OTP Banka Slovensko, a.s.
member of the ČSOB Financial Group

Financial Statements
for the Year Ended 31 December 2020
prepared in accordance with
International Financial Reporting Standards
as adopted by the European Union
and Independent Auditor's Report

Content

Independent Auditor's Report

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of OTP Banka Slovensko, a.s. (the "Bank") as at 31 December 2020, and the Bank's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Our opinion is consistent with our additional report to the Supervisory board performing the role of Audit Committee dated 26 March 2021.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (Code of Ethics) and the ethical requirements of the Slovak Act on Statutory Audit No. 423/2015 and on amendments and supplements to Slovak Act on Accounting No. 431/2002, as amended (hereafter the "Act on Statutory audit") that are relevant to our audit of the financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with the Code of Ethics and the ethical requirements of Act on Statutory audit.

To the best of our knowledge and belief, we declare that non-audit services that we have provided are in accordance with the applicable law and regulations in the Slovak Republic and that we have not provided non-audit services that are prohibited under Regulation (EU) No. 537/2014.

We did not provide any non-audit services to the Bank in the period from 1 January 2020 to 31 December 2020.

Our audit approach

Overview

Materiality	Overall materiality is EUR 1 million which represents approximately 1% of net assets.
Key audit matters	Credit loss allowance estimate.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

The qualitative considerations and assessment of the overall impact of the misstatements, which relate to reclassification within the primary statements or within the notes to the financial statements might be considered not material even if they are quantitatively in excess of the materiality thresholds disclosed below.

Overall materiality	EUR 1 million
How we determined it	We determined the materiality as approximately 1% of net assets.
Rationale for the materiality benchmark applied	The Bank's capital is an important indicator for many users of the financial statements and shareholder return is also commonly expressed relative to the amount of the Bank's capital, that is, as a return on equity.

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Key audit matter

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.

Key audit matter	How our audit addressed the key audit matter
Credit loss allowance estimate	
As explained in Notes 6 and 35 to the financial statements, management estimated the total credit loss allowances for loans and advances to customers at EUR 66 million. The carrying value of loans and advances to customers measured at amortised cost may be materially misstated if individual or collective credit loss allowances are not appropriately identified and estimated. The estimates required for credit loss allowances are significant estimates, as explained in more detail in Note 2 *Principal Accounting Policies*. The identification of significant increase in credit risk or default; the estimation of credit loss including estimates of future cash flows and valuation of collateral; implementation of comprehensive credit models - all involve significant management judgement. In 2020, the estimate of credit loss allowances was significantly influenced by the COVID-19 pandemic, decrease in economic activity and uncertainty regarding the financial condition of the Bank's customers including the legislative changes introducing moratoria on loan repayment. Due to the significance of the amount of the credit loss allowances and material impact of the credit loss allowances on the net result for the year, we consider the credit loss estimate as a key audit matter.	We assessed and tested design and operating effectiveness of manual and automated controls related to the timely identification of defaulted loans. We tested design and operating effectiveness of general IT controls, including access to programs and data, program changes and computer operations related to quantification of credit loss allowances. We verified that models used for accurate quantification of credit loss allowances are in line with the requirements of IFRS 9. A sample of individually significant loan exposures was selected to test accuracy of credit loss allowances calculated on an individual basis. We considered management's assumptions, including forecasts of future cash flows, by comparing them to historical performance of the customer and expected future performance as well as assessing external and internal valuations of the underlying collateral and comparing them to the values used by management in the credit loss allowances quantification. On a sample basis, we assessed the underlying models, reasonableness of assumptions, and completeness and accuracy of the underlying data, which were used by the Bank to estimate collective credit loss allowances for loans that share similar credit risk characteristics. The underlying models and expert judgement applied by the Bank in response to the COVID-19 pandemic were assessed by our specialists for financial risk management and modelling. The specialists assessed the design and implementation of models in line with the applicable reporting standards, including shifts in risk parameters due to the COVID-19 pandemic. The specialists assessed reasonableness of forward-looking information including the expected changes in macroeconomic variables and its impact on the risk parameters and appropriateness of collective credit loss allowances.

Reporting on other information including the Annual Report

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements our responsibility will be to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Annual Report, we will also consider whether it includes the disclosures required by the Slovak Act on Accounting No. 431/2002, as amended, the Slovak Act on Stock Exchanges No. 429/2002 as amended, the Slovak Act on Securities and Investment Services No. 566/2001, as amended and the Commercial Code No. 513/1991, as amended, when it becomes available to us. This will include checking the consistency of the Annual Report with the financial statements, and whether the Annual Report has been prepared in accordance with the applicable legislation.

In addition, our updated report will either state that we have nothing to report in respect of the above, or will describe any material misstatements we identified in the Annual Report based on our knowledge and understanding of the Bank and its environment, which we obtained during our audit.

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 International Financial Reporting Standards as adopted by the European Union, 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 ISAs 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 ISAs, 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's 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, actions taken to eliminate threats or safeguards applied.

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

Appointment as an independent auditor

We were first appointed as auditors of the Bank in 2020. Our appointment for the year ended 31 December 2020 was approved by the shareholder's resolution on 29 June 2020. This represents a total period of uninterrupted audit service of one year.

The engagement partner on the audit resulting in this independent auditor's report is Martin Gallovič.

Slovenská komora audítorov SKAU č. licencie 161 PricewaterhouseCoopers Slovensko, s.r.o.

PricewaterhouseCoopers Slovensko, s.r.o.
PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No. 161

Martin Gallovič
UDVA licence No. 1180

30 April 2021
Bratislava, Slovak Republic

Statement of Financial Position
as at 31 December 2020

(EUR '000)	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Financial assets at amortised cost			
Cash, due from banks and balances with the National Bank of Slovakia	4	171 022	182 455
Placements with other banks, loans to other banks	5	11 579	1 086
Loans and receivables	6	1 118 750	1 115 233
Debt securities	7	83 125	83 367
Financial assets at fair value			
Financial assets at fair value through profit or loss	8	-	8 322
Financial assets at fair value through other comprehensive income	9	2 473	2 295
Deferred tax asset	19	4 911	5 088
Non-current tangible assets	10	18 285	21 083
Non-current intangible assets	10	9 788	10 821
Other assets	11	2 388	3 744
Total assets		**1 422 321**	**1 433 494**
LIABILITIES			
Financial liabilities at amortised cost			
Amounts due to banks	12	208 000	153 307
Amounts due to customers	13	1 044 734	1 065 348
Liabilities from debt securities	14	-	45 110
Subordinated debt	15	38 028	27 027
Financial liabilities held for trading	21	-	2
Provisions for liabilities	20	4 987	4 133
Other liabilities	16	21 305	23 972
Total liabilities		**1 317 054**	**1 318 899**
Equity	17		
Share capital		126 591	126 591
Reserve funds		6 986	6 664
Profit/(loss) from previous years		(19 984)	(22 051)
Revaluation reserve on financial assets at fair value through other comprehensive income		1 295	1 094
Profit/(loss) for the reporting period		(9 621)	2 297
Total equity		**105 267**	**114 595**
Total liabilities and equity		**1 422 321**	**1 433 494**

These financial statements were approved by the Board of Directors for issue on 28 April 2021.

Zita Zemková
Chairman of the Board of Directors

Ľuboš Ondrejko
Member of the Board of Directors

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020

(EUR '000)	Note	Year Ended 31 Dec 2020	Year Ended 31 Dec 2019
Interest income		31 125	34 885
Interest expense		(1 816)	(2 349)
Net interest income	22	**29 309**	**32 536**
Provisions for impairment losses on loans and off-balance sheet, net	23	**(10 129)**	**127**
Net interest income after provisions for impairment losses on loans and off-balance sheet		**19 180**	**32 663**
Fee and commission income		15 049	16 417
Fee and commission expense		(3 995)	(4 483)
Net fee and commission income	24	**11 054**	**11 934**
Gains/(losses) on financial transactions, net	25	1 112	845
Gains/(losses) on financial assets, net	26	(269)	53
General administrative expenses	27	(40 340)	(42 834)
Other operating revenues/(expenses), net	28	(234)	(194)
Profit/(loss) before income tax		**(9 497)**	**2 467**
Income tax	18	(124)	(170)
Net profit/(loss) after tax		**(9 621)**	**2 297**
Items of 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	201	558
Total comprehensive income for the reporting period		**(9 420)**	**2 855**
Earnings per share in face value of EUR 3.98 (in EUR)	39	(0.303)	0.072
Earnings per share in face value of EUR 39 832.70 (in EUR)	39	(3 027.22)	722.65
Earnings per share in face value of EUR 1.00 (in EUR)	39	(0.076)	0.018

Statement of Changes in Equity
for the year ended 31 December 2020

(EUR '000)	Share Capital	Reserve Funds	Revaluation reserve on financial assets at fair value through other comprehensive income	Retained earnings	Total
Equity as at 1 Jan 2019	**126 591**	**6 496**	**536**	**(22 051)**	**111 572**
Total comprehensive income for the accounting period	-	-	558	2 297	**2 855**
Net profit for the accounting period	-	-	-	*2 297*	***2 297***
Other comprehensive income, net of tax	-	-	*558*	-	***558***
Share - based payments	-	168	-	-	**168**
Equity as at 31 Dec 2019	**126 591**	**6 664**	**1 094**	**(19 754)**	**114 595**

(EUR '000)	Share Capital	Reserve Funds	Revaluation reserve on financial assets at fair value through other comprehensive income	Retained earnings	Total
Equity as at 1 Jan 2020	**126 591**	**6 664**	**1 094**	**(19 754)**	**114 595**
Total comprehensive income for the accounting period	-	-	201	(9 621)	**(9 420)**
Loss for the accounting period	-	-	-	*(9 621)*	***(9 621)***
Other comprehensive income, net of tax	-	-	*201*	-	***201***
Transfer to the reserve funds	-	230	-	(230)	**-**
Share - based payments	-	92	-	-	**92**
Equity as at 31 Dec 2020	**126 591**	**6 986**	**1 295**	**(29 605)**	**105 267**

Statement of Cash Flows
for the year ended 31 December 2020

(EUR '000)	Note	Year Ended 31 Dec 2020	Year Ended 31 Dec 2019
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss) after tax		**(9 621)**	**2 297**
Adjustments to reconcile net profit/(loss) to net cash provided by operating activities:			
Provisions for loans and off-balance sheet		10 129	(127)
Provisions for other assets		15	(12)
Provisions for debt securities		(7)	(1)
Provisions for non-current tangible assets		257	-
Provisions for contingent liabilities		170	206
Foreign exchange (gains)/losses on cash and cash equivalents		1 206	44
Depreciation and amortisation		5 680	5 581
Net effect of assets sold		1	8
Net effect of income tax		124	170
Share-based payments		92	168
Changes in operating assets and liabilities:			
Decrease/(increase) in statutory minimum reserves stipulated by the National Bank of Slovakia		(222)	(4 527)
Decrease/(increase) in placements with other banks, loans to other banks		(2 749)	(861)
Decrease/(increase) in financial assets at fair value through profit or loss		8 322	(51)
Decrease/(increase) in financial assets at fair value through other comprehensive income		76	(17)
Decrease/(increase) in loans and receivables		(12 962)	9 439
Decrease/(increase) in debt securities		249	244
(Decrease)/increase in amounts due to banks		77 141	82 141
(Decrease)/increase in amounts due to customers		(20 614)	(55 023)
Decrease/(increase) in other assets		1 341	129
(Decrease)/increase in other liabilities		(2 193)	6 335
Net cash flows from/(used in) operating activities		**56 435**	**46 143**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Decrease/(increase) in non-current tangible and intangible assets		(1 584)	(4 344)
Net cash flows from/(used in) investment activities		**(1 584)**	**(4 344)**
CASH FLOW FROM FINANCING ACTIVITIES			
(Decrease)/increase in issued debt securities		(45 110)	(39 995)
(Decrease)/increase in subordinated debt		11 001	(5)
Cash payments of the lease liabilities		(999)	(972)
Net cash flows from/(used in) financial activities		**(35 108)**	**(40 972)**
Effect of exchange rate fluctuations on cash and cash equivalents		(1 206)	(44)
Net increase/(decrease) in cash and cash equivalents		**18 537**	**783**
Cash and cash equivalents at the beginning of the reporting period	**33**	**148 764**	**147 981**
Cash and cash equivalents at the end of the reporting period	**33**	**167 301**	**148 764**

In 2020, OTP Banka Slovensko, a.s. received cash from interest in the amount of EUR 30 933 thousand (2019: EUR 35 108 thousand) and paid out interest in the amount of EUR 2 019 thousand (2019: EUR 2 540 thousand).

1. Introduction

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

Members of Statutory and Supervisory Boards as at 31 December 2020

Board of Directors:
Ing. Zita Zemková (Chairman)
JUDr. Ľuboš Ondrejko
Ing. Juraj Ebringer
JUDr. Ing. Ján Lučan, PhD.

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 2020:

Board of Directors:
JUDr. Ľuboš Ondrejko, appointment to office with effect from November 27, 2020
Ing. Juraj Ebringer, appointment to office with effect from November 27, 2020
JUDr. Ing. Ján Lučan, PhD., appointment to office with effect from November 27, 2020
Ing. Rastislav Matejsko, termination of office with effect from November 26, 2020
Ing. Radovan Jenis, termination of office with effect from November 26, 2020
Dr. Sándor Patyi, termination of office with effect from November 26, 2020

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;
- Issuing and administration of electronic money;
- 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

In 2020, there were changes in the ownership structure. The Sale Purchase Agreement of OTP Bank Nyrt.'s (with registered seat Nádor utca 16, 1051 Budapest, Hungary - hereinafter the "OTP Bank") 99.44% share in the Bank was signed on 17 February 2020 with KBC Bank N.V., with registered seat Havenlaan 2, B-1080, Belgium (hereinafter the "KBC Bank"). The transaction was closed after obtaining all necessary permissions from the regulatory bodies and payment of the purchase price. From November 26, 2020 the main owner of the Bank is KBC Bank with a 99,44 % share in the Bank's share capital. KBC Bank 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 2020	Share in Subscribed Share Capital as at 31 Dec 2019
KBC Bank	99.44%	-
OTP Bank	-	99.44%
Other minority owners	0.56%	0.56%

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

Organisational Structure and Number of Employees

As at 31 December 2020, the Bank operated 5 regional centres (31 December 2019: 5) and 58 branches (31 December 2019: 58) in Slovakia.

As at 31 December 2020, the full-time equivalent of the Bank’s employees was 639 (31 December 2019: 680 employees), of which 21 managers (31 December 2019: 21).

As at 31 December 2020, the actual registered number of employees was 630 (31 December 2019: 671), of which 21 managers (31 December 2019: 22).

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

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

As at 31 December 2020, the Bank’s Supervisory Board had 8 members (31 December 2019: 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. As at the date of preparation of these financial statements, the bank meets all the requirements set by the regulator.

Impact of the COVID-19 pandemic on the bank's operations

At the beginning of 2020, the COVID-19 pandemic hit the world and disrupted the standard economic activities of companies. In response to this pandemic, the Slovak Republic also introduced measures to prevent the spread and impact of COVID-19. Following the adoption of nationwide quarantine measures, the Bank was forced to temporarily restrict the provision of services to clients. The Bank proceeded to adjust its operating activities in order to ensure the best possible protection of the health of clients and employees in the changed conditions, while respecting all government regulations, as well as the guidelines and recommendations of the Public Health Office of the Slovak Republic. The Bank's crisis management team monitors and reassesses the current epidemiological situation on a daily basis, and the Crisis Management Steering Committee is ready to take further measures to protect the health of its clients and employees.

However, the measures taken by the Bank do not affect the Bank's ability to provide products and services and compliance with regulatory requirements as of the date of these financial statements.

During 2020, the Bank recalculated the expected impacts of the situation around the Covid-19 pandemic on the quality of the loan portfolio, where it expects its portfolio quality to deteriorate in the future. Deterioration of estimates was realized through changes in macroeconomic scenarios within the calculation of parameters used to calculate provisions. The impact of the change in the macro scenarios under Covid-19 was recorded in the 2020 costs at the level EUR 8,2 mil.

Data on Consolidating Entity

As at the date of preparation of these financial statements, the Bank is part of the KBC Bank Group. The consolidated financial statements of the direct parent company are filed at Nationale Bank van België NV, Balanscentrale, de Berlaimontlaan 14, 1000 Brussels, Belgium.

The ultimate parent and management company is KBC GROUP NV (hereinafter “KBC Group”), with its registered seat at Havenlaan, 1080 Brussels, Belgium. Its consolidated financial statements are also filed at the Nationale Bank van België NV, Balanscentrale, de Berlaimontlaan 14, 1000 Brussels, Belgium.

