Tatra banka

Annual report 2019

Slovak Republic

Member of Raiffeisen Bank International

TATRA BANKA

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Survey of key data

Survey of key data according to International Financial Reporting Standards

Tatra banka Group (in EUR thousands)

	2019	2018	Change
Consolidated Statement of Comprehensive Income			
Net interest income	293 253	289 254	1.4 %
Net fees and commission income	123 788	129 280	(4.2) %
Net trading income and fair value result	20 671	24 396	(15.3) %
General administrative expenses	(250 599)	(236 784)	5.8 %
Cash contributions to resolution funds and deposit guarantee schemes	(4 904)	(4 597)	6.7 %
Impairment losses on financial assets	(21 827)	(32 117)	(32.0) %
Consolidated profit before income taxes	171 052	154 580	10.7 %
Consolidated profit after income taxes	135 078	119 875	12.7 %
Comprehensive consolidated profit after tax	155 342	118 056	31.6 %
Consolidated Statement of Financial Position			
Loans to banks, gross	202 236	122 591	65.0 %
Loans to customers, gross	11 158 353	10 269 773	8.7 %
Deposits from banks	362 324	406 440	(10.9) %
Deposits from customers	11 903 452	10 928 189	8.9 %
Equity (including consolidated profit)	1 241 375	1 131 904	9.7 %
Total assets	14 511 053	13 195 897	10.0 %
Key ratios			
Return on equity (ROE) before tax	15.3 %	15.5 %	(1.3) %
Cost/income ratio [2]	53.4 %	52.6 %	1.5 %
Return on assets (ROA) before tax	1.2 %	1.2 %	0.0 %
Tier 1 ratio, total	15.6 %	15.4 %	1.3 %
Own funds ratio	17.8 %	17.7 %	0.6 %
Stock data			
Earnings per ordinary share (nominal value per share: 800 EUR)	1 687	1 498	12.6 %
Earnings per ordinary share (nominal value per share: 4 000 EUR)	8 435	7 490	12.6 %
Resources			
Number of staff on balance sheet date	3 863	3 858	0.1 %
Branches on balance sheet date [1]	180	185	(2.7) %

Rating	Long-term deposits	Outlook	Short-term deposits	Baseline Credit Assessment
Moody's Investors Service	A3	positive	Prime-2	Baa1

1) pInclusive of Corporate centres, "Centrum bývania" branches, Raiffesen bank branches and Tatra-Leasing, s.r.o. branches
2) excluded special levy of selected financial institutions

Statements

Statement by the Chairman of the Management Board

Dear shareholders, business partners and clients,

The complexity of the external environment intensified in 2019. Historically low interest rates with tightening regulation were accompanied by increasing competition in the provision of financial services by technology firms and the decision to double and extend the banking levy.

Towards the end of the year, the banking sector was concerned about the banking levy and its long-term impact on the development of loans and the ensuing economic growth of Slovakia. However, at the time of finishing my statement, the situation had dramatically changed. Every day now we must together seek solutions to overcome the unprecedented situation related to slowing down the spread of the coronavirus.

Nevertheless, 2019 was again a unique year for Tatra banka and not only in terms of profitability. We managed to increase our market share in both retail and corporate loans and our second brand, Raiffeisen Bank, surpassed 100,000 clients. The success of the digitization strategy was confirmed by the constantly growing number of products and the digital sales share of total sales. Furthermore, Tatra banka's effort to bring innovations to the market was recognized by winning the award "Most Innovative Digital Bank in the World" from Global Finance magazine.

In 2019, Tatra banka also fulfilled its brand promise to be the leader in innovation and offered clients new products and services to make their lives easier and save time.

For example, Tatra banka became the first bank in Slovakia to start offering its clients in the small and medium enterprises segment the option to draw a digital loan. In the mobile app, clients can apply for a loan, set the required amount and loan maturity, sign the contracts and have the funds credited to their account. All this within a few minutes.

Via online channels, retail clients can already get a **Business** Loan™ Expres, buy travel insurance, invest their funds via Internet Banking and do many other things that can simplify their lives.

In August 2019, Tatra banka also launched the first bank chatbot in Slovakia. The chatbot **Adam**™ is built on the principles of artificial intelligence and designed to communicate with Tatra banka's clients and other people interested in the bank's services.

I am proud that our work has been recognized by reputable global professional periodicals. Out of all of them, I would like to highlight the global awards. We especially enjoy our recognition by Global Finance mentioned above. This award underlines our belief that the path we have taken is the right one and that innovation focused on customer experience is the best way to remain competitive in the digital era. Tatra banka's innovative approach was also recognized by EMEA Finance magazine, naming us not only the best bank in Slovakia, but also the most innovative bank in Central and Eastern Europe, thus confirming Global Finance's opinion.

Raiffeisen Bank has offered its clients a unique experience of simple, straightforward and user-friendly products and services at fair prices for more than seven years. Throughout its operation on the Slovak market, Raiffeisen Bank has been regularly confirmed by agency surveys as having the most satisfied clients of all local banks.

In terms of Corporate Social Responsibility (CSR) activities in 2019, we continued to focus our support on the arts, education and digital innovation. All these areas are naturally very close to our hearts and are part of our holistic strategy.

In 2019, Tatra banka was the general partner of the Slovak National Theater and the Slovak National Gallery, both major national institutions. In education, we introduced the innovative education project World Phenomena, created by Edulab in cooperation with the BBC, to 800 primary schools (50 per cent of all primary schools in Slovakia).

These areas are supported by Tatra banka and the Tatra banka Foundation, where 85 per cent of funding comprises open grant programs (open competitions) focused on the arts, education and digital areas. The foundation supports talented, young, new students and educational institutions. In the area of education, the Tatra banka Foundation plans to welcome further Nobel and Pulitzer Prize winners to Slovakia in the coming years.

Above, I have introduced a number of new products, activities and options brought by Tatra banka to the Slovak market. Solutions that will guide our customers through this very difficult period. We sincerely believe that this is the path that will also secure Tatra banka's unique position on the Slovak market in the digital era. In this time, especially, it will be vital to enhance our mutual trust. Only in this way can we be successful and come out of this situation empowered with new knowledge and experience.

It is our advantage to be able to lean on our values. Applying and living creativity, courage and partnership is our competitive advantage especially in times of uncertainty.

Michal Liday
Chairman of the Management Board and CEO

Report of the Supervisory Board

Ladies and Gentlemen,

For Tatra banka, 2019 was an extremely successful year. Consolidated profit after tax totaled EUR 135.1 million, which was the bank's best result since 2011. Return on equity increased slightly to 12.1 per cent and loans to customers grew 8.7 per cent, thereby increasing Tatra banka's market share. Deposits from customers recorded similar growth, namely of 8.9 per cent. The substantial growth in the volume of loans was not at the expense of the portfolio risk profile, as the rate of non-performing loans dropped from 2.3 per cent to 2.1 per cent, thus remaining below the market average.

Four Supervisory Board meetings took place in the 2019 financial year. The overall attendance rate was around 97 per cent. Between meetings, the Supervisory Board adopted resolutions by voting in writing, when necessary.

The Supervisory Board regularly and comprehensively monitored the business performance and risk developments at Tatra banka. Discussions were regularly held with the Management Board on the adequacy of capital and liquidity, as well as on the direction of the bank's business and risk strategies. The Supervisory Board also dealt at length with further developments within corporate governance and monitored the implementation of corresponding policies. In the course of its monitoring and advisory activities, the Supervisory Board maintained direct contact with the responsible Management Board members, the auditor and heads of the internal control functions. It also maintained a continuous exchange of information and views with representatives from supervisory authorities on topical issues.

Moreover, the Management Board provided the Supervisory Board with regular and detailed reports on relevant matters concerning performance in the respective business areas. Between meetings, the Supervisory Board maintained contact with the Chairman and members of the Management Board. The Management Board was available when required for bilateral or multilateral discussions with members of the Supervisory Board, where applicable with the involvement of experts on matters being addressed.

The work undertaken together with the Management Board was based on a relationship of mutual trust and conducted in a spirit of efficient and constructive collaboration. Discussions were open and critical, and the Supervisory Board passed resolutions after fully considering all aspects. If additional information was required in order to consider individual issues in more depth, this was provided to members of the Supervisory Board without delay and to their satisfaction.

The Supervisory Board performed its duties in accordance with generally binding legislation and Tatra banka's Articles of Association. At its meeting in March 2020, it reviewed the separate and consolidated financial statements for 2019, as well as the proposed profit distribution and dividend payment for 2019, and recommended approval thereof by the General Meeting without any comments.

I would like to take this opportunity to thank our customers for their continued trust and all employees of Tatra banka for their hard work and unwavering efforts in 2019, as well as to ask for their continued commitment in tackling any challenges going forward.
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On behalf of the Supervisory Board

Andrii Stepanenko,
Chairman of the Supervisory Board

Mission, Vision, Values

Mission of Tatra banka

Our mission has always been and will continue to be shifting the boundaries of banking.

Vision of Tatra banka

We are the largest or the second largest bank in each of the client segments we serve.

Values

Demanding Approach, Creativity, Partnership, Courage

Raiffeisen Bank International at a glance

RBI regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE) as its home market. Subsidiary banks cover 13 markets across the region. In addition, the Group includes numerous other financial service providers active in areas such as leasing, asset management and M&A.

In total, almost 47,000 RBI employees serve 16.7 million customers in more than 2,000 business outlets, the vast majority of which are in CEE. RBI AG shares have been listed on the Vienna Stock Exchange since 2005.

At year-end 2019, RBI's total assets stood at EUR 152 billion. The regional Raiffeisen banks hold approximately 58.8 per cent of RBI shares, with the remaining approximately 41.2 per cent in free float.

Risk Management and Basel III

Well-organized and consolidated risk management plays a vital role in the sustainable, efficient operation of the bank. This role is perceived very responsibly in Tatra banka, and also in the context of its systemic importance for the whole banking sector. Tatra banka meticulously fulfils the requirements of European directives implementing Basel III regulations. Implementation is subject to the applicable Slovak legal regulations. During the negotiation and approval of Slovak legislative standards, the bank works actively with the Slovak Banking Association and its committees and working groups. The bank plays an equally important role in multilateral meetings with regulatory authorities and other organizations.

The concept, methodology and documentation of risk management and Basel III activities are prepared in close cooperation with the RBI Group while respecting the local specificities of Tatra banka and the banking environment as a whole.

The relevant methodological concepts and procedural techniques are integrated into the management process in various areas of the bank, are regularly updated in line with legislative and internal changes, and are meticulously reviewed by internal audit.

Risk management and Basel III activities are aimed at ensuring the most accurate evaluation, quality management and mitigation or elimination of credit, market and operational risks, as well as other risks to which the bank is exposed.

Achieving this goal depends chiefly on:
- identifying risks resulting from bank products and processes;
- ensuring the best possible collection and storage of relevant and potentially relevant data;
- developing a reliable methodology for measuring individual types of risk;
- ensuring effective and high-quality processes for prudent management of individual risk types and predicting their development;
- using efficient instruments to mitigate risk exposure;
- ensuring high-quality and secure IT systems for process automation, data collection and analysis; and
- undertaking calculations and providing outputs.

These processes, in conjunction with changes in the economic environment, are a key element for ensuring the long-term stability of the bank's risk profile and satisfy its capital requirements as well as its return on equity.

Pursuant to legislative requirements, the bank regularly publishes details about its activities, working procedures, and results, which ensures transparency in relation to regulators, business partners and clients regarding risk management.

Credit risk

Since January 1, 2008, the bank has applied a standardized approach to quantifying risk-weighted assets and regulatory capital requirements for credit risk, which constitutes the most significant bank risk. The bank's goal is to switch to the Internal Rating Based (IRB) approach as soon as possible. This is based on the use of internal rating models and in-house estimates of risk parameters for the management, quantification and reporting of individual types of credit-related risks in line with its implementation plan.

Since January 1, 2009, the bank has calculated capital requirements for a large part of its non-retail portfolio (i.e. sovereign units, institutions, corporations, project financing, insurers, investments in funds and purchased receivables) using the approved IRB approach.

In December 2013, the bank was granted authorization to apply the IRB approach to SME clients as well. Under this approach, the bank is authorized to quantify capital requirements for these clients using its own estimates of the likelihood of a counterparty default, which makes the measurement of credit risk much more sensitive and also allows capital requirements to correspond more closely to actual risk exposure. During turbulent economic times this approach has enabled the bank to reflect the effects of a period of economic decline on its portfolio in its capital requirements.

Based on its implementation plan, the bank was granted authorization to use the IRB approach from April 1, 2010 for the retail part of its portfolio as well, which allows the bank to calculate the risk profile of this portfolio based on in-house estimates of all significant risk parameters, mainly regarding the likelihood of retail clients' defaults and their exposures, losses in the event of default and credit conversion factors for off-balance sheet exposures, subsequently using these estimates for comprehensive portfolio risk management.

In relation to the application of the IRB approach, the bank and the RBI group work continuously on rating models to maximize their predictive strength. Each significant change is also reviewed by the supervisory authorities.

The basic principles of managing the credit risk of non-retail clients are set out in the RBI Group Credit Manual, which is obligatory for the whole group. The management of non-retail credit risk by the bank is detailed in Tatra banka's Credit Policy, which is approved by the Supervisory Board annually. The Credit Policy defines the targeted and restricted sectors for financing as well as the sectors excluded from financing, the minimum requirements for a client credit transaction (rating, value of collateral, required margin), and the target structure of the loan portfolio together with its key parameters for the forthcoming year.

Regarding retail risk, in addition to managing the quality of the retail credit portfolio, in 2019 the bank focused specifically on improving the loan provision quality in compliance with legislative changes. The bank continues to focus on regular scorecard and risk management model development and the update thereof. The aim of building the risk management infrastructure is to develop a reliable solution allowing a flexible response to external changes. A fundamental part of this process is the definition of targets for individual components of credit risk management and for bank employees. This is a comprehensive process involving consistent preparation and subsequent application of credit risk principles, credit policy and guidelines and effective management tools.

Market risk

In 2019, the bank continued to apply a prudent approach to security investments with the assistance of the implemented limits that ensure protection against the risk of securities being downgraded, and a conservative approach to the assessment of bank counterparties and limits applicable to those counterparties. The established limits and the stress tests performed by the bank provided sufficient protection against the adverse effects of market fluctuations.

The close monitoring of all market risks remains a high priority. The methods and models used to monitor market risk remain subject to strict supervision, externally and internally, and the parameters affecting the outputs are regularly re-assessed and approved by the bank's committees to reflect, as

accurately as possible, the current situation on the financial and capital markets. The limits protecting the bank against market turbulence are subject to review and are set prudently and conservatively to limit losses in the event of negative developments. One of the important aspects of market risk management at the bank is the promotion of new, innovative products while remaining highly prudent.

Liquidity risk is closely monitored and is subject to internal limits set by the bank and limits defined by the RBI Group and Basel III. The bank is compliant with the required Liquidity Coverage Ratio and the Net Stable Funding Ratio.

Operational risk

The bank calculates the amount of regulatory capital required to cover operational risk using the standardized approach. The bank uses a set of qualitative and quantitative methods to identify and manage operational risk as regards the potential impact of operational incidents on its profit and goodwill. The bank raises awareness of operational risk using various communication forms within the bank.

