Regulation (EU) No. 2017/2395 of the European Parliament and of the Council amending Regulation (EU) No. 575/2013 as amended, the Bank decided to apply transitional arrangements for mitigating the impact of the application of IFRS 9 to own funds over the five-year transitional period.

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

(EUR '000)	31 Dec 2018	31 Dec 2017
Tier 1 capital	123 396	115 557
Tier 1 own capital	123 396	115 557
Capital instruments allowable as Tier 1 own capital	126 591	111 580
Repaid capital instruments	126 591	111 580
Profit/(loss) from previous years	(22 051)	7 557
Retained earnings/(accumulated losses) from previous years	(18 079)	13 487
Allowable gain or (-) loss	(3 972)	(5 930)
Other provisions	5 034	5 034
(-) Intangible assets	(9 884)	(8 299)
(+/-)Other items increasing/(decreasing) the amount of Tier 1 own capital*	23 706	(315)
Tier 1 supplementary capital	-	-
Tier 2 capital	18 375	15 375
Repaid capital instruments and subordinated debt	18 375	15 375
Positive revaluation reserves	-	-
(-) Other items decreasing the amount of Tier 2 capital	-	-
Regulatory capital	141 771	130 932
Proportion of own capital (CET1) to risk-weighted assets	14.43%	13.25%
Proportion of Tier 1 capital to risk-weighted assets	14.43%	13.25%
Total proportion of capital to risk-weighted assets	16.58%	15.02%

* Year-on-year change as a result of changes upon the first application of IFRS 9 – see "IFRS 9 Disclosures", Note 2.

33. Supplementary Data to Statements of Cash Flows

(EUR '000)	31 Dec 2018	31 Dec 2017
Cash, due from banks and balances with NBS except for mandatory minimum reserve	148 140	168 601
Deposits with other banks, falling due within three months	2	9
Due to banks, falling due within three months	(161)	(361)
Total cash and cash equivalents	147 981	168 249

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

(EUR '000)	31 Dec 2018	31 Dec 2017
Write-off and assignments of loans (Note 6)	(19 324)	(18 121)

The notes to the separate financial statements form an integral part of the financial statements.

34. 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
 - o Currency risk
 - o Interest rate risk
 - o Other price risk
- Liquidity risk
- Operational risk

Risk Management Framework

The Risk Division is responsible for risk management at the Bank and comprises the Credit Risk Operation Department, Risk Analysis and Regulation Department, Workout and Monitoring Department, and Market & 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; 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.

35. 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.

Measurement of Provisions for Expected Credit Losses

The Bank identifies and reviews the amount of provisions for provided receivables on a monthly basis as at the reporting date.

The measurement of provisions for expected losses from receivables measured at amortised cost requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

The identification of expected credit losses reflects the probability-weighted amount of a loss that is based on the assessment of various possible outcomes, taking into account the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions available as at the reporting date without unreasonable costs or disproportionate effort.

The parent bank developed a macroeconomic model with future outlooks, which is tailored for each subsidiary bank in the group. The model defines 5 scenarios with assigned weights. The scenario weights are determined by a combination of statistical analysis and expert judgement, taking into account of the range of possible outcomes of each chosen scenario. The parent bank considers these forecasts represent its best estimate of the possible outcomes and that they cover any potential non-linearities and asymmetries in the Bank's various portfolios. These outputs are regularly updated by the parent bank on a quarterly basis.

The Bank recognises expected losses from a receivable in the amount equal to a 12-month expected credit loss or equal to the amount of expected credit loss over the entire lifetime of the receivable. The maximum period over which expected credit losses are measured is the maximum contractual period during which the Bank is exposed to credit risk. If the credit risk has not increased significantly since the initial recognition of the receivable, the Bank recognises 12-month expected losses. For lifetime expected credit losses, the Bank estimates the risk of default of a receivable over its entire expected life. The expected loss is the present value, expressed as a difference between the contractual cash flows and cash flows the Bank expects to receive, which are discounted using the effective interest rate.

The Bank identifies impairment of receivables classified to Stage 1 in the amount of lifetime expected credit losses that result from default events possible in the next 12 months. The Bank identifies impairment of receivables classified to Stage 2 or 3 in the amount of lifetime expected credit losses over the entire lifetime of receivables. More detailed information about the classification of receivables in different stages is provided in section "Loans and Receivables, Impairment of Loans and Receivables" in Note "2. Significant Accounting Principles".

Expected credit losses of non-retail receivables classified in Stage 3 are measured individually by the discounted expected cash flow method for:

- Receivables managed by the Work Out & Monitoring Department, except for low-value loan receivables (micro loans measured on a portfolio basis);
- Receivables not managed by the Work Out & Monitoring Department with an exposure exceeding EUR 0.4 million.