Until the takeover by KBC Bank, the Bank was part of the OTP Bank Group, which as at 31 December 2019 was the direct and ultimate parent and management company of the bank.

2. Principal Accounting Policies

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

Statement of Compliance

The financial statements of the Bank for the year ended 31 December 2020 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 do not differ from those applied when preparing the annual financial statements of the Bank as at 31 December 2019.

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 2020:

- **Amendment to the Conceptual Framework for Financial Reporting** - issued on 29 November 2019 (effective for accounting periods beginning on or after 1 January 2020) - new chapter on valuation, financial reporting guidelines (new concept), improved definitions and guidelines (in particular the definition of an asset and a liability) as well as clarifications in important areas (e.g. the role of management's responsibility for entrusted resources, prudence and valuation uncertainty in financial reporting),

- **Update of References in IFRS standards to the Conceptual Framework -** issued on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - issued on 31 October 2018 (effective for annual periods beginning on or after 1 January 2020) - amendment to the definition "Significant" and the method of applying materiality,

- **Amendments to IFRS 3 "Business Combinations** - issued on 22 October 2018 (effective for acquisitions from the beginning of the annual period beginning on or after 1 January 2020) - amendment to the definition of "enterprise"- narrowing of the definition (An enterprise must have inputs and fundamental processes that together make a significant contribution to the ability to generate outputs) leads to a reduction in the number of business combinations and an increase in the number of asset acquisitions; the possibility of carrying out a concentration test to facilitate the decision whether to acquire an undertaking or a group of assets,

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - issued on 26 September, 2019 (effective for annual periods beginning on or after 1 January 2020) - "Reform of reference rates - Phase 1", i.e. replacement of reference interest rates, such as LIBOR, as well as other interbank market interest rates (so-called IBOR) by alternative interest rates,

- **Amendments to IFRS 16 "Leases"** - issued on 28 May 2020 (effective for annual periods beginning on or after 1 June 2020) - Rental relief in connection with the COVID-19 pandemic - the possibility of a voluntary exemption in assessing whether rent relief in connection with a coronavirus pandemic is modifying the leasing relationship or not.

The application of the new standards, amendments to the existing standards and interpretations did not result in any significant changes in the Bank's financial statements.

b) 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"** (issued January 30, 2014 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"** (issued on 18 May 2017 with effect for accounting periods beginning on or after 1 January 2021), replaces IFRS 4 "Insurance Contracts", sets out uniform principles for the accounting, reporting, measurement and presentation of all types of insurance and reinsurance contracts, and investment contracts with voluntary participation features. By amendments to IFRS 17 issued on 25 June 2020, the effectiveness of the standard was postponed by two years, i.e. it is effective for annual periods beginning on or after 1 January 2023.

- **Amendments to IFRS 17 "Insurance Contracts"** (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023) - explanations to facilitate the implementation of IFRS 17 and to simplify certain requirements of the standard as well as the transition itself. The amendment mainly concerns the areas: postponement of the effective date of the standard by two years, expected return on acquisition costs, contractual service margin attributable to investment services, passive reinsurance contracts - loss insurance, exclusion of the scope for some credit card contracts and some loan contracts.

- **Amendments to IFRS 4, "Insurance Contracts"** (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023) - postponement of the expiry date of the temporary exemption from IFRS 9 in IFRS 4 to annual periods beginning on or after 1 January 2023 or later.

- **Amendments to IFRS 3 "Business Combinations"** – change of the reference to the Conceptual Financial Reporting Framework for the purpose of determining what is an asset or liability in a business combination to the Conceptual Framework ("CF") of 2018 (formerly CF of 2001), added a new exemption for liabilities and contingent liabilities.

- **Amendments to IAS 16 "Property, Plant and Equipment"** - Revenue before Planned Use - Prohibition to deduct from the cost of an item of property, plant and equipment (PPE) any revenue generated from the sale of products manufactured while the entity is still preparing the PPE item for its intended use.

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Contract performance costs (direct costs comprise additional costs of performing the contract as well as allocated other costs that are directly related to performance), creation of a provision for onerous contracts only after recognition impairment losses on assets used in performance of this contract and not assets reserved for this contract.

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – (Issued on 11 September 2014 with effect for annual periods beginning on a date to be determined by the IASB) - Sale or Contribution of Assets carried out between an Investor and its Associate or Joint Venture.

- **Amendments to IAS 1 "Presentation of Financial Statements"** (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022) - The classification of liabilities as current or non-current depends on the rights that exist at the end of the accounting period. The definition of "settlement" has been added and clarification of the requirements for the classification of debt that a company can settle by converting it into equity instruments. The amendment issued on 15 July 2020 postponed the effective date by 1 year, it is effective for annual accounting periods beginning on or after 1 January 2023).

- **Annual Improvements to International Financial Reporting Standards for 2018-2020 - Amendment to IFRS 1 "First - time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IFRS 16 "Leases" and IAS 41 "Agriculture"** (all amendments were issued on 14 May 2020 and are effective for annual periods beginning on or after 1 January 2022).
  - **IFRS 9** - fees to be included in the 10% test for derecognition of financial liabilities; costs or fees paid to third parties will not be included in the 10% test.
  - **IFRS 16** - In illustrative example no. 13, which is an appendix to IFRS 16, the example of payments from a lessor that relates to the technical improvement of a leased asset has been removed. The reason for the amendment was the effort to remove any possible ambiguities in the accounting of leasing incentives.
  - **IFRS 1** - contains an exception for the case where a subsidiary applies IFRS for the first time later than its parent company. The objective is to enable entities that have elected to benefit from this exemption to measure in equity the cumulative foreign currency translation differences at the amounts recognized by the parent on the basis of its transition to IFRS.
  - **IAS41** - removing the requirement for entities to exclude cash flows from taxation in determining fair value.

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** - (issued on 27 August 2020 with effective for annual periods beginning on or after 1 January 2021) - Reform of reference rates - Phase 2 - address issues arising from the implementation of the reform of the reference US, including its replacement by an alternative interest rate.

The EU has not yet approved these standards, amendments and supplements to the standards. The Bank is currently assessing their impact on its financial statements.

Purpose of Preparation

These financial statements were prepared in Slovakia so as to comply with the article 17a) of Act on Accounting No. 431/2002 Coll. as amended (hereinafter "Accounting Law"), 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

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.

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 financial statements is the Euro, which is rounded to thousands of euros, unless stipulated otherwise. The amounts in brackets refer to negative values.

The Board of Directors may propose to the Bank's shareholders the amendment of the financial statements even after their approval by the General Meeting of shareholders. However, according to § 16, sections 9 to 11 of the Accounting Act, an entity's accounting records cannot be reopened after the financial statements have been prepared and approved. If, after the financial statements have been approved, management identifies that the comparative information would not be consistent, the Accounting Act allows to restate comparative information in the accounting period in which the relevant facts are identified.

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.

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.

Significant areas of judgment include the following:

Creation of provisions for expected credit losses and identified possible future liabilities

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 the Bank's 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. For more information, see note 2, section "Financial assets at amortized cost", note 6 "Loans and receivables" and note 35 "Credit risk".

Creation of provisions for litigation

The creation of provisions for litigation takes into account a significant degree of judgment in the expected future development of the litigation on the basis of available facts at the time of its creation. However, the actual outcome of a given litigation may ultimately differ significantly from the expected situation due to developments in the litigation itself.

Business model

A Bank's business model is the way the Bank manages its financial assets to generate cash flows. This means that the business model determines whether the cash flows will result from the collection of contractual cash flows, the sale of financial assets, or both.

The basic business intention / model of the bank when investing in financial assets is:

- ensuring the primary return on invested funds by collecting contractual cash flows;
- investing in such instruments and counterparties that may be used for refinancing operations, as appropriate;
- stabilization of interest income.

Contractual cash flows that are solely a payments of principal and interest on the principal amount outstanding (SPPI)

The Bank assesses whether the contractual cash flows are exclusively payments of principal and interest on the outstanding amount of principal. For the purposes of this assessment, the principal is defined as the fair value of the financial asset at initial recognition. Interest is defined as the remuneration for the time value of money, the credit risk associated with outstanding principal over time and other underlying credit risks and costs (e.g. liquidity risk and administrative costs) plus margin. In assessing whether the contractual cash flows are solely a payment of principal and interest, the Bank assesses whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows, thereby failing to meet the definitions of principal and interest. The bank evaluates, among other things:

- contingent events that may change the amount and timing of contractual cash flows;
- leverage effect;
- subscription and extension;
- conditions restricting the bank's right to cash flows from certain assets;
- contractual conditions governing the time value of money.

Translation of Amounts Denominated in Foreign Currencies

Financial 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 in the Statement of profit or loss and other 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 other banks, 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, as its use is limited. 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."* 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 profit or loss and other comprehensive income, line *"Interest income".*

Financial Instruments – Initial recognition and derecognition

All financial instruments are initially recognized at fair value. In the case of financial assets at amortized cost and financial assets at fair value through other comprehensive income, the fair value is increased in the case of financial liabilities at amortized cost, the fair value is reduced by transaction costs.
Financial assets and liabilities are initially recognized in the statement of financial position on the trade date, when the purchase or sale occurs under a contract, whose terms require the financial asset or financial liability to be provided within the time period specified by the relevant market.

A financial asset is derecognised from the statement of financial position when the contractual rights to the cash flows arising from the financial asset expire or when the rights are transferred to another person by the bank. The transfer occurs when the bank either:

a) transfers contractual rights to cash flows; or

b) retains the rights to the cash flows while entering into a contractual obligation to pay those cash flows to a third party.

After the transfer of an asset, the Bank assesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been neither retained nor transferred, the Bank assesses whether it has retained control of the asset. If it has not retained control, the asset is derecognised. As long as the Bank has retained control of the asset, it continues to recognize it to the extent of its continuing involvement.

If the contractual terms change during the life of the financial asset, the Bank assesses whether the new terms differ significantly from the original terms (e.g. in the case of refinancing / consolidation of existing contracts; if the change in interest rate is assessed as significant; debtor, which will significantly affect the probability of contract failure; if the Bank's rights to the contractual cash flows of the original contract expired or following the court's decision, when new contractual terms are set). If the contractual terms are significantly different, the transaction is recognized as a derecognition of the original and a recognition of a new financial asset. If the Bank considers that the terms are not significantly different, the transaction constitutes a modification of a financial asset. The gain / (loss) on the change is recognized in the Statement of profit or loss and other comprehensive income.

The Bank continuously analyses the impact of modifications, including the impact of the loan repayments deferral due to measures related to the COVID-19 pandemic. The impact of modifications at the balance sheet date is not significant, therefore no corresponding profit / (loss) is recognized in the Statement of profit or loss and other comprehensive income.

Write-off is a direct reduction of the gross carrying amount of a financial asset, when the Bank has no reasonable expectation to recover from the financial asset, either in whole or in part (e.g. when the assets are considered uncollectible; in the case of the client's death with no assets to cover the debts; if bankruptcy proceedings have been terminated; if the legal costs and fees are higher than the possible recoverable amount). The Bank's write-off methodology reflects various aspects of local law and tax policy. Write-off is treated as derecognition. Write-off is not considered a debt forgiveness and the Bank retains an enforceable right against the debtor in the event of write-off, unless the court decides otherwise.

A financial liability is derecognised from the Statement of financial position when the obligation specified in the contract is discharged, revoked or expires. The Bank derecognises the original financial liability and recognizes a new one, if there is a significant change in the contractual terms of the original financial liability.

Financial assets - classification, initial and subsequent measurement

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. In classifying and measuring the financial assets, the Bank applies rules that take into account the business model on the basis of which the assets are managed and the characteristics of their cash flows. 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

A financial asset is measured at fair value through profit or loss, unless it is measured at amortized cost or at fair value through other comprehensive income. However, for certain investments in equity instruments that would otherwise be measured at fair value through profit or loss, an entity may irrevocably elect, on initial recognition, to present subsequent changes in fair value in other comprehensive income.

The basic components of the portfolio of financial assets measured at fair value through profit or loss are:
- financial assets held for trading;
- non-trading financial assets compulsorily measured 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 profit or loss and other 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 financial assets that the Bank intends to hold in order to collect contractual cash flows or which may be sold if liquidity requirements arise or market conditions change and additionally, based upon the Bank assessment the contractual cash flows of these financial assets do not constitute sole payments of principal and interest. The initial and subsequent measurement of these financial assets is at fair value. Gains and losses on fair value remeasurement are recognised in the Statement of profit or loss and other 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.

The bank reports only equity instruments in the given portfolio. Equity instruments are measured at fair value in the statement of financial position. In certain circumstances, for non-marketable equity instruments, cost may be an appropriate measure of fair value. The base portfolio for equity instruments is the portfolio of financial assets at fair value through profit or loss, but the Bank may irrevocably decide that the revaluation of the fair value of equity instruments will be recognized in other comprehensive income within the portfolio of financial assets at fair value through other comprehensive income. When selling or otherwise derecognising an equity instrument held in a portfolio of financial assets measured at fair value through another comprehensive income, the revaluation from another comprehensive income cannot be reclassified to profit or loss. The exception is the dividend received, which is recognized in the income statement.

Gains and losses on fair value measurement are recognised in the Statement of profit or loss and other 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 profit or loss and other comprehensive income as *"Interest income".*

For equity instruments no expected credit losses are recognized.

Financial assets at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:

a) the financial asset is held in accordance with a business model that is intended to hold financial assets to collect contractual cash flows; and
b) the contractual terms of the financial asset give rise, at specified dates, to cash flows that represent payments of principal only and interest on the principal outstanding.

The basic components of the portfolio of financial assets measured at amortized cost are:
- loans and receivables,
- debt securities.

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".* 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".* For receivables in STAGE 3 the interest is calculated on a net basis, for receivables in STAGE 1 and 2 on a gross basis, with subsequent recording of provisions to interest receivables.

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, this means in cases where the bank no longer has a legal right to claim the interests.

Fees and commissions related to loans, which are integral part of the effective interest rate, 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*".

As at 31 December 2020, the Bank has not purchased, or originated credit-impaired financial assets in its portfolio, i.e. 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,
- The behavioural rating is higher than the threshold set in advance (rating 8 – 9),

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, this category also includes receivables from clients who have requested instalment holidays in accordance with the legislation to mitigate the economic impact of the Covid-19 pandemic. 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. These WL represent additional monitoring to those described in Note 35 "Credit Risk".
- 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 - with an exposure to EUR 0.2 million),
- 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 as 12 monthly expected credit loss. 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 profit or loss and other comprehensive income.

The Bank recognises write-offs of loans in *"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 profit or loss and other comprehensive income, line *"Provisions for impairment losses on loans and off-balance sheet, net".*

More details about the credit risk management are stated in Note 35 Credit Risk.

Debt Securities at Amortised Cost

This portfolio represents financial assets with fixed or determinable payments and fixed maturity, which the Bank has the intent and ability to hold till maturity in accordance with the stated business model. 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 after taking into account 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 profit or loss and other comprehensive income in *"Interest income".* Interest is charged on a gross basis.

Reclassification

Financial assets cannot be reclassified after initial recognition, unless the Bank changes its business model for managing financial assets. A change can only occur when a bank starts or ceases to perform a certain activity significant to its operation. The reclassification is made on the first day of the reporting period following the change.

Financial liabilities

Financial liabilities are divided into the following specified categories: financial liabilities held for trading and financial liabilities at amortized cost.

Financial liabilities held for trading

Financial liabilities held for trading include financial derivatives held for trading and held with the intention of making a profit. Revaluation gains and losses are recognized in the Statement of profit or loss and other comprehensive income, line *"Net gains / (losses) on financial assets"*.

Financial liabilities at amortized cost

Financial liabilities at amortized cost are non-derivative financial liabilities that, under contractual terms, require the Bank to deliver cash or another financial asset to the counterparty to the instrument. In the statement of financial position, these liabilities are initially measured at their fair value plus transaction costs, and are subsequently measured at amortized cost. Amortization is included in the Statement of profit or loss and other comprehensive income in "*Interest expense"*.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the resulting net amount is recognized in the statement of financial position if there is a legally or contractually enforceable right to set off the reported amounts and the intention to settle the resulting difference, or to realize the receivable and pay the liability.

Right of set-off:
- must not be conditioned by a future event; and
- must be legally enforceable in all the following cases:
  - in the ordinary course of business;
  - in case of failure; and
  - in the event of insolvency or bankruptcy.

