OTP Banka Slovensko, a.s.

Separate Financial Statements for the Year Ended 31 December 2019 prepared in accordance with International Financial Reporting Standards as adopted by the European Union and Independent Auditor's Report

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OTP Banka Slovensko, a.s.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, 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	
See Note 6 to the financial statements 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.

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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	
Refer to Note 22 and Note 24 of the financial statements 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
Responsible Auditor
Licence SKAu No. 865

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
as at 31 December 2019

(EUR '000)	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Financial assets at amortised cost			
Cash, due from banks and balances with the National Bank of Slovakia	4	182 455	154 724
Placements with other banks, loans to other banks, net of provisions for expected losses	5	1 086	219
Loans and receivables, net of provisions for expected losses	6	1 115 233	1 124 840
Debt securities, net of provisions for expected losses	7	83 367	83 610
Financial assets at fair value			
Financial assets at fair value through profit or loss	8	8 322	8 271
Financial assets at fair value through other comprehensive income	9	2 295	1 571
Non-current tangible assets	10	21 083	19 406
Non-current intangible assets	10	10 821	9 884
Current tax asset	19	-	499
Deferred tax asset	19	5 088	5 406
Other assets	11	3 744	3 363
Total assets		**1 433 494**	**1 411 793**
LIABILITIES			
Financial liabilities at amortised cost			
Due to banks and deposits from the National Bank of Slovakia and other banks	12	153 307	48 739
Amounts due to customers	13	1 065 348	1 120 371
Liabilities from debt securities	14	45 110	85 105
Subordinated debt	15	27 027	27 032
Financial liabilities held for trading	21	2	17
Provisions for liabilities	20	4 133	4 222
Other liabilities	16	23 972	14 735
Total liabilities		**1 318 899**	**1 300 221**
Equity	17		
Share capital		126 591	126 591
Reserve funds		6 664	6 496
Profit/(loss) from previous years		(22 051)	(18 079)
Accumulated other comprehensive income		1 094	536
Profit/(loss) for the year		2 297	(3 972)
Total equity		**114 595**	**111 572**
Total liabilities and equity		**1 433 494**	**1 411 793**

These financial statements were approved by the Board of Directors and authorised for issue on 7 February 2020.

Zita Zemková
Chairman of the Board of Directors

Rastislav Matejsko
Member of the Board of Directors

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Separate Statement of Comprehensive Income
for the year ended 31 December 2019

(EUR '000)	Note	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
Interest income		34 885	37 599
Interest expense		(2 349)	(2 399)
Net interest income	22	**32 536**	**35 200**
Provisions for impairment losses on loans and off-balance sheet, net	23	**127**	**(9 515)**
Net interest income after provisions for impairment losses on loans and off-balance sheet		**32 663**	**25 685**
Fee and commission income		16 417	15 676
Fee and commission expense		(4 483)	(4 573)
Net fee and commission income	24	**11 934**	**11 103**
Gains/(losses) on financial transactions, net	25	845	682
Gains/(losses) on financial assets, net	26	53	(445)
General administrative expenses	27	(42 834)	(41 532)
Other operating revenues/(expenses), net	28	(194)	38
Profit/(loss) before income tax		**2 467**	**(4 469)**
Income tax	18	(170)	497
Net profit/(loss) after tax		**2 297**	**(3 972)**
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	558	223
Total comprehensive income for the reporting period		**2 855**	**(3 749)**
Profit/(loss) per share in face value of EUR 3.98 (in EUR)	39	0.072	(0.140)
Profit/(loss) per share in face value of EUR 39 832.70 (in EUR)	39	722.65	(1 402.23)
Profit/(loss) per share in face value of EUR 1.00 (in EUR)	39	0.018	(0.035)

Separate Statement of Changes in Equity
as at 31 December 2019

(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**

(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 2019	**126 591**	**6 496**	**(22 051)**	**536**	**-**	**111 572**
Transfers	-	-	-	-	-	**-**
Share-based payments	-	168	-	-	-	**168**
Total comprehensive income	-	-	-	558	2 297	**2 855**
Equity as at 31 Dec 2019	**126 591**	**6 664**	**(22 051)**	**1 094**	**2 297**	**114 595**

* *As regards the initial application, the Bank analysed the IFRS 9 requirements and classified financial instruments in accordance with IFRS 9, and concluded that at the date of initial application (1 January 2018) the measurement of the Bank's financial instruments was changed for bonds in the available-for-sale portfolio – from FVOCI to FVTPL. The related remeasurement recognised in equity was transferred to "Profit/(loss) from previous years" as at 1 January 2018 with no impact on the Bank's equity.*

Changes in the carrying amount of financial assets as regards the initial application of IFRS 9 were recognised through equity and are included in the opening balances as at 1 January 2018 under "Profit/(loss) from previous years".

A detailed description of changes in methodology applied as at 1 January 2018 and their impact on the amount of the Bank's assets and liabilities is provided in the separate financial statements of the Bank for the year ended 31 Decembers 2018.

Separate Statement of Cash Flows
for the year ended 31 December 2019

(EUR '000)	Note	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss) after tax		**2 297**	**(3 972)**
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Provisions for loans and off-balance sheet		(127)	9 515
Provisions for other assets		(12)	4
Provisions for contingent liabilities		206	(248)
Foreign exchange (gains)/losses on cash and cash equivalents		44	222
Depreciation and amortisation		5 581	4 195
Net effect of assets sold		8	-
Net effect of income tax		170	(497)
Share-based payments		168	158
Changes in operating assets and liabilities:			
Net decrease/(increase) in statutory minimum reserves stipulated by the National Bank of Slovakia		(4 527)	6 148
Net decrease/(increase) in placements with other banks, loans to other banks		(861)	(217)
Net decrease/(increase) in financial assets at fair value through profit or loss		(51)	451
Net decrease/(increase) in financial assets at fair value through other comprehensive income		(17)	(39)
Net decrease/(increase) in loans and receivables before provisions for expected losses		9 439	(16 347)
Net (decrease)/increase in amounts due to banks and deposits from the National Bank of Slovakia and other banks		82 141	38 571
Net (decrease)/increase in amounts due to customers		(55 023)	10 692
Net decrease/(increase) in other assets before provisions for expected losses		129	2 362
Net (decrease)/increase in other liabilities except for lease liabilities		6 378	(6 247)
Net cash flows from/(used in) operating activities		**45 943**	**44 751**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Net decrease/(increase) in held-to-maturity investments		243	233
Net decrease/(increase) in non-current tangible and intangible assets except for right-of-use assets		(4 344)	(4 425)
Net decrease/(increase) in right-of-use assets		(3 859)	-
Net cash flows from/(used in) investment activities		**(7 960)**	**(4 192)**
CASH FLOW FROM FINANCING ACTIVITIES			
Net (decrease)/increase in issued debt securities		(39 995)	(82 640)
Net (decrease)/increase in subordinated debt		(5)	7 024
Net (decrease)/increase in lease liabilities		2 844	-
Increase of share capital		-	15 011
Net cash flows from/(used in) financial activities		**(37 156)**	**(60 605)**
Effect of exchange rate fluctuations on cash and cash equivalents		(44)	(222)
Net increase/(decrease) in cash and cash equivalents		**783**	**(20 268)**
Cash and cash equivalents at the beginning of the reporting period	**33**	**147 981**	**168 249**
Cash and cash equivalents at the end of the reporting period	**33**	**148 764**	**147 981**

In 2019, OTP Banka Slovensko, a.s. received cash from interest in the amount of EUR 35 108 thousand (2018: EUR 36 502 thousand) and paid out interest in the amount of EUR 2 540 thousand (2018: EUR 2 619 thousand). In 2019, the Bank paid lease payments related to lease liabilities including interest in the amount of EUR 972 thousand (2018: EUR 0).

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 2019

Board of Directors:
Ing. Zita Zemková (Chairman)
Ing. Rastislav Matejsko
Ing. Radovan Jenis
Dr. Sándor Patyi

Supervisory Board:
József Németh (Chairman)
Atanáz Popov
Tamás Endre Vörös
Adrienn Erdős
Balázs Létay
Ing. Angelika Mikócziová
Ing. Attila Angyal
Ing. Jaroslav Hora

Changes in the Bank in 2019:

Supervisory Board:
Ágnes Rudas, termination of office with effect from 14 April 2019
Dr. Krisztina Kovács, termination of office with effect from 4 April 2019
Adrienn Erdős, start of office with effect from 20 June 2019
Balázs Létay, start of office with effect from 20 June 2019

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 2019	Share in Subscribed Share Capital as at 31 Dec 2018
OTP Bank Nyrt. Hungary	99.44%	99.44%
Other minority owners	0.56%	0.56%

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

In 2020, the Bank expects changes to the ownership structure (see Note "42. Events After the Reporting Date").

Organisational Structure and Number of Employees

As at 31 December 2019, the Bank operated 5 regional centres (31 December 2018: 10) and 58 branches (31 December 2018: 62) in Slovakia.

As at 31 December 2019, the full-time equivalent of the Bank's employees was 680 (31 December 2018: 681 employees), of which 21 managers (31 December 2018: 21).

As at 31 December 2019, the actual registered number of employees was 671 (31 December 2018: 686), of which 22 managers (31 December 2018: 21).