Two scenarios apply to individually-measured receivables: the worst-case scenario and the best-case scenario. Each scenario is weighted by the probability of different expectations of future cash flows, and the final impairment is calculated using the weighted average of both scenarios. The significance of each scenario relies on professional judgment. Each scenario may contain expected cash flows from the business perspective and from the realisation of a collateral, if any.

For other receivables classified to Stage 3 and receivables classified to Stage 1 and 2, expected credit losses are measured on a portfolio basis. The assessment of credit risk of a portfolio of receivables entails further estimations, such as the probability of default and the associated loss ratios. The Bank assesses credit risk using:

- Probability of default (PD);
- Exposure at default (EAD); and
- Loss given default (LGD).

Forward-looking economic information is also included in determining the probability of default, exposure at default and loss given default over a 12-month period and the expected lifetime of a receivable. These assumptions vary by product type and portfolio. The amount of expected credit losses is the discounted product of the probability of default (PD), loss given default (LGD), exposure at default (EAD) and the discount factor. Effective interest rate is used for discounting.

The probability of default (PD) represents the likelihood of a debtor defaulting on its financial liability over the next 12 months or over the remaining lifetime of the liability. Various statistical methods are used to calculate this probability of default from the point of initial recognition throughout the lifetime of the receivables.

The loss given default (LGD) is usually expressed as a percentage loss per unit of exposure at the time of default. The calculation takes into account primarily loan repayments, expected cash flows from collaterals and the relevant time effects. The calculation varies by the product type and form of collateral. The calculation does not automatically reflect only the observed historical data, but also changes in factors affecting LGD, taking into account macroeconomic effects.

The exposure at default is based on the amounts expected to be due at the time of default, over the next 12 months, or over the remaining lifetime of the receivable. The 12-month and lifetime EADs are determined based on the expected cash flows.

The Bank's calculation includes standard risk parameters, which are methodologically regulated by group standards.

Given the major changes in the calculation of provisions for loan receivables resulting from the adoption of IFRS 9, the level of uncertainty implied by new processes, algorithms, methodology, data sources, and the risk arising from the short term of application of the new methodology, has temporarily increased. To cover the risks of potential understatement of the amount of provisions that may arise from such uncertainty, the Bank decided to temporarily apply a conservative approach, ie maintenance of a conservative cushion. The Bank will reassess this approach in the following periods taking into consideration the gradual elimination of the risk.

In accordance with the parent bank's methodology, the Bank also identifies and reviews the amount of provisions for other Bank assets.

- The measurement of the provisions for expected losses from receivables from different debtors is in line with the methodology set by the parent bank. It is a simplified model for calculating expected losses over the entire lifetime of receivables from other assets, taking into account the

average amount of receivables in the specified historical period and the amount of write-offs. Očakávané straty k pohľadávkam z cenných papierov amortizovanej hodnoty sa identifikujú obdobným spôsobom ako pri úverových pohľadávkach.

- Expected losses on receivables from securities at amortised cost are identified in a similar manner as for loan receivables.
- Provisions for expected losses on amounts due from banks are measured in line with the methodology set by the parent bank. Amounts due from banks are classified to Stages 1 to 3 in accordance with the set parameters. Provisions for assets are not calculated by the Bank for exposures to central banks and exposures with maturity of up to 3 months.

Policy for Writing-Off of Receivables

The Bank writes off loans and placements when it receives a document on customer insolvency, a court decision on cessation of a receivable, after the completion of bankruptcy proceedings, if the debtor has died and the receivable cannot be recovered from the heirs, or based on a decision of Bank management to waive collection if collection expenses exceed the amount receivable, or based on a decision of Bank management to write off such a receivable if only minimal or zero proceeds are expected to be recovered in the long term and the customer is overdue with the loan repayment by more than 1080 days. The Bank also performs a partial write-off of receivables if a portion of the receivable is not acknowledged in court proceedings for the payment of the receivable (in particular, the standard interest charged after the loan is declared due); or where bankruptcy has been declared over the customer's assets in the form of liquidation of debts if the interest and charges on receivables charged during the year exceed 5% p.a. of the outstanding principal.

Loan Collateral

The estimated value of collateral is subject to numerous uncertainties and risks. Amounts that may ultimately be realised upon liquidation of collateral for defaulted loans may differ from estimated amounts and the difference may be significant. Collateral represents an estimated amount that the Bank would receive upon the enforcement of the pledge if the loan fails to be recovered in an economic manner.

Fair values of collateral are estimated based on the value of collateral if the determined loan is provided. Collateral is monitored in order to review the current value and quality of collateral over the entire term of loan. Individual forms of collateral are subject to reassessment, whose frequency depends on the type of collateral used and the customer's segment.