Leasing

Assessing whether a contract is or contains a lease depends on the substance of the contract and requires an assessment of whether performance of the contract depends on the use of a specific, clearly identifiable asset or whether the contract provides a right to use the asset for a period of time in exchange for a consideration. The lessee has the right to control the use of the asset and to obtain significant economic benefits from its use.

The Bank does not apply IFRS 16 to leases of intangible assets, short-term leases (less than one year) and to leases where the underlying asset has a low value. The Bank, as the lessee, recognizes an asset with a right of use and a lease liability on the date of the lease.

An asset with a right to use is initially recognized at cost and recognized in the statement of financial position as "*Non/current tangible asset"*. An asset with a right of use is subsequently measured using the cost model. The depreciation period is equal to the estimated useful life of the underlying asset or the lease term. Depreciable assets with the right to use are tested for impairment whenever events or changes in conditions occur that could indicate that the carrying amount may not be recoverable, but at least at the balance sheet date.

The lease liability is initially recognized at the present value of the future lease payments and is recognized in the statement of financial position under "*Other liabilities"*. Subsequently, the lease liability is increased by the relevant interest calculated on the basis of the implicit lease interest rate or incremental interest rate and reduced by the lease payments. Interest is recognized in Statement of profit or loss and other comprehensive income, line *"Interest expense"*.

The life of lease for an indefinite period is limited to the nearest date on which the lease agreement can be terminated by the lessee or lessor, taking into account previous customs and the economic reasons for these customs. The useful life for fixed-term leases corresponds to the contractual period, with the options included in the contract being taken into account.

Payments for short-term leases and leases in which the underlying asset has a low value are recognized as an expense on a straight-line basis over the lease term in the Statement of profit or loss and other comprehensive income in "*Other operating income / (expenses), net"*.

Non-Current Tangible and Intangible Assets

Non-current tangible and intangible assets are stated at cost, less accumulated depreciation and accumulated impairment losses. Depreciation charges are calculated 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 2020 and 2019
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 - buildings	1 – 10
Right-of-use assets – ATM places	1 - 5
Technical upgrade of leased buildings	5 – 20
Time vaults, air-conditioning facilities	10
Heavy bank program (safes), transportation means	12
Buildings and structures	40

Depreciation of non-current assets is charged to the Statement of profit or loss and other 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 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 profit or loss and other comprehensive income, line "*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 profit or loss and other comprehensive income in "*Other operating revenues/(expenses), net*".

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

Internally created intangible assets

Internally created intangible assets (software) are the result of the work of internal projects through the development phase.

Costs on internally created intangible assets include costs that are directly attributable and are necessary to create and prepare the asset for working condition in accordance with management's intentions. Intangible assets are stated at cost (internal and external expenses) less amortization. Straight-line depreciation is applied over the estimated useful life of the asset. Depreciation periods are determined individually.

Depreciated assets are reviewed for impairment whenever events or changes in circumstances occur that would indicate that the carrying amount may not be recoverable, but at least as at the balance sheet date. The carrying amount is reduced to its recoverable amount if the carrying amount of the asset is greater than its recoverable amount. Recoverable amount is the higher of an asset's market value less costs to sell and value in use.

Accrued Interest Receivable/Payable

Accrued interest on loans and placements made is recognised in lines "*Placements with other banks, loans to other banks"* and "*Loans and receivables"*. 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

Revenue is recognized in the Statement of profit or loss and other comprehensive income when it is probable that the economic benefits will flow to the bank and the income can be measured reliably.

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, while receivables classified in STAGE 1 and 2 bear interest on a gross basis and subsequently provisions for interest receivables are created.

Income from dividends is recognised in the period of the origin of the title to receive dividends, e.g. when the bank acquires the right to receive payment of the dividend, when it is probable that the economic benefits associated with the dividend will flow into the bank and the amount of the dividend can be measured reliably. They are recognized in the Statement of profit or loss and other comprehensive income, line "*Gains/(losses) on financial assets, net*".

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

Fees and commissions income and expense

Fees and commissions are recognised in the profit or loss on an accrual basis. Fees and commissions related to the provision of loans, which are integral part of the effective interest rate, are accrued over the contractual term of the loan until its due date using the effective interest rate and are recognised in the Statement of profit or loss and other comprehensive income as *"Interest income"*.

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

Monitoring and contract modification fees are recognised on an accrual basis over the period, for which the service was provided.

Fees related to credit facilities issued but not drawn, issued financial guarantees and letter of credits are recognized when the service has been provided.

Fees and commissions related to securities and payment services are generally recognized when the service has been provided.

Distribution fees, such as fees and commissions to be received on the distribution of traditional products/ services sold by the Bank, which belong to the areas of insurance, are recognized when the service is provided.

Network income/ expense is the revenue from margins earned on foreign exchange transactions (related to payments, loans, deposits, and investments) carried out by the network (branches and online) for customers. Network income/expense reflects the fees from margins that can be considered as part of the investment and payments business, which is fee-based.

Income Tax and Other Taxes

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 2020.

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 in "*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 comprehensive income.

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

Special Levy on Selected Financial Institutions and Resolution Fund

The Bank is a payer of a special levy on selected financial institutions since the Act no. 384/2011 Coll. on a special levy on selected financial institutions, as amended (hereinafter the "OOFI Act") entered into force. When calculating the levy for the relevant calendar quarter, the bank proceeds in accordance with the valid wording of the OOFI Act.

The OOFI Act was repealed by the Act no. 353/2020 Coll. of 24 November 2020. Effective from 1 January 2021 the obligation to pay the special levy ceases.

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, i.e. banks and selected security dealers. The financial funds of the national fund are deposited in a separate account held with the National Bank of Slovakia. The administration of such funds is provided by the Deposit Protection Fund. The resolution fund may be used under strictly defined conditions for the resolution of crisis situations.

The Bank recognises the levies in accordance with the accrual principle in the Statement of profit or loss and other comprehensive income, line *"General administrative expenses" (Note 27)*. The Bank records levies as a liability at the time when the binding event causing the obligation to pay the levy, as identified by legal regulations, activates the obligation to pay the levy. The levy paid before the binding event is recorded as an advance.

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.

Derivative financial instruments are initially recognised at acquisition cost, which includes transaction costs 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 profit or loss and other 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 in *"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 profit or loss and other 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 profit or loss and other 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.

Provisions for issued financial guarantees and provisions for credit facilities issued but not drawn are initially and subsequently measured in the amount of the expected credit losses.

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 granted loans.

Provisions are recognised in the statement of financial position, line "*Provisions for liabilities*". Expenses for the recorded provision are recognised in Statement of profit or loss and other comprehensive income, line "*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 profit or loss and other 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 valid compensation policy of the bank. In the case of a cash-settled remuneration, the payment is recognised in Statement of profit or loss and other comprehensive income, in "*General administrative expenses*", with the counter entry in "*Other liabilities*" in the statement of financial position. A part of the remuneration in the form of a financial instrument being the parent company's shares is recognised in the Statement of profit or loss and other 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 in the periods to which they are factually and temporally related.

The compensation policy of the Bank 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 on a regular basis to the Bank's board of directors, which represents the chief operational decision maker body of the Bank. The main factors, based on which the Bank's board of directors makes its decisions on particular segments, are their net interest income and net fee income. 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,
- Other.

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 are 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 MICROloan facilities, otp EU MICROloans (with EIF guarantee), otp refinancing MICROloans, overdraft facilities, 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 clients' 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 were 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 are 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.

Reclassification of the Cash Flow Statement as at 31 December 2019

In 2020 the Bank reassessed the presentation and disclosure of some items in the cash flow statement. The changes in the presentation are in line with the IFRS and offers reliable and more relevant information for the users of these financial statements. Applying these changes the comparatives in the cash flow statement as of 31 December 2019 were also restated.

The change in the amounts of debt securities, net of provisions for expected losses, in the amount EUR 244 thousand, was moved from *"Net cash flows from/(used in) investment activities"* to *"Net cash flows from/(used in) operating activities"*.

In *"Net cash flows from/(used in) investment activities"* the Bank stopped disclosing the item *"Decrease/(increase) in right-of-use assets"*, in the amount EUR (3 859) thousand as at 31 December 2019.

In *"Net cash flows from/(used in) financial activities"* the Bank stopped disclosing the item *"(Decrease)/increase in lease liabilities"*, in the amount EUR 2 844 thousand as at 31 December 2019, while as at 31 December 2020 presenting there a new item "*Cash payments of the lease liabilities"*.

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 classification of financial instruments within the fair value hierarchy is not static. Financial instruments can be moved between levels for different reasons:

- changes in the market - the market may become inactive (shift from level 1 to level 2 or 3). As a result, observable data may change to unobservable (possible shift from level 2 to level 3);
- changes in models - application of a new model that uses inputs based on observable data or reduces the impact of unobservable factors on fair value (possible shift from level 3 to level 2);
- change in sensitivity - the sensitivity of individual inputs to the real value may change over time. Unobservable inputs that have had a significant effect on the determination of fair value may become insignificant and vice versa (change from level 3 to level 2, or vice versa).

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 2020 (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	-	-	-	**-**
Financial assets at fair value through other comprehensive income	-	1 355	1 118	**2 473**
Liabilities				
Financial liabilities held for trading	-	-	-	**-**

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**

Financial assets at fair value through other comprehensive income included securities that were not publicly traded. The valuation of level 3 securities was derived from the market value of similar shares of the same issuer, listed on a stock exchange, using a discount factor determined by an expert estimation, which value is 18,75% (2019: 12%).

During 2020, due to the conversion of part of the portfolio by the issuer of these securities (VISA Inc.), the portfolio of securities originally valued at level 3 was split, the part not valued using the discount factor was moved to level 2. Change in discount factor (increase) by 1%, would lead to a decrease in the valuation of securities within level 3 by approx. EUR 13,7 thousand (2019: EUR 30 thousand).

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

31 Dec 2020 (EUR '000)	Level 1	Level 2	Level 3	Fair value	Residual value
Assets					
Money, receivables from banks and accounts with the National Bank of Slovakia	163 954	7 068	-	**171 022**	**171 022**
Deposits with other banks, loans granted to banks	-	7 752	3 827	**11 579**	**11 579**
Loans and receivables	-	-	1 139 425	**1 139 452**	**1 118 750**
Debt securities at amortised cost	89 126	-	-	**89 126**	**83 125**
Other financial assets	-	-	1 635	**1 635**	**1 635**
Liabilities					
Liabilities to banks	-	-	208 000	**208 000**	**208 000**
Amounts due to customers	-	-	1 044 747	**1 044 747**	**1 044 734**
Liabilities from debt securities	-	-	-	**-**	**-**
Subordinated debt	-	38 139	-	**38 139**	**38 028**
Other financial liabilities	-	-	19 579	**19 579**	**19 579**

31 Dec 2019 (EUR '000)	Level 1	Level 2	Level 3	Fair value	Residual value
Assets					
Money, receivables from banks and accounts with the National Bank of Slovakia	171 933	10 522	-	**182 455**	**182 455**
Deposits with other banks, loans granted to banks	-	8	1 078	**1 086**	**1 086**
Loans and receivables	-	-	1 127 864	**1 127 864**	**1 115 233**
Debt securities at amortised cost	90 724	-	-	**90 724**	**83 367**
Other financial assets	-	-	2 993	**2 993**	**2 993**
Liabilities					
Liabilities to banks	-	-	153 307	**153 307**	**153 307**
Amounts due to customers	-	-	1 065 441	**1 065 441**	**1 065 348**
Liabilities from debt securities	-	45 071	-	**45 071**	**45 110**
Subordinated debt	-	27 046	-	**27 046**	**27 027**
Other financial liabilities	-	-	21 753	**21 753**	**21 753**

In 2019, the Bank reported the fair value of nostro accounts according to level 3. In 2020, in order to precise the presentation, decided to reclassify these assets to level 2. Applying this change the comparatives were also restated.

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, Balances with the National Bank of Slovakia, Placements with Other Banks and Loans to 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).

Item "Placement with banks, loans to banks" includes also Trade Finance deals (Letter of Credit´s post-shipment financing, Export Buyer´s Credit). Based on expert estimations the Bank assumes, that the fair value of these type of deals approximates their net book value.

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 2020	Net Book Value 31 Dec 2020	Difference 31 Dec 2020
Assets			
Loans and receivables	1 139 452	1 118 750	20 702
Debt securities at amortised cost	89 126	83 125	6 001
Liabilities			
Amounts due to customers	1 044 747	1 044 734	13
Liabilities from debt securities	-	-	-
Subordinated liabilities	38 149	38 028	121

(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)
Subordinated liabilities	27 046	27 027	19

Supplementary Data to the Financial Statements

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

(EUR '000)	31 Dec 2020	31 Dec 2019
Cash on hand:		
In EUR	41 138	39 341
In foreign currency	5 609	9 362
	46 747	**48 703**
Due from National Bank of Slovakia		
In EUR	117 207	123 230
In foreign currency	-	-
	117 207	**123 230**
Due from other banks:		
In EUR	226	838
In foreign currency	6 842	9 684
	7 068	**10 522**
Total	**171 022**	**182 455**

The 'Due from NBS' denominated in EUR includes the compulsory required minimum reserve in the amount of EUR 11 333 thousand (31 December 2019: EUR 11 111 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% (31 December 2019: negative interest rate 0.5%). As at 31 December 2020, compulsory minimum reserves bear interest at 0.00% (31 December 2019: 0.00%).

As at 31 December 2020, the Bank did not recognise term deposits with the NBS (31 December 2019: EUR 0 thousand).

5. Placements with Other Banks, Loans to Other Banks

(EUR '000)	31 Dec 2020	31 Dec 2019
Residual maturity within one year:		
In EUR	97	8
In foreign currency	7 752	-
	7 849	**8**
Residual maturity of over one year:		
In EUR	3 730	1 078
In foreign currency	-	-
	3 730	**1 078**
Total	**11 579**	**1 086**

As at 31 December 2020, provisions for expected losses amounted to EUR 12 thousand (31 December 2019: EUR 3 thousand).

6. Loans and Receivables

Loans and Receivables by Type of Product

31 December 2020 (EUR '000)	Carrying Amount Before Provisions	STG1	STG2	STG3	Provisions	Carrying Amount After Provisions
Non-retail loans	**401 099**	**328 787**	**38 721**	**33 591**	**39 109**	**361 990**
Overdrafts and revolving loans	57 609	45 481	7 177	4 951	5 123	52 486
Investment, operation and other loans	334 942	276 285	30 202	28 455	33 628	301 314
Overdrafts on term deposit accounts	574	432	37	105	141	433
Factoring loans	7 974	6 589	1 305	80	217	7 757
Other	-	-	-	-	-	-
Retail loans	**783 656**	**725 349**	**31 138**	**27 169**	**26 896**	**756 760**
Loans secured by immovable assets	605 006	572 107	18 245	14 654	10 960	594 046
Other consumer loans	175 560	151 252	12 610	11 698	15 075	160 485
Overdrafts on term deposit accounts	1 928	1 109	233	586	668	1 260
Other	1 162	881	50	231	193	969
Total	**1 184 755**	**1 054 136**	**69 859**	**60 760**	**66 005**	**1 118 750**
Provisions	**-**	**(9 219)**	**(14 295)**	**(42 491)**	**(66 005)**	**-**
Total	**1 184 755**	**1 044 917**	**55 564**	**18 269**	**-**	**1 118 750**

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**

On April 9 2020 the Act no. 75/2020, which defines the conditions for deferred payments of instalments, came into effect. Since then the Bank's processes with the clients are in accordance with the mentioned Act, As at 31 December 2020 the volume of loans with the application of deferred repayments represents 7.1% of the bank's non-retail and 11.8% of the bank's retail portfolio. As a result of the repayments deferral used by the Bank's clients in accordance with the legislation, the migration from STG1 to STG2 and STG3 was temporarily reduced.

In May 2020, the Bank entered into the Agreement on the Guarantee Instrument "SIH Anti-Corona Guarantee" to alleviate the limitations caused by the COVID-19 disease. Under this program, the Bank provides bridging loans for micro, small and medium-sized enterprises, while the volume of these loans as at 31 December 2020 amounts to EUR 5 698 thousand.

Summary of Provisions for Expected Credit Losses

Overview of changes in provisions for expected credit losses in the segments financial and non/financial institutions.