Pillar 2 and economic capital

The bank has implemented and continuously modifies and supplements its methodology and procedural techniques for the internal determination of capital adequacy (Pillar 2). As part of this process, the bank regularly evaluates all relevant risks in line with the risk profile and then quantifies and evaluates them in the context of the risk level the bank is willing to take and the projected capital formation and subsequent reporting to bank management. The bank's risk profile and the related processes are subject to a detailed annual review by supervisory authorities (ECB and NBS) under the Supervisory Review and Evaluation Process (SREP).

Based on the above, in line with its risk profile, the bank covered the identified risks by its internal capital with a sufficient reserve in 2019.

The process of capital allocation is an integral part of this, as it is closely linked to the budgeting process. As part of this process, the individual commercial units of the bank are assigned an expected level of the Return on Risk Adjusted Capital (RORAC) performance indicator using an approved allocation key. This indicator measures the rate of return in relation to anticipated risk from individual transactions, portfolios and business units to meet the targets set by the shareholder, while maintaining an acceptable risk level. As a prerequisite for the bank’s healthy growth, the risk-adjusted view of the bank’s performance will remain a priority in the forthcoming period.

Forecasting and stress testing capital adequacy

In view of the more advanced risk measurement methods and constant changes in the economic environment, an important aspect of capital adequacy management is the consistent prediction of its development, including stress testing of readiness for unforeseeable adverse events.

In 2019, the bank continued to develop its stress testing of capital adequacy for credit risk using internal estimates of risk parameters in relation to potential changes to the estimated risk parameters, the migration of clients and receivables between rating levels, a fall in collateral values, economic recession, and other changes for the bank’s material sub-portfolios, making substantial use of the stress scenarios set by the National Bank of Slovakia.

Summary of Consolidated Performance

The consolidated after-tax profit of the Tatra banka Group increased 12.7 per cent year-on-year, from EUR 119.9 million in 2018 to EUR 135.1 million. Profit increase was mainly a result of the sale of the bank's share in Mastercard of EUR 26.8 million and a decrease in provisions for loans from EUR 28.0 million to EUR 20.2 million. Net interest income grew to EUR 293.3 million from EUR 289.3 million, net fee income decreased to EUR 123.8 million from EUR 129.3 million.

In 2019, the return on equity increased to 12.1 per cent year-on-year from 12.0 per cent in 2018. The increase in the return on capital was more moderate than the increase in profit due to growth of own funds. The ratio of operating expenses to operating income, expressing efficiency, increased to 53.4 per cent from 52.6 per cent.

In March 2017, Moody's (international rating agency) increased Tatra banka's rating to investment grade A3 with a stable outlook. The agency improved the outlook for Tatra banka to positive in April 2019.

Development of income and expenses

Net interest income grew 1.4 per cent year-on-year to EUR 293.3 million. This growth was a result of a strong rise in loans compensating for reduced interest rates. Interest rates on selected products in Slovakia are currently among the lowest in the EU.

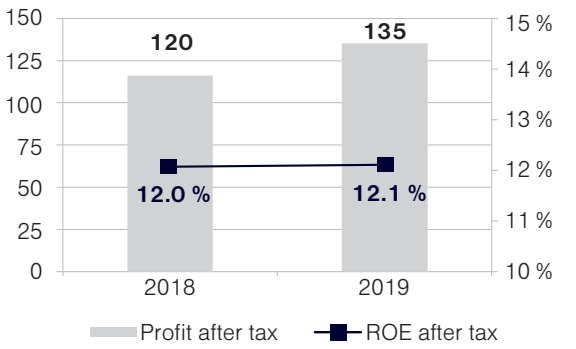
The volume of loans grew 8.7 per cent in 2019. Personal loans grew faster than corporate loans, which reflects the reality on the Slovak banking market. Nevertheless, Tatra banka still increased its market share in both segments outperforming market growth.

In 2017, the National Bank of Slovakia started to tighten the options for providing mortgage and consumer loans. The measures were further strengthened in 2018, 2019 and as of January 1, 2020. As a result, the bank also expects a slower rate of growth on the retail loans market in 2020.

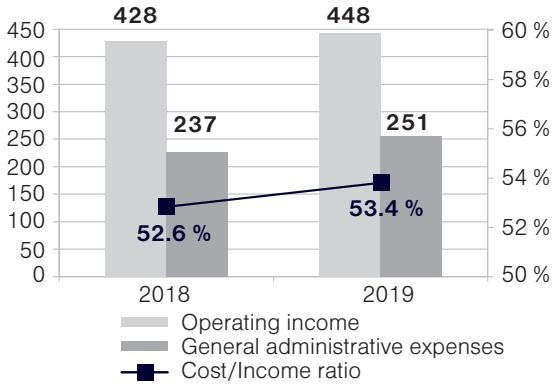
Net fee and commission income was down 4.2 per cent year-on-year to EUR 123.8 million. The decrease is due to a faster growth of expenses on fees and commissions by 22.4 per cent, compared to the income with a 2.4 per cent growth.

General administrative expenses increased 5.8 per cent to EUR 250.6 million due to an increase in personnel costs and depreciation. Personnel costs grew 10.4 per cent year-on-year to EUR 143.6 million, and depreciation increased 44.2 per cent to EUR 30.5 million.

Development of profit and return on equity EUR million



Development of Cost/Income ratio EUR million

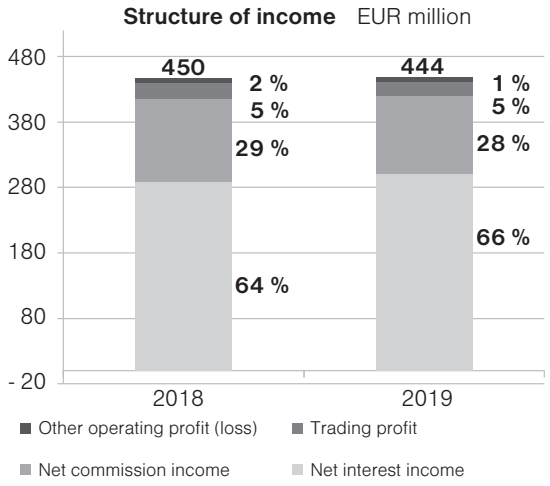


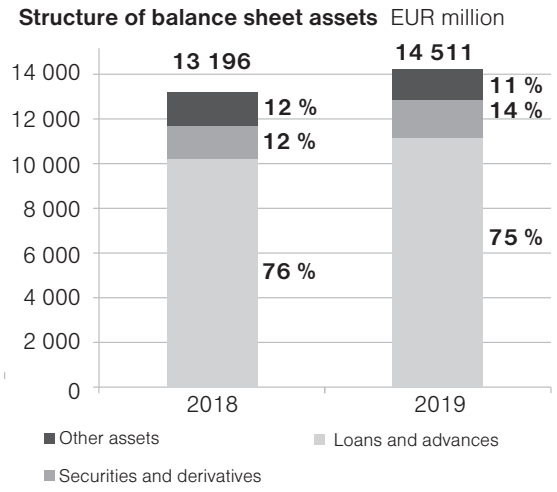
Development of assets

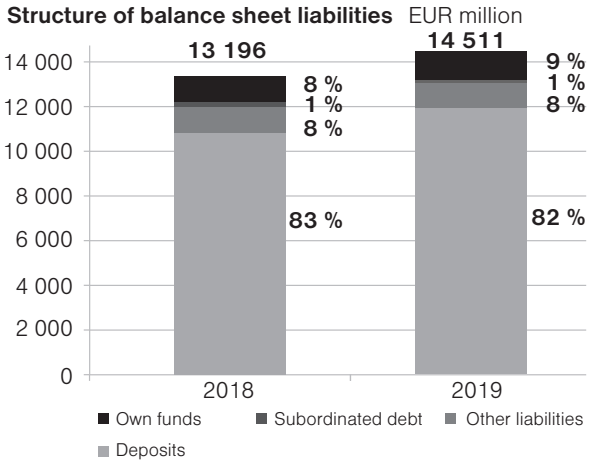
The consolidated assets of the Tatra banka Group increased 10.0 per cent to EUR 14.51 billion. The main contributors to this growth were loans, which grew 8.7 per cent to a total of EUR 11.16 billion, and debt securities with a growth of 26.1 per cent to EUR 1.35 billion. The share of non-performing loans in the total portfolio decreased from 2.3 per cent to 2.1 per cent, which is considerably better than the industry figures and confirms the very good quality of the bank's loan portfolio. The growth in loans to customers was mainly due to housing loans.

Development of liabilities and equity

Deposits increased 8.9 per cent to EUR 11.90 billion. The volume of term deposits grew, following a longer-term decrease, by 5.6 per cent to EUR 1.24 billion. Current account deposits increased 9.9 per cent to EUR 10.52 billion. The consolidated ratio of loans to deposits was 93.7 per cent as of December 31, 2019.
As of December 31, 2019, the consolidated capital adequacy ratio increased to 17.75 per cent from 17.69 per cent, substantially more than required by the National Bank of Slovakia and the European Central Bank.







Objectives for 2020

The beginning of 2020 was marked by the global novel coronavirus pandemic the economic impact of which cannot be precisely predicted at this time. However, it is extremely likely that, at least in 2020, the economic downturn will be even greater than in 2009.

In light of this situation, Tatra banka must change its original objectives, particularly concerning the acquisition of new clients and the sale of loan products. The bank's priority in 2020 will be to help clients, employees and society as a whole to cope with this situation. One of the main priorities for the duration of the measures to fight coronavirus is, through loan products, to help clients who find themselves in a difficult life situation.

During the year, we are planning to develop digital loan and deposit products, which will allow clients to communicate with the bank without visiting a branch. We are planning to introduce a number of new features and the option of online communication with the bank concerning product changes in the Tatra banka app. Confirmation of the position of an innovation leader with a focus on digital banking takes on a new dimension in this situation. The development and offer of digital products will certainly be among the bank's priorities.

In order to lower the burden on branches and slow down the spread of the virus, the bank sent SMS and push notifications to all its clients directing them to use digital services. We have also modified our website, which contains regularly updated information on changes and new options for addressing client requirements online, and we are also keeping clients informed via an education campaign in internet banking and on the mobile app.

Tatra banka's primary concern is also the health protection of its staff. To protect the health of the retail network staff, the bank has shortened branch opening hours to 4 hours a day on business days and provided staff with protective masks and gloves, protective acrylic sheets and disinfectants. Head office staff who can work from home have been redirected to home office, and security measures have been implemented in the head office buildings – wearing masks, measuring temperature, disinfectants and so on. The bank complies with all government regulations and Public Health Authority guidelines and uses a contract medical service.

Another step prepared by the bank was to implement measures to eliminate the impact of likely crisis scenarios such as the loss of a building, lack of people and the unavailability of critical infrastructure.

These measures include:
- promoting home office for staff members who can use this form of work;
- further extension of home office to include additional positions;
- expansion of infrastructure related to the extension of home office;
- keeping backup locations on standby;
- extending backup locations for additional units to separate teams.

The Tatra banka Foundation will also play an important role in 2020. At the time of preparing the Annual Report, it has already allocated EUR 500,000 to fight the coronavirus. The Foundation is a long-standing supporter of the arts, education and digital technology. Nevertheless, in the current situation, it is deemed important to redirect its resources to health and to preventing the spread of the pandemic.

The first EUR 200,000 from Tatra banka Foundation funds were allocated to the most urgent projects selected by the Slovak infectology authorities. The Foundation has also launched the first round of an open call to fight the coronavirus, in which 300 health care and social organizations have applied for aid worth more than EUR 1 million. The Board of Trustees of the Tatra banka Foundation has decided to support 110 entities with a total of EUR 170,000.
In 2020, the Tatra banka Foundation intends to continue to fight the coronavirus as long as necessary. Once the overall situation has been stabilized, we will return to promoting our original strategic areas.

Raiffeisen Bank
Like Tatra banka, in light of the current situation, Raiffeisen Bank will also primarily focus on its clients and the provision of support for those that will find themselves in financial difficulties in 2020. The bank is preparing simplified processes for changes such as postponed loan instalments and promoting the increased use of digital channels to handle requests without visiting its branches. We are directing clients to preferably conduct transactions via internet banking or the network of ATMs and deposit ATMs. As soon as the situation is stable, Raiffeisen Bank is prepared to return to the original objectives of acquiring new clients in the mass segment.

Top Management

Supervisory Board

Dr. Andrii Stepanenko
Chairman of the Supervisory Board

Ing. Igor Vida
Vice-Chairman of the Supervisory Board

Mag. Peter Lennkh
Member of the Supervisory Board

Dr. Johann Strobl
Member of the Supervisory Board

Mag. Andreas Gschwenter
Member of the Supervisory Board

Mag. Hannes Mösenbacher
Member of the Supervisory Board

Mag. Lukasz Januszewski
Member of the Supervisory Board

Prof. Ing. Peter Baláž, PhD. (until August 21, 2019)
Member of the Supervisory Board

Ing. Iveta Uhrinová
Member of the Supervisory Board

Management Board

Mgr. Michal Liday
Chairman of the Management Board and CEO

Dr. Johannes Schuster
Member of the Management Board

Ing. Peter Matúš
Member of the Management Board

Ing. Martin Kubík
Member of the Management Board

Mag. Bernhard Henhappel
Member of the Management Board

Ing. Marcel Kaščák
Member of the Management Board

Mgr. Natália Major
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Ing. Zuzana Koštialová

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SWIFT/BIC: RZBRROBU
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St. Troitskaya 17/1
129090 Moscow
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SWIFT/BIC: RZBMRUMM
www.raiffeisen.ru

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Djordja Stanojevica 16
11070 Novi Beograd
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SWIFT/BIC: RZBSRSBG
www.raiffeisenbank.rs

Slovakia
Tatra banka, a.s.
Hodžovo námestie 3
81106 Bratislava 1
Tel: +421-2-59 19-1000
SWIFT/BIC: TATRSKBX
www.tatrabanka.sk

Ukraine
Raiffeisen Bank Aval JSC
Vul Leskova 9
01011 Kiev
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SWIFT/BIC: AVALUAUK
www.aval.ua

Leasing companies

Austria
Raiffeisen-Leasing Gesellschaft m.b.H.
Mooslackengasse 12
1190 Vienna
Tel: +43-1-71 601-0
www.raiffeisen-leasing.at

Albania
Raiffeisen Leasing Sh.a.
European Trade Center
Bulevardi "Bajram Curri"
Tirana
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www.raiffeisen-leasing.al

Belarus
"Raiffeisen-Leasing" JLLC
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220002 Minsk
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www.rl.by

Bosnia and Herzegovina
Raiffeisen Leasing d.o.o. Sarajevo
Zmaja od Bosne bb.
71000 Sarajevo
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www.rlbh.ba

Bulgaria
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www.rlbg.bg

Croatia
Raiffeisen Leasing d.o.o.
Radnicka cesta 43
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Tel: +385-1-65 9-5000
www.raiffeisen-leasing.hr

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Hvězdova 1716/2b
14078 Prague 4
Tel: +420-2-215 116 11
www.rl.cz

Hungary
Raiffeisen Corporate Lízing Zrt.
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1054 Budapest
Tel: +36-1-477 8709
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Kosovo
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Slovenia
Raiffeisen Leasing d.o.o.
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1000 Ljubljana
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Stepan Bandera Av. 9
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Wiesenhüttenplatz 26
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Room 2404, Yue Cai Building
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Singapore
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Tel: +65-63 05-6000

Vietnam
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35 Nguyen Hue Str.,
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+84-8-38 214 719

Selected specialist companies

Austria
Kathrein Privatbank Aktiengesellschaft
Wipplingerstraße 25
1010 Vienna
Tel: +43-1-53 451-300
www.kathrein.at

Raiffeisen Bausparkasse Gesellschaft m.b.H.
Mooslackengasse 12
1190 Vienna
Tel: +43-1-54 646-0
www.bausparen.at

Raiffeisen Centrobank AG
Tegetthoffstraße 1
1015 Vienna
Tel: +43-1-51 520-0
www.rcb.at

Raiffeisen Factor Bank AG
Mooslackengasse 12
1190 Vienna
Tel: +43-1-21 974-57
www.raiffeisen-factorbank.at

Raiffeisen Kapitalanlage-Gesellschaft m.b.H.
Mooslackengasse 12
1190 Vienna
Tel: +43-1-71 170-0
www.rcm.at

Raiffeisen Wohnbaubank Aktiengesellschaft
Mooslackengasse 12
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Tel: +43-1-71 707-0
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Valida Holding AG
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Tel: +43-1-31 648-0
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Statement on Corporate Governance

The corporate governance system of Tatra banka is regulated by the Code of Corporate Governance in Slovakia issued by the Slovak Association of Corporate Governance. The Code is publicly available on the association's website www.sacg.sk.