In respect of collateral treatment, the Bank pays special attention to the measurement and remeasurement of individual collateral, the calculation of accepted collateral value, specification of collateral permissibility for credit risk mitigation and realisation of collateral if the collateralised loan is defaulted.

The Bank primarily accepts the following types of collateral:

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

The Bank uses the following legal instruments:

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

The collateral valuation methodology and collateral remeasurement frequency depend on the type of collateral and minimum criteria pursuant to the valid legislative regulations implemented in the Bank's integral regulations. The measurement of collateral instruments is specific for each type of collateral and the Bank applies an appropriate degree of prudence.

The Bank realises collateral on a case-by-case basis depending on factors such as the current condition and value of collateral, the current amount of the receivable, speed of debt recovery, recovery costs, etc.

The Bank primarily uses the following forms of collateral realisation:

- Voluntary auction;
- Foreclosure proceedings;
- Sale of collateral for the Bank's receivable in bankruptcy or restructuring proceedings;
- Call to subdebtors to pay under pledged trade receivables;
- Enforcement of a promissory note in court;
- Assignment of a receivable; and
- Recovery through external collection agencies based on a mandate agreement.

Criteria for Definition of Default of Loan Receivables

The Bank has implemented a methodology for default in line with the group definition of default, which is used at the subsidiaries of OTP Bank Nyrt. Hungary.

The Bank considers the following facts as events of default associated with a borrower or transaction:

Objective fact – delayed payments by more than 90 days and such defaults are material:

- Any credit liability of the debtor is overdue by more than 90 days and the amount owed exceeds the materiality level; and/or
- A debtor breaches a defined limit of an overdraft loan facility (the limit was exceeded) and the excess of the limit has lasted continuously for more than 90 days and the amount of the exceeded limit exceeds the materiality level.

Probability of default – probability that a debtor will not be able to fully repay its credit liabilities:

- The financial institution will cease to charge interest on a credit liability;
- The financial institution recognises a specific adjustment to a loan resulting from a clearly significant decrease in the loan's credit quality after an exposure arises for a financial institution;
- The financial institution sold the credit liability with a material loss;
- The financial institution agrees to a forced restructuring of

the credit liability;

- Bankruptcy, liquidation, deletion from the register, restructuring by operation of law in relation to the debtor's credit liability to the financial institution, parent company or any of its subsidiaries;
- Other default events such as declaration of early maturity of a receivable, write-off of a receivable, remedial regime, forced administration, court collection of a receivable, filing of a criminal complaint and default of factoring transactions.

When identifying default, the Bank has an absolute materiality limit for retail clients of EUR 50 per exposure and EUR 250 per client for non-retail clients.

The Bank considers all loan receivables where a default event was identified as distressed, impaired and reports them in Stage 3.

Classification of Risks from Loans and Receivables

31 Dec 2018 (EUR '000)	Exposure	Provisions	Coverage by Provisions	Collateral	Coverage by Provisions and Collaterals
Retail loans	731 344	44 185	6.00%	518 796	77.00%
STAGE 1	663 981	6 961	1.00%	481 004	73.50%
STAGE 2	20 707	3 570	17.20%	13 835	84.10%
STAGE 3	46 656	33 654	72.10%	23 957	123.50%
Non-retail loans	479 390	41 709	8.70%	199 367	50.30%
STAGE 1	408 621	6 657	1.60%	163 341	41.60%
STAGE 2	18 131	1 961	10.80%	15 184	94.60%
STAGE 3	52 638	33 091	62.90%	20 842	102.50%
Total balance sheet credit risks	1 210 734	85 894	7.10%	718 163	66.40%
Of which assessed on an individual basis	46 976	28 059	59.70%	19 455	101.10%
Of which assessed on a portfolio basis	1 163 758	57 835	5.00%	698 708	65.00%

The notes to the separate financial statements form an integral part of the financial statements.

31 Dec 2017 (EUR '000)	Exposure	Provisions	Coverage by Provisions	Collateral	Coverage by Provisions and Collaterals
Loans measured on an individual basis, total	86 529	39 518	45.70 %	31 416	82.00 %
Retail loans	7 943	5 459	68.70 %	4 810	129.30 %
Of which with identified impairment	7 943	5 459	68.70 %	4 810	129.30 %
Non-retail loans	78 586	34 059	43.30 %	26 606	77.20 %
Of which with identified impairment	62 547	34 059	54.50 %	24 864	94.20 %
Loans measured on a portfolio basis, total	1 141 730	46 510	4.10 %	715 227	66.70 %
Non-retail loans	411 344	4 591	1.10 %	212 791	52.80 %
Of which with identified impairment	4 037	2 913	72.20 %	654	88.40 %
Retail loans	730 386	41 919	5.70 %	502 436	74.50 %
Of which with identified impairment	58 792	38 510	65.50 %	21 176	101.50 %
Other	-	-	-	-	-
Total	1 228 259	86 028	7.00 %	746 643	67.80 %
Of which assessed on an individual basis	372 755	40 092	10.80 %	194 702	63.00 %
Of which assessed on a portfolio basis	855 504	45 936	5.40 %	551 941	69.90 %

As for the credit exposure as at 31 December 2018, 10 major credit exposures amounted to 5% of the total gross amount of loans (31 December 2017: 5% of the total gross amount of loans).