"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 2019, the Bank's Supervisory Board had 8 members (31 December 2018: 8).

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 2019 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 2018 as a result of the application of IFRS 16 "Leases" for the annual period beginning on 1 January 2019.

IFRS 16 Disclosures

IFRS 16 replaces IAS 17 – Leases, 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 as costs of external services, are currently classified by the Bank as depreciation / amortisation and interest expense.

When depreciating right-of-use assets, the Bank applies a straight-line method, and 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.

As a lessee, the Bank applies IAS 36 – Impairment of Assets to determine whether the right-of-use asset is impaired and recognises an impairment loss, if necessary.

First Application of IFRS 16

Upon the first application, the Bank applied 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 applied 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.

a) Recognition of lease liabilities

As at the date of first application, the Bank recognised lease liabilities related to leases which were previously classified as operating leases in accordance with IAS 17 Leases. These liabilities were 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 Bank upon the first application: 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 as "General administrative expenses".

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.

The impact of implementing IFRS 16 as at the date of the first application

In EUR'000	1 January 2019
Right-of-use assets (line "Non-current tangible assets" in the statement of financial position)	3 906
Lease liability (line "Other liabilities" in the statement of financial position)	3 906
Cumulative impact recognised as an adjustment to the equity at the date of initial application	0

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 the reporting periods beginning on 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),

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

- **Amendments to IAS 19 "Employee Benefits"** – Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (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 – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to various standards due to "Annual Improvements to IFRS Standards (2015 – 2017 Cycle)"** resulting from the annual IFRS improvement project (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (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).

The adoption of IFRS 16 "Leases" required a change in the Bank's accounting principles as described in Note 2 "IFRS 16 Disclosures". The adoption of other new standards, amendments to existing standards, and the interpretation has not led to any material changes in 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 IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Material – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to References to the Conceptual Framework in IFRS Standards** – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** – Interest Rate Benchmark Reform – adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020).

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.

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).

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.

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.

These separate financial statements include no adjustments that might arise from the change in the ownership structure (*see Note "42. Events After the Reporting Date")*, from changes in the scope of business, or strategy of the Bank leading to changes in the classification or measurement of assets and liabilities.

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".* Interest is no longer accrued on loan receivables when bankruptcy is declared on a debtor, upon the start of the restructuring proceedings by law, in the case of withdrawal by either party from the loan agreement or in extraordinary cases when interest is waived based on the Bank's decision.

Fees and commissions related to loans are gradually amortised over the contractual term of the loan using the effective interest rate method and are recognised in the line "*Loans and receivables, net of provisions for 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 2019, 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, in addition to objective criteria for determining the risk profile of a receivable, the Bank also uses a portfolio monitoring system. The Bank monitors its portfolio based on a system of risk check indicators, the "early warning system", as well as based on an individual assessment.

  Based on this system, receivables are classified into individual risk statuses as shown in the table below:

Risk Status		Stage
1		STG1
2	WL1	STG1
	WL2	STG2
	WL3	STG3
3		STG3

  In this case, WL stands for the "watch list". Receivables with a higher risk when it is assumed that the risk will be reversed and the receivable repaid in full are classified as WL1. Receivables subjectively assessed as having an increased risk of potential loss are classified as WL2. WL3 is comprised of receivables that are not likely to be repaid in full.
- 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 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".*

Non-Current Tangible and Intangible Assets

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:

Type of Asset	**Estimated Useful Life for 2019 and 2018**
ATMs and motor vehicles, computers, servers, office equipment, telecommunications equipment	4
Servers	5
Software	2 – 10
Fixtures, fittings and office equipment, machines and equipment	6 – 8
Computers, machines, equipment, ATMs, furniture	8
Right-of-use assets*	1 – 10
Technical upgrade of leased buildings	5 – 20
Time vaults, air-conditioning facilities	10
Heavy bank program (safes), transportation means	12
Buildings and structures	40

* *See Note 2 "IFRS 16 Disclosures".*

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*".

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*".

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.

Receivables classified in STAGE 3 bear interest on a net basis with effect from 1 January 2018, while in the previous periods they bore interest on a gross basis and provisions for interest receivables were then recorded. Since 1 January 2018, default interest has been recognised in revenues at the moment of its payment. In past years, it was recognised at the moment default interest was charged to a client and provisions were then recorded.

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 2019.

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.

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.

On 28 November 2019, the Ministry of Finance of the Slovak Republic published Act No. 463/2019 Coll. amending Act No. 384/2011 Coll. on the Special Levy of Selected Financial Institutions in the Collection of Laws. The Act was supplemented by a new Article 11a that cancelled the application of Article 11 for 2020. As a result of this amendment, the special levy rate for selected financial institutions applied in the calculation has been increased to 0.4% p.a. for the indefinite period.

On 1 January 2015, Act No. 371/2014 on the Resolution of Crisis Situations on the Financial Market became effective and introduced an obligation for 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 (in accordance with the accrual principle) 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 Bank's own funds while taking into account the defined minimum requirement in respect of the system for the assessment of internal capital adequacy for the relevant year and the relevant amounts of capital buffer.

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

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

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

Segment Reporting

When preparing segment reporting, the Bank uses its internal information, which is presented to the Bank's management on a regular basis. The breakdown by individual segment categories recognised in the notes is based on the principle applied for the classification of the Bank's customers as follows:
- Retail customers,
- Corporate customers,
- Treasury,
- Not specified.

The "retail customers" segment includes the following customers: individuals. The 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 reconstruction 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 "Segment Reporting".

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.

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 2019 (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	8 322	-	-	**8 322**
Financial assets at fair value through other comprehensive income	-	-	2 295	**2 295**
Liabilities				
Financial liabilities held for trading	-	2	-	**2**

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**

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 2019 (EUR '000)	**Level 1**	**Level 2**	**Level 3**	**TOTAL**
Assets				
Loans and receivables	-	-	1 115 233	**1 115 233**
Debt securities at amortised cost	83 367	-	-	**83 367**
Liabilities				
Amounts due to customers	-	-	1 065 348	**1 065 348**
Liabilities from debt securities	-	45 110	-	**45 110**
Subordinated debt	-	27 027	-	**27 027**

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**

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.

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 2019	Net Book Value 31 Dec 2019	Difference 31 Dec 2019
Assets			
Loans and receivables	1 127 864	1 115 233	12 631
Debt securities at amortised cost	90 724	83 367	7 357
Liabilities			
Amounts due to customers	1 065 441	1 065 348	93
Liabilities from debt securities	45 071	45 110	(39)

(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)

Supplementary Data to the Financial Statements

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

(EUR '000)	31 Dec 2019	31 Dec 2018
Cash on hand:		
In EUR	39 341	33 464
In foreign currency	9 362	4 783
	48 703	**38 247**
Due from banks and balances with NBS:		
Residual maturity within one year:		
In EUR	124 068	98 170
In foreign currency	9 684	18 307
	133 752	**116 477**
Total	**182 455**	**154 724**

Included in the 'Due from banks and balances with NBS' denominated in EUR is the compulsory required minimum reserve with the NBS in the amount of EUR 11 111 thousand (31 December 2018: EUR 6 584 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 of up to 6 multiple of the compulsory minimum reserve bear no interest and monetary reserves of over 6 multiple of the compulsory minimum reserve bear interest using a negative interest rate of 0.5%. As at 31 December 2019, compulsory minimum reserves bear interest at 0.00% (31 December 2018: 0.00%).

As at 31 December 2019, the Bank recognised no term deposits with the NBS (31 December 2018: EUR 91 000 thousand).

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

(EUR '000)	31 Dec 2019	31 Dec 2018
Residual maturity within one year:		
In EUR	8	219
In foreign currency	-	-
Residual maturity of over one year:		
In EUR	1 078	-
In foreign currency	-	-
Total	**1 086**	**219**

As at 31 December 2019, the Bank had no short-term deposits denominated in a foreign currency (31 December 2018: 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 2019, provisions for expected losses amounted to EUR 3 thousand (31 December 2018: EUR 1 thousand).