General Meeting

The General Meeting is the supreme body of the bank via which shareholders take part in the bank's management. Every shareholder has rights that allow the shareholder to exercise influence on the bank, namely:

a. The right to attend the General Meeting
A shareholder may personally attend the General Meeting or do so via a proxy. A shareholder's right of attendance is supported primarily by the obligation of the Management Board to convene the General Meeting at least once a year, to notify each shareholder of the General Meeting by sending an invitation at least thirty days in advance, and to ensure that the notice of the General Meeting is published in at least one periodical with nationwide coverage that publishes stock exchange news.

b. The right to vote at the General Meeting
The shareholder's voting right derives from the nominal value of the shares held. One share with a nominal value of EUR 800 corresponds to one vote and one share with a nominal value of EUR 4,000 corresponds to five votes. The General Meeting usually decides by a simple majority of shareholder votes, unless otherwise stipulated by law or the Articles of Association. Preference shares do not carry the right to vote at the General Meeting, except where stipulated by law.

c. The right to propose motions at the General Meeting
The agenda of each General Meeting is structured to allow shareholders to present their motions, comments and suggestions concerning the bank.

d. The right to a share of the bank's profit (dividend)
The distribution of profit and dividend pay-out is decided by the General Meeting based on operating results.

e. The right to information about the bank
A shareholder has the right to request information and explanations at the General Meeting regarding the agenda of the General Meeting. This right corresponds to the obligation of the Management Board to provide the requested information and explanations at the General Meeting or, subject to statutory requirements, in writing within 15 days from the date of the General Meeting. A shareholder is also entitled to inspect documents entered into the collection of documents or the register of financial statements and minutes of general meetings at the bank's head office, to ask for copies of such documents or to have them sent, and has the right to inspect the minutes of the Supervisory Board meetings.

f. The right to request the convening of an Extraordinary General Meeting
A motion to convene a General Meeting to discuss proposed issues may be filed by any shareholder(s) holding shares with a nominal value of at least 5 per cent of the share capital of the bank.

g. The right to a secure shareholding registration system
   Shares are registered with the Centrálny depozitár cenných papierov SR, a.s. (Central Securities Depository of the Slovak Republic).

h. The right to transfer shares
   Ordinary shares are freely transferable. The transferability of preference shares is limited subject to the terms and conditions stipulated in the bank's Articles of Association and pursuant to the applicable legislation.

The authority of the General Meeting includes:
a. amendments to the Articles of Association;
b. decisions to increase or decrease the share capital and to authorize the Management Board to increase the share capital;
c. approval and removal of an auditor;
d. election and removal of the Supervisory Board members, except for members who are elected and removed by bank employees;
e. approval of annual separate financial statements and extraordinary separate financial statements, decisions on profit distribution or loss settlement and on determining directors' fees;
f. decisions on other issues conferred by law or the Articles of Association to the authority of the General Meeting.

In the event of an amendment to the Articles of Association, the bank must comply with the applicable legislation and its Articles of Association. When an amendment to the Articles of Association is on the agenda of the General Meeting, an invitation to, and notice of the General Meeting must, in addition to legal requirements, specify at least the nature of the proposed amendment(s). Any draft amendment to the bank's Articles of Association is available for inspection at the bank's head office, or a copy can be sent upon request. The General Meeting decides on an amendment to the Articles of Association by a two thirds majority of the votes of shareholders present. To be valid, the Articles of Association require approval by the National Bank of Slovakia/European Central Bank, which is preceded by a written application filed along with the amendment to the Articles of Association and the full wording of the Articles of Association before and after such amendment.

In 2019, the Annual General Meeting was held on May 25, 2019. It was attended by shareholders holding ordinary shares representing a total of 64,124 votes, which accounted for 79.75 per cent of the share capital and shareholders holding preference shares representing a total of 3,639 votes, which accounted for 0.02 per cent of the share capital. The General Meeting approved the Annual Separate Financial Statements and Consolidated Financial Statements for 2018, the Annual Report for 2018, the proposed profit distribution, the terms of the dividend payout and the selection of the auditor. The General Meeting also decided on the appointment of Supervisory Board members. The General Meeting approved the remuneration rules, an amendment to the Articles of Association and decided on the terms of acquiring the bank's own shares.

Supervisory Board

The Supervisory Board is the supreme control body of the bank, which supervises the financial and business activities of the bank, the execution of powers by the Management Board, and the bank's other activities. The Supervisory Board consists of nine members, six elected by the General Meeting and three by bank employees. Their terms of office are up to five years.

The Supervisory Board meets at least three times a year. A simple majority of all members is required to adopt a resolution.

The authority of the Supervisory Board includes:

a. monitoring compliance with generally binding legislation and the bank's Articles of Association;
b. monitoring the achievement of business targets set by the bank;
c. checking that accounting records are in accordance with facts;
d. reviewing the bank's financial statements and proposed profit distribution or loss settlement and submitting its opinion to the General Meeting;
e. convening the General Meeting or submitting a motion for convening the General Meeting to the Management Board when required by the bank's interests;
f. electing and removing members of the Management Board, approving service contracts of members of the Management Board, approving conditions of compensation and other benefits of Management Board members;
g. granting approval or filing a motion for granting or withdrawing a procuration;
h. granting approval of the remuneration principles;
i. granting approval of or filing a motion for the appointment and removal of the head of internal control and internal audit division of the bank and determining their salary;
j. approving the nominated auditor;
k. granting approval to the Management Board to perform specific activities; and
l. other activities under the applicable legislation and the bank's Articles of Association.

The names of the bank's Supervisory Board members are listed in the Top Management section.

Management Board

The Management Board is the authorized governing body that manages and acts on behalf of the bank. The Management Board decides on all bank affairs, unless conferred to the authority of the General Meeting or the Supervisory Board by applicable legal regulations or the Articles of Association. All members of the Management Board are authorized to act on behalf of the bank. Two members of the Management Board jointly, or two confidential clerks jointly, act and sign on behalf of the bank. The Management Board consists of seven members with office terms of up to five years.

The Management Board holds meetings as necessary, generally once a week. The Management Board has a quorum when the majority of its members are present. The consent of all members present is required to adopt a resolution.

Under the Articles of Association, the election and removal of members of the Management Board is within the authority of the Supervisory Board. The number of nominees for an election corresponds to the number of members of the Management Board to be filled. A simple majority of the votes of all members of the Supervisory Board is required for appointment. When more than one member of the Management Board is to be elected, the first vote will be conducted en bloc for all nominated candidates. If members of the Management Board are not elected en bloc, each

candidate is voted on individually. If none of the nominated candidates are elected, a new election with the same rules must be held to elect a member of the Management Board. To remove a member of the Management Board, a majority of votes of the Supervisory Board members is required. Removal is effective on the date of adopting the removal decision, unless otherwise stipulated in the decision. A change in members and the election of new members of the Management Board is only valid with the prior consent of the National Bank of Slovakia/European Central Bank.

The authority of the Management Board includes:

a. convening the General Meeting;
b. ensuring the development, approval of, and adherence to the bank's organizational structure;
c. ensuring the implementation of, and compliance with, the bank's governance system;
d. managing and supervising the performance of authorized banking activities;
e. adopting and regularly reviewing general remuneration principles;
f. ensuring proper accounting is maintained by the bank;
g. ensuring the preparation and publication of the annual report and its submission to the General Meeting for discussion;
h. ensuring the preparation and publication of the financial statements and their submission to the General Meeting for authorization;
i. submitting the proposed profit distribution or loss settlement to the General Meeting for authorization;
j. deciding on share issuance or repurchase under an authorization granted by the General Meeting;
k. providing information concerning the principal business management objectives of the bank for the future period and the projected development of the bank's assets, funds and revenues to the Supervisory Board;
l. submitting a written report of the bank's business activities and assets compared with the anticipated development, at the request of the Supervisory Board;
m. notifying the Supervisory Board immediately of all facts that could have a material effect on the development of business and the balance of the bank's assets, particularly on the bank's liquidity; and
n. other activities under the applicable legislation and the bank's Articles of Association.

The names of Management Board members are listed in the Top Management section.

When nominating members to the Management Board and the Supervisory Board, the bank applies the policy of selection and evaluation of each candidate for membership. The above policy stipulates the specific requirements and individual steps in the selection and evaluation process. It stipulates the criteria to be met by a candidate or a member of the Management Board and the Supervisory Board under consideration, in particular personal criteria (concerning the reputation, expertise and experience of the person under consideration) and objective criteria (concerning governance such as a potential conflict of interest, overall composition of the body, the collective knowledge and experience of the body as a whole, and time commitment). When selecting and evaluating the suitability of a candidate or a member of a body, the bank pays particular attention to diversity as regards age, gender, education, and professional experience. The purpose of the diversity policy is to find and fill the positions in the bodies of the bank, which is a complex organism with a wide range of activities, with experienced professionals and managers in various specific areas. The bank's policy in this area is fully compliant with generally binding legislation.

Committees

Audit Committee – its activities are carried out by the bank's Supervisory Board.

Risk Management Committee – monitors and reviews the bank's risk management activities and procedures and risk management strategies and other activities in accordance with the law. Its members include designated Supervisory Board members.

Assets and Liabilities Committee – formulates the bank's strategy and policy concerning management of the bank's assets and liabilities and the associated risks. Its members include the members of the Management Board and designated employees.

Credit Committee – decides on credit limits. Its members include designated members of the Management Board and designated employees.

Problem Loan Committee – formulates the strategy for addressing non-performing loans. Its members include designated members of the Management Board and designated employees.

Operational Risk Committee – decides on measures to mitigate the bank's operational risk and ensures alignment of approved measures and tasks with the bank's strategic interests. Its members include designated members of the Management Board and designated employees.

Security Council – exercises authority regarding the bank's security policy to ensure maximum security and eliminate operational risks associated with the operation of the bank and proposes the bank's strategic objectives. Its members include designated members of the Management Board and designated employees.

Central Credit Committee – exercises defined approval authority during the provision of retail credit products. Its members include designated employees.

Damage Commission – deals with addressing damage caused to the bank's assets. Its members include a designated member of the Management Board and designated employees.

Risk Committee – fulfills defined roles in defining the framework, strategy, procedures and rules for risk management and control. Its members include designated members of the Management Board and designated employees.

Project Commission – executes entrusted project management powers. Its members include the members of the Management Board and designated employees.

Cost Management Committee – defines cost management strategy and fulfills defined tasks related to cost management. Its members include designated members of the Management Board and designated employees.

Occupational Health and Safety Commission – executes powers concerning occupational health and safety. Its members include designated employees.

Data Governance Commission – defines the data governance strategy, policies, rules and overall framework. Its members include designated members of the Management Board and designated employees.

End-to-End Committee Corporate – fulfills defined tasks in setting processes and fulfilling the bank's strategy in the corporate segment. Its members include designated members of the Management Board and designated employees.

Retail Problem Loan Committee – decides on the strategy for addressing non-performing retail loans. Its members include designated members of the Management Board and designated employees.

Investment Product Approval Committee – responsible for reviewing and adjusting new products in the investment banking segment. Its members include designated employees.

Management methods

The bank's management methods mainly include direct management methods, methods combining direct and technical (indirect) management and project management methods.

Direct management is generally executed via setting objectives, tasks, and rules, and via the operational guidance of the activities of the managed organizational unit or employee.

Technical (indirect) management is performed by using internal control mechanisms, leaving space for independent management and organization by an organizational unit or an employee within their scope of work, and by employing progressive economic incentives in line with efficient risk management.

Project management requires the temporary allocation of specific organizational units or employees and temporary reporting by them to the project manager to a defined extent to achieve the project objective.

Information on management methods is provided in the bank's Articles of Association and internal regulations.

Internal Control System

Internal controls applied at the bank constitute a system covering all levels of the organizational structure, including process control, direct and indirect, and out-of-process control. The bank's internal control system is currently based on the guidelines of the parent RBI Group which, together with internal manuals and procedures, constitute one of the basic pillars of this system.

In 2019, the bank continued to implement the defined internal control system framework throughout the bank. The operational model of the three defense lines lays down appropriate responsibility for risk management and internal control. It includes a phase of regular monitoring and validations the results of which were presented to the competent authorities and to the Supervisory Board acting as the Audit Committee.

As part of the continuous enhancement of the internal control system, to mitigate operational risk and the risk of non-compliance with legislative and internal work regulations, the bank promotes and continuously implements control mechanisms in selected management documents and processes. The bank will continue to implement the defined internal control system framework focusing on areas posing the biggest risk to the bank.

The Internal Control System Officer, responsible for the ICS system framework implementation, monitoring, and reporting, is part of the Operational Risk Management department. In 2019, the Internal Control System Officer also participated in working groups tasked with revising the control system in selected ICS processes and regulatory requirements The Internal Control System Officer fulfills responsibilities stipulated by the bank's Management Board.

The internal control system is designed to ensure the safety and protection of assets and individuals, to guarantee the reliability and accuracy of bookkeeping, to support compliance with and communication of the strategy and goals, to enhance effectiveness and compliance with applicable regulations, and to eliminate risks to prevent losses or other damage.

Direct process control represents all ongoing control measures, procedures and mechanisms in individual bank units, which are a direct and ongoing daily part of business processes. The working process is not complete without these controls. Direct process control is undertaken by employees or the organizational units directly involved in the specific processes.

Indirect process control includes all ongoing control measures, procedures, and mechanisms in individual units of the bank which are an indirect part of processes. Indirect process control is carried out by managers of the individual bank units responsible for controlled processes and for control results, or by their authorized employees.

Out-of-process control is independent of operational and business procedures. It is conducted by a separate and independent internal control and internal audit unit as a regular review of the functionality of the internal control system and the evaluation of its efficacy.

Risk Management System

As part of risk management, the bank monitors, evaluates and manages the following types of risk: credit, market, liquidity, and operational. These risks and the bank’s overall risk profile are also subject to internal and external controls under legislative and regulatory requirements and the bank's internal requirements. As part of the Internal Capital Adequacy Assessment Process (ICAAP), the bank also analyzes other types of risk to which it is or might be exposed.