Exposure to Credit Risk from Loans and Receivables by Business Industries

31 Dec 2018 (EUR '000)	Carrying Amount Before Provisions	STG1	STG2	STG3	Provisions	Carrying Amount After Provisions
Electricity generation	26 291	20 499	1 533	4 259	3 769	22 522
Households	731 592	663 981	20 721	46 890	44 431	687 161
Agriculture and food-processing industry	69 116	57 809	1 089	10 218	7 757	61 359
Trade and services	77 108	64 584	1 213	11 311	9 657	67 451
Metallurgy and machinery	26 764	25 639	999	126	746	26 018
Chemical industry	5 648	170	0	5 478	1 924	3 724
Transport and infrastructure	8 132	5 589	1 327	1 216	627	7 505
Timber and paper production	4 996	3 980	861	155	254	4 742
Construction industry	20 092	17 329	2 014	749	1 532	18 560
Real estate	102 381	89 586	4 461	8 334	7 268	95 113
Public administration and defence	20 715	20 715	-	-	25	20 690
Financial services except insurance	1 966	442	-	1 524	977	989
Other industries	115 933	102 279	4 620	9 034	6 927	109 006
Total	1 210 734	1 072 602	38 838	99 294	85 894	1 124 840
Impairment	-	(13 618)	(5 531)	(66 745)	(85 894)	-
Total	-	1 058 984	33 307	32 549	-	1 124 840

The notes to the separate financial statements form an integral part of the financial statements.

31 Dec 2017 (EUR '000)	Carrying Amount Before Provisions	Specific Provisions	Portfolio Provisions	Carrying Amount After Provisions
Electricity generation	31 369	2 299	75	28 995
Households	734 986	5 582	41 710	687 694
Agriculture and food-processing industry	59 283	5 719	374	53 190
Trade and services	73 590	6 637	1 173	65 780
Metallurgy and machinery	22 854	270	398	22 186
Chemical industry	6 401	271	4	6 126
Transport and infrastructure	7 993	230	268	7 495
Timber and paper production	5 105	16	147	4 942
Construction industry	22 091	3 911	514	17 666
Real estate	102 426	7 946	284	94 196
Public administration and defence	20 038	-	90	19 948
Financial services except insurance	2 660	860	68	1 732
Other industries	139 463	5 777	1 405	132 281
Total	1 228 259	39 518	46 510	1 142 231

As at 31 December 2018, the Bank reported a developer project portfolio in the amount of EUR 9 566 thousand (31 December 2017: EUR 17 734 thousand) and created provisions both on a portfolio basis and on an individual basis in the amount of EUR 133 thousand (31 December 2017: EUR 33 thousand) and EUR 4 153 thousand (31 December 2017: EUR 8 964 thousand), res-

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

The table below summarises the quantitative structure of corporate loans by rating category:

Rating Class (EUR '000)	31 Dec 2018				31 Dec 2017
	STG1	STG2	STG3	Total	
Corporate loans					
I (lowest risk of primary recoverability of a loan)	12 231	-	-	12 231	14 894
II	31 019	3	49	31 071	23 537
III	41 786	772	1 625	44 183	58 438
IV	90 690	1 656	1 467	93 813	96 451
V	117 033	1 462	49	118 544	88 768
VI	84 007	2 724	741	87 472	90 507
VII	28 540	9 107	495	38 142	41 308
VIII (highest risk of primary recoverability of a loan)	2 731	2 024	46 168	50 923	7 018
VIII + I (default)	-	-	-	-	-
Total corporate loans	408 037	17 748	50 594	476 379	420 921

The table above only includes non-retail receivables, where the customers are subject to the rating tool. Retail receivables have scoring values assigned that are assessed based on the application data of an applicant – natural person and are used to assign risk parameters to a specific loan. The rating process for retail receivables differs from the rating process for non-retail receivables and these two rating systems are not comparable.