(EUR'000)	STG1	STG2	STG3	Total
Provisions as at 1 January 2020	**3 742**	**5 754**	**26 561**	**36 057**
Increase in provisions due to the origin and acquisition of receivables	1 225	52	-	1 277
Decrease in provisions due to derecognition of receivables (except for write offs)	(1 265)	(422)	(1 914)	(3 601)
Net change in provisions due to a change in credit risk	(52)	6 889	2 124	8 961
Net change in provisions due to adjustments without derecognition	-	-	(285)	(285)
Net change in provisions due to revision of estimation methodology	-	-	-	-
Decrease in provisions due to write offs	-	(2)	(4 278)	(4 280)
Transfers between stages	1 994	(2 414)	433	13
Provisions as at 31 December 2020	**5 644**	**9 857**	**22 641**	**38 142**

(EUR'000)	STG1	STG2	STG3	Total
Provisions as at 1 January 2019	**6 399**	**1 893**	**32 083**	**40 375**
Increase in provisions due to the origin and acquisition of receivables	2 672	7	99	2 778
Decrease in provisions due to derecognition of receivables (except for write offs)	(2 089)	(333)	(6 541)	(8 963)
Net change in provisions due to a change in credit risk	(3 696)	6 596	1 871	4 771
Net change in provisions due to adjustments without derecognition	-	-	(167)	(167)
Net change in provisions due to revision of estimation methodology	-	-	-	-
Decrease in provisions due to write offs	-	(242)	(2 499)	(2 741)
Transfers between stages	456	(2 167)	1 715	4
Provisions as at 31 December 2019	**3 742**	**5 754**	**26 561**	**36 057**

Overview of changes in provisions for expected credit losses in the segment of households.

(EUR'000)	STG1	STG2	STG3	Total
Provisions as at 1 January 2020	**3 684**	**4 663**	**25 312**	**33 659**
Increase in provisions due to the origin and acquisition of receivables	2 274	209	2	2 485
Decrease in provisions due to derecognition of receivables (except for write offs)	(1 543)	(451)	(7 271)	(9 265)
Net change in provisions due to a change in credit risk	(8 184)	9 576	1 327	2 719
Net change in provisions due to adjustments without derecognition	-	-	20	20
Net change in provisions due to revision of estimation methodology	-	-	-	-
Decrease in provisions due to write offs	-	-	(1 702)	(1 702)
Transfers between stages	7 344	(9 559)	2 162	(53)
Provisions as at 31 December 2020	**3 575**	**4 438**	**19 850**	**27 863**

(EUR'000)	STG1	STG2	STG3	Total
Provisions as at 1 January 2019	**7 219**	**3 638**	**34 662**	**45 519**
Increase in provisions due to the origin and acquisition of receivables	2 960	128	50	3 138
Decrease in provisions due to derecognition of receivables (except for write offs)	(2 050)	(450)	(7 763)	(10 263)
Net change in provisions due to a change in credit risk	(10 750)	10 223	(1 045)	(1 572)
Net change in provisions due to adjustments without derecognition	-	-	(84)	(84)
Net change in provisions due to revision of estimation methodology	-	-	-	-
Decrease in provisions due to write offs	-	(53)	(3 024)	(3 077)
Transfers between stages	6 305	(8 823)	2 516	(2)
Provisions as at 31 December 2019	**3 684**	**4 663**	**25 312**	**33 659**

Overview of changes in provisions for expected credit losses in the segments financial and non/financial institutions and households.

(EUR'000)	STG1	STG2	STG3	Total
Provisions as at 1 January 2020	**7 426**	**10 417**	**51 873**	**69 716**
Increase in provisions due to the origin and acquisition of receivables	3 499	261	2	3 762
Decrease in provisions due to derecognition of receivables (except for write offs)	(2 808)	(873)	(9 185)	(12 866)
Net change in provisions due to a change in credit risk	(8 236)	16 465	3 451	11 680
Net change in provisions due to adjustments without derecognition	-	-	(265)	(265)
Net change in provisions due to revision of estimation methodology	-	-	-	-
Decrease in provisions due to write offs	-	(2)	(5 980)	(5 982)
Transfers between stages	9 338	(11 973)	2 595	(40)
Provisions as at 31 December 2020	**9 219**	**14 295**	**42 491**	**66 005**

(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)	31 December 2020	31 December 2019
Balance at the beginning of the reporting period	69 716	85 894
Impairment losses on loans	9 436	166
Loan write-offs and assignments (Note 23)	(13 148)	(16 345)
Foreign exchange differences	1	1
Balance at the end of the reporting period	**66 005**	**69 716**

During 2020, macroeconomic scenarios were reassessed in terms of the impact of the Covid-19 pandemic on the Bank's economic environment, and the Bank created a significant volume of provisions despite the fact, that the portfolio quality is not deteriorating, but the Bank expects them to deteriorate as a result of the pandemic. As a result, the Bank created provisions in the amount of EUR 8.2 mil.

The following table shows the transfers of gross book value of loans and off-balance sheet items between stages as at 31 December 2020

	from stage 1 to stage 2	from stage 2 to stage 1	from stage 2 to stage 3	from stage 3 to stage 2	from stage 1 to stage 3	from stage 3 to stage 1
Loans to financial and non - financial institutions	*17 310*	*8 889*	*855*	*1*	*210*	*0*
Loans to households	*14 563*	*24 751*	*5 509*	*1 240*	*2 688*	*555*
Total	**31 873**	**33 640**	**6 364**	**1 241**	**2 898**	**555**
Off-balance sheet assets	**2 598**	**435**	**10**	**12**	**59**	**30**

The following table shows the transfers of gross book value of loans and off-balance sheet items between stages as at 31 December 2019

	from stage 1 to stage 2	from stage 2 to stage 1	from stage 2 to stage 3	from stage 3 to stage 2	from stage 1 to stage 3	from stage 3 to stage 1
Loans to financial and non - financial institutions	*32 613*	*3 988*	*4 683*	*434*	*1 437*	*0*
Loans to households	*35 752*	*4 502*	*3 191*	*2 179*	*6 123*	*573*
Total	**68 365**	**8 490**	**7 874**	**2 613**	**7 560**	**573**
Off-balance sheet assets	**1 819**	**137**	**5**	**5**	**42**	**6**

7. Debt securities

As at 31 December 2020 and 31 December 2019, the Bank recognised the following debt securities at amortised cost:

(EUR '000)	31 December 2020	31 December 2019
Slovak government bonds	72 783	72 964
Foreign government bonds	10 360	10 428
Total	**83 143**	**83 392**
Provisions for expected losses	(18)	(25)
Total debt securities	**83 125**	**83 367**

As at 31 December 2020 and 31 December 2019, 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 2020	31 December 2019
Balance at the beginning of the reporting period	(25)	(26)
Increase in provisions	(6)	(6)
Decrease in provisions	13	7
Balance at the end of the reporting period	**(18)**	**(25)**

In the case of these securities, the bank did not record a significant deterioration in credit risk and recognises them in Stage 1.

8. Financial Assets at Fair Value Through Profit or Loss

(EUR '000)	31 December 2020	31 December 2019
Bonds issued by foreign banks*	-	8 322
Derivative financial instruments held for trading (Note 21)	-	-
Total financial assets at fair value through profit or loss	**-**	**8 322**

**These are subordinated bonds issued by OTP Bank. The proceeds from these bonds are recognised using effective interest rate in the Statement of profit or loss and other comprehensive income as "Interest income" in the amount EUR 212 thousand (2019: EUR 242 thousand). The bond had following interest rate: 3M Euribor + 3%. The issuer repaid the bonds on November 20, 2020.*

9. Financial Assets at Fair Value Through Other Comprehensive Income

(EUR '000)	31 December 2020	31 December 2019
Shares of foreign entities (VISA Inc.)	2 467	2 289
Investments in corporate entities	6	6
Total financial assets at fair value through other comprehensive income	**2 473**	**2 295**

An analysis of investments in corporate entities as at 31 December 2020 and 31 December 2019:

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

Tangible Assets

Movements of Assets (EUR '000)	Buildings and Land	Fittings and Fixtures	Motor Vehicles	Right-of-use Assets	Procure-ment	Total
Cost at 1 Jan 2019	27 746	21 610	978	3 906	345	54 585
Additions (+)	53	1 324	19	85	1 316	2 807
Disposals (-)	-	(787)	(11)	(162)	(1 384)	(2 354)
Cost at 31 Dec 2019	**27 799**	**22 147**	**986**	**3 829**	**277**	**55 038**
Accumulated depreciation and provisions at 1 Jan 2019	13 821	16 670	782	-	-	31 273
Depreciation (+)	959	1 487	67	989	-	3 502
Disposal (-)	-	(787)	(3)	(30)	-	(820)
Accumulated depreciation and provisions at 31 Dec 2019	**14 780**	**17 370**	**846**	**959**	**-**	**33 955**
Net book value at 31 Dec 2019	**13 019**	**4 777**	**140**	**2 870**	**277**	**21 083**
Cost at 1 Jan 2020	27 799	22 147	986	3 829	277	55 038
Additions (+)	47	442	-	500	264	1 253
Disposals (-)	-	(324)	(113)	(91)	(371)	(899)
Cost at 31 Dec 2020	**27 846**	**22 265**	**873**	**4 238**	**170**	**55 392**
Accumulated depreciation and provisions at 1 Jan 2020	14 780	17 370	846	959	-	33 955
Depreciation (+)	942	1 426	57	1 010	-	3 435
Disposal (-)	-	(313)	(113)	(114)	-	(540)
Creation of provisions	257	-	-	-	-	257
Accumulated depreciation and provisions at 31 Dec 2020	**15 979**	**18 483**	**790**	**1 855**	**-**	**37 107**
Net book value at 31 Dec 2020	**11 867**	**3 782**	**83**	**2 383**	**170**	**18 285**

Intangible Assets

(v tis. EUR)	Purchased software	Internally created software	Procure-ment	Total
Cost at 1 Jan 2019	33 450	-	1 933	35 383
Additions (+)	3 113	421	3 030	6 564
Disposals (-)	-	-	(3 548)	(3 548)
Cost at 31 Dec 2019	**36 563**	**421**	**1 415**	**38 399**
Accumulated depreciation and provisions at 1 Jan 2019	25 499	-	-	25 499
Depreciation (+)	2 044	35	-	2 079
Disposals (-)	-	-	-	-
Accumulated depreciation and provisions at 31 Dec 2019	**27 543**	**35**	**-**	**27 578**
Net book value at 31 Dec 2019	**9 020**	**386**	**1 415**	**10 821**
Cost at 1 Jan 2020	36 563	421	1 415	38 399
Additions (+)	1 835	362	1 330	3 527
Disposals (-)	-	-	(2 315)	(2 315)
Cost at 31 Dec 2020	**38 398**	**783**	**430**	**39 611**
Accumulated depreciation and provisions at 1 Jan 2020	27 543	35	-	27 578
Depreciation (+)	2 167	78	-	2 245
Disposals (-)	-	-	-	-
Accumulated depreciation and provisions at 31 Dec 2020	**29 710**	**113**	**-**	**29 823**
Net book value at 31 Dec 2020	**8 688**	**670**	**430**	**9 788**

OTP Banka did not create provisions for intangible assets as at 31 December 2020 and 31 December 2019, as did not record a decrease in the ability of intangible assets to generate sufficient future economic benefits. Intangible assets in the Bank comprise of software, which are crucial for the Bank's operation, it is not possible to shut down or replace them, or replacement would mean significant investments.

Structure of right-of-use assets

31 Dec 2019 (EUR '000)	ATM premises	Branch 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				
Depreciation (+)	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**
Value of right-of-use assets as at 1 Jan 2020	153	3 676	-	3 829
Additions (+)	262	238	-	500
Disposals (-)	(83)	(8)	-	(91)
Value of right-of-use assets as at 31 Dec 2020	**332**	**3 906**	**-**	**4 238**
Accumulated depreciation and provisions as at 1 Jan 2020	71	888	-	959
Depreciation (+)	78	932	-	1 010
Disposals (-)	(83)	(31)	-	(114)
Accumulated depreciation and provisions as at 31 Dec 2020	**66**	**1 789**	**-**	**1 855**
Net book value as at 31 Dec 20	**266**	**2 117**	**-**	**2 383**

A summary of insurance of non-current tangible and intangible assets as at 31 December 2020:

(EUR '000)	Insurance Costs
MTPL insurance	4
Motor hull insurance	28
Insurance of assets	42
Total	**74**

Costs of insurance coverage are recognised in the Statement of profit or loss and comprehensive income line *"General administrative expenses"*.

As at 31 December 2020, the Bank's non-current tangible and intangible assets were insured up to 100% of the total amount of assets (31 December 2019: 100%).

As at 31 December 2020, 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 2020	31 Dec 2019
Other financial assets		
Loss receivables (non-credit) from various debtors	514	516
Loss receivables from securities	6 104	6 104
Operating advances made	173	192
Accrued income	123	168
Receivables from various debtors	120	261
Receivables from shortages and damage	114	172
Other receivables from clients	585	722
Account remittances	-	784
Other receivables	502	687
Total	**8 235**	**9 606**
Provisions for expected losses from other financial assets	(6 600)	(6 613)
Other financial assets	**1 635**	**2 993**
Other non-financial assets		
Inventories	24	21
Deferred expenses	729	730
Total	**753**	**751**
Provisions for expected losses from other non-financial assets	-	-
Total non-financial assets	**753**	**751**
Total other assets	**2 388**	**3 744**

„Loss receivables from securities" represents receivables from past due bonds (principal, interests and penalty interests). These receivables were recognised in 2000 and 2001, the debtors are companies in bankruptcy proceedings. The receivables are covered by 100% provisions for expected credit losses.

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

(EUR '000)	31 Dec 2020	31 Dec 2019
Balance at the beginning of the reporting period	6 613	6 604
Net (gains)/losses from risks related to other assets (Note 28)	15	(12)
Write-offs and assignments of other assets (Note 28)	(28)	21
Foreign exchange differences	-	-
Balance at the end of the reporting period	**6 600**	**6 613**

12. Due to Banks

(EUR '000)	31 Dec 2020	31 Dec 2019
Residual maturity within one year:		
In EUR	207 960	147 868
In foreign currency	40	2 582
Residual maturity of over one year:		
In EUR	-	2 857
In foreign currency	-	-
Total	**208 000**	**153 307**

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 2020	31 Dec 2019
Deposits	99	7
Term accounts of other banks	205 040	147 578
Loans received from other financial institutions*	2 859	5 719
Other liabilities to financial institutions	2	3
Total	**208 000**	**153 307**

**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 2020, the Bank recorded funds (principal) of EUR 2 857 thousand (31 December 2019: EUR 5 714 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 2020	31 Dec 2020	31 Dec 2019
Loans received from banks:				
European Bank for Reconstruction and Development	Long-term	25 Oct 2021	2 859	5 719
Total			**2 859**	**5 719**

Of the total amounts due to banks as at 31 December 2020 and 31 December 2019, the Bank does not recognise any overdue payables.

Interest on amounts due to banks:

	31 Dec 2020 in %		31 Dec 2019 in %	
	From	Until	From	Until
Contractual maturity within one year:				
In EUR	(0,47)	(0,47)	(0,18)	(0,13)
In foreign currency	0,01	0,01	(0,50)	2,10
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 2020	31 Dec 2019
Current accounts and other short-term amounts due to customers	814 305	780 703
Term deposits	147 490	212 348
Pass books	9 899	13 071
Received loans	8 403	10 163
Municipality accounts and local governments	64 216	48 552
Other liabilities	421	511
Total	**1 044 734**	**1 065 348**

In 2014, the Bank joined the financing programme of operational and investment needs of SME clients in co-operation with the Slovak guarantee and development fund and later with National Development Fund I., s.r.o. as its successor entity (loans were provided until 31 October 2016, currently are being repaid), as well as the program to increase the energy efficiency of apartment buildings, in cooperation with NDF II, a.s .. At the end of 2020, the Bank recorded funds amounting to EUR 8 403 thousand (2019: EUR 10 163 thousand).

Amounts due to customers by sector:

(EUR '000)	31 Dec 2020	31 Dec 2019
Non-financial organisations	284 145	291 197
Individuals	537 832	556 645
Other financial institutions (except banks)	7 554	8 846
Trade licence holders	19 053	18 904
Insurance companies	3 130	6 667
Non-profit organisations	46 468	53 188
Non-residents	82 336	81 349
Government sector	64 216	48 552
Total	**1 044 734**	**1 065 348**

Amounts due to customers by residual maturity:

(EUR '000)	31 Dec 2020	31 Dec 2019
Residual maturity within one year:		
In EUR	998 167	1 015 269
In foreign currency	19 691	22 766
Residual maturity of over one year:		
In EUR	26 483	27 262
In foreign currency	393	51
Total	**1 044 734**	**1 065 348**

	31 Dec 2020 in %		31 Dec 2019 in %	
	From	To	From	To
Contractual maturity within one year:				
In EUR	0,01	0,65	0,01	1,50
In foreign currency	0,25	0,40	1,40	1,80
Contractual maturity of over one year:				
In EUR	0,05	0,75	0,05	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 2020, the total of primary deposits of top 21 clients with deposits exceeding EUR 3 320 thousand represented 13% of the Bank's funds (as at 31 December 2020, the top 19 clients with a volume exceeding EUR 3 320 thousand represented 12.35%).