Credit risk, the risk that a counterparty will not be able to repay the full amount owed upon maturity, is monitored regularly and the financial position of each client is analyzed and reviewed at least once a year. Exposure to any single debtor or a group of related debtors is restricted by capital exposure limits, which are consistently monitored and reported to the National Bank of Slovakia on a monthly basis. Retail debtors are assessed using scoring models developed for individual products. Other clients are assessed using rating models.

The bank is exposed to **market risk** in connection with its activity from open positions, chiefly from transactions with interest-rate, cross-currency and equity products. To determine the level of market risk of its positions, the bank applies internal procedures and models to individual types of risks to which the bank is exposed. These limits are monitored daily.

By managing **liquidity risk**, the bank secures its solvency, the ability to duly fulfill its financial obligations on time and to manage assets and liabilities to assure constant liquidity. Liquidity risk is closely monitored and is subject to internal limits set by the bank and the limits defined by the RBI Group and the National Bank of Slovakia. The bank actively monitors new liquidity legislation.

The bank calculates the amount of regulatory capital required to cover **operational risk** using the standardized approach. The bank uses a set of qualitative and quantitative methods to identify and manage operational risk as regards the potential impact of operational incidents on its profit and goodwill. The bank raises awareness of operational risk using various communication forms within the bank.

Bank's share capital and shares

The bank's share capital amounts to EUR 64,326,228 and has the following structure:

ISIN: SK1110001502
Nominal value: EUR 800 Number: 60,616 shares
Class: ordinary share
Form: registered share
Type: book-entry security
Description of rights and obligations: the right to attend, vote and present motions at the General Meeting; the right to a share of the profit and liquidation balance; the right to a preferential subscription of shares; the right to request the convening of a General Meeting; the right to inspect the documents and minutes of the bank; the obligation to pay the issue price of shares; the obligation to refund to the bank any payments made unlawfully; the obligation to pay late payment interest in the event of a breach of duty to pay the share issue price.
Transferability: no restrictions
Percentage of share capital: 75.386 per cent
Held for trading: 60,616 shares

ISIN: SK1110015510
Nominal value: EUR 4,000 EUR Number: 2,095 shares
Class: ordinary share
Form: registered share
Type: book-entry security
Description of rights and obligations: the right to attend, vote and present motions at the General Meeting; the right to a share of the profit and liquidation balance; the right to a preferential subscription of shares; the right to request the convening of a General Meeting; the right to inspect the documents and minutes of the bank; the obligation to pay the issue price of shares; the obligation to refund to the bank any payments made unlawfully; the obligation to pay late payment interest in the event of a breach of duty to pay the share issue price.
Transferability: no restrictions
Percentage of share capital: 13.027 per cent
Held for trading: 2,095 shares

ISIN: SK1110007186, SK1110008424, SK1110010131, SK1110012103, SK1110013937, SK1110014901, SK1110016237, SK1110016591
Nominal value: EUR 4
Number: 1,863,357 shares
Class: preference share
Form: registered share
Type: book-entry security
Description of rights and obligations: the right to attend and present motions at the General Meeting; the priority right to a share of the profit and liquidation balance; the right to vote at the General Meeting subject to statutory conditions; the right to a preferential subscription of shares; the right to request the convening of a General Meeting; the right to inspect the documents and minutes

of the bank; the obligation to pay the issue price of shares; the obligation to refund to the bank any settlements unlawfully provided; the obligation to pay late payment interest in the event of a breach of duty to pay the share issue price.

Transferability: restricted
Percentage of share capital: 11.587 per cent
Held for trading: 0 shares

Pursuant to Act No. 566/2001 Coll. on Securities and Investment Services and on Amendments to Certain Acts, as amended, qualified participation in the bank's share capital is held by the shareholder, Raiffeisen CEE Region Holding GmbH, with its registered office at Am Stadtpark 9, 1030 Vienna, Austria, with a 78.782 per cent share and an 89.107 per cent share in the bank's share capital and voting rights, respectively.

The bank's share capital structure includes no shares with special control rights attached to them. The bank is not aware of any agreements between securities holders that could lead to any restrictions with respect to the transferability of securities or voting rights.

The bank has not entered into any agreements that would take effect or be subject to change or termination as a result of a change in control in relation to a takeover bid. The bank has not entered into any agreements with members of its bodies or employees under which they are entitled to compensation should their office or employment end due to resignation, notice given by an employee, dismissal, notice given by the employer without stating the reason, or if their employment terminates as a result of a takeover bid.

Segment reports

Corporate Clients
Retail Clients
Responsible business conduct

Corporate clients

(in EUR ths)	12/2019	12/2018	12/2017	12/2016	12/2015	12/2014	12/2013
Net interest income	67 301	66 054	64 914	66 282	73 394	87 928	88 541
Net fees and commission income	28 277	30 357	29 429	32 014	31 196	23 170	21 775
Net provisioning	(370)	8 177	8 030	4 265	(21 631)	(35 011)	(24 300)
Other operating income	20 948	(5 890)	(4 732)	(4 829)	(4 618)	(6 428)	(8 395)
Operating expenses	(45 639)	(43 699)	(50 220)	(52 092)	(42 909)	(39 603)	(38 333)
Profi t before income taxes	**70 517**	**54 999**	**47 421**	**45 640**	**35 432**	**30 056**	**39 288**
Cost/Income ratio	47,75 %	45,33 %	53,23 %	53,00 %	41,03 %	35,65 %	34,75 %

Note: Large and medium-sized corporate customers

Large corporate clients

For the large corporate client segment, 2019 was a stable and very successful year. Revenues in the segment were influenced by the overall situation on the market, prevailing low interest rates and strong competition. Although the volume of loans drawn was slightly lower, the decrease was offset by higher average margins on the assets side. The quality of the bank's loan portfolio remained unchanged, achieving above-average performance for a long time.

Asset growth was largely the result of investments in new technology, infrastructure and real estate financing, and an increase in existing credit trades. Last year, the bank completed several transactions acting as a syndicated loan arranger.

During the year, there was further significant growth in demand for project financing focused on the financing of office premises, shopping malls and new residential properties. Tatra banka financed several green projects in 2019.

The bank continued to pay particular attention to increasing client satisfaction during the year. In 2019, the bank again achieved an above-average client satisfaction index. The bank invested great effort in the continued development of **Business** banking[TB] for corporate clients, which was manifested in a substantial increase in the number of clients actively using this new tool.

The bank focused specifically on further progress in optimizing the lending process.

It also focused on the further development of cross-selling activities with respect to products and in individual client segments.

The bank continued to concentrate on improving processes related to corporate loans. The bank also devoted energy to acquiring new corporate clients and new foreign investors in Slovakia.

Corporate centers

In the medium-sized business segment, the bank focused primarily on strengthening its market position through the growth of its lending business, the acquisition of new clients and the delivery of further innovations (primarily through new **Business** banking[TB] functionalities and by making it easier to work with cash). Close attention was also devoted to staff development and activities leading to promoting the employer brand.

The new loan sale segment recorded its historically best results surpassing EUR 0.5 billion. As a result, the amount of assets in the segment increased year-on-year by more than 7 per cent. In economic sectors, substantial growth was recorded in key manufacturing industries and the agricultural sector. There was a sharp decrease in the financing of energy projects. The loan portfolio quality continued to improve, with the share of non-performing loans achieving long-term minimal values. Deposit products were dominated by current accounts due to low interest rates, while primary deposits also reached record levels.

Among the most important activities aimed at increasing the satisfaction of the bank's clients was the shortening and stabilizing of the approval process of new lending transactions.

In addition to business growth, priorities in the coming year will include continuing to streamline processes and making client communication with the bank easier thanks to a growing share of digital operations.

Corporate products

In terms of business results, 2019 saw stable demand for loans and other business and project financing products from corporate entities.

Demand for property financing continued to increase. The amount of loans drawn stabilized around EUR 1.1 billion, which confirmed Tatra banka's position as the clear leader on the Slovak market.

Factoring was also one of the market leaders in 2019, with year-on-year sales growth of more than EUR 23 million to reach EUR 419 million. There was a slight decrease in the amount of loans drawn for the financing of agricultural and renewable energy source projects. The principal reason was the regular amortization of the existing financed projects and a very low volume of new loans for renewable energy sources.

In electronic banking for corporate clients, Tatra banka continued with further development of the **Business** banking[TB] portal. At the end of the year, the bank deployed "Login with PIN", the most-requested functionality from clients. Clients' satisfaction with this payment portal has also been confirmed by the fact that, since November, the majority of payments from corporate clients have been made via **Business** banking[TB].

Capital market products

In terms of development of the main classes of assets on the financial markets, 2019 was one of the most successful ever. There was significant growth in US shares and government bonds as well as oil, gold and other precious metals.

During the year, the trade war between the United States and China made markets slightly nervous, especially regarding customs disputes. Activity was also seen from major central banks, the FED and the ECB, which in the fall lowered their key rates and, in the case of the ECB, introduced further quantitative easing programs in response to low inflationary pressures and to support the economy. Naturally, BREXIT was a resonating topic.

The fall in interest rates to the negative band, especially in the second half of the year, drove our clients among financial institutions even further to the longer end of the interest rate curve. Increased demand for high-quality bonds with a long maturity logically resulted in poorer liquidity. In addition to denominations in EUR, clients also demanded titles in USD and CZK.

Due to the above, the bank's clients logically lost the opportunity to increase their available funds in the form of term deposits in EUR. Moderate activity was recorded on USD and CZK deposits. Equally, the interest of borrowers in our interest rate hedging products decreased, but we still closed several deals with an interesting nominal value. Clients' activity was comparable with 2018.

Foreign exchange transactions have recorded a decline in clients' interest in currency hedging products for several years. Clients optimized their supplier-customer contracts and increasingly use natural currency hedging.

The number of operational currency transactions decreased slightly compared to 2018. However, more clients used our services in this area than the year before. Individually negotiated exchange rates were dominated by EUR/USD transactions followed by EUR/CZK, EUR/HUF and EUR/GBP, and with a slight distance by EUR/PLN and EUR/CHF.

Last year was also another year of growth in business with institutional clients.

The growth dynamic in the volume of securities recorded or managed by the bank continued across all segments in 2019, with the volume of managed client securities reaching almost EUR 8 billion.

There was a significant increase in the volume of managed foreign securities, which accounted for more than 60 per cent of the total volume.

Retail clients

(in EUR ths)	12/2019	12/2018	12/2017	12/2016	12/2015	12/2014	12/2013
Net interest income	203 671	207 492	194 809	182 966	187 410	194 530	189 360
Net fees and commission income	89 433	95 128	100 718	95 380	102 423	99 782	87 295
Net provisioning	(17 823)	(33 006)	(22 576)	(17 606)	(12 344)	(18 241)	(21 781)
Other operating income	(11 719)	(11 535)	(12 707)	(11 215)	(9 578)	(12 979)	(16 899)
Operating expenses	(184 384)	(176 956)	(172 756)	(165 453)	(165 455)	(162 098)	(155 064)
Profit before income taxes	**79 178**	**81 123**	**87 488**	**84 072**	**102 455**	**100 994**	**82 910**
Cost/Income ratio	62,91 %	58,47 %	58,46 %	59,44 %	57,09 %	55,08 %	56,05 %

Note: Private individuals, small business clients, micro companies, private banking clients and employees

Natural persons

In the retail client segment, in 2019 the bank focused on the acquisition of new clients through digital channels and using the unique Face Biometrics technology, which identifies non-clients of the bank via the Tatra banka mobile app.

Positive synergies of the traditional and digital acquisition approaches were fully demonstrated in the “Gizka handles a Student Account” campaign introduced to students in 2019. With more than 21,000 student accounts opened, it became the most successful campaign in the segment in the history of Tatra banka.

At the end of the year, the bank offered customers improved travel insurance with the purchase option in the Tatra banka mobile app. These changes contributed to the fact that this insurance was bought by more than 22,000 customers in 2019.

Consumer Loans

Further legislative changes to loan products continued in 2019. Unlike in the previous years, consumer loans saw a turbulent period due to legislative changes effective from January 1, 2019, which introduced stricter requirements for the provision of pre-approved consumer loans. Despite the legislative changes, Digital Loan from Tatra banka was popular with clients in 2019. Tatra banka’s clients and non-clients could apply for a loan via their mobile phone without a branch visit and could have the money credited into their account within 10 minutes.

In 2019, clients again showed great interest in a loan with accelerated repayment saving both their money and time spent at a branch. An extra instalment can be made free of charge every month from the comfort of home via **Internet** Banking[TB] or the **Tatra banka** mobile app.

In the summer months, the bank launched a campaign with the benefit of the first instalment waiver for clients and during selected months of the year, clients were able to get funds without paying the origination fee.

Compared to an any purpose loan, the provision of which was affected by legislative changes, housing loans reached historically lowest interest rates and historically high volumes in mortgage sales in 2019. They continued to enjoy the increased interest of clients in loans.

Tatra banka achieved its plan to increase its market share in housing loans, which recorded a year-on-year increase. Tatra banka increased its market share in any purpose loans, together with Raiffeisen bank.

The end-to-end process of originating loans via the **DIALOG** Live call center continues to be popular among clients. This process saves a significant amount of time as clients only need to visit a branch once to draw a loan. Without visiting a branch, clients can consult about their loan, file a loan application, draw their loan and make changes thereto via **DIALOG** Live.

The bank plans to further develop the digital product in 2020. It seeks to confirm its position as an innovation leader directing all actions in developing and offering products to its clients and non-clients towards achieving this objective.

Payment Cards

The growing trend of using contactless payments and making purchases over the internet continued in 2019. The volume of online purchases grew 14 per cent and the volume of contactless transactions by 33 per cent compared to the previous year, while the total share of contactless transactions of all transactions made via POS terminals was 59 per cent.

As of January 2019, clients are protected in online purchases by the 3D Secure service, allowing the client to verify a transaction by entering the code received via text message.

Since September 2019, the European PSD2 came into force, the requirements of which were implemented by the bank in its card systems. It brought a change in contactless payments and a supplementary authentication of internet transactions.

For clients with gold and platinum credit cards, the bank launched a transaction refund claim service in the online environment in April. The client has the option to claim a transaction refund in the **Mobile**Pay[TB] app without visiting a branch or by calling **DIALOG** Live. In September, we offered the unique My Doctor service for credit cards. This service includes exclusive health benefits such as AIDA symptom diagnostics, Doctor on Call, Second Medical Opinion and AIDA Coach.

Despite the decrease in the credit card market in Slovakia, Tatra banka achieved the best result ever in net sales of credit cards, i.e. after deducting canceled cards, with a total number of over 11,000 cards, which was more than double compared to the previous year.

Mobile Payments

Mobile payments have been popular with clients for several years. In 2019, the bank expanded its portfolio of mobile payment solutions to include Apple Pay, which also allows clients using NFC-enabled iPhones to make contactless payments. In 2019, clients made a total of 5.6 million transactions worth EUR 121 million using their smartphones, smartwatches and tablets.

Corporate Credit Card

The bank launched a new instant credit card for starting corporate clients in 2019. Corporate clients, within 3 months of opening a business account, have the option to get an instant credit card to help start their business at the branch where they opened their account. This offer and the business credit card were taken advantage of by 39 per cent of starting businesses with an open account with Tatra banka. The sale of business credit cards grew significantly in 2019, which significantly contributed to the best year-on-year credit card sales overall.