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

Rating Class (EUR '000)	31 Dec 2018	31 Dec 2017
I – II	-	-
III	217	-
IV-VIII	-	-
Non-classified	2	9
Total	219	9

The table below summarises the quantitative structure of financial assets measured at fair value (except investments in companies) by rating category:

Rating Class (EUR '000)	31 Dec 2018	31 Dec 2017
I-III	-	-
IV	8 271	8 721
V – VIII	-	-
Non-classified	1 565	1 243
Total	9 836	9 964

The table below contains the quantitative structure of debt securities at amortised cost by rating category:

Rating Class (EUR '000)	31 Dec 2018	31 Dec 2017
I	-	-
II	73 126	73 314
III	10 484	10 560
IV – VIII	-	-
Total	83 610	83 874

Financial assets measured at fair value and debt securities measured at amortised cost were classified in rating categories based on ratings from international rating agencies (Moody's, Standard & Poor's, Fitch Ratings).

Summary of Individual Forms of Collateral by Loan Portfolio Classification at a Claimable Value of Collateral

31 Dec 2018 (EUR '000)	Form of Collateral								Total
	Liens				Other Collaterals				
	Immovable Assets	Securities	Movable Assets	Trade Receivables	State Guarantees	Bank Guarantees	Guarantees of Other Parties	Money	
Assessed on an individual basis									
STG 1	-	-	-	-	-	-	-	-	-
STG 2	-	-	-	-	-	-	-	-	-
STG 3	16 250	-	1 932	1 273	-	-	-	-	19 455
Total	16 250	-	1 932	1 273	-	-	-	-	19 455
Assessed on a portfolio basis									
STG 1	613 319	-	18 254	5 878	-	587	3 861	2 446	644 344
STG 2	25 771	-	3 156	-	-	-	89	3	29 019
STG 3	25 111	-	-	-	-	-	233	-	25 345
Total	664 201	-	21 410	5 878	-	587	4 183	-	698 708
Total value of received collateral for the loan portfolio	680 451	-	23 342	7 151	-	-	4 183	2 449	718 163

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. In accordance with the parent bank's methodology, the Bank only assesses non-retail loans classified to Stage 3 on an individual basis.

As at 31 December 2018 and 31 December 2017, 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.

Claimable Value of Received Collateral by Loan Portfolio Classification			
31 Dec 2017 (EUR '000)	Assessed on an Individual Basis	Assessed on a Portfolio Basis	TOTAL
a) Pledge over	193 482	545 056	738 538
Immovable assets	156 133	540 826	696 959
Securities	-	-	-
Moveable assets	28 807	4 230	33 037
Trade receivables	8 542	-	8 542
b) Other collaterals	1 220	6 885	8 105
State guarantees	-	-	-
Bank guarantees	92	721	813
Guarantees of other parties	5	4 656	4 661
Money	1 123	1 508	2 631
Other	-	-	-
Total value of received collateral for the loan portfolio	194 702	551 941	746 643

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:

(v tis. EUR)	31 Dec 2018		31 Dec 2017	
	Amount	Portion of Total Assets	Amount	Portion of Total Assets
Cash, due from banks and balances with the National Bank of Slovakia	97 584	6.9%	134 732	9.24%
Loans and receivables, net of provisions for expected losses	20 690	1.47%	19 948	1.37%
Debt securities at amortised cost	73 126	5.18%	73 314	5.03%
Total	191 400	13.56%	227 994	15.64%

Concentration of Credit Risk to other EU Member States

The following table presents the Bank's credit risk to other member states of the European Union:

(v tis. EUR)	31 Dec 2018		31 Dec 2017	
	Amount	Portion of Total Assets	Amount	Portion of Total Assets
Debt securities at amortised cost	10 484	0.74%	10 560	0.72%
Total	10 484	0.74%	10 560	0.72%

The notes to the separate financial statements form an integral part of the financial statements.

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 2018				31 Dec 2017
	STG1	STG2	STG3	Total	
Due from banks and balances with the National Bank of Slovakia	116 696	-	-	116 696	146 099
Loans and receivables, gross	1 072 602	38 838	99 294	1 210 734	1 228 259
Debt securities, gross	83 636	-	-	83 636	83 874
Financial assets at fair value through profit or loss	8 271	-	-	8 271	1
Financial assets at fair value through other comprehensive income	1 571	-	-	1 571	9 970
Subtotal of balance sheet risks	1 282 776	38 838	99 294	1 420 908	1 468 203
Guarantees issued	28 763	-	-	28 763	23 600
Issued letters of credit	-	-	-	-	150
Loan commitments to clients	56 672	-	-	56 672	51 959
Subtotal of off-balance sheet risks	85 435	-	-	85 435	75 709
Total	1 368 211	38 838	99 294	1 506 343	1 543 912

The notes to the separate financial statements form an integral part of the financial statements.