14. Liabilities from Debt Securities

(v tis. EUR)	31 December 2020	31 December 2019
Residual maturity within one year		
Liabilities from financial bills of exchange	-	-
Liabilities from mortgage bonds	-	-
Liabilities from issued bonds	-	110
Residual maturity of over one year		
Liabilities from issued bonds	-	45 000
Total	**-**	**45 110**

As at 26 November 2020, the Bank repurchased the OTP III bond with a face value of EUR 45 000 thousand, falling due on 29 July 2021.

As at 31 December 2019, 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.

Interest on liabilities from issued debt securities:

	31 Dec 2020 in %		31 Dec2019 in %	
	From	To	From	To
Contractual maturity within one year:				
In EUR	-	-	-	-
In foreign currency	-	-	-	-
Contractual maturity of over one year:				
In EUR	-	-	0,49	0,49
In foreign currency	-	-	-	-

15. Subordinated Debt

Counterparty	Currency	*Type of Loan by Maturity*	*Start of Loan Drawdown*	*Contractual Maturity*	*Interest Rate*	31 Dec 2020	31 Dec 2019
KBC BANK NV*	EUR	Long-term	Sep 2014	Sep 2021	3M EURIBOR + 3.41% p. a.	18 006	-
KBC BANK NV*	EUR	Long-term	Dec 2015	Dec 2022	3M EURIBOR + 2.37% p. a.	2 000	-
KBC BANK NV*	EUR	Long-term	Aug 2018	Aug 2025	3M EURIBOR + 3.94% p. a.	7 021	-
KBC BANK NV	EUR	Long-term	Dec 2020	Dec 2030	6M EURIBOR + 1.4% p. a.	11 001	-
OTP Financing Netherlands B.V.*	EUR	Long-term	Sep 2014	Sep 2021	3M EURIBOR + 3.41% p. a.	-	18 003
OTP Financing Malta Company Ltd.*	EUR	Long-term	Dec 2015	Dec 2022	3M EURIBOR + 2.37% p. a.	-	2 000
OTP Financing Malta Company Ltd.*	EUR	Long-term	Aug 2018	Aug 2025	3M EURIBOR + 3.94% p. a.	-	7 024
Total (EUR '000)						**38 028**	**27 027**

* The Subordinated debts received from OTP Financing Netherlands B.V. in the amount of EUR 18 mil. and from OTP Financing Malta Company Ltd. in the amount of EUR 2 and 7 mil. were overtaken by KBC Bank under the same conditions in November 2020, while also providing a new subordinated debt in the amount of EUR 11 mil. in December 2020.

Subordinated debt totalling EUR 38 million represents Tier 2 capital for the Bank in the amount of EUR 16.2 million pursuant to Regulation of the European Parliament and of the Council No. 575/2013 (Note 32).

16. Other Liabilities

(EUR '000)	31 Dec 2020	31 Dec 2019
Other financial liabilities		
Various creditors	486	970
Provisions for unbilled and other liabilities	729	754
Payment liabilities	10 099	9 387
Trade payables liabilities	1 936	2 334
Rental liabilities – leasing	2 368	2 844
Temporary settlement of early loan repayments	1 359	2 122
Other financial liabilities	2 602	3 342
Total financial liabilities	**19 579**	**21 753**
Other non-financial liabilities		
Social fund	108	42
Settlement with employees	1 325	1 723
Settlement with social institutions	264	416
Other non-financial liabilities	29	38
Other non-financial liabilities	**1 726**	**2 219**
Total	**21 305**	**23 972**

Summary of changes in the social fund:

(EUR '000)	31 Dec 2020	31 Dec 2019
Balance at the beginning of reporting period	42	106
Additions during the reporting period	233	151
Drawings during the reporting period	(167)	(215)
Balance at the end of reporting period	**108**	**42**

17. Equity

The Bank's equity comprises:

(EUR '000)	31 Dec 2020	31 Dec 2019
Share capital	126 591	126 591
Reserve funds	6 986	6 664
Profit/(loss) from previous years	(19 984)	(22 051)
Revaluation differences from financial assets at fair value through other comprehensive income	1 295	1 094
Profit/(loss) for the year	(9 621)	2 297
Total equity	**105 267**	**114 595**

Share Capital

The Bank's share capital as at 31 December 2020 and 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 type, form, nature and tradability of shares as at 31 December 2020 and 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

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

As at 31 December 2020, the Bank owns 290 shares of OTP Banka Slovensko, a.s. with a face value EUR 3,89 per share.

Reserve Funds

As at 31 December 2020, reserve funds in the amount of EUR 6 986 thousand (31 December 2019: EUR 6 664 thousand) comprise the legal reserve fund in the amount of EUR 5 264 thousand (31 December 2019: EUR 5 034 thousand) and other capital reserves in the amount of EUR 1 722 thousand (31 December 2019: EUR 1 630 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. Other funds represent accumulated share-based payments in the form of a financial instrument of the parent company (see Note 2, section "Provision for liabilities and employee benefits").

Profit/(Loss) from Previous Years

A year-on-year change is due to the distribution of the 2019's profit (see Note 40).

18. Income Tax

(EUR '000)	31 Dec 2020	31 Dec 2019
Current tax expense	-	-
Deferred tax (income)/expense	124	170
Total	**124**	**170**

As at 31 December 2020, the Bank recognised in the Statement of profit or loss and other comprehensive income tax expense in the amount of EUR 124 thousand (31 December 2019: tax expense of EUR 170 thousand). The Bank recognised an increase in the deferred tax liability for 2020 in the amount of EUR 53 thousand in items recognised through equity (2019: increase of EUR 148 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 2020	31 Dec 2019
Pre-tax profit/(loss)	**(9 497)**	**2 467**
Theoretical tax at 21% (2019: 21%)	(1 994)	518
Non-taxable income	(166)	(165)
Losses from assignment of receivables	1 276	833
Write-offs of receivables	60	707
Other non-deductible expenses	254	332
Provisions for assets and liabilities, net	217	(623)
Impact of unrecognized deferred tax assets	477	(1 432)
Income tax expense/(revenue) for the reporting period	**124**	**170**
Effective tax rate for the reporting period	**(1.30%)**	**6.89%**

The Bank reported a negative tax base of EUR 3 335 thousand for the reporting period (31 December 2019: positive tax base of EUR 303 thousand).

19. Current and Deferred Income Tax

(EUR '000)	31 Dec 2020	31 Dec 2019
Current tax asset/(liability)	-	-
Total current tax asset/(liability)	-	**-**

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 (2019: 21%):

(EUR '000)	31 Dec 2020	31 Dec 2019
Deferred tax liability		
Difference between the net book value and net tax value of tangible assets	-	-
Revaluation reserves on securities measured at fair value through other comprehensive income	(344)	(291)
Total deferred tax liability	**(344)**	**(291)**
Deferred tax asset		
Loans (provisions for loan impairment losses)	8 473	8 699
Provisions for liabilities	329	365
Tax losses carried-forward	1 408	1 062
Difference between the net tax value and net book value of tangible assets	201	
Total deferred tax asset	**10 411**	**10 415**
Adjustment for uncertain utilisation of deferred tax asset	**(5 156)**	**(5 036)**
Net deferred tax asset/(liability)	**4 911**	**5 088**

(EUR '000)	31 Dec 2020	31 Dec 2019
Net deferred tax asset/(liability) – opening balance at 1 Jan	5 088	5 406
(Debited)/credited to profit/loss for the reporting period	(124)	(170)
(Debited)/credited to equity	(53)	(148)
Net deferred tax asset/(liability) – closing balance	**4 911**	**5 088**

Summary of unrecognized deferred tax asset:

(EUR '000)	31 Dec 2020	31 Dec 2019
Loans (provisions for loan losses)	3 748	3 974
Tax losses carried forward	1 408	1 062
from which with maturity		
to 2020	-	*354*
to 2021	*354*	*354*
to 2022	*354*	*354*
to 2025	*700*	-
Total	**5 156**	**5 036**

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 2020	31 Dec 2019
Undrawn loan commitments	43 713	34 788
Financial guarantees provided	11 684	11 666
Non-financial guarantees provided	9 955	12 275
Guarantee commitments	7 913	7 172
Undrawn overdrafts and authorised overdraft facilities	20 709	21 139
Issued letters of credit	4 269	807
Guarantees provided from liens	89 126	75 769
Total	**187 369**	**163 616**

Loan and guarantee 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 3 044 thousand as at 31 December 2020 (31 December 2019: EUR 2 903 thousand).

In addition to the litigations, for which provisions are created, the Bank faces several legal actions arising from the ordinary course of business. The Bank´s management believes that it is probable that these legal actions will not result in any material loss. Therefore, no provisions were created for these cases as at 31 December 2020 and 31 December 2019.

The Bank recognised the following provisions:

(EUR '000)	31 Dec 2020	31 Dec 2019
Provisions for:		
Undrawn loan commitments	1 163	659
Financial guarantees	346	286
Non-financial guarantees	161	118
Guarantee commitments	107	49
Issued letters of credit	21	3
Litigations and other disputes	3 044	2 903
Retirement payments	145	115
Total	**4 987**	**4 133**

The creation and release of provisions for off-balance sheet liabilities is recognised in the Statement of profit or loss and other 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 Statement of profit or loss and other comprehensive income, line "*General administrative expenses*". The creation and release of provisions for litigations and other disputes is recognised in the Statement of profit or loss and other 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 2020	31 Dec 2019
Balance at the beginning of the reporting period	1 115	1 410
Creation of provision	3 250	2 657
Release of provision	(2 567)	(2 952)
FX difference	-	-
Balance at the end of reporting period	**1 798**	**1 115**

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

Detailed overview of changes in provisions for off-balance sheet items:

(EUR '000)	STG1	STG2	STG3	Total
Reserves at 1 January 2020	**609**	**152**	**354**	**1 115**
Increase in provisions due to origination and acquisition	579	32	69	680
Decreases in provisions due to derecognition	(428)	(34)	(37)	(499)
Transfers between STGs	188	(91)	(81)	16
Net change in reserves due to a change in credit risk	165	217	104	486
Reserves at 31 December 2020	**1 113**	**276**	**409**	**1 798**

(EUR '000)	STG1	STG2	STG3	Total
Reserves at 1 January 2019	**1 192**	**51**	**167**	**1 410**
Increase in provisions due to origination and acquisition	722	22	1	745
Decrease in provisions due to derecognition	(499)	(17)	(22)	(538)
Transfers between STGs	284	(245)	(33)	6
Net change in reserves due to a change in credit risk	(1 090)	341	241	(508)
Reserves at 31 December 2019	**609**	**152**	**354**	**1 115**

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

(EUR '000)	31 Dec 2020	31 Dec 2019
Balance at the beginning of reporting period	2 903	2 711
Creation of provision	142	313
Use of reserves	(1)	(121)
Release of provision	-	-
Balance at the end of reporting period	**3 044**	**2 903**

An analysis of changes in the provision for retirement payments:

(EUR '000)	31 Dec 2020	31 Dec 2019
Balance at the beginning of reporting period	115	101
Creation of provision	95	42
Release of provision	(65)	(28)
Balance at the end of reporting period	**145**	**115**

21. Derivative Financial Instruments

The tables below represent the financial derivative instruments at face and fair values as at 31 December 2020 and 31 December 2019:

(EUR '000)	Face Value of Assets		Face Value of Liabilities	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Currency instruments				
Currency swaps	-	-	-	5 698
Total	**-**	**-**	**-**	**5 698**

(EUR '000)	Positive Fair Value		Negative Fair Value	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Currency instruments				
Currency swaps	-	-	-	2
Total	**-**	**-**	**-**	**2**

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 profit or loss and other comprehensive income, line "*Gains/(losses) on financial transactions, net*".

22. Net Interest Income

(EUR '000)	Year Ended 31 Dec 2020	Year Ended 31 Dec 2019
Interest income:		
Loans and other receivables	28 685	32 351
Placements with other banks, loans to other banks	64	123
Financial assets at fair value through profit or loss	212	242
Debt securities at amortised cost	2 164	2 169
Total interest income	31 125	34 885
Interest expense:		
Due to banks and deposits from the National Bank of Slovakia and other banks and other payables	190	35
Amounts due to customers	(966)	(1 315)
Lease liabilities	(3)	(3)
Liabilities from debt securities	(198)	(210)
Subordinated debt	(839)	(856)
Total interest expense	(1 816)	(2 349)
Net interest income	**29 309**	**32 536**

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

(EUR '000)	Year Ended 31 Dec 2020	Year Ended 31 Dec 2019
Creation of provisions for loan receivables	(42 659)	(49 157)
Release of provisions for loan receivables	32 241	48 527
Write-offs and assignments of loans	973	462
Loss on write-offs and assignments of loans (gross)	*(13 148)*	*(16 345)*
Use of provisions for written-off and assigned loans	*14 121*	*16 807*
(Creation)/reversal of provisions for guarantees and undrawn loan commitments, net (Note 20)	(684)	295
Provisions for impairment losses on loans and off-balance sheet, net	**(10 129)**	**127**

24. Net Fee and Commission Income

(EUR '000)	Year Ended 31 Dec 2020	Year Ended 31 Dec 2019
Fee and commission income:		
Retail	9 922	11 067
Corporate	4 665	4 805
Treasury	25	30
Other	437	515
Total fee and commission income	15 049	16 417
Fee and commission expense:		
Retail	(3 181)	(3 546)
Corporate	(743)	(847)
Treasury	(71)	(90)
Total fee and commission expense	(3 995)	(4 483)
Net fee and commission income	**11 054**	**11 934**

All these revenues come from external customers.

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

(EUR '000)	Year Ended 31 Dec 2020	Year Ended 31 Dec 2019
Gain/(loss) from foreign exchange transactions	1 130	1 053
Gain/(loss) from fixed term operations	(18)	(208)
Net gains/(losses) on financial operations	**1 112**	**845**

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 2020	Year Ended 31 Dec 2019
Loss on fixed term operations	(22)	(176)
Interest income on reverse repurchase transactions	22	43
Total	**-**	**(133)**

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

(EUR '000)	Year Ended 31 Dec 2020	Year Ended 31 Dec 2019
Net gain/(loss) on remeasurement of financial assets mandatorily measured at fair value through profit or loss	(276)	51
Net gain / (loss) from transactions with issued securities	1	-
Net gain/(loss) on provisions for debt securities at amortised cost	6	2
Net gains/(losses) on financial assets	**(269)**	**53**

27. General Administrative Expenses

(EUR '000)	Year Ended 31 Dec 2020	Year Ended 31 Dec 2019
Personnel expenses		
Wages and salaries	(15 441)	(15 678)
Social security expenses	(5 438)	(5 699)
Supplementary pension scheme contributions	(245)	(223)
Other social expenses	(233)	(151)
(Creation)/release of provisions for retirement payments, net	(30)	(14)
Other administrative expenses		
Purchased services	(4 881)	(5 134)
Expenses for IT administration and maintenance	(2 792)	(2 725)
Marketing expenses	(343)	(1 926)
Other purchased supplies	(1 229)	(1 452)
Local and other taxes other than income tax	(1 077)	(1 117)
Special levy on selected financial institutions	(2 501)	(2 543)
Contributions to other funds*	(159)	(199)
Other expenses	(291)	(392)
Depreciation, amortisation and write-downs of non-current tangible and intangible assets		
Non-current tangible assets	(2 425)	(2 513)
Non-current intangible assets	(2 245)	(2 079)
Right-of-use assets – leases	(1 010)	(989)
General administrative expenses - total	**(40 340)**	**(42 834)**

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

In 2020, the costs of auditing the financial statements amounted to EUR 159 thousand (2019: EUR 141 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 0 (2019: EUR 97 thousand).

Non-audit services include: 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.