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

Loans and Receivables by Type of Product

31 December 2019 (EUR '000)	Carrying Amount Before Provisions	STG1	STG2*	STG3	Provisions	Carrying Amount After Provisions
Non-retail loans	**466 369**	**384 737**	**39 198**	**42 434**	**36 871**	**429 498**
Overdrafts and revolving loans	71 368	61 726	4 308	5 334	4 736	66 632
Investment, operation and other loans	383 044	313 396	32 729	36 919	31 768	351 276
Overdrafts on term deposit accounts	556	462	20	74	94	462
Factoring loans	11 401	9 153	2 141	107	273	11 128
Other	-	-	-	-	-	-
Retail loans	**718 580**	**634 294**	**49 565**	**34 721**	**32 845**	**685 735**
Loans secured by immovable assets	521 278	468 355	33 925	18 998	13 149	508 129
Other consumer loans	193 824	163 687	15 321	14 816	18 767	175 057
Overdrafts on term deposit accounts	2 235	1 309	233	693	727	1 508
Other	1 243	943	86	214	202	1 041
Total	**1 184 949**	**1 019 031**	**88 763**	**77 155**	**69 716**	**1 115 233**
Provisions	**-**	(7 426)	(10 417)	(51 873)	(69 716)	**-**
Total	**1 184 949**	**1 011 605**	**78 346**	**25 282**	**-**	**1 115 233**

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	-	-	-	-	-	-
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**

**In 2019, the Bank implemented the use of rating models as an additional criterion to determine the risk category ("stage") of a receivable. This methodology was considered at the time of the initial implementation of IFRS 9, but at that time the Bank did not use models as required by the OTP Group to determine the receivable category. In the transition period, the Bank used an expert parameter simulating the need to cover receivables with a high risk that were still classified in STG1. As a result of the rating model implementation, a portion of the STG1 portfolio was transferred to STG2, but the Bank ceased to use the expert parameter; therefore, the change in risk segmentation had no significant impact on the provisions previously recognised by the Bank.*

Summary of Provisions for Expected Credit Losses

(EUR'000)	STG1	STG2	STG3	Total
Provisions as at 1 January 2019	**13 618**	**5 531**	**66 745**	**85 894**
Increase in provisions due to the origin and acquisition of receivables	5 632	135	149	5 916
Decrease in provisions due to derecognition of receivables (except for write offs)	(4 139)	(783)	(14 304)	(19 226)
Net change in provisions due to a change in credit risk	(14 446)	16 819	826	3 199
Net change in provisions due to adjustments without derecognition	-	-	(251)	(251)
Net change in provisions due to revision of estimation methodology	-	-	-	-
Decrease in provisions due to write offs	-	(295)	(5 523)	(5 818)
Transfers between stages	6 761	(10 990)	4 231	2
Provisions as at 31 December 2019	**7 426**	**10 417**	**51 873**	**69 716**

(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	-
Provisions as at 31 December 2018	**13 618**	**5 531**	**66 745**	**85 894**

(EUR '000)	31 December 2019	31 December 2018
Balance at the beginning of the reporting period	85 894	95 352
Impairment losses on loans*	166	9 867
Loan write-offs and assignments (Note 23)	(16 345)	(19 324)
Foreign exchange differences	1	(1)
Balance at the end of the reporting period	**69 716**	**85 894**

** A significant year-on-year decrease was caused by the better economic environment on the market where the Bank operates and by the conservative approach applied by the Bank when providing loans (decrease in amount of defaulted loans) and more efficient recovery processes (significant decrease in amount of defaulted loans). Such changes also impacted risk parameters (PD, LGD) which were used in models for the calculation of provisions for assets. At the end of 2019, the Bank also made significant sales and write-offs that also impacted the development of risk costs.*

7. Debt Securities, Net of Provisions for Expected Losses

As at 31 December 2019 and 31 December 2018, the Bank recognised the following debt securities at amortised cost:

(EUR '000)	31 December 2019	31 December 2018
of the SR	72 964	73 141
Foreign government bonds	10 428	10 495
Total	**83 392**	**83 636**
Provisions for expected losses	(25)	(26)
Total debt securities	**83 367**	**83 610**

As at 31 December 2019 and 31 December 2018, 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 2019	31 December 2018
Balance at the beginning of the reporting period	(26)	(31)
Increase in provisions	(6)	-
Decrease in provisions	7	5
Balance at the end of the reporting period	**(25)**	**(26)**

8. Financial Assets at Fair Value Through Profit or Loss

(EUR '000)	31 December 2019	31 December 2018
Bonds issued by foreign banks*	8 322	8 271
Derivative financial instruments held for trading (Note 21)	-	-
Total financial assets at fair value through profit or loss	**8 322**	**8 271**

**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 has an option to repay the bond on a quarterly basis on the day of coupon pay-out. Interest income arising from this bond is recognised using the effective interest rate method and totalled EUR 242 thousand in 2019 (2018: 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 2019	31 December 2018
Shares of foreign entities (VISA Inc., C series)	2 289	1 565
Investments in corporate entities (S.W.I.F.T.)	6	6
Total financial assets at fair value through other comprehensive income	**2 295**	**1 571**

An analysis of investments in corporate entities as at 31 December 2019 and 31 December 2018:

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 Assets

With effect from 1 January 2019, as a result of the first application of IFRS 16, the Bank also recognises right-of-use assets as part of tangible assets:

Movements of Assets (EUR '000)	Buildings and Land	Fittings and Fixtures	Motor Vehicles	Right-of-use Assets	Tangible Assets in Acquisition	Intangible Assets	Intangible Assets in Acquisition	Total
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**
Cost at 1 Jan 2019	27 746	21 610	978	3 906	345	33 450	1 933	89 968
Additions (+)	53	1 324	19	85	1 316	3 534	3 030	9 361
Disposals (-)	-	(787)	(11)	(162)	(1 384)	-	(3 548)	(5 892)
Cost at 31 Dec 2019	**27 799**	**22 147**	**986**	**3 829**	**277**	**36 984**	**1 415**	**93 437**
Accumulated depreciation and provisions at 1 Jan 2019	13 821	16 670	782	-	-	25 499	-	56 772
Depreciation (+)	959	1 487	67	989	-	2 079	-	5 581
Disposal (-)	-	(787)	(3)	(30)	-	-	-	(820)
Accumulated depreciation and provisions at 31 Dec 2019	**14 780**	**17 370**	**846**	**959**	**-**	**27 578**	**-**	**61 533**
Net book value at 31 Dec 2019	**13 019**	**4 777**	**140**	**2 870**	**277**	**9 406**	**1 415**	**31 904**

Structure of right-of-use assets:

31 Dec 2019 (EUR '000)	ATM premises	Premises	Warehouses	Total
Value of right-of-use assets as at 1 Jan 2019	158	3 670	78	3 906
Additions (+)	10	85	-	95
Disposals (-)	(15)	(79)	(78)	(172)
Value of right-of-use assets as at 31 Dec 2019	**153**	**3 676**	**-**	**3 829**
Accumulated depreciation and provisions as at 1 Jan 2019				
Write-offs (+)	72	902	15	989
Disposals (-)	(1)	(14)	(15)	(30)
Accumulated depreciation and provisions as at 31 Dec 2019	**71**	**888**	**-**	**959**
Net book value as at 31 Dec 2019	**82**	**2 788**	**-**	**2 870**

A summary of insurance of non-current tangible and intangible assets as at 31 December 2019:

(EUR '000)	Insurance Costs
MTPL insurance	3
Motor hull insurance	27
Insurance of assets	42
Total	**72**

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

As at 31 December 2019, the Bank's non-current tangible and intangible assets were insured up to 100% of the total amount of assets (31 December 2018: 100%).

As at 31 December 2019, 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 2019	31 Dec 2018
Loss receivables (non-credit) from various debtors	516	522
Loss receivables from securities	6 104	6 104
Operating advances made	192	161
Inventories	21	56
Deferred expenses	730	809
Accrued income	168	145
Receivables from various debtors	261	371
Receivables from shortages and damage	172	196
Other receivables from clients	722	932
Other receivables	1 471	671
Other assets before provisions	**10 357**	**9 967**
Provisions for expected losses from other assets	(6 613)	(6 604)
Total other assets	**3 744**	**3 363**

Summary of changes in provisions for expected losses from other assets:

(EUR '000)	31 Dec 2019	31 Dec 2018
Balance at the beginning of the reporting period	6 604	8 722
Net (gains)/losses from risks related to other assets (Note 28)	(12)	4
Write-offs and assignments of other assets (Note 28)*	21	(2 121)
Foreign exchange differences	-	(1)
Balance at the end of the reporting period	**6 613**	**6 604**

**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.*

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

(EUR '000)	31 Dec 2019	31 Dec 2018
Residual maturity within one year:		
In EUR	147 868	42 878
In foreign currency	2 582	147
Residual maturity of over one year:		
In EUR	2 857	5 714
In foreign currency	-	-
Total	**153 307**	**48 739**

The year-on-year increase in received short-term interbank deposits is related to a decrease in the costs of financing, a decrease in the volume of issued securities and an increase of total assets.

Amounts due to banks by type of product:

(EUR '000)	31 Dec 2019	31 Dec 2018
Deposits	7	12
Term accounts of other banks	147 578	40 147
Loans received from other financial institutions*	5 719	8 578
Other liabilities to financial institutions	3	2
Total	**153 307**	**48 739**

**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 2019, the Bank recorded funds (principal) of EUR 5 714 thousand (31 December 2018: EUR 8 572 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 2019	31 Dec 2019	31 Dec 2018
Loans received from banks:				
European Bank for Reconstruction and Development	Long-term	25 Oct 2021	5 719	8 578
Total			**5 719**	**8 578**

Of the total amounts due to banks as at 31 December 2019 and 31 December 2018, the Bank does not recognise any overdue payables.

Interest on amounts due to banks:

	31 Dec 2019 in %		31 Dec 2018 in %	
	From	Until	From	Until
Contractual maturity within one year:				
In EUR	(0.18)	(0.13)	(0.13)	(0.13)
In foreign currency	(0.50)	2.10	(0.80)	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 2019	31 Dec 2018
Current accounts and other short-term amounts due to customers	780 703	775 388
Term deposits	212 348	283 654
Pass books	13 071	16 673
Received loans	10 163	6 087
Municipality accounts and local governments	48 552	38 195
Other liabilities	511	374
Total	**1 065 348**	**1 120 371**

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 2019, the Bank recorded funds amounting to EUR 10 163 thousand (2018: EUR 6 087 thousand).