36. 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 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
- Daily stop-loss 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 2018 (EUR '000)	EUR	USD	HUF	Other Currencies	Total
Assets					
Cash, due from banks and balances with the National Bank of Slovakia	131 634	5 336	11 513	6 241	154 724
Placements with other banks, loans to other banks, net of provisions for expected losses	219	-	-	-	219
Loans and receivables, net of provisions for expected losses	1 124 582	121	136	1	1 124 840
Debt securities at amortised cost, net of provisions for expected losses	83 610	-	-	-	83 610
Financial assets at fair value through profit or loss	8 271	-	-	-	8 271
Financial assets at fair value through other comprehensive income	6	1 565	-	-	1 571
Liabilities					
Due to banks and deposits from the National Bank of Slovakia and other banks	48 592	1	-	146	48 739
Amounts due to customers	1 093 610	9 902	11 121	5 738	1 120 371
Liabilities from debt securities	85 105	-	-	-	85 105
Subordinated debt	27 032	-	-	-	27 032
Net currency exposure at 31 Dec 2018	93 983	(2 881)	528	358	91 988

As at 31 December 2018, the "Value at Risk" calculated from open foreign currency positions of the Bank was EUR 3 thousand.

The notes to the separate financial statements form an integral part of the financial statements.

31 Dec 2017 (EUR '000)	EUR	USD	HUF	Other Currencies	Spolu
Assets					
Cash, due from banks and balances with the National Bank of Slovakia	166 777	770	9 616	4 170	181 333
Placements with other banks, loans to other banks, net of provisions for expected losses	9	-	-	-	9
Loans and receivables, net of provisions for expected losses	1 141 972	55	203	1	1 142 231
Debt securities at amortised cost, net of provisions for expected losses	83 874	-	-	-	83 874
Financial assets at fair value through profit or loss	1	-	-	-	1
Financial assets at fair value through other comprehensive income	8 727	1 243	-	-	9 970
Liabilities					
Due to banks and deposits from the National Bank of Slovakia and other banks	10 106	-	-	262	10 368
Amounts due to customers	1 085 577	11 226	9 039	3 837	1 109 679
Liabilities from debt securities	167 745	-	-	-	167 745
Subordinated debt	20 008	-	-	-	20 008
Net currency exposure at 31 Dec 2017	117 924	(9 158)	780	72	109 618

As at 31 December 2017, the "Value at Risk" calculated from open foreign currency positions of the Bank was EUR 1 thousand.

The notes to the separate financial statements form an integral part of the financial statements.

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 (interest rate shock scenarios)
- 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 2018 (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
Assets							
Cash, due from banks and balances with the National Bank of Slovakia	25 477	91 000	-	-	-	38 247	154 724
Placements with other banks, loans to other banks, net of provisions for expected losses	-	217	-	-	-	2	219
Loans and receivables, net of provisions for expected losses	-	372 228	248 942	451 569	34 708	17 393	1 124 840
Debt securities at amortised cost, net of provisions for expected losses	-	1 776	96	71 350	10 388	-	83 610
Financial assets at fair value through profit or loss	-	8 271	-	-	-	-	8 271
Financial assets at fair value through other comprehensive income	-	-	-	-	-	1 571	1 571
Liabilities							
Due to banks and deposits from the National Bank of Slovakia and other banks	12	40 147	8 578	-	-	2	48 739
Amounts due to customers	312 850	132 214	212 350	278 283	171 524	13 150	1 120 371
Liabilities from debt securities	-	39 995	110	45 000	-	-	85 105
Subordinated debt	-	27 032	-	-	-	-	27 032
Interest rate risk at 31 Dec 2018	(287 385)	234 104	28 000	199 636	(126 428)	44 061	91 988

31 Dec 2017 (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
Assets							
Cash, due from banks and balances with the National Bank of Slovakia	24 090	122 000	-	-	-	35 243	181 333
Placements with other banks, loans to other banks, net of provisions for expected losses	-	-	-	-	-	9	9
Loans and receivables, net of provisions for expected losses	-	370 870	179 107	496 777	44 185	51 292	1 142 231
Debt securities at amortised cost, net of provisions for expected losses	-	1 776	96	-	82 002	-	83 874
Financial assets at fair value through profit or loss	-	-	-	-	-	1	1
Financial assets at fair value through other comprehensive income	-	8 721	-	-	-	1 249	9 970
Liabilities							
Due to banks and deposits from the National Bank of Slovakia and other banks	4	266	10 007	-	-	91	10 368
Amounts due to customers	300 008	139 729	239 872	262 973	150 955	16 142	1 109 679
Liabilities from debt securities	-	122 165	580	45 000	-	-	167 745
Subordinated debt	-	20 008	-	-	-	-	20 008
Interest rate risk at 31 Dec 2017	(275 922)	221 199	(71 256)	188 804	(24 768)	71 561	109 618

The notes to the separate financial statements form an integral part of the financial statements.

Interest Rate Risk Sensitivity Analysis

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. For a potential decrease in the economic value in the event of a change in the yield curve shape (shift of the yield curve by 100 bp, which will have a linear effect on the yield curve shape within 2.5 years; there is no change in the yield curve shape over 2.5 years) the Bank set a limit of 5% of Tier 1 capital.