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 2020	Year Ended 31 Dec 2019
Provisions for impairment losses on other assets		
Creation of provisions for other assets	(5)	(21)
Release of provisions for other assets (Note 11)	18	12
Other assets written-off and assigned (Note 11)	(28)	21
Net gains / (losses) on non - financial assets		
Creation of provisions for non-financial assets (Note 10)	(257)	-
Release of provisions for non-financial assets (Note 10)	-	-
Costs for the creation of provisions		
(Creation)/release of provisions for litigations and other disputes and other risks, net (Note 20)	(142)	(313)
Other revenues		
Revenues from sale of real estate and other assets	12	(6)
Lease revenues	4	3
Other operating revenues	164	110
Other operating revenues/(expense), net	**(234)**	**(194)**

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	254	706
Deferred tax liability/(deferred tax asset) on revaluation reserves on financial assets measured through other comprehensive income	(53)	(148)
Other comprehensive income	**201**	**558**

30. Segment Reporting

The income statement and other of comprehensive income and other indicators by segment as at 31 December 2020:

31 Dec 2020 (EUR '000)	Retail	Corporate	Treasury	Other	Total
Interest income	18 705	9 980	2 440	-	31 125
Interest expense	(858)	(108)	(847)	(3)	(1 816)
Net interest income	**17 847**	**9 872**	**1 593**	**(3)**	**29 309**
Provisions for impairment losses on loans and off-balance sheet, net	(1 631)	(8 095)	(403)	-	**(10 129)**
Net interest income net of provisions for impairment losses on loans and off-balance sheet	**16 216**	**1 777**	**1 190**	**(3)**	**19 180**
Fee and commission income	9 922	4 665	25	437	15 049
Fee and commission expense	(3 181)	(743)	(71)	-	(3 995)
Net fee and commission income	**6 741**	**3 922**	**(46)**	**437**	**11 054**
Gains/(losses) on financial transactions, net	-	-	1 112	-	1 112
Gains/(losses) on financial assets, net	-	6	(275)	-	(269)
General administrative expenses	(24 782)	(13 666)	(1 892)	-	(40 340)
Other operating revenues/(expenses), net	(1)	2	-	(235)	(234)
Profit/(loss) before income tax	**(1 826)**	**(7 959)**	**89**	**199**	**(9 497)**
Income tax	-	-	-	(124)	(124)
Net profit/(loss) after tax	**(1 826)**	**(7 959)**	**89**	**75**	**(9 621)**
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	-	-	201	-	201
Total comprehensive income for the year	**(1 826)**	**(7 959)**	**290**	**75**	**(9 420)**
Assets by segment	**756 796**	**361 954**	**211 826**	**91 745**	**1 422 321**
Liabilities by segment	**564 300**	**481 930**	**38 027**	**232 797**	**1 317 054**

The Bank does not report inter-segment income for the year ended 31 December 2020.

Profit and loss account and other comprehensive income and other indicators by segment as at 31 December 2019:

31 Dec 2019 (EUR '000)	Retail	Corporate	Treasury	Other	Total
Interest income	20 784	11 567	2 534	-	34 885
Interest expense	(1 072)	(243)	1 031	(3)	(2 349)
Net interest income	**19 712**	**11 324**	**1 503**	**(3)**	**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**	**1 495**	**(3)**	**32 663**
Fee and commission income	11 067	4 805	30	515	16 417
Fee and commission expense	(3 546)	(847)	(90)	-	(4 483)
Net fee and commission income	**7 521**	**3 958**	**(60)**	**515**	**11 934**
Gains/(losses) on financial transactions, net	-	-	845	-	845
Gains/(losses) on financial assets, net	-	2	51	-	53
General administrative expenses	(25 937)	(14 891)	(2 006)	-	(42 834)
Other operating revenues/(expenses), net	(15)	7	-	(186)	(194)
Profit/(loss) before income tax	**4 964**	**(3 148)**	**325**	**326**	**2 467**
Income tax	-	-	-	(170)	(170)
Net profit/(loss) after tax	**4 964**	**(3 148)**	**325**	**156**	**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	**4 964**	**(3 148)**	**883**	**156**	**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 Bank does not report inter-segment income for the year ended 31 December 2019.

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 2020	31 Dec 2019
Assets	36 833	47 818
Belgium	*121*	*-*
Hungary	*5 326*	*16 824*
Czech republic	*9 186*	*9 900*
Bulgaria	*10 360*	*10 428*
Other EU countries	*3 175*	*5 074*
Rest of the world	*8 665*	*5 592*
Liabilities	328 263	306 783
Belgium	*243 080*	*14*
Hungary	*61 253*	*250 292*
Netherlands	*13*	*18 064*
Malta	*399*	*9 648*
Czech republic	*12 525*	*16 041*
Other EU countries	*2 385*	*3 966*
Rest of the world	*8 608*	*8 758*

As at 31 December 2020 and 31 December 2019, 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 2020	Year Ended 31 Dec 2019
Interest income on:		
Term deposits (Hungary)	151	95
Subordinated bonds (Hungary)	212	242
Reverse REPO transactions (Hungary)	22	43
Foreign government bonds (Bulgaria)	295	295
Issued mortgage bonds and bonds with negative interest (Hungary)	-	8
Term deposits accepted with negative interest (Belgium)	96	
Dividends from VISA Inc. shares	25	10

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

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 2020:

31 Dec 2020 (EUR '000)	KBC Bank NV	Subsidiaries	Other Companies KBC Group	Transactions with Key Management Personnel of the Bank	Transactions with Key Management Personnel of KBC Bank NV	Other Related Parties	Total
Assets							
Cash, due from banks and balances with the National Bank of Slovakia	24	-	337	-	-	-	**361**
Placements with other banks, loans to other banks, net of provisions for expected losses	-	-	7 751	-	-	-	**7 751**
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	-	-	-	-	-	-	**-**
Loans and receivables	-	-	-	204	-	-	**204**
Debt securities at amortised cost	-	-	-	-	-	-	**-**
Investments in subsidiaries and associates	-	-	-	-	-	-	**-**
Non-current tangible assets*	-	-	-	-	-	-	**-**
Non-current intangible assets*	-	-	-	-	-	-	**-**
Other assets	-	-	-	-	-	-	**-**
Total	**24**	**-**	**8 088**	**204**	**-**	**-**	**8 316**
Liabilities							
Due to banks and deposits from the National Bank of Slovakia and other banks	204 943	-	-	-	-	-	**204 943**
Amounts due to customers	-	-	-	2 974	-	-	**2 974**
Liabilities from debt securities	-	-	-	-	-	-	**-**
Financial liabilities held for trading	-	-	-	-	-	-	**-**
Other liabilities	705	-	-	-	-	-	**705**
Subordinated debt	38 028	-	-	-	-	-	**38 028**
Total	**243 676**	**-**	**-**	**2 974**	**-**	**-**	**246 650**

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

Overview of balances in the statement of financial position as at 31 December 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	-	-	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.*

Overview of transactions in the statement of comprehensive income:

31 Dec 2020 (EUR '000)	**KBC Bank NV**	**Subsidiaries**	**Other Companies KBC Group**	**Transactions with Key Management Personnel of the Bank**	**Transactions with Key Management Personnel of KBC Bank NV**	**Other Related Parties**	**Total**
Interest income	-	-	-	4	-	-	**4**
Interest expense	16	-	-	(5)	-	-	**11**
Provisions for impairment losses on loans and off-balance sheet, net	-	-	-	-	-	-	**-**
Fee and commission income	-	-	-	1	-	-	**1**
Fee and commission expense	-	-	-	-	-	-	**-**
Gains/(losses) on financial transactions (FX), net	-	-	-	-	-	-	**-**
Gains/(losses) on financial assets, net	-	-	-	-	-	-	**-**
Other operating revenues/(expenses), net	-	-	-	-	-	-	**-**
General administrative expenses	-	-	-	-	-	-	**-**
Total	**16**	**-**	**-**	**-**	**-**	**-**	**16**

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)**

**see "Key Management Personnel Compensation"*

Summary of balances in the income statement and other comprehensive income:

30. november 2020 (v tis. EUR)	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	293	-	1	3	-	-	**297**
Interest expense	(71)	-	(759)	(5)	-	-	**(835)**
Gains / (losses) on credit and off - balance sheet risks, net	-	-	34	-	-	-	**34**
Fee and commission income	16	-	5	1	-	-	**22**
Fee and commission expenses	(295)	-	-	-	-	-	**(295)**
Net gains / (losses) on financial operations (FX)	(17)	-	-	-	-	-	**(17)**
Net gains / (losses) on financial assets	(276)	-	-	-	-	-	**(276)**
Other operating income / (expenses), net	-	-	-	-	-	-	**-**
General administrative expenses	(355)	-	(1 028)	-	-	-	**(1 383)**
Total	**(705)**	**-**	**(1 747)**	**(1)**	**-**	**-**	**(2 453)**

The table above presents the impact of transactions with related parties for the period from 1 January 2020 to the date of the change of the bank's main shareholder (see Note 1, section “Ownership structure”).

In 2020, since the change of the majority shareholder (see Note 1, section "Ownership structure"), the Bank has carried out the following transactions within the KBC Group:

- accepted a subordinated debt in the amount of EUR 38 mil., of which EUR 27 mil. represents subordinated debt which was taken over by the new parent company under the same conditions from the original providers, at the same time the Bank accepted a new subordinated debt from the parent company in the amount of EUR 11 mil.
- accepted a short-term deposit of EUR 205 mil.

In 2020, until the change of the majority shareholder in 2020 (see Note 1, section "Ownership structure"), the Bank carried out the following transactions within the OTP Group:

- spot and forward transactions with OTP Bank - provided and received term deposits, currency spots, currency swaps,
- Provided short-term loans on a recurring basis to OTP Bank, which are secured by securities as part of reverse REPO transactions,
- early repurchase of a long-term bond issue from OTP Bank (see Note 14).

All these transactions were carried out under standard market conditions.

In 2019, the Bank performed the following transactions within the OTP Group:

- Spot and forward transactions with OTP Bank - provided and received term deposits, currency spots and currency swaps;
- Provided short-term loans on a recurring basis OTP Bank, secured by securities within reverse REPO transactions;
- repaid the issue of short-term bonds OTP Bank (see Note 14).

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 2020, compensation in the amount of EUR 1 354 thousand (2019: EUR 827 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 2020, the Bank recognised loan receivables from the members of the Board of Directors and Supervisory Board in the amount of EUR 51 thousand (31 December 2019: EUR 272 thousand).

In 2020, the received loan repayments totalled EUR 21 thousand (2019: EUR 23 thousand). Loans provided as at 31 December 2020 bore interest ranging between 0.90% and 6.50% (31 December 2019: between 1.50% and 6.50%).

In 2020 and 2019, 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 1.0%. On 14 Jul 2020 the National Bank of Slovakia approved a decrease of the countercyclical capital cushion by 0.5% with effect from 1 August 2020 to a total level of 1.0%. The amount of the cushion to maintain capital remained unchanged in 2020, i.e. 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 2020, the Bank achieved the following shares: the share of Tier 1 own capital at 14.24%, the share of Tier 1 capital at 14.24% and the total share of capital at 16.24%.

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.

On 27 June 2020 the Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020, amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic, came into force. The substance of the change is prolongation of the transitional arrangements, which spread the impact of IFRS 9 on the Bank's capital.

In order to mitigate the potential impact the validity of the transitional arrangements were prolonged by two years and the institutions are allowed to fully include to Tier 1 own capital any increase of new provisions to expected credit losses recognised in 2020 and 2021 to the non-impaired financial assets. These changes brought additional mitigation of the COVID-19 pandemic impact on the needs in the area of creating IFRS 9 provisions, while maintaining the transitional arrangements for the amounts of expected credit losses set before COVID-19 pandemic.

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

(EUR '000)	31 Dec 2020	31 Dec 2019
Tier 1 capital	115 511	119 985
Tier 1 own capital	115 511	119 985
Capital instruments allowable as Tier 1 own capital	126 591	126 591
Repaid capital instruments	*126 591*	126 591
Profit/(loss) from previous years	(29 605)	(22 051)
Retained earnings/(accumulated losses) from previous years	*(19 984)*	*(22 051)*
Allowable gain or (-) loss	*(9 621)*	-
Other provisions	5 264	5 034
(-) Intangible assets	*(9 788)*	(10 821)
(+/-) Other items increasing/(decreasing) the amount of Tier 1 own capital	*23 049*	21 232
Tier 1 supplementary capital	-	-
Tier 2 capital	16 224	14 375
Repaid capital instruments and subordinated debt	*16 224*	14 375
Positive revaluation reserves	-	-
(-) Other items decreasing the amount of Tier 2 capital	-	-
Regulatory capital	**131 735**	**134 360**
Proportion of own capital (CET1) to risk-weighted assets	**14.24 %**	**13.99 %**
Proportion of Tier 1 capital to risk-weighted assets	**14.24 %**	**13.99 %**
Total proportion of capital to risk-weighted assets	**16.24 %**	**15.66 %**

33. Supplementary Data to Statements of Cash Flows

(EUR '000)	31 Dec 2020	31 Dec 2019
Cash, due from banks and balances with NBS except for mandatory minimum reserve	159 689	171 344
Deposits with other banks, falling due within three months	7 752	8
Due to banks, falling due within three months	(140)	(22 588)
Total cash and cash equivalents	**167 301**	**148 764**

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

(EUR '000)	31 Dec 2020	31 Dec 2019
Write-off and assignments of loans (Note 6)	(13 148)	(16 345)

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 represents the degree of uncertainty in the Bank's business resulting from the counterparty's inability or unwillingness to repay its obligations, i.e. the risk of loss resulting from the debtor's or another counterparty's failure to meet its obligations to which it has contractually committed fully and in a timely manner - the settlement of the financial transaction will not take place according to the agreed conditions.

The Bank 's objective in the area of credit risk management is to

- Optimize the accepted credit risk to such an extent that the bank achieves the highest possible sustainable profit after taking into account losses caused by non-performing loan receivables.
- Develop and maintain a balanced portfolio consisting of clients who are able to withstand crisis situations and thus ensure profitability in the long run;
- Preserve the good name and reputation of the bank;

The bank achieves these goals:

1. By setting the accepted level of credit risk

The acceptable level of credit risk is set out in

- **the bank's business and financial plan, namely**
  - the volume of internal capital that the bank has allocated in its financial and business plan to cover credit risk;
  - the budget to cover the cost of credit risk, which the bank has set aside in its financial plan to cover this risk;
  - indicators expressing the quality of the portfolio, such as the proportion of non-performing loans and loan coverage by provisions.
- **the bank's credit policy, in particular**
  - the recommended risk parameters of the products;
  - sectoral limits;
  - portfolio limits defining the desired quality of individual portfolios.
- **in other internal limits for the maximum concentration, which include in particular**
  - limits on economic sectors
  - limits on groups of connected clients
  - limits against the type of trade / for the maximum amount of the product
  - limits to geographical area and state
  - limits according to the currency of the loan

2. Continuous monitoring of the achieved results

The Bank regularly evaluates the compliance of the actual risks incurred with the risk appetite. This evaluation takes place on a monthly basis as part of the regular Risk Report, which contains a deduction of all risk indicators / limits for individual client segments.

3. By applying sound principles in the provision of credit, where the basic principles applied include:
- The loan can only be provided to clients with a proven ability to repay it. For this purpose, the Bank verifies the client's data on his income and expenses in external data sources.
- The approval process is differentiated according to the complexity of the client and the amount of the approved exposure from automatic approval based on the client's scoring for consumer loans, to the individual assessment of the Loan Proposal by credit analysts for corporate loans.
- In order to prevent conflicts of interest, loan approval is competently separated from business activities. Likewise, the drawdown of loans and the control of pre-drawdown conditions are staffed separately from the business units and the departments responsible for approving the loan.
- The Bank requires collateral and other credit risk mitigation instruments to the fullest extent.

The Bank is fully aware of the possible impact of the COVID-19 pandemic on the quality of its loan portfolio and has put in place adequate processes to ensure reliable measurement, management and coverage of credit risk:
- in accordance with the Slovak legislation on payment moratoriums, provides its clients with the possibility to defer loan repayments;
- actively participates in state guarantee schemes to provide financing to its clients to overcome the temporary liquidity shortage associated with the COVID-19 situation;
- complies with the EBA guidelines on payment moratoriums - receivables that meet the criteria for general payment moratoriums are not automatically assessed as receivables with a significant increase in credit risk;
- is prepared to reapply its standard methodology for classifying deferred receivables after the moratoriums expire;
- introduced new reports in its credit risk reports monitoring the quality of portfolios within payment moratoriums.

At the same time, the Bank recalculated the expected impacts of the Covid-19 pandemic on the quality of the loan portfolio. Deterioration of estimates was achieved by changes in macroeconomic scenarios in the calculation of parameters used to calculate provisions and reserves. Through the change in macroeconomic scenarios the Bank created additional provisions at the level of EUR 8.15 mil., while the total so-called macro-economic component within the calculation of provisions is at the level of EUR 14.2 mil., i.e. 21% of all provisions and reserves. This part of provisions and reserves, which is recorded above the level of PL / LGL models (probability of loss / loss given loss i.e. loss from default) calculated solely on the basis of historical portfolio migration data, represents, in the opinion of the Bank's management, an adequate provision to cover potentially uncovered risk related to the payment moratorium.