Amounts due to customers by sector:

(EUR '000)	31 Dec 2019	31 Dec 2018
Non-financial organisations	291 197	301 823
Individuals	556 645	615 700
Financial institutions	8 846	8 936
Trade licence holders	18 904	19 065
Insurance companies	6 667	7 526
Non-profit organisations	53 188	45 321
Non-residents	81 349	83 805
Government sector	48 552	38 195
Total	**1 065 348**	**1 120 371**

Amounts due to customers by residual maturity:

(EUR '000)	31 Dec 2019	31 Dec 2018
Residual maturity within one year:		
In EUR	1 015 269	1 046 564
In foreign currency	22 766	26 754
Residual maturity of over one year:		
In EUR	27 262	47 046
In foreign currency	51	7
Total	**1 065 348**	**1 120 371**

	31 Dec 2019 in %		31 Dec 2018 in %	
	From	To	From	To
Contractual maturity within one year:				
In EUR	0.01	1.50	0.01	1.00
In foreign currency	1.40	1.80	0.00	1.80
Contractual maturity of over one year:				
In EUR	0.05	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 2019, the total of primary deposits of depositors with deposits exceeding EUR 3 320 thousand represented 12.35% of the Bank's funds (31 December 2018: 12.66%).

14. Liabilities from Debt Securities

(EUR '000)	31 Dec 2019	31 Dec 2018
Residual maturity within one year:		
Liabilities from financial bills of exchange	-	-
Liabilities from mortgage bonds	-	-
Liabilities from issued bonds	110	40 105
Residual maturity of over one year:		
Liabilities from issued bonds	45 000	45 000
Total	**45 110**	**85 105**

As at 31 December 2019, liabilities from issued bonds comprise OTP III bond with a face value of EUR 45 000 thousand, falling due on 29 July 2021 and bearing interest at 0.486% p.a.

As at 31 December 2018, liabilities from issued bonds comprised OTP III bond with a face value of EUR 45 000 thousand, falling due on 29 July 2021 and bearing interest at 0.486% p.a. and OTP VI bond with a face value of EUR 40 000 thousand, falling due on 26 February 2019 and bearing interest at 3M Euribor + 0.18%.

Interest on liabilities from issued debt securities:

	31 Dec 2019 in %		31 Dec 2018 in %	
	From	To	From	To
Contractual maturity within one year:				
In EUR	-	-	(0.14)	(0.14)
In foreign currency	-	-	-	-
Contractual maturity of over one year:				
In EUR	0.49	0.49	0.49	0.49
In foreign currency	-	-	-	-

In 2019, the Bank repaid a short-term bond with a total face value of EUR 40 000 thousand.

15. Subordinated Debt

Type of Loan	Curr.	Type of Loan by Maturity	Start of Loan Drawdown	Contractual Maturity	Interest Rate	31 Dec 2019	31 Dec 2018
Subordinated debt:							
OTP Financing Netherlands B.V.	EUR	Long-term	Sep 2014	Sep 2021	3M EURIBOR + 3.41% p. a.	18 003	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	7 024
Total (EUR '000)						**27 027**	**27 032**

Subordinated debt totalling EUR 27 million represents Tier 2 capital for the Bank in the amount of EUR 14.4 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 2019	31 Dec 2018
Various creditors	970	1 331
Tax liabilities (except for income tax liabilities)	164	116
Provisions for unbilled and other liabilities	754	1 060
Social fund	42	106
Settlement with employees	1 723	1 327
Settlement with social institutions	416	324
Liabilities from payment transactions	9 387	7 789
Obligations under lease – lease liabilities	2 844	-
Other liabilities	7 672	2 682
Total	**23 972**	**14 735**

A year-on-year change in the balance of other assets is mainly due to a higher balance of funds received from customers to settle security transactions.

Summary of changes in the social fund:

(EUR '000)	31 Dec 2019	31 Dec 2018
Balance at the beginning of reporting period	106	112
Additions during the reporting period	151	213
Drawings during the reporting period	(215)	(219)
Balance at the end of reporting period	**42**	**106**

17. Equity

The Bank's equity comprises:

(EUR '000)	31 Dec 2019	31 Dec 2018
Share capital	126 591	126 591
Reserve funds	6 664	6 496
Profit/(loss) from previous years	(22 051)	(18 079)
Accumulated other comprehensive income	1 094	536
Profit/(loss) for the year	2 297	(3 972)
Total equity	**114 595**	**111 572**

Share Capital

The Bank's share capital as at 31 December 2019 is as follows:

Face Amount	ISIN	Number of Shares	Face Value of Shares
Repaid and registered in the Commercial Register			
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
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 2018 is as follows:

Face Amount	ISIN	Number of Shares	Face Value of Shares
Repaid and registered in the Commercial Register			
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
Repaid and not registered in the Commercial Register			
EUR 1.00 per share	SK1110020684	15 010 203	15 011
Total share capital			**126 591**

The type, form, nature and tradability of shares as at 31 December 2019 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 tradable

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. The procedure was completed on 27 February 2019 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 2019, no shares of OTP Banka Slovensko, a.s. are held by the Bank and its subsidiaries.

Reserve Funds

As at 31 December 2019, reserve funds in the amount of EUR 6 664 thousand (31 December 2018: EUR 6 496 thousand) comprise the legal reserve fund in the amount of EUR 5 034 thousand (31 December 2018: EUR 5 034 thousand) and other capital reserves in the amount of EUR 1 630 thousand (31 December 2018: EUR 1 462 thousand).

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

Profit/(Loss) from Previous Years

A year-on-year change is due to the settlement of the 2018 loss (see Note 40.)

18. Income Tax

(EUR '000)	**31 Dec 2019**	**31 Dec 2018**
Current tax expense	-	2
Deferred tax (income)/expense	170	(499)
Total	**170**	**(497)**

As at 31 December 2019, the Bank recognised income tax expense in the amount of EUR 170 thousand in the statement of comprehensive income (31 December 2018: tax revenue of EUR 497 thousand). The Bank recognised an increase in the deferred tax liability for 2019 in the amount of EUR 148 thousand in items recognised through equity (2018: increase of EUR 126 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 2019**	**31 Dec 2018**
Pre-tax profit/(loss)	**2 467**	**(4 469)**
Theoretical tax at 21% (2018: 21%)	518	(938)
Non-taxable income	(165)	(1 473)
Non-deductible expenses	1 872	2 321
Provisions for assets and provisions for liabilities, net	(623)	(490)
Adjustment of provisions for uncertain utilisation of deferred tax assets	(1 432)	81
Adjustment of the current tax for the previous year	-	2
Income tax expense/(revenue) for the current reporting period	**170**	**(497)**
Effective tax rate for the reporting period	**6.89%**	**11.11%**

The Bank reported a positive tax base of EUR 303 thousand for the reporting period (31 December 2018: negative tax base of EUR 7 664 thousand).

19. Current and Deferred Income Tax

(EUR '000)	31 Dec 2019	31 Dec 2018
Current tax asset/(liability)	-	499
Total current tax asset/(liability)	**-**	**499**

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 (2018: 21%):

(EUR '000)	31 Dec 2019	31 Dec 2018
Deferred tax liability		
Difference between the net book value and net tax value of tangible assets	-	(174)
Revaluation reserves on securities measured at fair value through other comprehensive income	(291)	(142)
Total deferred tax liability	**(291)**	**(316)**
Deferred tax asset		
Loans (provisions for loan impairment losses)	8 699	10 803
Provisions for liabilities	365	262
Tax losses carried-forward	1 546	1 609
Revaluation reserves on securities measured at fair value through other comprehensive income	-	-
Difference between the net tax value and net book value of tangible assets	289	-
Total deferred tax asset	**10 899**	**12 674**
Adjustment for uncertain utilisation of deferred tax asset	**(5 520)**	**(6 952)**
Net deferred tax asset/(liability)	**5 088**	**5 406**

(EUR '000)	31 Dec 2019	31 Dec 2018
Net deferred tax asset/(liability) – opening balance at 1 Jan	5 406	5 033
Balance at the beginning of the reporting period – restated *	-	(67)
(Debited)/credited to profit/loss for the reporting period	(170)	499
(Debited)/credited to equity	(148)	(59)
Net deferred tax asset/(liability) – closing balance	**5 088**	**5 406**

** As a result of changes upon the first application of IFRS 9.*

When recognising the deferred tax asset, the Bank followed the prudence principle.

The Bank did not recognise a deferred tax asset of EUR 5 583 thousand (31 December 2018: EUR 6 952 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 2019	31 Dec 2018
Undrawn loan commitments	34 788	35 371
Other guarantees provided to banks	720	1 452
Other guarantees provided to clients	30 393	27 311
Undrawn overdrafts and authorised overdraft facilities	21 139	21 301
Issued letters of credit	807	-
Total	**87 847**	**85 435**

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 2 903 thousand as at 31 December 2019 (31 December 2018: EUR 2 711 thousand).