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	(77 409)	29 157	7 278	23 894	(18 118)	(22 402)	84 934	155 258	(46 965)	(79 890)	421	5
Net off-balance sheet position of Banking Book	(3 740)	-	-	-	-	-	-	-	-	-	-	-
Banking Book GAP, total	(81 149)	29 157	7 278	23 894	(18 118)	(22 402)	84 934	155 258	(46 965)	(79 890)	421	5
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)	(32)	44	23	119	(100)	-	-	-	-	-	-	-

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 54 thousand (31 December 2017: EUR 425 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 13 thousand (31 December 2017: EUR 22 thousand).

In the CZK portfolio, unfavourable interest rate movements would have a negative impact on the Bank's economic value in the amount of EUR 1 thousand (31 December 2017: EUR 1).

The overall impact on the Bank's economic value in all portfolios (USD, EUR, CZK, and other foreign currencies) represents a decrease by EUR 71 thousand (31 December 2017: decrease by EUR 451 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 2018 (31 December 2017: 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.

37. 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 to 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 2018

(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
Assets						
Cash, due from banks and balances with the National Bank of Slovakia	154 724	-	-	-	-	154 724
Placements with other banks, loans to other banks, net of provisions for expected losses	2	-	217	-	-	219
Loans and receivables, net of provisions for expected losses	24 565	37 822	145 127	393 751	523 575	1 124 840
Debt securities at amortised cost, net of provisions for expected losses	-	1 776	96	71 350	10 388	83 610
Financial assets at fair value through profit or loss	-	36	8 235	-	-	8 271
Financial assets at fair value through other comprehensive income	-	-	-	-	1 571	1 571
Non-current tangible assets	-	-	-	-	19 406	19 406
Non-current intangible assets	-	-	-	-	9 884	9 884
Current tax asset	-	-	499	-	-	499
Deferred tax asset	-	-	-	5 406	-	5 406
Other assets	1 026	298	302	28	1 709	3 363
Total assets	180 317	39 932	154 476	470 535	566 533	1 411 793
Liabilities						
Liabilities to banks, contributions of the National Bank of Slovakia and other banks	161	-	42 864	5 714	-	48 739
Liabilities to customers	881 196	46 496	145 626	45 394	1 659	1 120 371
Liabilities from debt securities	-	39 995	110	45 000	-	85 105
Subordinated debt	-	32	-	20 000	7 000	27 032
Financial liabilities held for trading	17	-	-	-	-	17
Provisions for liabilities	-	1 000	511	2 711	-	4 222
Other liabilities	10 385	-	4 350	-	-	14 735
Equity	-	-	-	-	111 572	111 572
Total liabilities and equity	891 759	87 523	193 461	118 819	120 231	1 411 793
Net balance sheet position of liquidity as at 31 December 2018	(711 442)	(47 591)	(38 985)	351 716	446 302	-
Cumulative net balance-sheet position of liquidity as at 31 December 2018	(711 442)	(759 033)	(798 018)	(446 302)	-	-

The classification of balance sheet assets and liabilities into time bands per residual maturity as at 31 December 2018 represents a GAP of EUR -711 million in the within 1-month time band (31 December 2017: EUR -618 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 96 million (31 December 2017: EUR 117 million). The Bank continuously complied with all the measures stipulated by the NBS during the entire period under review in 2018.

The notes to the separate financial statements form an integral part of the financial statements.

Classification of Balance Sheet Assets and Liabilities into Time Bands per Residual Maturity as at 31 December 2017

(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
Assets						
Cash, due from banks and balances with the National Bank of Slovakia	181 333	-	-	-	-	181 333
Placements with other banks, loans to other banks, net of provisions for expected losses	9	-	-	-	-	9
Loans and receivables, net of provisions for expected losses	22 335	29 506	147 226	382 446	560 718	1 142 231
Debt securities at amortised cost, net of provisions for expected losses	-	1 776	96	-	82 002	83 874
Financial assets at fair value through profit or loss	1	-	-	-	-	1
Financial assets at fair value through other comprehensive income	-	36	8 685	-	1 249	9 970
Non-current tangible assets	-	-	-	-	20 761	20 761
Non-current intangible assets	-	-	-	-	8 299	8 299
Current tax asset	-	-	1 904	-	-	1 904
Deferred tax asset	-	-	-	5 033	-	5 033
Other assets	2 146	372	286	8	1 340	4 152
Total assets	205 824	31 690	158 197	387 487	674 369	1 457 567
Liabilities						
Liabilities to banks, contributions of the National Bank of Slovakia and other banks	361	-	1 436	8 571	-	10 368
Liabilities to customers	806 697	57 654	181 257	57 987	6 084	1 109 679
Liabilities from debt securities	173	72 992	49 580	45 000	-	167 745
Subordinated debt	-	8	-	20 000	-	20 008
Provisions for liabilities	-	140	145	2 946	-	3 231
Other liabilities	16 957	8	4 032	-	-	20 997
Equity	-	-	-	-	125 539	125 539
Total liabilities and equity	824 188	130 802	236 450	134 504	131 623	1 457 567
Net balance sheet position of liquidity as at 31 December 2017	(618 364)	(99 112)	(78 253)	252 983	542 746	-
Cumulative net balance sheet position of liquidity as at 31 December 2017	(618 364)	(717 476)	(795 729)	(542 746)	-	-