Optional Overdraft

Due to stricter legislation regulating retail loans, in 2019 the bank redesigned the Optional Overdraft ensuring product compliance with all legislative requirements. In the second half of the year, the bank offered its clients digitization of the product and the option to arrange a new or increase an existing credit line via the **Tatra banka** mobile app.

Internet Banking, Mobile Apps, Acceptance of Payment Cards

In 2019, Tatra banka's electronic banking again confirmed its unique position on the Slovak banking market, which is also evidenced by a number of prizes and first place awards in this area.
Internet Banking™ has long been the most-used method for making payments. In total, more than 99 per cent of transactions at Tatra banka are made electronically. In 2019, clients made more than 33 million payments in Slovakia via **Internet** Banking™ and the **Tatra banka** mobile app.

The prestigious **Global Finance** magazine announced the best digital banks in the world for 2019. Tatra banka was recognized as the most innovative bank among 300 participating banks from around the world. Global Finance is a magazine published in 158 countries with a circulation of more than 50 thousand. The winners in the category of the **World's Best Consumer Digital Banks** were announced for the twentieth time in 2019.

The global recognition of Tatra banka's innovation for 2019 was confirmed by the presentation of the previous awards as the "Most Innovative Bank in Central and Eastern Europe" by two prestigious magazines. One of them was EMEA Finance magazine, the other the Global Finance.

Internet banking

Each year, Tatra banka seeks to offer clients new and innovative features in its **Internet** Banking™. One of the most significant milestones of 2019 was the removal of the original flash versions of Internet Banking at Tatra banka as well as Raiffeisen Bank Slovakia. These were replaced by full-featured versions on new platforms, without technological limitations. At the same time, a new sales process for saving and investing in Tatra Asset Management funds was made available in the bank's Internet Banking, which takes into account the current requirements for simplicity and user-friendliness.
During 2019, the bank implemented several legislative requirements. Among the most important is the implementation of Regulatory Technical Standards on Strong Customer Authentication and Secure Communication under PSD2 in Tatra banka's payment services.

The bank also simplified access for **Internet** Banking™ and mobile app clients to electronic banking so that they do not have to visit a branch if they have forgotten their PID (Personal Identification Digit) or password. They are able to restore access online on the bank's Internet Banking login page. In order to streamline the management of Internet Banking, the bank switched off the little-used invoice notification service.

In e-commerce services, the **TatraPay** online payment service (credit transfer to a merchant's account) recorded an increase of 28 per cent in the number of transactions and 26 per cent growth in the volume of transactions. A total of 1.6 million payments were made worth over EUR 91 million.

Mobile Applications

Mobile banking also offered a number of new features regarding sales, services, or in the area of increasing customer satisfaction in 2019.

In terms of service, a data update from the ID card was added, SEPA direct debit management and an option to chat with the **Adam**TB virtual chatbot. Selling via the app was expanded by adding the sale of current accounts, travel insurance and pre-approved business loans to existing clients. Regarding innovations or functionalities to improve user experience, the **Tatra banka** app offered login by fingerprint/Face ID or VIAMO activation. The app underwent a complete facelift, which demonstrably increased client satisfaction.

Updates with new functionalities also concerned other bank mobile apps – **Mobile**PayTB, **Tatra banka VIAMO** and **Reade**rTB. With these regular updates and incorporation of changes based on input from clients and other activities, the bank's apps maintained high client satisfaction and helped to expand the mobile banking user base to more than 400,000 regular users.

Acceptance of Payment Cards

In payment card acceptance Tatra banka maintained its position as the leader in the Slovak market in 2019. Tatra banka's business partners generated a turnover of nearly EUR 4.256 billion on POS terminals with a total of more than 177 million transactions. There were 12.4 million transactions totaling EUR 474 million using CardPay and ComfortPay online payment gateways in 2019. The number of payment transactions over the internet keeps growing, increasing by 23 per cent compared to 2018.

At the end of 2019, Tatra banka had 16,650 active POS terminals, almost all of which supported contactless payments. The share of contactless transactions on Tatra banka's POS terminals was almost 77 per cent in 2019.

At the end of 2019 Tatra banka had a total of 330 ATMs. During the year, cash dispense ATMs were extensively replaced by cash recycling 2.0 ATMs, which totaled 62 at the end of 2019. The majority of the network still consists of NCR cash dispense ATMs (268). The 2.0 ATMs don't just offer Tatra banka's clients the option to withdraw cash, but they also have an additional functionality facilitating cash deposits to the client's account. Clients made more than EUR 14.45 million withdrawals from Tatra banka's ATMs in 2019, and the amount of withdrawn cash was more than EUR 2.7 billion. The share of deposits in terms of cash recycling was negligible so far. In 2019, deposits accounted for 3.15 per cent of withdrawn cash (455,000) and the volume of deposited cash was 16 per cent of withdrawn cash (EUR 434 million).

Tatra banka was the first bank in Slovakia to introduce the option of cash withdrawals from an ATM with a mobile phone. This functionality has become increasingly popular with Tatra banka clients. In 2019, clients made more than 1.56 million ATM withdrawals worth EUR 138 million with a mobile phone. The number of ATM withdrawals with a mobile phone accounted for 10.8 per cent of the total number of withdrawals from Tatra banka's ATMs in 2019. This was an increase of 3.6 per cent compared to 2018.

The bank closed 2019 with total turnover of EUR 4.256 billion and 177 million transactions.

DIALOG Live

A new **DIALOG** Live Prešov division was introduced as a supplement to the **DIALOG** Live Nitra division in 2019 from the perspective of fulfilling the strategic goal of Tatra banka to be a leader in digital services and to consolidate its primacy in the Premium segment. The new division has strengthened the capacities of relationship managers of the premium clientele of both individual clients and legal entities. The relationship management services provided by means of the **DIALOG** Live division played an irreplaceable role in 2019. Specialised teams of retention specialists and a team of digital sale, responding mostly to online requests of clients, underlined the attempt to provide clients with unique care even more.

The connection between Raiffeisen banka and Tatra banka is a path of growth, predominantly in the Mass segment, and that yet at the Call Centre. The Raiffeisen banka call centre which can provide the same quality service to clients doubled its capacities in 2019.

It is not only the sales results which confirm the growing potential of the Call Centre. The year 2019 was again a successful year by view of sale and service and considering the current situation in 2020 we believe that the added value of this unit for Tatra banka will keep on growing.

Private Clients

Tatra banka's Private Banking increased the volume of managed assets by EUR 244 million in 2019 and currently manages EUR 2.743 billion of assets. Regarding products, 2019 was successful for Master Feeder solutions prepared in cooperation with Tatra Asset Management and Raiffeisen Capital Management, where the amount of Private Banking client assets exceeded EUR 130 million. The popularity of investment certificates was confirmed by the volume of newly subscribed issues in cooperation with Raiffeisen Centrobank, which exceeded EUR 83 million. As part of innovations, the bank created a discrete space for Private Banking clients in Tatra banka's Internet Banking and the **Tatra banka** mobile app with convenient access to documents, confirmations of executed transactions and portfolio overview. The option to confirm all investment transactions and financial transfers via the mobile app allows clients to maximize efficiency in managing their portfolio. At the end of the year, the bank carried out a "stress test" of client portfolios, which offered clients a view of their investment portfolio affected by possible negative developments on the financial markets. Tatra banka's Private Banking also won prestigious awards in 2019 from reputable agencies confirming the bank's position as a leader in this segment.

Small Business Clients

The slowdown in the growth of loans to entrepreneurs and businesses also continued in 2019. With the exception of September, globally, there was a continuous decline in year-on-year growth in corporate loans to market levels below 5 per cent. Despite this fact, Tatra banka increased the volume of loans sold to SMEs, recording a year-on-year increase of 12.5 per cent.

In 2019, the bank built on the solid foundations of the Small Business Banking app, which included all BiUEx campaign loans for the branch as well as **DIALOG** Live. The aim of this activity was to simplify and streamline the work of the branch network. Delivering a simplified service to clients in terms of the network accelerates the provision of an adequate offer for clients and increases the comfort of work for the network. The importance and relevance of this action in relation to the market is underlined by the fact that 75 per cent of the sales of BiUEx loans were campaign loans.

Building on the successful development of digital channels, the bank expanded loan opportunities of entrepreneurs in mobile banking, where sole proprietors were offered a new option to receive a pre-approved loan of up to EUR 70,000 without the need to visit a branch, via the mobile app. Creating this option in the online space for sole proprietors significantly reduces the time it takes for a client to get a loan. At the same time, this step is the basis for further expansion of lending options in the Small Business Banking segment and digital banking.

As one of the leaders in business accounts in Slovakia, the bank continued to expand its product range for the Small Business Banking segment in 2019. In this segment, the bank prepared a brand-new **Trade** Account[TB] for the ever strengthening and growing group of sole proprietors. In order to reach a wider group of clients and non-clients and to increase the market share, the bank prepared an account offered to clients free of charge and without any conditions for 12 months. Account charges in the following period depend on the client's use of the account, with a zero account maintenance fee with at least EUR 500 credit turnover per month.

In 2019, the EaSI EIF supporting lending program was used to address various groups of clients and non-clients. The purpose of the support program was to introduce new types of campaign for entrepreneurs with limited options to finance their business. Last year, in cooperation with the European Investment Fund, we prepared campaigns for non-clients, offered a fixed limit to members of professional chambers and at the end of the year we launched a unique product on the Slovak banking market, a business loan guaranteed by the European Investment Fund designed for clients and non-clients applying flat-rate expenditure and those keeping tax records. Thanks to the specific offers for the campaign groups, the bank achieved record sales of the BiUEx product in the amount of three times the sales from 2013.

In a dynamic business environment in which it is necessary to stand out from the competition, innovations in the company may be the factor that will ensure its survival and the achievement of adequate performance. The trend towards investments in innovation keeps increasing and is a key factor in the continued existence of companies in various sectors. Since September 2019, Tatra banka can support companies already investing in innovations or companies that are planning this investment. Innovation of products, services or processes within a company are the right investments to receive support in the form of a loan with a reduced interest rate and with a guarantee from the European Investment Fund, InnovFin. The bank will be able to support innovative business plans from the SME segment until 1 September 2021.

Raiffeisen Bank

Raiffeisen Bank has been present on the market for more than 7 years. The bank offers its clients a unique experience and simple, straightforward and user-friendly products and services at fair prices.
Since the bank entered the Slovak market, Raiffeisen Bank clients have been the most satisfied of all Slovak bank customers, which is confirmed by surveys from independent agencies TNS and 2Muse.

At the end of 2019, Raiffeisen Bank operated 67 branches in 49 towns in Slovakia. In addition to the Parádny účet (Cool Account) and loans, the bank offers clients products that also address other client needs such as a reserve – a form of overdraft, securing a better pension through supplementary pension savings or acquiring new housing with mortgage loan. Clients also have access to internet banking via a mobile device with iOS or Android. In towns with bank branches, it also supports charity projects to improve quality of life in culture, sports, education and the environment through its Gesto pre mesto (Gesture for a Town) project. All these activities are in accordance with the historical legacy of F. W. Raiffeisen built on helping each other.

Responsible business conduct

Tatra banka is part of Austrian Raiffeisen Bank International AG (RBI), which operates in several Central and Eastern European countries. The basic principles governing the RBI Group are derived from the philosophy of F. W. Raiffeisen, who felt that all economic activities should be based on social solidarity, self-help and sustainability.

In addition to compliance with the applicable legal regulations, RBI Group employees are also obliged in the performance of their work to comply with the *RBI Group Code of Conduct* (hereinafter referred to as the "Code") adopted by and adhered to by Tatra banka. The *Code* defines the common values and minimum standards for ethical business conduct that are binding on all Group employees, including Tatra banka employees. Employees are expected to understand and comply with the *Code* in daily contact with internal and external stakeholders.

If necessary, employees can consult their managers or compliance officers. Managers are expected to serve as role models for other staff and address concerns from their staff members about any potentially inappropriate conduct promptly, discreetly and respectfully.

By meeting these high standards and acting in compliance with the *Code*, every single staff member contributes to the Group's positive perception by all stakeholders – including above all the bank's customers, shareholders, business partners and the general public.

The *Code* is available on the Tatra banka website in the Important Documents section.

The RBI Group also issues a separate *Sustainability Report*, in which it presents its responsible business approach and strategy. The Report also includes the responsible business performance of all subsidiary banks, including Tatra banka. Among other things, the Report provides information on the diversity of the Group, its green initiatives, but also on countless charity and volunteering activities undertaken by our affiliated banks in their individual countries.

The Sustainability Report is available on the RBI website in the About Us section.

Information on selected aspects: customer relations, employee relations, the fight against financial crime, human rights protection, environmental protection and community relations can be found in Tatra banka's Annual Report.

Customer Relations

Confidential Information, Personal Data

The bank adequately protects and uses the personal data and confidential information of its customers. Information is only provided to authorized parties in accordance with the applicable legal regulations. For more information, please visit our website https://www.tatrabanka.sk/sk/o-banke/pravne-informacie/#ochrana-osobnych-udajov

Excellent Products and Services

Tatra banka provides products and services for which it holds the relevant licenses and has the required expertise and infrastructure in place. The bank ensures the highest quality of its products and services provided to customers.

Among others, Tatra banka has provided all ATMs with barrier-free access. Except for branches in historic town centers, all existing and newly-opened branches have barrier-free access. The ATM network is regularly renewed and replaced by deposit ATMs in order to allow all clients to make account deposits 24/7. Voice navigation for visually impaired customers is a standard feature of each ATM. ATMs provide multi-lingual navigation (Slovak, English, German, Hungarian and French). The internet banking system is also adapted to visually impaired customers. Websites and mobile apps feature voice navigation. Each change in internet banking, mobile apps and websites takes into consideration the needs of visually impaired customers. The bank's digital channels have received several regional and global awards.

Fairness

In its business activities, the bank fulfills all applicable legal and regulatory obligations, including consumer protection. The bank treats its customers respectfully. False or misleading marketing and advertising are unacceptable. The bank seeks to avoid the risk of borrowers becoming over-indebted and treats customers who experience repayment difficulties fairly.

Investor Protection

Tatra banka gives clear and appropriate information and individual advice to customers and investors.

Conflicts of Interest

Tatra banka has internal processes in place to identify and avoid potential conflicts of interest in its business activities and has stringent internal guidelines in this respect. Staff members must ensure that their own interests do not conflict with their obligations towards the bank or with the bank's obligations towards its customers.

Employee Relations

The bank made further progress in enhancing relationships with its employees in 2019.

Tatra banka's vision as an employer is:

We are an employer of the future for smart people, and a place where we like to be, to create and advance.

The fulfillment of this vision is built on 3 founding pillars:
- atmosphere,
- meaningful and creative work,
- place for work and life.

The results of the regular loyalty and commitment survey of Tatra banka Group employees showed that activities improving the working environment and conditions for people move the bank in the right direction. A total of 79 per cent of employees participated in the survey and expressed their opinion.

Employees were happiest with the improvements and innovations as part of the Employer Promise of activities that support the bank's strategy as an employer. In the distribution network, changes such as clothing and music resonated most, and from other initiatives, the most positive response concerned the simplification of attendance, homeworking and the gradual modernization of premises.