The Bank recognised the following provisions:

(EUR '000)	31 Dec 2019	31 Dec 2018
Provisions for:		
Undrawn loan commitments	711	1 000
Guarantees	401	410
Issued letters of credit	3	-
Litigations and other disputes	2 903	2 711
Retirement payments	115	101
Total	**4 133**	**4 222**

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, undrawn loan commitments and issued letters of credit:

(EUR '000)	31 Dec 2019	31 Dec 2018
Balance at the beginning of the reporting period	1 410	1 761
Creation of provision	2 657	4 156
Release of provision	(2 952)	(4 508)
FX difference	-	1
Balance at the end of reporting period	**1 115**	**1 410**

The balance of provisions for guarantees, undrawn loan commitments and issued letters of credit is recognised as "Provisions for Liabilities".

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

(EUR '000)	31 Dec 2019	31 Dec 2018
Balance at the beginning of reporting period	2 711	2 946
Creation of provision	313	90
Use of provision	(121)	(325)
Release of provision	-	-
Balance at the end of reporting period	**2 903**	**2 711**

An analysis of changes in the provision for retirement payments:

(EUR '000)	31 Dec 2019	31 Dec 2018
Balance at the beginning of reporting period	101	114
Creation of provision	42	39
Release of provision	(28)	(52)
Balance at the end of reporting period	**115**	**101**

21. Derivative Financial Instruments

The tables below represent the financial derivative instruments at face and fair values as at 31 December 2019 and 31 December 2018:

(EUR '000)	Face Value of Assets		Face Value of Liabilities	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Currency instruments				
Currency swaps	-	-	5 698	3 510
Total	**-**	**-**	**5 698**	**3 510**

(EUR '000)	Positive Fair Value		Negative Fair Value	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Currency instruments				
Currency swaps	-	-	2	17
Total	**-**	**-**	**2**	**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 2019	Year Ended 31 Dec 2018
Interest income:		
Loans and other receivables	32 351	35 117
Placements with other banks, loans to other banks	123	63
Financial assets at fair value through profit or loss	242	244
Financial assets at fair value through other comprehensive income	-	-
Debt securities at amortised cost	2 169	2 175
Total interest income	34 885	37 599
Interest expense:		
Due to banks and deposits from the National Bank of Slovakia and other banks and other payables	35	(32)
Amounts due to customers	(1 315)	(1 555)
Lease liabilities*	(3)	-
Liabilities from debt securities	(210)	(120)
Subordinated debt	(856)	(692)
Total interest expense	(2 349)	(2 399)
Net interest income	**32 536**	**35 200**

* *See Note 2 "IFRS 16 Disclosures".*

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

(EUR '000)	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
Creation of provisions for loan receivables	(49 157)	(52 193)
Release of provisions for loan receivables	48 527	40 393
Write-offs and assignments of loans	462	1 933
Loss on write-offs and assignments of loans (gross)	*(16 345)*	*(19 324)*
Use of provisions for written-off and assigned loans	*16 807*	*21 257*
(Creation)/reversal of provisions for guarantees and undrawn loan commitments, net (Note 20)	295	352
Provisions for impairment losses on loans and off-balance sheet, net	**127**	**(9 515)**

24. Net Fee and Commission Income

(EUR '000)	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
Fee and commission income:		
Banks	2 889	2 424
Public administration	243	213
Individuals	6 034	6 410
Other sectors	7 251	6 629
Total fee and commission income	16 417	15 676
Fee and commission expense:		
Banks	(1 210)	(1 516)
Individuals	(49)	(64)
Other sectors	(3 224)	(2 993)
Total fee and commission expense	(4 483)	(4 573)
Net fee and commission income	**11 934**	**11 103**

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

(EUR '000)	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
Gain/(loss) from foreign exchange transactions	1 053	904
Gain/(loss) from fixed term operations	(208)	(222)
Net gains/(losses) on financial operations	**845**	**682**

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 2019	Year Ended 31 Dec 2018
Loss on fixed term operations	(176)	(238)
Interest income on reverse repurchase transactions	43	23
Total	**(133)**	**(215)**

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

(EUR '000)	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
Net gain/(loss) on remeasurement of financial assets mandatorily measured at fair value through profit or loss	51	(450)
Net gain/(loss) on provisions for debt securities at amortised cost	2	5
Net gains/(losses) on financial assets	**53**	**(445)**

27. General Administrative Expenses

(EUR '000)	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
Personnel expenses		
Wages and salaries	(15 678)	(14 646)
Social security expenses	(5 699)	(5 290)
Supplementary pension scheme contributions	(223)	(208)
Other social expenses	(151)	(213)
(Creation)/release of provisions for retirement payments, net	(14)	13
Other administrative expenses		
Purchased services	(5 134)	(6 054)
Expenses for IT administration and maintenance	(2 725)	(2 728)
Entertainment expenses	(1 926)	(2 386)
Other purchased supplies	(1 452)	(1 511)
Local and other taxes other than income tax	(1 117)	(1 083)
Special levy on selected financial institutions	(2 543)	(2 602)
Contributions to other funds*	(199)	(198)
Other expenses	(392)	(431)
Depreciation, amortisation and write-downs of non-current tangible and intangible assets		
Non-current tangible assets	(2 513)	(2 579)
Non-current intangible assets	(2 079)	(1 616)
Right-of-use assets – leases	(989)	-
General administrative expenses - total	**(42 834)**	**(41 532)**

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

In 2019, the costs of auditing the financial statements amounted to EUR 141 thousand (2018: EUR 160 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 97 thousand (2018: EUR 41 thousand).

Non-audit services include: review of the consolidation package for 3Q, audit of the consolidation package at the year-end and an audit 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.

28. Other Operating Revenues/(Expenses), Net

(EUR '000)	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
Provisions for impairment losses on other assets		
Creation of provisions for other assets	(21)	(16)
Release of provisions for other assets (Note 11)	12	2 133
Other assets written-off and assigned (Note 11)	21	(2 121)
Costs for the creation of provisions		
(Creation)/release of provisions for litigations and other disputes and other risks, net (Note 20)	(313)	(90)
Other revenues		
Revenues from sale of real estate and other assets	(6)	2
Lease revenues	3	2
Other operating revenues	110	128
Other operating revenues/(expense), net	**(194)**	**38**

29. Items of Other Comprehensive Income

The items of other comprehensive income:

(EUR '000)	Year Ended 31 Dec 2019	Year Ended 31 Dec 2018
Financial assets at fair value through other comprehensive income		
Gain/(loss) on accumulated other comprehensive income	706	282
Deferred tax liability/(deferred tax asset) on revaluation reserves on financial assets measured through other comprehensive income	(148)	(59)
Other comprehensive income	558	**223**

30. Segment Reporting

The separate statement of comprehensive income and other indicators by segment as at 31 December 2019:

31 Dec 2019 (EUR '000)	Retail	Corporate	Treasury	Not Specified	Total
Interest income	20 784	11 567	2 660	(126)	34 885
Interest expense	(1 072)	(243)	(1 134)	100	(2 349)
Net interest income	**19 712**	**11 324**	**1 526**	**(26)**	**32 536**
Provisions for impairment losses on loans and off-balance sheet, net	3 683	(3 548)	(8)	-	**127**
Net interest income net of provisions for impairment losses on loans and off-balance sheet	**23 395**	**7 776**	**1 518**	**(26)**	**32 663**
Fee and commission income	9 991	4 748	30	1 648	16 417
Fee and commission expense	(4 361)	-	-	(122)	(4 483)
Net fee and commission income	**5 630**	**4 748**	**30**	**1 526**	**11 934**
Gains/(losses) on financial transactions, net	-	-	845	-	845
Gains/(losses) on financial assets, net	-	2	51	-	53
General administrative expenses	-	-	-	(42 834)	(42 834)
Other operating revenues/(expenses), net	(15)	7	-	(186)	(194)
Profit/(loss) before income tax	**29 010**	**12 533**	**2 444**	**(41 520)**	**2 467**
Income tax	-	-	-	(170)	(170)
Net profit/(loss) after tax	**29 010**	**12 533**	**2 444**	**(41 690)**	**2 297**
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	-	-	558	-	558
Total comprehensive income for the year	**29 010**	**12 533**	**3 002**	**(41 690)**	**2 855**
Assets by segment	**684 223**	**431 008**	**226 516**	**91 747**	**1 433 494**
Liabilities by segment	**584 448**	**484 356**	**225 429**	**24 666**	**1 318 899**

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**

Foreign Assets and Liabilities

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

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

(EUR '000)	31 Dec 2019	31 Dec 2018
Assets	47 818	64 314
Of which: Hungary	*16 824*	*18 347*
Of which: Other EU countries	*25 402*	*37 714*
Liabilities	306 783	244 666
Of which: Hungary	*250 292*	*178 790*
Of which: Other EU countries	*47 733*	*56 997*

As at 31 December 2019 and 31 December 2018, 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 2019	Year Ended 31 Dec 2018
Interest income on:		
Term deposits provided to OTP Bank Nyrt (Hungary)	95	29
Subordinated bonds issued by OTP Bank Nyrt (Hungary)	242	244
Reverse REPO transactions with OTP Bank Nyrt (Hungary)	43	23
Foreign government bonds (Bulgaria)	295	295
Issued mortgage bonds and bonds with negative interest (Hungary)	8	100
Dividends from VISA Inc. shares	10	8

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 2019:

31 Dec 2019 (EUR '000)	OTP Bank Nyrt.	Subsidiaries	Other Companies OTP Group	Transactions with Key Management Personnel of the Bank	Transactions with Key Management Personnel of OTP Bank Nyrt.	Other Related Parties	Total
Assets							
Cash, due from banks and balances with the National Bank of Slovakia	8 130	-	110	-	-	-	**8 240**
Placements with other banks, loans to other banks, net of provisions for expected losses	13	-	-	-	-	-	**13**
Financial assets held for trading	-	-	-	-	-	-	**-**
Non-trade financial assets mandatorily measured at fair value through profit or loss	8 322	-	-	-	-	-	**8 322**
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	**-**
Loans and receivables, net of provisions for expected losses	-	-	461	436	-	-	**897**
Debt securities at amortised cost	-	-	-	-	-	-	**-**
Investments in subsidiaries and associates	-	-	-	-	-	-	**-**
Non-current tangible assets*	-	-	3 892	-	-	-	**3 892**
Non-current intangible assets*	606	-	-	-	-	-	**606**
Other assets	2	-	237	-	-	-	**239**
Total	**17 073**	**-**	**4 700**	**436**	**-**	**-**	**22 209**
Liabilities							
Due to banks and deposits from the National Bank of Slovakia and other banks	147 578	-	-	-	-	-	**147 578**
Amounts due to customers	-	-	2 648	3 352	-	5	**6 005**
Liabilities from debt securities	45 110	-	-	-	-	-	**45 110**
Financial liabilities held for trading	2	-	-	-	-	-	**2**
Other liabilities	115	-	9	-	-	-	**124**
Subordinated debt	-	-	27 027	-	-	-	**27 027**
Total	**192 805**	**-**	**29 684**	**3 352**	**-**	**5**	**225 846**

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

In 2019, the Bank discontinued recognising balances and transactions of entities with other ownership interests (less than 10%) as regards other entities of the OTP Group. As a result of this change, the comparable period was restated.

Overview of balances in the statement of financial position as at 31 December 2018:

31 Dec 2018 (EUR '000)	**OTP Bank Nyrt.**	**Subsidiaries**	**Other Companies OTP Group**	**Transactions with Key Management Personnel of the Bank**	**Transactions with Key Management Personnel of OTP Bank Nyrt.**	**Other Related Parties**	**Total**
Assets							
Cash, due from banks and balances with the National Bank of Slovakia	9 780	-	8	-	-	-	**9 788**
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	-	-	-	-	-	-	**-**
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	-	210	-	-	**-**	**211**
Total	**18 813**	**-**	**5 508**	**464**	-	-	**24 785**
		-					
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.*

Overview of transactions in the statement of comprehensive income:

31 Dec 2019 (EUR '000)	**OTP Bank Nyrt.**	**Subsidiaries**	**Other Companies OTP Group**	**Transactions with Key Management Personnel of the Bank**	**Transactions with Key Management Personnel of OTP Bank Nyrt.**	**Other Related Parties**	**Total**
Interest income	472	-	10	6	-	-	**488**
Interest expense	(126)	-	(858)	(7)	-	-	**(991)**
Provisions for impairment losses on loans and off-balance sheet, net	-	-	(12)	-	-	-	**(12)**
Fee and commission income	19	-	14	1	-	-	**34**
Fee and commission expense	(473)	-	-	-	-	-	**(473)**
Gains/(losses) on financial transactions (FX), net	(218)	-	-	-	-	-	**(218)**
Gains/(losses) on financial assets, net	51	-	-	-	-	-	**51**
Other operating revenues/(expenses), net	-	-	-	-	-	-	**-**
General administrative expenses	(104)	-	(1 113)	*	-	-	**(1 217)**
Total	**(379)**	**-**	**(1 959)**	**-**	**-**	**-**	**(2 338)**

31 Dec 2018 (EUR '000)	**OTP Bank Nyrt.**	**Subsidiaries**	**Other Companies OTP Group**	**Transactions with Key Management Personnel of the Bank**	**Transactions with Key Management Personnel of OTP Bank Nyrt.**	**Other Related Parties**	**Total**
Interest income	436	-	17	5	-	-	**458**
Interest expense	347	-	(694)	(13)	-	-	**(360)**
Provisions for impairment losses on loans and off-balance sheet, net	-	-	14	-	-	-	**14**
Fee and commission income	19	-	14	-	-	-	**33**
Fee and commission expense	(730)	-	-	-	-	-	**(730)**
Gains/(losses) on financial transactions (FX), net	(286)	-	-	-	-	-	**(286)**
Gains/(losses) on financial assets, net	(450)	-	-	-	-	-	**(450)**
Other operating revenues/(expenses), net	-	-	-	-	-	-	-
General administrative expenses	(797)	-	(1 192)	*	-	-	**(1 989)**
Total	**(1 461)**	**-**	**(1 841)**	**(8)**	**-**	**-**	**(3 310)**

**see "Key Management Personnel Compensation"*

In 2019, 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;
- Repaid the issue of short-term bonds to the parent company, OTP Bank Nyrt. (see Note 14).

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

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.

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 2019, compensation in the amount of EUR 827 thousand (2018: EUR 799 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 2019, the Bank recognised loan receivables from the members of the Board of Directors and Supervisory Board in the amount of EUR 272 thousand (31 December 2018: EUR 290 thousand).

In 2019, the received loan repayments totalled EUR 23 thousand (2018: EUR 26 thousand). Loans provided as at 31 December 2019 bore interest ranging between 1.50% and 6.50% (31 December 2018: between 1.50% and 6.50%).

In 2019 and 2018, in respect of the members of the Board of Directors and Supervisory Board:

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

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

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%,
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 1.50%. As regards the capital adequacy requirement for 2020, the National Bank of Slovakia approved an increase of the countercyclical capital cushion by 0.5% with effect from 1 August 2020 to a total level of 2.0%. The amount of the cushion to maintain capital remained unchanged in 2020, ie 2.5%. The total required amount of the Bank's capital adequacy is also impacted by an individual requirement arising from the defined SREP amount that remained unchanged for 2020. The National Bank of Slovakia announced that it will also apply the P2G (Pillar 2 Guidance) instrument with effect from 2020, which represents the expected reserve level to comply with the capital requirement.

In the period under review and as at the reporting date, the ratio of the Bank's total own funds exceeded the minimum level required by the EU and Slovak legislation. As at 31 December 2019, the Bank achieved the following shares: the share of Tier 1 own capital at 13.99%, the share of Tier 1 capital at 13.99% and the total share of capital at 15.66%.

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 2019**	**31 Dec 2018**
Tier 1 capital	119 985	123 396
Tier 1 own capital	119 985	123 396
Capital instruments allowable as Tier 1 own capital	126 591	126 591
Repaid capital instruments	126 591	*126 591*
Profit/(loss) from previous years	(22 051)	(22 051)
Retained earnings/(accumulated losses) from previous years	*(22 051)*	*(18 079)*
Allowable gain or (-) loss	-	*(3 972)*
Other provisions	5 034	5 034
(-) Intangible assets	(10 821)	*(9 884)*
(+/-) Other items increasing/(decreasing) the amount of Tier 1 own capital	21 232	*23 706*
Tier 1 supplementary capital	-	-
Tier 2 capital	14 375	18 375
Repaid capital instruments and subordinated debt	14 375	*18 375*
Positive revaluation reserves	-	-
(-) Other items decreasing the amount of Tier 2 capital	-	-
Regulatory capital	**134 360**	**141 771**
Proportion of own capital (CET1) to risk-weighted assets	**13.99%**	**14.43%**
Proportion of Tier 1 capital to risk-weighted assets	**13.99%**	**14.43%**
Total proportion of capital to risk-weighted assets	**15.66%**	**16.58%**

33. Supplementary Data to Statements of Cash Flows

(EUR '000)	31 Dec 2019	31 Dec 2018
Cash, due from banks and balances with NBS except for mandatory minimum reserve	171 344	148 140
Deposits with other banks, falling due within three months	8	2
Due to banks, falling due within three months	(22 588)	(161)
Total cash and cash equivalents	**148 764**	**147 981**

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

(EUR '000)	31 Dec 2019	31 Dec 2018
Write-off and assignments of loans (Note 6)	(16 345)	(19 324)

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
  - Currency risk
  - Interest rate risk
  - 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, Work Out 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;
- Work Out 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. 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 to 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 in 2018.

In early 2019, the Bank decided to maintain the conservative cushion from the amount of provisions for assets and liabilities, which was used to cover uncertainty-related risks. The uncertainty risk primarily resulted from complex processes related to the implementation of the new provisioning methodology in a relatively short period of time. In 2019, the Bank continued improvements to risk management and focused on the improvement of data quality, data processing and risk parameter calculation. Comprehensive back testing was performed by the parent company. Given the above activities, the Bank released the conservative cushion at the end of 2019 and the effect did not exceed 5% of the amount of portfolio provisions.

