

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 2019, 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 2019, 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.

Emphasis of Matter

As discussed in Note 1. part Shareholders' Structure, Note 2. part Basis for the Financial Statements Preparation and Note 42. of the accompanying financial statements, OTP Bank Nyrt. Hungary, the parent company of OTP Banka Slovensko, a.s. has decided to sell its ownership of the OTP Banka Slovensko, a.s. to a new shareholder. The sale process was initiated in 2019 but not concluded as of the date of this report. The accompanying financial statements do not include any adjustments potentially resulting from this process nor any adjustments that might be required if change in scope of operations or strategy of the OTP Banka Slovensko, a.s. results in changes to classification or measurement of assets and liabilities. Our opinion is not modified in respect of this matter.

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.	We assessed the adequacy of the methodology used by the Bank to identify loan impairment and calculate provisions for the selected significant portfolios.

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

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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. Impairment stage III includes distressed receivables where a significant increase in credit risk occurred and where objective proof of impairment exists, eg: • 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. When determining the provision amount for this impairment stage, the Bank's management primarily considers the following factors: a) The Bank's estimated success rate of recovering debt; b) Amount and timing of expected future cash flows; c) Collateral value. 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. 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. The provisions for loan losses in impairment stage III amount to EUR 51.87 million and provisions for the remaining receivables amount to EUR 17.84 million of the total provisions of EUR 69.71 million recognised as at 31 December 2019.	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. 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. On a sample of the Bank's loans we evaluated appropriateness of the classification to individual stages. 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. 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. The overall conclusion was supported by an analysis performed at an overall portfolio level aimed to identify anomalies in: a) Classification of loans to corresponding impairment stages, and b) The provision amount calculated by the Bank.
Interest income and fee and commission income recognition	
<i>Refer to Note 22 and Note 24 of the financial statements</i> 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: • 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.	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: • 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.

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.

For the year ended 31 December 2019, interest income amounted to EUR 34.88 million and fee and commission income amounted to EUR 16.41 million, the main source of which are loans to customers and transactions with customers' deposits.

With respect to the recognition of interest income and fee and commission income we performed the following procedures:

- 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.

We assessed the completeness and accuracy of data used for the calculation of interest income based on data analysis.

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.

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 2019 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 18 years.

Consistency with the Additional Report to the Audit Committee

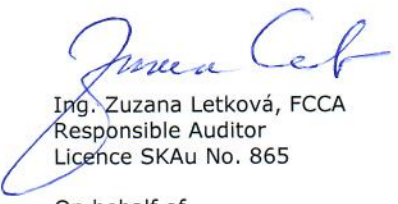
Our audit opinion expressed herein is consistent with the additional report prepared for the Bank's Audit Committee, which we issued on 6 February 2020.

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, 7 February 2020


Ing. Zuzana Letková, FCCA
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On behalf of
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