(EUR ‘000)		Change in provisions due to a change in the Covid macro-model
Provisions	Stage 1	2 469
	Stage 2	5 191
	Stage 3	9
Provisions		481
Total		8 150

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 provision calculation model also includes macroeconomic model with future outlooks. In 2020, the model defines 3 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. The macroeconomic model represents the so-called forward looking component in the calculation of provisions. Currently, the bank expects the market situation to deteriorate in the coming period, so the macro-model increases provisions calculated through the PL / LGL models, where only statistical data from previous periods were used, by EUR 14.2 mil. (21%):

(EUR '000)		Macro-model of components
Provisions	Stage 1	6 143
	Stage 2	6 369
	Stage 3	1 700
Total		14 212

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. In the case of financial assets without a maturity date, the expected maturity is estimated, with a maximum period of 4 years. 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) – i.e. with exposures below EUR 0.2 mil.;
- receivables not managed by the Work Out & Monitoring Department with an exposure exceeding EUR 0.4 million.

Retail and non-retail debit are applied 100% expected credit losses (always on a portfolio basis) receivables classified in level 3.

A minimum of two scenarios is applied to individually-measured receivables. 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. Historical migration data within individual portfolios are used to estimate the probability of default, while also taking into account the expected impacts of macroeconomic impacts.

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 identifies and reviews the amount of provisions for other Bank assets.

- The measurement of the provisions for expected losses from receivables from different debtors 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 corresponding amount of write-offs, i.e. real loss. The Bank recalculates the expected loss based on the historical development of the loss of receivables.
- Expected losses on receivables from securities at amortised cost are identified in a similar manner as for loan receivables.
- Provisions for assets are not calculated by the Bank for exposures to central banks and exposures with maturity of up to 3 months because the bank considers them insignificant.

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 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 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 100 per exposure and EUR 500 per client for non-retail clients, but also the relative significance limit, which is calculated as 1% of the receivable, respectively from the limit for non-instalment types of deals.
Among the non-performing loan receivables the Bank also ranks those, where it has taken measures to defer maturity, i.e. concessions to a debtor facing or going to face financial difficulties. Concession means either the modification of the previous business conditions of the contract, the fulfilment of which the debtor is unable to ensure, or the complete resp. partial refinancing of a problem debt agreement. Exposures that have been granted such deferred measures and that do not meet the exit conditions are considered to be deferred exposures.
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 December 2020 ('000 EUR)	Engagement	Provisions	Provisional coverage	Eligible security value	Provisioning and security coverage
Non-retail loans	**401 099**	**39 109**	**9.8%**	**156 114**	**48.7%**
Overdrafts and revolving loans	57 609	5 123	8.9%	27 248	56.2%
STAGE 1	*45 481*	*837*	*1.8%*	*18 713*	*43.0%*
STAGE 2	*7 177*	*877*	*12.2%*	*5 931*	*94.9%*
STAGE 3	*4 951*	*3 409*	*68.9%*	*2 604*	*121.5%*
Investment, operating and other loans	334 942	33 628	10.0%	128 866	48.5%
STAGE 1	*276 285*	*4 941*	*1.8%*	*99 362*	*37.8%*
STAGE 2	*30 202*	*8 985*	*29.7%*	*18 732*	*91.8%*
STAGE 3	*28 455*	*19 702*	*69.2%*	*10 772*	*107.1%*
Overdrafts on deposit accounts	574	141	24.6%	-	24.6%
STAGE 1	*432*	*9*	*2.1%*	-	*2.1%*
STAGE 2	37	27	73.0%	-	73.0%
STAGE 3	105	105	100.0%	-	100.0%
Factoring loans	7 974	217	2.7%	-	2.7%
STAGE 1	*6 589*	*129*	*2.0%*	-	*2.0%*
STAGE 2	*1 305*	*17*	*1.3%*	-	*1.3%*
STAGE 3	*80*	*71*	*88.8%*	-	*88.8%*
Retail loans	**783 656**	**26 896**	**3.4%**	**590 570**	**78.8%**
Loans secured by real estate	605 006	10 960	1.8%	590 236	99.4%
STAGE 1	*572 107*	*859*	*0.2%*	*561 291*	*98.3%*
STAGE 2	*18 245*	*930*	*5.1%*	*17 543*	*101.2%*
STAGE 3	*14 654*	*9 171*	*62.6%*	*11 402*	*140.4%*
Other consumer credit	175 560	15 075	8.6%	334	8.8%
STAGE 1	*151 252*	*2 419*	*1.6%*	*334*	*1.8%*
STAGE 2	*12 610*	*3 381*	*26.8%*	-	*26.8%*
STAGE 3	*11 698*	*9 275*	*79.3%*	-	*79.3%*
Overdrafts on deposit accounts	1 928	668	34.6%	-	34.6%
STAGE 1	*1 109*	*14*	*1.3%*	-	*1.3%*
STAGE 2	*233*	*69*	*29.6%*	-	*29.6%*
STAGE 3	*586*	*585*	*99.8%*	-	*99.8%*
Other	1 162	193	16.6%	-	16.6%
STAGE 1	*881*	*11*	*1.2%*	-	*1.2%*
STAGE 2	*50*	*9*	*18.0%*	-	*18.0%*
STAGE 3	*231*	*173*	*74.9%*	-	*74.9%*
Total	**1 184 755**	**66 005**	**5.6%**	**746 684**	**68.6%**

31 December 2020 ('000 EUR)	**Engagement**	**Provisions**	**Provisional coverage**	**Eligible security value**	**Provisioning and security coverage**
Non-retail loans	**466 369**	**36 871**	**7.9%**	**168 327**	**44.0%**
Overdrafts and revolving loans	71 368	4 736	6.6%	26 885	44.3%
STAGE 1	*61 726*	*656*	*1.1%*	*22 841*	*38.1%*
STAGE 2	*4 308*	*572*	*13.3%*	*2 273*	*66.0%*
STAGE 3	*5 334*	*3 508*	*65.8%*	*1 771*	*99.0%*
Investment, operating and other loans	383 044	31 768	8.3%	141 442	45.2%
STAGE 1	*313 396*	*3 156*	*1.0%*	*105 163*	*34.6%*
STAGE 2	*32 729*	*5 173*	*15.8%*	*22 578*	*84.8%*
STAGE 3	*36 919*	*23 439*	*63.5%*	*13 701*	*100.6%*
Overdrafts on deposit accounts	556	94	16.9%	-	16.9%
STAGE 1	*462*	*6*	*1.3%*	-	*1.3%*
STAGE 2	20	14	70.0%	-	70.0%
STAGE 3	74	74	100.0%	-	100.0%
Factoring loans	11 401	273	2.4%	-	2.4%
STAGE 1	*9 153*	*101*	*1.1%*	-	*1.1%*
STAGE 2	*2 141*	*87*	*4.1%*	-	*4.1%*
STAGE 3	*107*	*85*	*79.4%*	-	*79.4%*
Retail loans	**718 580**	**32 845**	**4.6%**	**509 958**	**75.5%**
Loans secured by real estate	521 278	13 149	2.5%	509 425	100.2%
STAGE 1	*468 355*	*532*	*0.1%*	*463 633*	*99.1%*
STAGE 2	*33 925*	*859*	*2.5%*	*30 378*	*92.1%*
STAGE 3	*18 998*	*11 758*	*61.9%*	*15 414*	*143.0%*
Other consumer credit	193 824	18 767	9.7%	533	10.0%
STAGE 1	*163 687*	*2 950*	*1.8%*	*492*	*2.1%*
STAGE 2	*15 321*	*3 665*	*23.9%*	*6*	*24.0%*
STAGE 3	*14 816*	*12 152*	*82.0%*	*35*	*82.3%*
Overdrafts on deposit accounts	2 235	727	32.5%	-	32.5%
STAGE 1	*1 309*	*8*	*0.6%*	-	*0.6%*
STAGE 2	*233*	*26*	*11.2%*	-	*11.2%*
STAGE 3	*693*	*693*	*100.0%*	-	*100.0%*
Other	1 243	202	16.3%	-	16.3%
STAGE 1	*943*	*17*	*1.8%*	-	*1.8%*
STAGE 2	*86*	*21*	*24.4%*	-	*24.4%*
STAGE 3	*214*	*164*	*76.6%*	-	*76.6%*
Total	**1 184 949**	**69 716**	**5.9%**	**678 285**	**63.1%**

As for the credit exposure as at 31 December 2020, 10 major credit exposures amounted to 7% of the total gross amount of loans (31 December 2019: 7% of the total gross amount of loans).

Categorization of risks from loans and receivables according to the method of calculation of provisions

31 December 2020 (‘000 EUR)	Engagement	Provisions	Provisional coverage	Eligible security value	Provisioning and security coverage
Assessed on an individual basis	30 637	20 644	67.4%	12 361	107.7%
Assessed on a portfolio basis	1 154 118	45 361	3.9%	734 323	67.6%
Total	**1 184 755**	**66 005**	**5.6%**	**746 684**	**68.6%**

31 December 2019 (‘000 EUR)	Engagement	Provisions	Provisional coverage	Eligible security value	Provisioning and security coverage
Assessed on an individual basis	39 103	24 301	62.1%	14 237	98.6%
Assessed on a portfolio basis	1 145 846	45 415	4.0%	664 048	61.9%
Total	**1 184 949**	**69 716**	**5.9%**	**678 285**	**63.1%**

Exposure to Credit Risk from Loans and Receivables by Business Industries

31 Dec 2020 (EUR ‘000)	Carrying Amount Before Provisions	STG1	STG2	STG3	Provisions	Carrying Amount After Provisions
Electricity generation	43 833	41 245	-	2 588	3 049	**40 784**
Households	783 677	725 349	31 139	27 189	26 897	**756 780**
Agriculture and food-processing industry	55 967	46 030	5 652	4 285	5 025	**50 942**
Trade and services	41 916	30 916	4 608	6 392	6 064	**35 852**
Metallurgy and machinery	18 143	11 712	6 279	152	1 871	**16 272**
Chemical industry	4 854	9	-	4 845	2 688	**2 166**
Transport and infrastructure	4 503	3 337	139	1 027	349	**4 154**
Timber and paper production	3 988	2 904	3	1 081	624	**3 364**
Construction industry	12 776	8 377	3 619	780	1 730	**11 046**
Real estate	93 607	80 779	7 965	4 863	8 348	**85 259**
Public administration and defence	19 267	19 267	-	-	3	**19 264**
Financial services except insurance	259	-	-	259	235	**24**
Other industries	101 965	84 211	10 455	7 299	9 122	**92 843**
Total	**1 184 755**	**1 054 136**	**69 859**	**60 760**	**66 005**	**1 118 750**
Impairment	-	(9 219)	(14 295)	(42 491)	(66 005)	**-**
Total:	**-**	**1 044 917**	**55 564**	**18 269**	**-**	**1 118 750**

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**

As at 31 December 2020, the Bank reported a developer project portfolio in the amount of EUR 5 502 thousand (31 December 2019: EUR 8 390 thousand) and created provisions both on a portfolio basis and on an individual basis in the amount of EUR 19 thousand (31 December 2019: EUR 52 thousand) and EUR 3 935 thousand (31 December 2019: EUR 4 411 thousand), respectively.

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

The Bank classifies receivables into three stages, as detailed in Note 2. The Bank considers receivables classified in stage 1 to be problem-free, with a negligible increase in credit risk since initial recognition. Stage 1 includes those receivables, which at the balance sheet date do not have characteristics that meet the criteria for classification in stages 2 and 3.

The following tables contain a quantitative distribution of the loan portfolio by individual rating categories:

In (EUR '000)	31 December 2020									
	STG1			STG2			STG3			
Rating class	Retail loans secured by real estate	Retail loans not secured by real estate	Corporate loans	Retail loans secured by real estate	Retail loans not secured by real estate	Corporate loans	Retail loans secured by real estate	Retail loans not secured by real estate	Corporate loans	Total
1	157 352	17 608	5 784	128	0	129	-	-	-	181 001
2	140 452	37 962	13 541	104	1	0	-	-	-	192 060
3	63 420	32 656	28 491	399	0	60	-	-	-	125 026
4	35 652	19 981	49 551	407	1	1 804	-	-	-	107 396
5	24 414	13 142	45 208	41	5	6 606	-	-	-	89 416
6	17 529	10 270	25 844	79	17	2 453	-	-	-	56 192
7	14 660	10 181	144 899	358	108	8 790	-	-	-	178 996
8	54	66	4 066	6 019	7 603	15 641	-	-	-	33 449
9	0	18	101	10 048	5 140	2 590	-	-	-	17 897
10	-	-	-	-	-	-	14 654	12 515	33 591	60 760
n/a*	118 574	11 358	11 302	662	18	648	-	-	-	142 562
Total	**572 107**	**153 242**	**328 787**	**18 245**	**12 893**	**38 721**	**14 654**	**12 515**	**33 591**	**1 184 755**

***** as at 31 December 2020, the bank does not have a rating assigned to certain exposures due to the fact that the rating instrument is not recoverable or it is not possible to assign a rating

In (EUR '000)	31 December 2019									
	STG1			STG2			STG3			
Rating class	Retail loans secured by real estate	Retail loans not secured by real estate	Corporate loans	Retail loans secured by real estate	Retail loans not secured by real estate	Corporate loans	Retail loans secured by real estate	Retail loans not secured by real estate	Corporate loans	Total
1	122 305	6 569	15 009	1 285	1	-	-	-	-	145 169
2	124 066	20 728	4 152	2 129	6	-	-	-	-	151 081
3	74 415	37 022	6 733	1 424	4	-	-	-	-	119 598
4	50 238	41 590	15 473	608	2	-	-	-	-	107 911
5	25 664	19 324	29 433	413	-	1	-	-	-	74 835
6	18 501	11 496	73 117	363	14	522	-	-	-	104 013
7	15 940	9 043	142 271	602	52	4 995	-	-	-	172 903
8	83	186	129	9 446	7 396	19 066	-	-	-	36 306
9	237	15	1 300	17 431	8 081	2 310	-	-	-	29 374
10	-	-	-	-	-	-	18 998	15 723	42 434	77 155
n/a*	36 906	19 966	97 120	223	85	12 304	-	-	-	166 604
Total	**468 355**	**165 939**	**384 737**	**33 924**	**15 641**	**39 198**	**18 998**	**15 723**	**42 434**	**1 184 949**

* as at 31 December 2019, the bank did not have a rating assigned to certain exposures due to the fact that the rating instrument was not recoverable or it was not possible to assign a rating

Risk Level	Rating class	PD	interpretation
Low risk	1	0.04%	Low risk is expected
	2	0.38%	
	3	0.71%	
Medium risk	4	1.20%	Medium risk is expected
	5	2.02%	
High risk	6	3.38%	Higher risk is expected. A customer rated as "start-up" is classified in category 7
	7	5.93%	
Extremely high risk	8	12.63%	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.
	9	44.47%	
	10	-	

The rating instruments for both retail and non-retail receivables have been calibrated in a way that the results are comparable. The risk classes correspond to the same expected probability of loss.

The following table contains a quantitative distribution of deposits with other banks and loans granted to other banks by individual rating classes:

Rating class (EUR '000)	31 December 2020	31 December 2019
1	-	-
2	1 104	980
3	10 417	59
4	-	-
5	52	-
6	-	51
7 - 10	-	-
unclassified	6	(4)
Total	**11 579**	**1 086**

The following table provides a quantitative breakdown of financial assets measured at fair value (excluding investments in companies) by rating class:

Rating class (EUR '000)	31 December 2020	31 December 2019
1	-	-
2	-	-
3	-	-
4	-	8 322
5 - 10	-	-
unclassified	2 467	2 289
Total	**2 467**	**10 611**

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

Rating Class (EUR '000)	31 Dec 2020	31 Dec 2019
1	-	-
2	72 775	72 943
3	10 350	10 424
4 - 10	-	-
Total	**83 125**	**83 367**

Financial assets measured at fair value and debt securities measured at amortised cost were classified in rating classes 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 2020 (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	11 039	-	715	-	-	-	-	607	12 361
Total	**11 039**	**-**	**715**	**-**	**-**	**-**	**-**	**607**	**12 361**
Assessed on a portfolio basis									
STG1	665 136	-	5 813	-	4 316	455	477	3 505	679 702
STG2	41 322	-	-	-	55	-	63	764	42 204
STG3	12 385	-	-	-	-	-	32	-	12 417
Total	**718 843**	**-**	**5 813**	**-**	**4 371**	**455**	**572**	**4 269**	**734 323**
Total value of received collateral for the loan portfolio	**729 882**	**-**	**6 528**	**-**	**4 371**	**455**	**572**	**4 876**	**746 684**

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**

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.