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.
- 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 expected recoveries from the specific 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 1 080 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 2019 (EUR '000)	Exposure	Provisions	Coverage by Provisions	Collateral	Coverage by Provisions and Collaterals
Retail loans	**718 580**	**32 845**	**4.60 %**	**509 958**	**75.50 %**
STAGE 1	*634 294*	*3 507*	*0.60 %*	*464 125*	*73.70 %*
STAGE 2	*49 565*	*4 570*	*9.20 %*	*30 384*	*70.50 %*
STAGE 3	*34 721*	*24 768*	*71.30 %*	*15 449*	*115.80 %*
Non-retail loans	**466 369**	**36 871**	**7.90 %**	**168 327**	**44.00 %**
STAGE 1	*384 737*	*3 919*	*1.00 %*	*128 004*	*34.30 %*
STAGE 2	*39 198*	*5 847*	*14.90 %*	*24 851*	*78.30 %*
STAGE 3	*42 434*	*27 105*	*63.90 %*	*15 472*	*100.30 %*
Total balance sheet credit risks	**1 184 949**	**69 716**	**5.90 %**	**678 285**	**63.10 %**
Of which assessed on an individual basis	**39 103**	**24 301**	**62.10 %**	**14 237**	**98.60 %**
Of which assessed on a portfolio basis	**1 145 846**	**45 415**	**4.00 %**	**664 048**	**61.90 %**

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%**

As for the credit exposure as at 31 December 2019, 10 major credit exposures amounted to 7% of the total gross amount of loans (31 December 2018: 5% of the total gross amount of loans).

Exposure to Credit Risk from Loans and Receivables by Business Industries

31 Dec 2019 (EUR '000)	Carrying Amount Before Provisions	STG1	STG2	STG3	Provisions	Carrying Amount After Provisions
Electricity generation	49 674	40 010	3 071	6 593	5 755	**43 919**
Households	718 604	634 294	49 566	34 744	32 845	**685 759**
Agriculture and food-processing industry	65 934	54 842	6 432	4 660	4 240	**61 694**
Trade and services	54 695	46 356	1 470	6 869	5 599	**49 096**
Metallurgy and machinery	25 100	19 566	5 377	157	904	**24 196**
Chemical industry	5 046	88	-	4 958	1 816	**3 230**
Transport and infrastructure	7 395	6 338	24	1 033	330	**7 065**
Timber and paper production	4 385	3 231	12	1 142	574	**3 811**
Construction industry	16 695	12 468	3 484	743	1 592	**15 103**
Real estate	100 574	89 247	3 500	7 827	7 277	**93 297**
Public administration and defence	19 483	19 483	-	-	42	**19 441**
Financial services except insurance	1 304	-	484	820	780	**524**
Other industries	116 060	93 108	15 343	7 609	7 962	**108 098**
Total	**1 184 949**	**1 019 031**	**88 763**	**77 155**	**69 716**	**1 115 233**
Impairment	-	(7 426)	(10 417)	(51 873)	(69 716)	-
Total:	-	**1 011 605**	**78 346**	**25 282**	**-**	**1 115 233**

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	-	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**

As at 31 December 2019, the Bank reported a developer project portfolio in the amount of EUR 8 390 thousand (31 December 2018: EUR 9 566 thousand) and created provisions both on a portfolio basis and on an individual basis in the amount of EUR 52 thousand (31 December 2018: EUR 133 thousand) and EUR 4 411 thousand (31 December 2018: EUR 4 153 thousand), respectively.

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	31 Dec 2019			
(EUR '000)	STG1	STG2	STG3	Total
Corporate loans				
1 (lowest risk of primary recoverability of a loan)	15 018	-	-	15 018
2	4 206	-	-	4 206
3	6 732	-	-	6 732
4	15 458	-	-	15 458
5	29 137	-	-	29 137
6	74 871	521	-	75 392
7	141 488	4 767	-	146 255
8	-	19 286	-	19 286
9	1 299	2 309	-	3 608
10	-	-	42 323	42 323
N/A	95 788	12 274	-	108 062
Total corporate loans	**383 997**	**39 157**	**42 323**	**465 477**

As requested by the parent bank, new rules were implemented in 3Q 2019 to assess the application rating of non-retail clients. As the new rules are being introduced gradually, a portion of the loan portfolio has not yet been assigned a rating based on the new scale as at 31 December 2019. These include "Specialized lending" (EUR 94 493 thousand) and "Micro" (EUR 13 569 thousand) portfolios. The interpretation of individual rating classes is defined in the table below:

Risk Level	Category	Interpretation
Low risk	1, 2, 3	Low risk is expected
Medium risk	4, 5	Medium risk is expected
High risk	6, 7	Higher risk is expected. A customer rated as "start-up" is classified in category 7
Extremely high risk	8, 9, 10	Usually, no new exposure for a customer is supported. If any negative customer-related information is detected during interim filtering, the customer rating is category 9. In the event of default events, the customer rating is category 10.

The table below summarises the quantitative structure of corporate loans by new rules implemented for the period ended 31 December 2018:

Rating Class	31 Dec 2018			
(EUR '000)	STG1	STG2	STG3	Total
Corporate loans				
I (lowest risk of primary recoverability of a loan)	1 777	-	-	1 777
II	3 766	-	-	3 766
III	7 490	-	-	7 490
IV	22 919	-	-	22 919
V	43 059	-	-	43 059
VI	52 011	944	-	52 955
VII	146 537	2 411	-	148 948
VIII	39 645	3 249	-	42 894
IX	7 219	-	-	7 219
X	-	-	46 615	46 615
N/A	83 614	11 144	3 979	98 737
Total corporate loans	**408 037**	**17 748**	**50 594**	**476 379**

The tables 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 2019	31 Dec 2018
I	-	-
II	980	-
III	59	217
IV	-	-
V	-	-
VI	51	-
VII	-	-
VIII	-	-
Non-classified	(4)	2
Total	**1 086**	**219**

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 2019	31 Dec 2018
I	-	-
II	-	-
III	-	-
IV	8 322	8 271
V	-	-
VI	-	-
VII	-	-
VIII	-	-
Non-classified	2 289	1 565
Total	**10 611**	**9 836**

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

Rating Class (EUR '000)	31 Dec 2019	31 Dec 2018
I	-	-
II	72 943	73 126
III	10 424	10 484
IV	-	-
V	-	-
VI	-	-
VII	-	-
VIII	-	-
Total	**83 367**	**83 610**

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 2019 (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									
STG1	-	-	-	-	-	-	-	-	**-**
STG2	-	-	-	-	-	-	-	-	**-**
STG3	13 056	-	574	-	-	-	-	607	**14 237**
Total	**13 056**	**-**	**574**	**-**	**-**	**-**	**-**	**607**	**14 237**
									-
Assessed on a portfolio basis									
STG1	574 542	-	10 553	-	-	578	1 304	5 152	**592 129**
STG2	52 072	-	2 661	-	-	-	397	106	**55 236**
STG3	16 506	-	-	-	-	-	142	35	**16 683**
Total	**643 120**	**-**	**13 214**	**-**	**-**	**578**	**1 843**	**5 293**	**664 048**
Total value of received collateral for the loan portfolio	**656 176**	**-**	**13 788**	**-**	**-**	**578**	**1 843**	**5 900**	**678 285**

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									
STG1	-	-	-	-	-	-	-	-	**-**
STG2	-	-	-	-	-	-	-	-	**-**
STG3	16 250	-	1 932	1 273	-	-	-	-	**19 455**
Total	**16 250**	-	**1 932**	**1 273**	-	-	-	-	**19 455**
Assessed on a portfolio basis									
STG1	613 319	-	18 254	5 878	-	587	3 861	2 446	**644 344**
STG2	25 771	-	3 156	-	-	-	89	3	**29 019**
STG3	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 2019 and 31 December 2018, 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.

Concentration of Credit Risk to the Slovak Republic

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

(EUR '000)	31 Dec 2019		31 Dec 2018	
	Amount	Portion of Total Assets	Amount	Portion of Total Assets
Cash, due from banks and balances with the National Bank of Slovakia	123 230	8.60%	97 584	6.91%
Loans and receivables, net of provisions for expected losses	19 441	1.35%	20 690	1.47%
Debt securities at amortised cost	72 943	5.09%	73 126	5.18%
Total	**215 614**	**15.04%**	**191 400**	**13.56%**

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:

(EUR '000)	31 Dec 2019		31 Dec 2018	
	Amount	Portion of Total Assets	Amount	Portion of Total Assets
Debt securities at amortised cost	10 424	0.73%	10 484	0.74%
Total	**10 424**	**0.73%**	**10 484**	**0.74%**

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 2019			
	STG1	STG2	STG3	Total
Due from banks and balances with the National Bank of Slovakia	134 841	-	-	134 841
Loans and receivables, gross	1 019 031	88 763	77 155	1 184 949
Debt securities, gross	83 392	-	-	83 392
Financial assets at fair value through profit or loss	8 322	-	-	8 322
Financial assets at fair value through other comprehensive income	2 295	-	-	2 295
Subtotal of balance sheet risks	**1 247 881**	**88 763**	**77 155**	**1 413 799**
Guarantees issued	31 113	-	-	31 113
Issued letters of credit	807	-	-	807
Loan commitments to clients	55 927	-	-	55 927
Subtotal of off-balance sheet risks	**87 847**	**-**	**-**	**87 847**
Total	**1 335 728**	**88 763**	**77 155**	**1 501 646**