Key topics that scored highly in the survey include:

- I understand how my goals relate to the bank's strategy and goals
- My job gives me opportunities to do interesting work that is a challenge for me
- Our bank shows an interest in and takes care of its employees
- I am treated with respect at our bank
- I feel proud to work at our bank

At the same time, 69 per cent of employees said they would recommend the bank to their family and friends as a good place to work, which is also an important prerequisite for enhancing the bank's reputation on the labor market.

These and other surveys serve as inspiration for the bank to promote a good working climate.

In addition to the development and promotion of internal communication through online channels such as the popular internal mobile app #prirodzenenajlepsi (naturally best), the HR Alfa tool, the Intranet or frequently visited chat on current topics with the management board, the bank also invests in modern event formats. The most popular new formats include the Demo Day and Get Together, which promote transparency, cross-functional cooperation and corporate bank values. A number of events are streamed or recorded so that as many employees as possible who are unable to attend them in person can benefit from these events.

In the competition of the Association of Internal Communication AICO Grand Prix 2019, Tatra banka won 1st place in the Personal Communication/Events category for the Demo Day event for its employees. The aim of the event is to give information about changes and projects concerning both clients and employees which are currently under development. Employees thus have the opportunity to learn about other departments' activities, ask questions that interest them and even test prototypes and participate in pilot projects.

The bank won 2nd place in the Tactical Solutions (short-term) category for communication about testing one of its innovations – the mobile banking keyboard. This revolutionary payment method via mobile phone was tested with the participation of the bank's employees before launching. Both awarded projects advanced to the Pan-European round of the internal communication competition, the FEIEA Grand Prix.

The bank has a strong focus on developing leadership and culture. It aspires to attract talented people from outside and in-house gives them room to realize their potential and the opportunity to participate in something extraordinary. The bank promotes employer identity and activities improving working conditions for employees through the communication concepts #prirodzenenajlepsi (naturally best), which was also expanded in 2019 with external recruitment communication. The result was a new HR portal www.prirodzenenajlepsi.sk and activities on LinkedIn, Instagram and Facebook.

Tatra banka also supports its employees in volunteering and donations. They can participate in 6 volunteering programs. Each employee has 2 workdays a year available for volunteering activities.

Fight Against Financial Crime

Bribery and Corruption

Corruption can take many forms, including the offer or acceptance of direct or indirect payments, services, excessive gifts, charitable donations, sponsorships, preferential treatment or facilitation payments. Every attempt at bribery or illegal gratuities must be rejected by staff. Any acts of bribery or corruption are unacceptable. Particular care must be taken when dealing with public officials. The bank does not participate in any transaction in which there is a reason to believe that bribery or corruption is involved.

Accepting and Giving Gifts and Invitations

Staff members are only permitted to accept or offer gifts and invitations that are appropriate under the circumstances, and subject to the limitations, approvals and recording requirements defined in the internal rules. Gifts of cash or cash equivalents may not be offered or received under any circumstances.

Prevention of Money Laundering and Financing Terrorism

All staff members must comply with the applicable anti-money laundering and counter-terrorism financing laws. The bank aims to conduct business only with reputable customers involved in legitimate business activities, with funds derived from legitimate sources. The bank follows risk-based Know Your Customer due diligence procedures and takes reasonable steps to prevent, detect and report suspicious business transactions.

To prevent abuse of the bank and its subsidiary entities for the purposes of money laundering and financing terrorism, the bank has issued its *Policy on Protection Against Abuse of the Bank and Its Subsidiary Entities for the Purposes of Money Laundering and Financing Terrorism*. This protection policy represents the basic outline of an advanced strategy by the Tatra banka Group in the fight against money laundering and financing terrorism, which reflects the latest knowledge and trends in the development of this issue. The protection policy is available on the Tatra banka website in the Important Documents section.

Economic sanctions, embargoes

Business dealings with individuals or legal entities trading in certain goods and technologies (including financial services) that are affected by sanctions or embargoes are permitted only if done in strict compliance with the applicable sanction and embargo legislation. In addition to complying with generally binding legal regulations, Tatra banka has internal regulations, procedures and controls for complying with the relevant legislation. Each staff member is responsible for applying the relevant rules in daily business transactions.

Insider trading and market abuse

Violations related to insider trading and market manipulation may have severe consequences, including termination of employment as well as civil and/or criminal penalties, and they may have a serious impact on the bank's reputation and the public's trust. Therefore, trading in securities of any company while in possession of material, non-public information regarding the company is prohibited. The bank does not tolerate any attempt to manipulate or tamper with the markets or the prices of securities, options, futures or other financial instruments.

Protection of Human Rights and the Environment

Human Rights

Tatra banka respects and supports the protection of human rights stipulated in the European Convention on Human Rights as well as the Universal Declaration of Human Rights. It aims to engage in business that adheres to these principles. The bank strives to neither directly nor indirectly finance any transactions, projects or parties, nor cooperate with any business partners (including customers, service providers and suppliers) that do not adhere to these standards or are suspected of human rights violations. The bank seeks not to be involved in business with products that are intended to be used to suppress demonstrations or political unrest, or for other violations of human rights.

Environmental Protection

Tatra banka cares about the environment and therefore considers the environmental impact of its business activities. The bank gives preference to business in green technologies and also chooses suppliers by taking into account the environmental balance and related measurements. The bank works to conduct its transactions in a safe manner that minimizes negative environmental impacts and reduces carbon emissions. The bank expects its service providers and suppliers to adhere to these standards. The bank seeks to do business with sustainable companies. The financing of or participation in any transactions or projects that put the environment at risk of a lasting, substantial detrimental effect (e.g. pollution of soil, air or waters) are not consistent with the bank's business conduct. The staff members concerned must think of the potential adverse environmental effects and associated potential risk of damage to the bank's reputation in every decision regarding transactions or projects, especially when the bank provides financing.

In the area of environmental protection, Tatra banka uses the services of an external consultant, who represents the bank in dealings with the relevant environmental and ecological authorities. This particularly concerns waste management, heating and cooling equipment, state environmental controls, etc.

In its buildings, the bank has installed new equipment to measure energy consumption and uses advanced online monitoring, which facilitates intelligent notification of any failure to the service staff. One of Tatra banka's buildings is a low-energy building heated by waste heat from the data center. Another building requires less energy because of its double facade. Heating is turned down in the evening hours and on weekends. Old heating and cooling systems are continuously replaced by more energy-efficient equipment. Motion-activated light switches have been installed in the head office buildings to achieve energy savings. Energy-efficient lighting has been used in a number of Tatra banka branches since 2014. Moreover, the IT Department has replaced older PCs and screens with more energy-efficient devices at head office.

About ten per cent of the purchased electricity comes from renewable energy sources such as water and wind. Energy audits have been conducted since 2016 in both head office buildings in line with statutory requirements.

Tatra banka offers shuttle transport for its staff between the head office buildings, for which mostly electric cars are used. Videoconferences are used to reduce the number of business trips, the extensive use of which is part of implementing efficient meeting principles.

Community Relations

Support of the arts, education and design

In its sponsoring activities and donations, the Tatra banka Foundation puts a strategic focus on three main profile areas: art, education and digital innovation.

As a major brand, Tatra banka supports the Slovak National Gallery and the Slovak National Theater. The bank is the general partner of both major national institutions.

As another form of supporting the arts, the bank has presented awards to well-known and new artists for twenty-four years. The Tatra banka Foundation Art Award is the biggest open grant program of the Tatra banka Foundation which, since the awards began, has awarded almost 160 artists in six categories: theater, audiovisual, literature, music, fine arts, and design. In 2019 the awards were presented to:
in the main creator category Juro Šlauka (film), Alexander Bárta (theater), Pavel Choma, Martin Kubina and team (design), the Janoska Ensemble (music), Mira Keratová for fine arts, KK Bagala for literature. Awards were presented in each category for a specific artistic contribution in the previous year. Six young artists were recognized in the same categories.

In 2019, Tatra banka and the Tatra banka Foundation funded a number of projects. The art scene included all major regional theaters, the events FashionLive!, By Design Conference, Slovak Fashion Council, Days of Architecture and Design, Bratislava Design Week, Be2Can, Slovak Film Week and many other events. The funding of education includes INESS, the Conservative Institute of M. R. Štefánik, Forbes 30 under 30, Nexteria Leadership Academy, and the Duke of Edinburgh's International Award. Thanks to the partnership with Tatra banka, innovative education project World Phenomena developed by Edulab in cooperation with the BBC was implemented in more than 800 elementary schools (50 per cent of all elementary schools in Slovakia). In the digital area, Tatra banka was the partner of the biggest technology festival, IXPO.

The Tatra banka Foundation

The Tatra banka Foundation is a prominent philanthropic institution that supports education in secondary schools and universities, original Slovak art, and design. It is a typical grant institution. Open grant programs account for 85 per cent of its funding.

Grant programs include the Art Grant Program, Education Grant Program and Digital Grant Program. They are all mainly designed for students or educational institutions in the given field. Since its establishment, projects funded by the Tatra banka Foundation have amounted to more than EUR 8.4 million.

For detailed information about the Tatra banka Foundation grant programs and activities, please visit www.nadaciatatrabanky.sk.

Partnerships in the regions

Through the More for Regions (**Viac** pre regióny™) employee grant program, the foundation supported 15 projects by non-governmental organizations. The support was directed to 6 regions based on projects submitted by Tatra banka Group employees.

Charity

Inspired by the motto, **"if we want to change something, we need to start with ourselves"**, Tatra banka views its employees as the most valuable essence of the corporate philanthropy of its staff. **Charity and donations** represent an integral part of the bank's activities. The bank supports both larger and smaller projects that are often initiated by its employees.

Corporate Volunteering

Responsibility towards the community at Tatra banka is demonstrated by encouraging staff in **corporate volunteering** (during working time with wage compensation, in line with defined rules). The bank achieves this particularly through two activities – the More for Regions (**Viac** pre regióny[TB]) employee grant program and active involvement in the biggest corporate volunteering project in Slovakia, **Our Town** (Pontis Foundation).

The More for Regions (**Viac** pre regióny[TB]) employee grant program was organized for the sixth time last year in cooperation with the Tatra banka Foundation. The program supports NGOs and civic associations in all regions of Slovakia. Under the program, the employees originally decided on the eight winning categories in an online vote. In 2019, for the first time the employee program supported non-profit organization projects submitted by Tatra banka Group employees, in which the staff will participate as volunteers in 2020.

The aim of the program is not only financial and physical help to organizations and the development of all Slovak regions, but it also seeks to build and establish cooperation between the bank's staff members and non-profit organizations to jointly contribute to the development of different regions.

In 2019, the Tatra banka Foundation supported all 15 accepted employee projects with a total of EUR 16,700. The following organizations received funds:

- Bratislava Region – Stredisko sociálnych služieb Petržalka and OZ Vodníček – Rodičovské združenie pri Materskej škole Tupolevova 20.
- Banská Bystrica Region – OZ Naša Revúca and Hokejový klub HC 07 Detva – mládež.
- Košice Region – ZŠ Mládežnícka 3, Košice – Šaca; Rada rodičov školy pri Základnej škole Belehradská 21, Košice and VERBUM BONUM, o. z.
- Nitra Region – Rodičovské združenie pri Materskej škole Štiavnická; OZ Zatúlané psíky Šaľa and Spojená škola, Mudroňova 1, Nitra.
- Trnava Region – Radostná práca; OZ GaBa and Hornonitrianske stopy, o. z.
- Žilina Region – Orbis Nostri and Združenie na záchranu Lietavského hradu.

Tatra banka's staff members can also participate in the **Our Town** event, which has been the biggest corporate volunteering program in Slovakia since it started. In 2019, 424 employees in 12 Slovak towns took part in the 13th year of this event. Last year, staff members had one full workday of their working time allocated for this event. They could spend this day by taking part in any volunteering activity they chose, for which they received full wage compensation.

Donations and Other Charity Events by Tatra banka's Employees

The mission of the Good Heart (**Dobré** srdce[TB]) employee grant program, which has been organized since 2007 and is very popular, is to support the projects of staff members who help and support others. Staff members who take the opportunity to donate 2 per cent of their taxes or contribute by an individual financial gift to a community organization close to their heart can get further funds for the organization or its projects to increase the necessary funding via the Tatra banka Foundation. The requirement is for a staff member to develop a specific project in cooperation with such an organization, for which they would jointly like to get funding.

This program motivates staff members to take an interest in and help non-profit organizations and civic associations. All staff members have their own values and ambitions outside the world of work and subconsciously feel an inclination towards the work of various community organizations. Each staff member views different things as "really important", but they all share one thing – their respect and regard for all those who are committed to a good cause. It is right for staff members to support the activities of the associations and organizations whose work is close to their values and beliefs, while actually helping people, communities and the regions in which they live. In June 2019, EUR 81,000 was allocated among 161 projects as part of the Good Heart (**Dobré** srdce[TB]) program.

The First Aid (**Prvá** pomoc[TB]) grant program is designed for staff members and their family members experiencing a difficult life situation. A financial support application can be filed by employees themselves, but they often give a helping hand to their colleagues through this program.
The aim of this program is to make difficult life situations easier for staff members and their close relatives, to reduce the financial costs associated with a health or social problem, or difficulties caused by a natural disaster or through another's fault. In 2019, 68 applicants were supported under this program by a total of EUR 58,020.

The Blood Bank (**Krvná** banka[TB]) blood donation program, which Tatra banka organizes twice a year in cooperation with the National Transfusion Service, has a nine-year tradition. Mobile blood donations took place twice last year, in both head office buildings, the processing center in Prešov and the **DIALOG** Live center in Nitra. Blood was donated by 175 employees.

Tatra banka participated for the tenth consecutive year in the collection of clothes and other items for non-governmental organizations, called Pass On (**Posuň** ďalej[TB]) in cooperation with the Pontis Foundation. The collection took place in the spring and fall. More than 350 staff members in Bratislava, Prešov, Banská Bystrica and surroundings and in the Nitra Region participated in the event. Employees brought clothes and soft furnishings with which they filled more than 200 bags. In addition, several hundred pairs of shoes and a huge number of boxes with drugstore products, kitchen utensils and appliances, accessories, toys and books were collected.

The collected items were distributed to 3 families in the Heart for Children (Srdce pre deti) program by the Pontis Foundation and to the following 10 associations according to their needs: Komunitné centrum Levoča, Človek v ohrození, ZŠ sv. Marka v Nitre, Centrum pre deti a rodiny Sereď, OZ Domov pre každého, Slovenská humanitná rada, Depaul Slovensko, Združenie mladých Rómov, Centrum pre deti a rodiny Nitra and Občianske združenie Cesta von.

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- III. SEGMENT REPORTING
- IV. OTHER NOTES

Independent Auditors' Report

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Translation of the Auditors' Report originally prepared in Slovak language

Independent Auditors' Report

To the Shareholders, Supervisory Board and Board of Directors of Tatra banka, a. s.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Tatra banka, a. s. ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section. We are independent of the Group in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit") including the Code of Ethics for an Auditor that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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Impairment of loans and advances to customers

The carrying amount of loans and advances to customers as at 31 December 2019: € 10,957,275 thousand; total loan loss provisions recognized in 2019: € 19,422 thousand; total loan loss provisions as at 31 December 2019: € 201,078 thousand.

Refer to Note II. (Principal accounting policies) and Note IV. 21. (Financial assets at amortised cost) to the consolidated financial statements.