The notes to the separate financial statements form an integral part of the financial statements.

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

31 Dec 2018 (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
Future loans granted	56 672	-	-	-	-	56 672
Guarantees issued (excluding commitments for guarantees)	2 030	1 979	12 822	3 785	1 354	21 970
Issued letters of credit	-	-	-	-	-	-
Liabilities from spot transactions	230	-	-	-	-	230
Liabilities from forward transactions with a financial transfer	-	-	-	-	-	-
Provided guarantees from pledges	77 539	-	-	-	-	77 539
Total as at 31 Dec 2018	136 471	1 979	12 822	3 785	1 354	156 411
31 Dec 2017 (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
Future loans granted	51 959	-	-	-	-	51 959
Guarantees issued (excluding commitments for guarantees)	2 267	1 576	7 942	4 392	1 640	17 817
Issued letters of credit	-	-	150	-	-	150
Liabilities from spot transactions	769	-	-	-	-	769
Liabilities from forward transactions with a financial transfer	9 504	-	-	-	-	9 504
Provided guarantees from pledges	80 008	-	-	-	-	80 008
Total as at 31 Dec 2017	144 507	1 576	8 092	4 392	1 640	160 207

The notes to the separate financial statements form an integral part of the financial statements.

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

31 Dec 2018 (EUR '000)	Within 1 Year	From 1 Year to 5 Years	From 5 Years and Over	Adjustment	Total
Due to banks and deposits from the National Bank of Slovakia and other banks	42 999	5 714	-	26	48 739
Amounts due to customers	1 073 602	45 511	1 661	(403)	1 120 371
Liabilities from issued debt securities	40 206	45 437	-	(538)	85 105
Subordinated debts	828	22 156	7 476	(3 428)	27 032
Total as at 31 Dec 2018	1 157 635	118 818	9 137	(4 343)	1 281 247

31 Dec 2017 (EUR '000)	Within 1 Year	From 1 Year to 5 Years	From 5 Years and Over	Adjustment	Total
Due to banks and deposits from the National Bank of Slovakia and other banks	1 797	8 571	-	-	10 368
Amounts due to customers	1 045 659	58 379	6 379	(738)	1 109 679
Liabilities from issued debt securities	123 446	45 656	-	(1 357)	167 745
Subordinated debts	601	21 714	-	(2 307)	20 008
Total as at 31 Dec 2017	1 171 503	134 320	6 379	(4 402)	1 307 800

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.

The notes to the separate financial statements form an integral part of the financial statements.

38. 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 and model risk, ie the risk of loss resulting from decisions that could be based on outputs of internal models due to errors in the development, implementation or use of such models.

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. 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.

39. 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 2018	31 Dec 2017
Profit/(loss) (in EUR '000)		(3 972)	(5 930)
Profit/(loss) for the reporting period attributable to ordinary share-holder (in EUR '000)		(3 972)	(5 930)
Profit/(loss) per share			
At face value of EUR 3.98 (in EUR)			
Weighted average number of ordinary shares	18	11 503 458	11 503 458
At face value of EUR 39 832.70 (in EUR)			
Weighted average number of ordinary shares	18	570	570
At face value of EUR 1.00 (in EUR)			
Weighted average number of ordinary shares	18	44 342 957	21 060 739

The notes to the separate financial statements form an integral part of the financial statements.

40. Settlement of Loss for the Preceding Reporting Period

The General Meeting of OTP Banka Slovensko, a.s. was held on 5 April 2018. The General Meeting approved the separate financial statements for 2017 and the settlement of the loss for 2017 as follows:

Settlement of the loss for 2017 (EUR '000)	
Profit/(loss) for 2017 – loss	(5 930)
Settlement:	
- Retained earnings of previous years	(5 930)

41. Proposed Settlement of a Loss for the Current Reporting Period

Proposed settlement of the loss for 2018 (EUR '000)	
Profit/(loss) for 2018 – loss	(3 972)
Settlement:	
- Profit/(loss) from previous years	(3 972)

The proposed settlement of a loss for 2018 is subject to approval by the General Meeting of OTP Banka Slovensko, a.s.

42. 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.