(EUR '000)	31 Dec 2018			
	STG1	STG2	STG3	Total
Due from banks and balances with the National Bank of Slovakia	116 696	-	-	116 696
Loans and receivables, gross	1 072 602	38 838	99 294	1 210 734
Debt securities, gross	83 636	-	-	83 636
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
Subtotal of balance sheet risks	**1 282 776**	**38 838**	**99 294**	**1 420 908**
Guarantees issued	28 763	-	-	28 763
Issued letters of credit	-	-	-	-
Loan commitments to clients	56 672	-	-	56 672
Subtotal of off-balance sheet risks	**85 435**	-	-	**85 435**
Total	**1 368 211**	**38 838**	**99 294**	**1 506 343**

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

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 2019 (EUR '000)	EUR	USD	HUF	Other Currencies	Total
Assets					
Cash, due from banks and balances with the National Bank of Slovakia	163 409	1 250	10 181	7 615	**182 455**
Placements with other banks, loans to other banks, net of provisions for expected losses	1 086	-	-	-	**1 086**
Loans and receivables, net of provisions for expected losses	1 115 074	65	94	-	**1 115 233**
Debt securities at amortised cost, net of provisions for expected losses	83 367	-	-	-	**83 367**
Financial assets at fair value through profit or loss	8 322	-	-	-	**8 322**
Financial assets at fair value through other comprehensive income	6	2 289	-	-	**2 295**
Liabilities					
Due to banks and deposits from the National Bank of Slovakia and other banks	150 725	-	1	2 581	**153 307**
Amounts due to customers	1 042 531	9 094	9 411	4 312	**1 065 348**
Liabilities from debt securities	45 110	-	-	-	**45 110**
Subordinated debt	27 027	-	-	-	**27 027**
Net currency exposure at 31 Dec 2019	**105 871**	**(5 490)**	**863**	**722**	**101 966**

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**

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 2019 (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	133 752	-	-	-	-	48 703	**182 455**
Placements with other banks, loans to other banks, net of provisions for expected losses	-	1 032	48	-	-	6	**1 086**
Loans and receivables, net of provisions for expected losses	-	356 790	161 123	544 087	35 620	17 613	**1 115 233**
Debt securities at amortised cost, net of provisions for expected losses	-	1 775	96	81 496	-	-	**83 367**
Financial assets at fair value through profit or loss	-	8 322	-	-	-	-	**8 322**
Financial assets at fair value through other comprehensive income	-	-	-	-	-	2 295	**2 295**
Liabilities							
Due to banks and deposits from the National Bank of Slovakia and other banks	7	147 578	5 719	-	-	3	**153 307**
Amounts due to customers	227 164	117 349	199 456	376 176	135 096	10 107	**1 065 348**
Liabilities from debt securities	-	-	110	45 000	-	-	**45 110**
Subordinated debt	-	27 027	-	-	-	-	**27 027**
Interest rate risk at 31 Dec 2019	**(93 419)**	**75 965**	**(44 018)**	**204 407**	**(99 476)**	**58 507**	**101 966**

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**

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	43 788	(48 260)	(13 926)	(27 575)	(76 919)	83 848	133 078	64 399	(49 355)	(50 513)	388	4
Net off-balance sheet position of Banking Book	(5 308)	-	-	-	-	-	-	-	-	-	-	-
Banking Book GAP, total	38 480	(48 260)	(13 926)	(27 575)	(76 919)	83 848	133 078	64 399	(49 355)	(50 513)	388	4
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)	15	(72)	(43)	(138)	(423)	-	-	-	-	-	-	-

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 661 thousand (31 December 2018: EUR 54 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 12 thousand (31 December 2018: EUR 13 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 2 thousand (31 December 2018: 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 679 thousand (31 December 2018: decrease by EUR 71 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 2019 (31 December 2018: 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 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 2019

(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	182 455	-	-	-	-	**182 455**
Placements with other banks, loans to other banks, net of provisions for expected losses	8	-	-	1 078	-	**1 086**
Loans and receivables, net of provisions for expected losses	32 545	32 686	144 555	380 401	525 046	**1 115 233**
Debt securities at amortised cost, net of provisions for expected losses	-	1 775	96	81 496	-	**83 367**
Financial assets at fair value through profit or loss	-	35	8 287	-	-	**8 322**
Financial assets at fair value through other comprehensive income	-	-	-	-	2 295	**2 295**
Non-current tangible assets	-	-	-	-	21 083	**21 083**
Non-current intangible assets	-	-	-	-	10 821	**10 821**
Current tax asset	-	-	-	-	-	**-**
Deferred tax asset	-	-	-	5 088	-	**5 088**
Other assets	902	245	298	2	2 297	**3 744**
Total assets	**215 910**	**34 741**	**153 236**	**468 065**	**561 542**	**1 433 494**
Liabilities						
Liabilities to banks, contributions of the National Bank of Slovakia and other banks	2 588	20 000	127 862	2 857	-	**153 307**
Liabilities to customers	887 120	38 528	112 387	25 375	1 938	**1 065 348**
Liabilities from debt securities	-	-	110	45 000	-	**45 110**
Subordinated debt	-	27	-	20 000	7 000	**27 027**
Financial liabilities held for trading	2	-	-	-	-	**2**
Provisions for liabilities	-	709	521	2 903	-	**4 133**
Other liabilities	12 731	74	11 167	-	-	**23 972**
Equity	-	-	-	-	114 595	**114 595**
Total liabilities and equity	**902 441**	**59 338**	**252 047**	**96 135**	**123 533**	**1 433 494**
Net balance sheet position of liquidity as at 31 December 2019	**(686 531)**	**(24 597)**	**(98 811)**	**371 930**	**438 009**	**-**
Cumulative net balance-sheet position of liquidity as at 31 December 2019	**(686 531)**	**(711 128)**	**(809 939)**	**(438 009)**	**-**	**-**

The classification of balance-sheet assets and liabilities into time bands per residual maturity as at 31 December 2019 represents a GAP of EUR -686 million in the within 1-month time band (31 December 2018: EUR -711 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 129 million (31 December 2018: EUR 96 million). The Bank continuously complied with all the measures stipulated by the NBS as regards this area during the entire period under review in 2019.

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)**	**-**	**-**

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

31 Dec 2019 (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	55 927	-	-	-	-	**55 927**
Guarantees issued (excluding commitments for guarantees)	2 876	850	13 133	6 128	954	**23 941**
Issued letters of credit	-	-	807	-	-	**807**
Liabilities from spot transactions	3 152	-	-	-	-	**3 152**
Liabilities from forward transactions with a financial transfer	-	-	-	-	-	**-**
Provided guarantees from pledges	75 769	-	-	-	-	**75 769**
Total as at 31 Dec 2019	**137 724**	**850**	**13 940**	**6 128**	**954**	**159 596**

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**

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

31 Dec 2019 (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	150 321	2 857	-	129	**153 307**
Amounts due to customers	1 038 214	25 406	1 938	(210)	**1 065 348**
Liabilities from issued debt securities	830	21 505	7 189	(2 497)	**27 027**
Subordinated debts	219	45 219	-	(328)	**45 110**
Total as at 31 Dec 2019	**1 189 584**	**94 987**	**9 127**	**(2 906)**	**1 290 792**

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**

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.

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, scenario analysis results and KRI results are entered in the model in a quantitative manner as a post-correction factor.

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 2019	31 Dec 2018
Profit/(loss) (in EUR '000)		2 297	(3 972)
Profit/(loss) for the reporting period attributable to ordinary share-holder (in EUR '000)		2 297	(3 972)
Profit/(loss) per share			
At face value of EUR 3.98 (in EUR)		**0.072**	**(0.140)**
Weighted average number of ordinary shares	18	11 503 458	11 503 458
At face value of EUR 39 832.70 (in EUR)		**722.65**	**(1 402.23)**
Weighted average number of ordinary shares	18	570	570
At face value of EUR 1.00 (in EUR)		**0.018**	**(0.035)**
Weighted average number of ordinary shares	18	58 102 310	44 342 957

40. Settlement of Loss for the Preceding Reporting Period

The General Meeting of OTP Banka Slovensko, a.s. was held on 4 April 2019. The General Meeting approved the separate financial statements for 2018 and the settlement of the loss for 2018 as follows:

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

41. Proposed Distribution of a Profit for the Current Reporting Period

Proposed distribution of the profit for 2019 (EUR '000)	
The profit/(loss) for 2019 – profit:	2 297
Allotment to:	
- Legal reserve fund	*230*
- Profit/(loss) from previous years	*2 067*

The proposed distribution of the profit for 2019 is subject to approval by the General Meeting of OTP Banka Slovensko, a.s.

42. Events After the Reporting Date

The Bank expects, that the majority shareholder of the Bank will change in 2020. As at the reporting date negotiations about the potential divestment of OTP Bank Nyrt.'s 99.44% share in the Bank are in progress, but a Share Purchase Agreement was not signed yet. Thus, as at the reporting date, the majority shareholder of the Bank is OTP Bank Nyrt. with 99.44% share of the Bank's share capital.

As at the date of the authorisation of these financial statements, the Bank's management has no information available as to the impact of the potential change in the ownership on the future activities of the Bank, future plans and strategy, or the future financing of the Bank's activities. These financial statements include no adjustments which could result from the sales process, nor adjustments which could result from changes in the scope of activities or strategy of the Bank resulting in changes to the classification or valuation of assets and liabilities.