Key audit matter	Our response
Impairment allowances represent the Management Board's best estimate of the expected credit losses within the loans and advances to customers at the reporting date. We focused on this area as the determination of impairment allowances requires a significant amount of judgment from the Management Board over both the timing of recognition and the amounts of any such impairment. The impairment allowances for all performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy) and retail non-performing exposures (Stage 3) (together "collective impairment allowance") are determined by modelling techniques. Historical experience, identification of exposures with a significant deterioration in credit quality, forward-looking information and management judgment are incorporated into the model assumptions. For individually assessed exposures, the impairment assessment is based on the knowledge of each individual borrower and often on estimation of the fair value of the related collateral. Related impairment allowances are determined on an individual basis by means of a discounted cash flows analysis. For the above reasons, impairment of loans and advances to customers was considered by us to be a significant risk in our audit, which required our increased attention. Accordingly, we considered the area to be our key audit matter	Our audit procedures in this area included, among others: • Inspecting the Group's ECL impairment provisioning methodology. We challenged the Management Board on whether the level of the methodology's sophistication is appropriate based on an assessment of the entity-level and portfolio-level factors; • Making relevant inquiries of the Group's risk management and information technology (IT) personnel in order to obtain an understanding of the provisioning process, IT applications used therein, key data sources and assumptions used in the ECL model. Also, assessing and testing of the Group's IT control environment for data security and access, assisted by our own IT specialists; • Assessing and testing the design, implementation and operating effectiveness of selected key controls including, but not limited to, the controls relating to the identification of loss events and default, appropriateness of the classification of exposures into performing and non-performing, rating appraisal, calculation of days past due, collateral valuations and calculation of the impairment allowances; • Assessing whether the definition of default and the standard's staging criteria were consistently applied. Also assessing whether the definition of default applied is appropriate based on the requirements of

KPMG

the IFRS 9 standard (e.g. taking into account the 90-day presumption);

- Evaluating the overall modelling approach, of calculation of ECLs, including the calculation of main risk parameters and macroeconomic factors (probability of default (PD), loss given default (LGD) and exposure at default (EAD));
- Obtaining the relevant forward-looking information and macroeconomic forecasts used in the Group's ECL assessment. Independently assessing the information by means of corroborating inquiries of the Management Board and inspecting publicly available information; Assessing LGD and PD parameters used by the Group, by reference to historical realized losses on defaults;
- Selecting a sample of individual exposures, with focus on those with the greatest potential impact on the consolidated financial statements due to their magnitude and risk characteristics (including lower value items), which we independently assessed as high-risk, such as watch listed, restructured or rescheduled exposures, loans to clients operating in higher risk industries and non-performing exposures with low provision coverage;
- For the sample selected, critically assessing, by reference to the underlying documentation (loan files) and through discussion with the loan officers and credit risk management personnel, the existence of any triggers for classification to Stage 2 or Stage 3 as at 31 December 2019;
- For those loans from the above sample where triggers for classification in Stage 3 were identified, challenging key assumptions applied in the Management Board's estimates of future cash flows used in the impairment calculation, such as discount rates, collateral values and realization period, and performing respective independent recalculations, where relevant.

Provisions for legal cases

The carrying amount of provision for legal cases as at 31 December 2019: € 49,491 thousand, change in provision for legal cases recognized in 2019: € 2,357 thousand.

Refer to Note II. (Principal accounting policies) and Note IV. 31. (Provisions) to the consolidated financial statements.

Key audit matter	Our response
In the normal course of the Group's business, potential exposures may arise from significant court proceedings (please see note 43 of the consolidated financial statements). Whether a liability or a contingent liability is recognized or disclosed in the consolidated financial statements is inherently uncertain and is dependent on a number of significant assumptions and judgments. The amounts involved are potentially significant and determining the amount, if any, to be recognized or disclosed in the consolidated financial statements, is inherently subjective. Due to the above factors, we considered this area to be a key audit matter	*Our audit procedures in this area included, among others:* • Obtaining from the Management Board a list of ongoing litigations as at 31 December 2019 and the cases identified in the list to the detail of provisions recognized as at the above date or contingent liabilities disclosed in the consolidated financial statements; • Reading minutes of the meetings of the Management and Supervisory Boards to identify additional potential liabilities; • Obtaining and evaluating the Group's lawyers' responses to our audit inquiries, discussing selected key matters with the lawyers and, assisted by our own legal specialists, making corroborating inquiries of the Group's management in respect of major legal disputes; • Critically assessing the Group´s assumptions and estimates in respect of the key claims assessed, including the liabilities recognized or contingent liabilities disclosed in the consolidated financial statements. This involved assessing the probability of an unfavourable outcome of each such litigation and the reliability of estimates of related obligations.

Responsibilities of the Statutory Body and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the statutory body is responsible for assessing the Group'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 the statutory body either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.

- Conclude on the appropriateness of the statutory body'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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

Reporting on Information in the Consolidated Annual Report

The statutory body is responsible for the information in the Consolidated Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting"). Our opinion on the consolidated financial statements does not cover other information in the Consolidated Annual Report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Consolidated Annual Report and, in doing so, consider whether the Consolidated Annual Report is materially inconsistent with the audited consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Consolidated Annual Report was not available to us as of the date of this auditors' report.

When we obtain the Consolidated Annual Report of the Group, we will consider whether it includes the disclosures required by the Act on Accounting and, based on the work undertaken in the course of the audit of the consolidated financial statements, we will express an opinion as to whether:

- the information given in the Consolidated Annual Report for the year 2019 is consistent with the consolidated financial statements prepared for the same financial year; and
- the Consolidated Annual Report contains information according to the Act on Accounting.

In addition, we will report whether we have identified any material misstatement in the Consolidated Annual Report in light of the knowledge and understanding of the Group and its environment that we have acquired during the course of the audit of the consolidated financial statements.

Additional requirements on the content of the auditors' report according to Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities

Appointment and approval of an auditor

We have been appointed as a statutory auditor by the statutory body of the Group *13 July 2018* on the basis of approval by the General Meeting of the Bank on 11 June 2018. The period of our total uninterrupted engagement, including previous renewals (extensions of the period for which we were originally appointed) and reappointments as statutory auditors, is two years.

Consistency with the additional report to the audit committee

Our audit opinion as expressed in this report is consistent with the additional report to the supervisory board of the Bank, which was issued on the same date as the date of this report.

Non-audit services

No prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities were provided and we remained independent of the Group in conducting the audit.

In addition to the statutory audit services and services disclosed in the consolidated financial statements of the Group, we did not provide any other services to the Group or accounting entities controlled by the Group.

10 March 2020
Bratislava, Slovak Republic

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Responsible auditor:
Ing. Mgr. Peter Špeťko, PhD., FCCA
License UDVA No. 994

Consolidated statement of comprehensive income for the year ended as at 31 December 2019

prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in thousand of EUR)

	Note	2019	2018
Interest income		310 117	307 929
Dividend income		287	257
Interest expense		(17 151)	(18 932)
Net interest income and dividend income	**(1)**	**293 253**	**289 254**
Fee and commission income		176 200	172 090
Fee and commission expense		(52 412)	(42 810)
Net fee and commission income	**(2)**	**123 788**	**129 280**
Net profit/(loss) from derecognition of financial assets and liabilities not measured at fair value through comprehensive income	(3)	719	123
Net profit/(loss) from financial instruments held for trading and exchange rate differences	(4)	20 671	24 396
Net profit/(loss) from financial instruments at fair value through comprehensive income	(5)	27 028	-
Special levy of selected financial institutions	(6)	(23 881)	(22 268)
Other operating profit (loss)	(7)	6 656	7 306
General administrative expenses	(8)	(250 599)	(236 784)
Contribution to the Resolution fund and the Deposit guarantee fund	(9)	(4 904)	(4 597)
(Creation)/release of Provisions	(10)	(2 184)	(5 679)
(Creation)/release of provisions for expected losses from commitments and guarantees given	(11)	604	1 562
Impairment allowances for financial assets not measured at fair value through profit or loss	(12)	(20 247)	(28 000)
Impairment allowances for non-financial assets	(13)	(343)	(13)
Profit/(loss) on non-current assets and assets for disposal classified as held for sale	(14)	491	-
Profit before income tax		**171 052**	**154 580**
Income tax	(15)	(35 974)	(34 705)
Profit after tax		**135 078**	**119 875**

	Note	2019	2018
Other comprehensive income after income tax:			
Items that can be reclassified to profit or loss			
Debt instruments at fair value through other comprehensive income		8 650	(4 534)
Cash flow hedges		22	120
Income tax related to items that can be reclassified to profit or loss		(1 775)	939
Items that can be reclassified to profit or loss		**6 897**	**(3 475)**
Items that will not be reclassified to profit or loss			
Equity instruments at fair value through other comprehensive income		16 814	2 096
Income tax related to items that will not be reclassified to profit or loss		(3 447)	(440)
Items that will not be reclassified to profit or loss		**13 367**	**1 656**
Other comprehensive income after income tax		**20 264**	**(1 819)**
Comprehensive profit after tax		**155 342**	**118 056**
Basic earnings per ordinary share (face value EUR 800) in EUR	**(16)**	**1 687**	**1 498**
Basic earnings per ordinary share (face value EUR 4 000) in EUR	**(16)**	**8 435**	**7 490**
Basic earnings per preference share (face value EUR 4) in EUR	**(16)**	**8.4**	**7.5**

Consolidated statement of financial position for the year ended as at 31 December 2019

prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in thousands of EUR)

	Note	2019	2018
Assets			
Cash, cash balances at central banks and other demand deposits	(17)	1 296 552	1 144 212
Financial assets held for trading	(18)	31 233	26 146
Financial assets at fair value through profit or loss	(19)	1 441	-
Non-tradeable financial assets at fair value through other comprehensive income	(20)	396 012	502 391
Financial assets at amortised cost	(21)	12 508 636	11 248 247
Hedging derivative financial assets	(22)	5 956	2 168
Fair value changes of the hedged items in hedge of interest rate risk	(23)	18	-
Non-current tangible assets	(24)	114 474	58 930
Investment property	(24)	1	33 143
Non-curent intangible assets	(24)	53 793	48 592
Current tax asset	(25)	147	752
Deferred tax asset	(26)	28 860	32 661
Other assets	(27)	73 930	98 655
Total assets		**14 511 053**	**13 195 897**
Equity and liabilities			
Financial liabilities held for trading	(28)	38 152	28 226
Financial liabilities at amortised cost	(29)	13 117 216	11 923 175
Hedging derivative financial liabilities	(30)	741	256
Provisions	(31)	84 178	79 048
Current tax liability	(32)	358	4 623
Deferred tax liability	(33)	-	194
Other liabilities	(34)	29 033	28 471
Total liabilities		**13 269 678**	**12 063 993**
Equity (excluding current year profit)	(35)	1 106 297	1 012 029
Profit after tax		135 078	119 875
Total equity		**1 241 375**	**1 131 904**
Total equity and liabilities		**14 511 053**	**13 195 897**

Consolidated statement of changes in equity for the year ended 31 December 2019

prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in thousands of EUR)

	Share capital	Share capital – treasury shares	Share premium	Share premium – treasury shares	Reserve and other funds	Fair value reserve for financial instruments at fair value through other comprehensive income	Cash flow hedging reserve	Retained earnings	AT1 capital	Profit after tax	Total
Equity as at 1 January 2019	**64 326**	**(188)**	**297 345**	**(2 326)**	**15 767**	**196**	**743**	**536 166**	**100 000**	**119 875**	**1 131 904**
Total profit after tax											
Profit after tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***135 078***	***135 078***
Other comprehensive income											
Debt instruments at fair value through other comprehensive income	-	-	-	-	-	6 880	-	-	-	-	6 880
Cash flow hedge	-	-	-	-	-	-	17	-	-	-	17
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	13 367	-	-	-	-	13 367
Other comprehensive income net of income tax	**-**	**-**	**-**	**-**	**-**	**20 247**	**17**	**-**	**-**	**-**	**20 264**
Total profit after tax	**-**	**-**	**-**	**-**	**-**	**20 247**	**17**	**-**	**-**	**135 078**	**155 342**
Transfers within equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**19**	**-**	**-**	**19**
Transactions with owners of the Group											
Contributions and distributions											
Distribution of profit out of which	-	-	-	-	-	-	-	76 165	-	(119 875)	(43 710)
transfer to retained earnings	-	-	-	-	-	-	-	*114 120*	-	*(114 120)*	-
contribution to legal reserve fund	-	-	-	-	-	-	-	-	-	-	-
dividend paid – ordinary shares	-	-	-	-	-	-	-	*(33 697)*	-	-	*(33 697)*
dividend paid – preference shares	-	-	-	-	-	-	-	*(4 258)*	-	-	*(4 258)*
AT1 revenue payment	-	-	-	-	-	-	-	-	-	*(5 755)*	*(5 755)*
Disposal of equity shares	-	369	-	4 697	-	-	-	-	-	-	5 066
Profit from the sale of ordinary and preference shares	-	-	251	-	-	-	-	-	-	-	251
Repurchase of preference shares	-	(528)	-	(6 969)	-	-	-	-	-	-	(7 497)
AT1 capital issue	-	-	-	-	-	-	-	-	-	-	-
Total contributions and distributions	**-**	**(159)**	**251**	**(2 272)**	**-**	**-**	**-**	**76 165**	**-**	**(119 875)**	**(45 890)**
Equity as at 31 December 2019	**64 326**	**(347)**	**297 596**	**(4 598)**	**15 767**	**20 443**	**760**	**612 350**	**100 000**	**135 078**	**1 241 375**

Consolidated statement of changes in equity for the year ended 31 December 2018

prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in thousands of EUR)

	Share capital	Share capital – treasury shares	Share premium	Share premium – treasury shares	Reserve and other funds	Fair value reserve for financial instruments at fair value through other comprehensive income	Cash flow hedging reserve	Retained earnings	AT1 capital	Profit after tax	Total
Equity as at 31 December 2017	**64 326**	**(368)**	**297 134**	**(4 383)**	**15 746**	**2 506**	**648**	**492 300**	**-**	**124 342**	**992 251**
IFRS 9 impact	-	-	-	-	-	(396)	-	(13 022)	-	-	(13 418)
Equity as at 1 January 2018	**64 326**	**(368)**	**297 134**	**(4 383)**	**15 746**	**2 110**	**648**	**479 278**	**-**	**124 342**	**978 833**
Total profit after tax											
Profit after tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***119 875***	***119 875***
Other comprehensive income											
Debt instruments at fair value through other comprehensive income	-	-	-	-	-	(3 570)	-	-	-	-	(3 570)
Cash flow hedge	-	-	-	-	-	-	95	-	-	-	95
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	1 656	-	-	-	-	1 656
Other comprehensive income net of income tax	**-**	**-**	**-**	**-**	**-**	**(1 914)**	**95**	**-**	**-**	**-**	**(1 819)**
Total profit after tax	**-**	**-**	**-**	**-**	**-**	**(1 914)**	**95**	**-**	**-**	**119 875**	**118 056**
Transactions with owners of the Group											
Contributions and distributions											
Distribution of profit out of which	-	-	-	-	21	-	-	56 902	-	(124 342)	(67 419)
Transfer to retained earnings	-	-	-	-	-	-	-	*124 342*	-	*(124 342)*	-
Increase in legal reserve fund	-	-	-	-	*21*	-	-	*(21)*	-	-	-
Dividend paid – ordinary shares	-	-	-	-	-	-	-	*(60 001)*	-	-	*(60 001)*
Dividend paid – preference shares	-	-	-	-	-	-	-	*(7 418)*	-	-	*(7 418)*
Disposal of equity shares	-	660	-	7 961	-	-	-	-	-	-	8 621
Sale of ordinary and preference shares	-	-	211	-	-	-	-	-	-	-	211
Repurchase of preference shares	-	(480)	-	(5 904)	-	-	-	-	-	-	(6 384)
AT1 capital issue	-	-	-	-	-	-	-	(14)	100 000	-	99 986
Total contributions and distributions	**-**	**180**	**211**	**2 057**	**21**	**-**	**-**	**56 888**	**100 000**	**(124 342)**	**35 015**
Equity as at 31 December 2018	**64 326**	**(188)**	**297 345**	**(2 326)**	**15 767**	**196**	**743**	**536 166**	**100 000**	**119 875**	**1 131 904**