Overview of the loan portfolio according to the ratio of the amount of the receivable to the received value of the collateral

31 December 2020 ('000 EUR)	unsecured	secured up to 100%	secured over 100%	Total
non-retail loans	170 962	124 885	105 252	401 099
Retail loans	182 635	596 736	4 285	783 656
Total	**353 597**	**721 621**	**109 537**	**1 184 755**

31 December 2019 ('000 EUR)	unsecured	secured up to 100%	secured over 100%	Total
non-retail loans	212 067	128 066	126 236	466 369
Retail loans	201 752	505 627	11 201	718 580
Total	**413 819**	**633 693**	**137 437**	**1 184 949**

As at 31 December 2020 and 31 December 2019, 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 2020		31 Dec 2019	
	Amount	Portion of Total Assets	Amount	Portion of Total Assets
Cash, due from banks and balances with the National Bank of Slovakia	117 207	8.23 %	123 230	8.60 %
Loans and receivables	19 264	1.35 %	19 441	1.35 %
Debt securities at amortised cost	72 775	5.11 %	72 943	5.09 %
Total	**209 246**	**14.69 %**	**215 614**	**15.04 %**

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 2020		31 Dec 2019	
	Amount	Portion of Total Assets	Amount	Portion of Total Assets
Debt securities at amortised cost	10 350	0.73 %	10 424	0.73 %
Total	**10 350**	**0.73 %**	**10 424**	**0.73 %**

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 2020			
	STG1	STG2	STG3	Total
Due from banks and balances with the National Bank of Slovakia	135 865	-	-	135 865
Loans and receivables, gross	1 054 136	69 859	60 760	1 184 755
Debt securities, gross	83 143	-	-	83 143
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income	2 473	-	-	2 473
Subtotal of balance sheet risks	**1 275 617**	**69 859**	**60 760**	**1 406 236**
Guarantees issued	29 552	-	-	29 552
Issued letters of credit	4 269	-	-	4 269
Loan commitments to clients	64 422	-	-	64 422
Subtotal of off-balance sheet risks	**98 243**	-	-	**98 243**
Total	**1 373 860**	**69 859**	**60 760**	**1504 479**

(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**

36. Market Risk

Market risk is the risk of financial loss suffered by the bank as a result of changes in market conditions, combined with the positions of the bank. The Bank does not have open positions in equity and commodity positions. Due to this fact, the market risk represents risk of changes in interest rates and risk of changes in exchange rates.

Market Risk Management

The aim in managing market risk is to limit the value of its individual components within the set limits approved by the Board of Directors. Limits determine the maximum possible acceptable level of risk. With the limits thus defined, the Bank will numerically define the maximum loss that will result from its positions, while at the same time adversely changing market conditions acting to the detriment of positions.

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 positions only in the banking book, so it is not exposed to the market risk of the trading book.

The Market & Operational Risk Department is responsible for market risk management. Information on market risk is regularly submitted to the Bank's bodies: the Board of Directors, the Assets and Liabilities Management Committee and the Supervisory Board.

A more detailed description of the market risk management strategy is described in the regulation Risk Management Strategy in OTP Bank Slovensko, a.s.

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.

Foreign exchange (currency) Risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. In the case of foreign exchange risk, the bank has set the following limits:

- Overnight limits of open foreign exchange positions
- Intraday limits of open foreign exchange positions
- VaR limit
- Daily stop-loss limit
- Stress test limit

During 2020, the limit was not exceeded in the case of foreign exchange risk.

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 bank verifies the accuracy of the model on a daily basis through back testing. The hypothetical gain or loss is compared to the calculated VaR and the number of exceedances at the 99% probability level is determined. In 2020, there were seven overshoots in the backtests, of which 6 were in March, due to the high exchange rate volatility caused by the Covid-19 pandemic. No exceedance of the VaR did happen from March until the end of 2020. The number of exceedances in 250 days has an impact on the calculation of the capital requirement for foreign exchange risk under Pillar 2.

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 2020 (EUR '000)	EUR	USD	HUF	Other Currencies	Total
Assets					
Cash, due from banks and balances with the National Bank of Slovakia	158 571	682	7 331	4 438	**171 022**
Placements with other banks, loans to other banks	3 827	6 194	-	1 558	**11 579**
Loans and receivables	1 118 673	1	76	-	**1 118 750**
Debt securities at amortised cost	83 125	-	-	-	**83 125**
Financial assets at fair value through profit or loss	-	-	-	-	**-**
Financial assets at fair value through other comprehensive income	6	2 467	-	-	**2 473**
Liabilities					
Due to banks and deposits from the National Bank of Slovakia and other banks	207 960	-	-	40	**208 000**
Amounts due to customers	1 024 650	8 463	7 220	4 401	**1 044 734**
Liabilities from debt securities	-	-	-	-	**-**
Subordinated debt	38 028	-	-	-	**38 028**
Net currency exposure at 31 Dec 2020	**93 564**	**881**	**187**	**1 555**	**96 187**

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	1 086	-	-	-	**1 086**
Loans and receivables	1 115 074	65	94	-	**1 115 233**
Debt securities at amortised cost	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**

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.

The calculation of interest rate risk is performed using the "economic value of equity" in the sense of EBA regulation. It represents a change in the present value of interest rate sensitive assets and liabilities as a result of a prescribed set of six scenarios (parallel and non-parallel, defined by EBA). The resulting sensitivity is compared to the eligible capital.

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

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)

The potential decline in the bank's economic value in any interest rate shock scenario may not exceed 15% of Tier 1 capital.

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 2020 (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	124 275	-	-	-	-	46 747	**171 022**
Placements with other banks, loans to other banks	-	9 508	2 077	-	-	(6)	**11 579**
Loans and receivables	-	309 644	150 853	546 620	110 616	1 017	**1 118 750**
Debt securities at amortised cost	-	1 777	96	81 252	-	-	**83 125**
Financial assets at fair value through profit or loss	-	-	-	-	-	-	**-**
Financial assets at fair value through other comprehensive income	-	-	-	-	-	2 473	**2 473**
Liabilities							
Due to banks and deposits from the National Bank of Slovakia and other banks	99	40	207 860	-	-	1	**208 000**
Amounts due to customers	272 925	77 213	173 179	381 590	132 415	7 412	**1 044 734**
Liabilities from debt securities	-	-	-	-	-	-	**-**
Subordinated debt	-	27 027	11 001	-	-	-	**38 028**
Interest rate risk at 31 Dec 2020	**(148 749)**	**216 649**	**(239 014)**	**246 282**	**(21 799)**	**42 818**	**96 187**

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	-	1 032	48	-	-	6	**1 086**
Loans and receivables	-	356 790	161 123	544 087	35 620	17 613	**1 115 233**
Debt securities at amortised cost	-	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**

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 31 December 2020	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	(11 145)	82 334	(109 179)	(127 740)	42 702	147 215	19 824	36 541	25 364	(47 285)	117	4
Net off-balance sheet position of Banking Book	-	-	-	-	-	-	-	-	-	-	-	-
Banking Book GAP, total	(11 145)	82 334	(109 179)	(127 740)	42 702	147 215	19 824	36 541	25 364	(47 285)	117	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)	(4)	124	(338)	(639)	235	-	-	-	-	-	-	-

Portfolio EUR 31 December 2019	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 622 thousand (31 December 2019: EUR 661 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 9 thousand (31 December 2019: EUR 12 thousand).

In the CZK portfolio, unfavourable interest rate movements would have a negative impact on the Bank's economic value in the amount of EUR 1 thousand (31 December 2019: EUR 2 thousand).

The overall impact on the Bank's economic value in all portfolios (USD, EUR, CZK, and other foreign currencies) represents a decrease by EUR 635 thousand (31 December 2019: decrease by EUR 679 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 2020 (31 December 2019: 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.

For the purposes of measuring and monitoring liquidity risk, the Bank has established legislative and internal liquidity indicators. From the point of view of short-term liquidity fulfilment, the "Liquidity Coverage Ratio" (LCR) indicator, defined by Regulation (EU) no. 575/2013, which supplements Delegated Act (EU) 2015/61, bears importance. The indicator is defined as the ratio of the cushion of a credit institution's liquid assets to its net negative liquidity flows over a stress period of 30 calendar days. Net negative liquidity flows shall be calculated by deducting the credit institution's positive liquidity flows from its negative liquidity flows.

The LCR is reported as a percentage and must not fall below 100%, which means that the credit institution holds sufficient liquid assets to cover its net negative liquidity flows during the 30-day stress period.

The Bank has set an early warning limit for LCR (hereinafter referred to as "EWL"), in the amount of 120%.

In terms of long-term liquidity, the NSFR "Net Stable Funding Ratio" is calculated. The indicator is defined as the ratio of available (usable) sources of funding (ASF) to required funding (RSF).

The NSFR value must also not fall below 100% (1.0). The EWL is set at 110% for the indicator. In 2020, the Bank complied with the set limits with a sufficient margin.

At the same time, the Bank monitors its liquidity position on a daily basis for up to 1 month and up to 3 months (primary and operational liquidity). On a monthly basis, four liquidity scenarios are calculated - the baseline scenario and 3 stress scenarios.

The Bank has also developed a contingency financing plan, which is part of the liquidity risk management process and provides a framework for the Bank's management in the event of interruption of the ability to finance certain resp. all activities on time and at a reasonable price.

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 2020

(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	171 022	-	-	-	-	**171 022**
Placements with other banks, loans to other banks	7 752	-	97	3 730	-	**11 579**
Loans and receivables	35 534	32 148	121 125	380 715	549 228	**1 118 750**
Debt securities at amortised cost	-	1 777	96	81 252	-	**83 125**
Financial assets at fair value through profit or loss	-	-	-	-	-	**-**
Financial assets at fair value through other comprehensive income	-	-	-	-	2 473	**2 473**
Current tax asset	-	-	-	-	-	**-**
Deferred tax asset	-	-	-	4 911	-	**4 911**
Non-current tangible assets	-	-	-	-	18 285	**18 285**
Non-current intangible assets	-	-	-	-	9 788	**9 788**
Other assets	695	224	336	1	1 132	**2 388**
Total assets	**215 003**	**34 149**	**121 654**	**470 609**	**580 906**	**1 422 321**
Liabilities						
Liabilities to banks, contributions of the National Bank of Slovakia and other banks	140	-	207 860	-	-	**208 000**
Liabilities to customers	914 835	21 110	81 913	25 678	1 198	**1 044 734**
Liabilities from debt securities	-	-	-	-	-	**-**
Subordinated debt	-	27	18 001	9 000	11 000	**38 028**
Financial liabilities held for trading	-	-	-	-	-	**-**
Provisions for liabilities	-	1 270	673	3 044	-	**4 987**
Other liabilities	11 086	4	10 215	-	-	**21 305**
Equity	-	-	-	-	105 267	**105 267**
Total liabilities and equity	**926 061**	**22 411**	**318 662**	**37 722**	**117 465**	**1 422 321**
Net balance sheet position of liquidity as at 31 December 2020	**(711 058)**	**11 738**	**(197 008)**	**432 887**	**463 441**	**-**
Cumulative net balance-sheet position of liquidity as at 31 December 2020	**(711 058)**	**(699 320)**	**(896 328)**	**(463 441)**	**-**	**-**

The classification of balance-sheet assets and liabilities into time bands per residual maturity as at 31 December 2020 represents a GAP of EUR -711 million in the within 1-month time band (31 December 2019: EUR -686 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 153 million (31 December 2019: EUR 129 million). The Bank continuously complied with all the measures stipulated by the NBS as regards this area during the entire period under review in 2020.

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	8	-	-	1 078	-	**1 086**
Loans and receivables	32 545	32 686	144 555	380 401	525 046	**1 115 233**
Debt securities at amortised cost	-	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**
Current tax asset	-	-	-	-	-	**-**
Deferred tax asset	-	-	-	5 088	-	**5 088**
Non-current tangible assets	-	-	-	-	21 083	**21 083**
Non-current intangible assets	-	-	-	-	10 821	**10 821**
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)**	**-**	**-**

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

31 Dec 2020 (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	64 422	-	-	-	-	**64 422**
Guarantees issued (excluding commitments for guarantees)	21 639	-	-	-	-	**21 639**
Issued letters of credit	4 269	-	-	-	-	**4 268**
Liabilities from spot transactions	401	-	-	-	-	**401**
Liabilities from forward transactions with a financial transfer	-	-	-	-	-	**-**
Provided guarantees from pledges	89 126	-	-	-	-	**89 126**
Total as at 31 Dec 2020	**179 857**	**-**	**-**	**-**	**-**	**179 856**

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)	23 941	-	-	-	-	**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	**159 596**	**-**	**-**	**-**	**-**	**159 596**

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

31 Dec 2020 (EUR '000)	**Within 1 Year**	**From 1 Year to 5 Years**	**From 5 Years and Over**	**Adjustment**	**Total**
Due to banks	207 367	-	-	633	**208 000**
Amounts due to customers	1 017 950	25 699	1 198	(113)	**1 044 734**
Liabilities from issued debt securities	198	-	-	(198)	**-**
Subordinated debts	18 759	10 346	11 491	(2 568)	**38 028**
Leasing liabilities	905	1 463	-	-	**2 368**
Other financial liabilities (excluding leasing liabilities)	17 171	-	-	-	**17 171**
Total as at 31 Dec 2020	**1 262 350**	**37 508**	**12 689**	**(2 246)**	**1 310 301**

31 Dec 2019 (EUR '000)	**Within 1 Year**	**From 1 Year to 5 Years**	**From 5 Years and Over**	**Adjustment**	**Total**
Due to 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**
Leasing liabilities	934	1 910	-	-	**2 844**
Other financial liabilities (excluding leasing liabilities)	18 745	-	-	-	**18 745**
Total as at 31 Dec 2019	**1 209 263**	**96 897**	**9 127**	**(2 906)**	**1 312 381**

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, i.e. 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, i.e. 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.

The purpose of effective management of operational risks is to set up internal processes so that the resulting damages have a negative effect on the Bank's result as little as possible. 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.

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 2020	31 Dec 2019
Profit/(loss) (in EUR '000)		(9 621)	2 297
Profit/(loss) for the reporting period attributable to ordinary share-holder (in EUR '000)		(9 621)	2 297
Profit/(loss) per share			
At face value of EUR 3.98 (in EUR)		**(0,303)**	**0,072**
Weighted average number of ordinary shares	18	11 503 458	11 503 458
At face value of EUR 39 832.70 (in EUR)		**(3 027,22)**	**722,65**
Weighted average number of ordinary shares	18	570	570
At face value of EUR 1.00 (in EUR)		**(0,076)**	**0,018**
Weighted average number of ordinary shares	18	58 102 310	58 02 310

The bank has issued only basic shares. Diluted shares are equal to basic shares.

40. Distribution of a Profit for the Preceding Reporting Period

The General Meeting of OTP Banka Slovensko, a.s. was held on 29 June 2020. The General Meeting approved the separate financial statements for 2019 and the distribution of the profit for 2019 as follows:

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

41. Proposed Settlement of Loss for the Current Reporting Period

Proposed settlement of the loss for 2020 (EUR '000)	
The profit/(loss) for 2020 – loss:	(9 621)
Settlement:	
- Profit/(loss) from previous years	(9 621)

The proposed settlement of the loss for 2020 is subject to approval by the General Meeting of OTP Banka Slovensko, a.s.

42. Events After the Reporting Date

At the General Meeting of the Bank, which took place on 18 January 2021, changes in the composition of the Bank's Supervisory Board were approved.

With effect from 18 January 2021, the position of following members of the Supervisory Board, appointed by the previous majority shareholder (OTP Bank), ceased to exist:

- József Németh
- Atanáz Popov
- Tamás Endre Vörös
- Adrienn Erdős
- Balázs Létay

With effect from 19 January 2021, new members of the Supervisory Board were appointed by the new majority shareholder (KBC Bank):

- Ing. Daniel Kollár
- Ing. Branislav Straka, Ph.D.
- Ing. Marcela Výbohová
- Evert Albert R. Vandenbussche

With effect from 18 February 2021 Ing. Daniel Kollár became the chairman of the Bank's supervisory board.

Following the decision of KBC Bank, preparations for the merger of the Bank with Československá obchodná banka, a.s. are ongoing, with the expected effective date being during 2021. The proposed merger agreement will be discussed at the general meetings of both banks.

There were no significant events between the balance sheet date and the date when these financial statements were authorized for issue, that would require adjustment or additional recognition.