Consolidated cash flow statement for the year ended 31 December 2019

prepared in accordance with International Financial Reporting Standards as adopted by the European Union (in thousands of EUR)

	2019	2018
Cash flows from operating activities		
Profit before tax	***171 052***	***154 580***
Adjustments for non-cash transactions:	***(268 998)***	***(253 767)***
Interest expense	17 151	18 932
Interest income	(310 289)	(307 929)
Dividend income	(116)	(257)
Impairment loss allowances, provisions for losses and other provisions, net	(5 216)	10 843
(Profit)/loss on sale and other disposal of non-current assets	(226)	(1 182)
(Profit)/loss on sale and other disposal of investment property	(3 102)	-
Unrealised (profit)/loss from financial derivatives and financial assets held for trading	(491)	-
Unrealised (profit)/loss from financial assets at fair value through profit or loss	4 565	2 542
Unrealised (profit)/loss from hedging derivatives	(2 957)	(1 354)
Net (profit)/loss from financial assets at fair value through other comprehensive income	1 926	(12)
Depreciation and amortisation	30 514	21 154
Impairment allowances for investment property	(306)	112
(Profit)/loss from foreign exchange operations and other operations with cash and cash equivalents	(451)	(480)
Cash flows used in operating activities before changes in working capital, interest received and paid and income tax paid	***(97 946)***	***(99 187)***
(Increase)/decrease in operating assets		
Obligatory reserve with National Bank of Slovakia	(116 647)	110 989
Loans and advances to banks and customers	(961 163)	(696 373)
Financial assets held for trading	(5 662)	12 892
Financial assets at fair value through profit or loss	(1 441)	-
Financial assets at fair value through other comprehensive income	128 510	(328 430)
Other Assets	21 911	(50 142)
(Increase)/decrease in operating liabilities:		
Deposits from customers and current bank accounts	931 397	880 444
Financial liabilities held for trading	9 714	(52 145)
Liabilities from debt securities	198 227	(180 399)
Other liabilities	564	(2 731)
Cash (used in) earned from operations before interest paid and received and income tax paid	***107 463***	***(391 833)***
Interest paid	(17 051)	(19 358)
Interest received	291 633	276 577
Income tax paid	(41 462)	(32 847)
Net cash flows from operating activities	**340 583**	**(167 461)**

Cash flows from investing activities		
Increase in debt securities at amortised cost	(388 372)	(511 178)
Decrease in debt securities at amortised cost	99 365	700 374
Interest received from financial assets at amortised cost	23 716	3 304
Proceeds from the sale or disposal of non-current tangible and intangible assets	811	233
Proceeds from the sale or disposal of investment property	18 994	3 283
Proceeds from the sale of non-current assets held for sale	17 802	-
Purchase of non-current tangible and intangible assets	(31 892)	(22 707)
Dividends received	116	257
Net cash flows from investing activities	**(259 460)**	**173 566**
Cash flows from financing activities		
(Redemption) or sale of preference shares	(2 181)	2 448
Issue of AT1 capital	-	99 986
Subordinated debt	-	(100 000)
Dividends paid	(43 710)	(67 419)
Net cash flows from financing activities	**(45 891)**	**(64 985)**
Effects of exchange rate changes on cash and cash equivalents and other effects	460	512
Change in cash and cash equivalents	**35 693**	**(58 368)**
Cash and cash equivalents, beginning of the year	125 704	184 072
Cash and cash equivalents, end of the year	**161 397**	**125 704**

Notes to Consolidated financial statements as at 31 December 2019

prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in thousands of EUR)

I. GENERAL INFORMATION

Scope of activities

The consolidated group of Tatra banka (hereinafter referred to as the "Group") consists of the parent company Tatra banka, a joint stock company (hereinafter referred to as "the Bank" or "the Parent company") with its registered office in Bratislava at Hodžovo námestie č. 3 plus 12 subsidiaries. The Bank was established on 17 September, 1990 and registered in the Commercial Register on 1 November 1990. The identification number of the Bank is 00 686 930; the tax identification number is 202 040 8522.

The Group offers a wide range of banking and financial services. Its core activities include receipt of deposits, provision of loans, domestic and cross-border money transfers, provision of investment services and investment activities. Valid list of all the Group's activities is issued in the Commercial Register of the Parent company, its subsidiaries and associates.

The Parent Company's Shareholders as a percentage of voting rights:

	2019	2018
Raiffeisen CEE Region Holding GmbH, Wien	89.11%	89.11%
Other	10.89%	10.89%
Total	**100.00%**	**100.00%**

The Parent company's Shareholders as a percentage of subscribed share capital:

	2019	2018
Raiffeisen CEE Region Holding GmbH, Wien	78.78%	78.78%
Other	21.22%	21.22%
Total	**100.00%**	**100.00%**

The Parent company's Shareholders as absolute shares of subscribed share capital:

	2019	2018
Raiffeisen CEE Region Holding GmbH, Wien	50 678	50 678
Other	13 648	13 648
Total	**64 326**	**64 326**

The Parent company performs its activities in the Slovak Republic through its 106 branches, corporate centres and corporate centre sub-agencies, Centrum bývania[TB] and Centrum investovania[TB], and 67 branches of the Organisational Unit of Raiffeisen Bank. In addition, there are 7 other branches of Tatra Leasing.

The Parent company's ordinary shares are publicly traded on the Bratislava Stock Exchange.

The members of the statutory and supervisory bodies of the Parent company's (the Group) as at 31 December 2019:

Supervisory Board	
Chairman:	Andrii STEPANENKO
Vice-chairman:	Igor VIDA
Members:	Peter LENNKH
	Johann STROBL
	Lukasz JANUSZEWSKI
	Andreas GSCHWENTER
	Iveta UHRINOVÁ
	Hannes MÖSENBACHER

Board of Directors	
Chairman:	Michal LIDAY
Members:	Marcel KAŠČÁK
	Peter MATÚŠ
	Natália MAJOR
	Bernhard HENHAPPEL
	Johannes SCHUSTER
	Martin KUBÍK

Changes in the Parent company's Supervisory Board in 2019:
Peter Baláž - termination of the office of the member of the Supervisory Board as of 21 August 2019.

Changes in the Parent company's Board of Directors in 2019:
There were no changes in the structure of the Bank's Board of Directors during 2019.

Business name of the ultimate parent company:
Raiffeisen Bank International AG, Vienna, Austria

Business name of the ultimate parent company preparing the consolidated financial statements:
Raiffeisen Bank International AG, Vienna, Austria

Business name of the immediate parent company:
Raiffeisen CEE Region Holding GmbH, Vienna

The RBI Group represents the parent company Raiffeisen Bank International and its subsidiaries and associated undertakings owned directly or indirectly through its subsidiaries.

Raiffeisen Bank International AG prepares consolidated financial statements. The consolidated financial statements of the Raiffeisen Bank International AG Group (the "RBI Group") are deposited with the register court Handelsgericht Wien at Marxergasse 1a, 1030 Vienna, Austria. The shares of Raiffeisen Bank International AG are listed on the Vienna Stock Exchange.

Definition of the consolidated group:

As at 31 December 2019, the Group comprised the Parent Company and the following companies (the "consolidated entities"):

Company	Direct share in %	Share of the Group in %	Indirect share through consolidated companies	Company ID No.	Principal activities	Consolidation method	Seat
Tatra Residence, a. s.	100 %	100 %	n/a	35 730 561	Business services	Full consolidation	Bratislava
Tatra Asset Management, správ. spol., a.s.	100 %	100 %	n/a	35 742 968	Asset management	Full consolidation	Bratislava
Doplnková dôchodková spoločnosť Tatra banky, a.s.	100 %	100 %	n/a	36 291 111	Supplementary pension Savings	Full consolidation	Bratislava
PRODEAL, a.s.	-	100 %	Tatra Residence, a. s.	36 702 196	Rental and property management	Full consolidation	Bratislava
Tatra-Leasing, s.r.o.	100 %	100 %	n/a	31 326 552	Leasing	Full consolidation	Bratislava
Eurolease RE Leasing, s.r.o.	-	100 %	Tatra-Leasing, s.r.o.	45 985 812	Meidation activities	Full consolidation	Bratislava
Rent CC, s.r.o.	-	100 %	Tatra-Leasing, s.r.o.	35 824 999	Leasing	Full consolidation	Bratislava
Rent GRJ, s.r.o.	-	100 %	Tatra-Leasing, s.r.o.	36 804 738	Leasing	Full consolidation	Bratislava
Rent PO, s.r.o.	-	100 %	Tatra-Leasing, s.r.o.	35 823 267	Leasing	Full consolidation	Bratislava

Changes in the Group during year 2019

Group Cloud Solutions, s. r. o. ceased to exist on 8 May 2019 merging with its parent company Tatra Residence, a. s.

BA Development, s. r. o. and Dúbravčice, s. r. o. were sold by their parent company Tatra Residence, a. s. on 20 December 2019.

Distribution of the Group's profit for 2018

AT1 Investment certificate revenue payment	5 755
Contribution to retained earnings	103 888
Total	**109 643**

Payment of dividends from the Parent company's retained earnings

Dividends – ordinary shares	33 697
Dividends – preference shares	4 435
Total	**38 132**

A dividend per ordinary share with a face value of EUR 800 amounted to EUR 474. A dividend per ordinary share with a face value of EUR 4 000 amounted to EUR 2 370. A dividend per preference share with a face value of EUR 4 amounted to EUR 2.38.

The annual separate and consolidated financial statements for 2018, the Annual Report for 2018, the profit distribution, retained earnings and the determination of royalties to the Supervisory Board members for 2018 were approved by the Parent company's General Meeting held on 25 April 2019. Dividends to which no title arose as at the date of the General Meeting in the amount of EUR 177 thousand were recognised in the retained earnings as at 30 May 2019.

Regulatory requirements

The Group is subject to the regulatory requirements of the National Bank of Slovakia, which include limits and other restrictions pertaining to minimum capital adequacy requirements, provisioning to cover credit risk, liquidity, interest rates and foreign exchange positions of the Group.

II. PRINCIPAL ACCOUNTING POLICIES

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

a) Statement of compliance

The Consolidated financial statements of the Group (hereinafter also "financial statements") for 2019 and comparatives for 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") in Commision Regulation (EC) no. 1126/2008 as amended including valid interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), further "IFRS".

Standards and interpretations effective in the current period

The Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been endorsed for use in the EU and that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019. The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current reporting period:

- **IFRS 16 "Leases"** - the International Accounting Standards Board issued a new IFRS 16 standard on lease accounting (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** - adopted by the EU on 23 November 2018 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 "Prepayment features with negative compensation"** to address the concerns about how IFRS 9 'Financial Instruments' classifies particular prepayable financial assets (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"** - issued on 12 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards "Project of IFRS quality improvement"**- as part of its process of making urgent but necessary amendments to IFRS, the IASB has issued annual improvements in the IFRS cycle 2015-2017. As a result of the annual IFRS quality improvement project: IFRS 3, IFRS 11, IAS 12, IAS 23 (effective for annual periods beginning on or after 1 January 2019).

The adoption of these standards and amendments to the existing standards and new interpretations had no significant impact on the Bank's accounting policies, with the exception of IFRS 16 *Leases*.

IFRS 16 Leases ("IFRS 16") superseded IAS 17 Leases and related interpretations. The Standard eliminated the current dual accounting model for lessees and instead requires companies to disclose the majority of leases in balance sheet using a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduced a number of limited scope exceptions for lessees which include:
- Leases with a lease term of 12 months or less and containing no purchase options;
- Leases where the underlying asset has a low value (so called 'small-ticket' leases).

Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases are retained.

Leases in which the Bank is a lessee

The new Standard had a significant impact on the financial statements of the Bank because it requires the Bank to recognise in its statement of financial position assets and liabilities relating to operating leases for which the Bank acts as a lessee.

The Bank recognised new assets and liabilities (in the amount of MEUR 60, initial weighted average rate of operating leasing was at 1.14%) for its operating leases in respect of branch and office premises. The nature and expenses related to those leases changed because the Bank recognised a depreciation charge for right-of-use assets and interest expense on the lease liabilities.

Previously, the Bank recognised operating lease expenses on a straight-line basis over the time of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between the actual lease payments and the expenses recognised.

At the date of approval of these financial statements, the following new standards have been issued by the IASB and approved by the EU but have not yet entered into force:

- **Amendments to IAS 1 "Presentation of Financial Statements" and Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** - amendments clarify and consolidate the definition of materiality in order to improve consistency in applying this principle across IFRSs (effective for annual periods beginning on or after January 1, 2019).

- **Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform** The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform. All companies with hedges affected by IBOR reform are required to:
  - assume that the interest rate benchmark on which hedged cash flows are based is not altered as a result of IBOR reform when assessing whether the future cash flows are highly probable. Also, for discontinued hedging relationships, the same assumption is applied for determining whether the hedged future cash flows are expected to occur.
  - assess whether the economic relationship between the hedged item and the hedging instrument exists based on the assumptions that the interest rate benchmark on which the hedged item and the hedging instrument are based is not altered as a result of IBOR reform.
  - not discontinue a hedging relationship during the period of uncertainty arising from IBOR reform solely because the actual results of the hedge are outside the range of 80-125 per cent.
  - apply the separately identifiable requirement only at the inception of the hedging relationship. A similar exception is also provided for redesignation of hedged items in hedges where dedesignation and redesignation take place frequently – e.g. macro hedges.

The Bank does not expect any significant impact on the separate financial statements of these amendments to standards.

Purpose of preparation

The purpose of preparing these Consolidated financial statements in the Slovak Republic is to comply with Act on Accounting No. 431/2002 Coll. The Group prepares its separate and consolidated financial statements and annual report under special regulation – Regulation (EC) 1606/2002 of the European Parliament and of the Council on the Application of International Accounting Standards (IFRS). Separate and consolidated financial statements prepared in compliance with IFRS as at 31 December 2019, dated 10 March 2020, will be available in the Financial Statements Register in accordance with Act No. 431/2002 Coll. on Accounting, as amended. The financial statements are intended for general use and information; they are not intended for the purposes of any specific user or consideration of any specific transactions. Accordingly, the user should not rely exclusively on these financial statements when making decisions.

Basis of preparation

The financial statements are prepared on the accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur and reported in the financial statements of the periods to which they relate and on the going concern assumption.

The reporting currency used in the financial statements is the euro ("EUR") with accuracy to EUR thousand, unless otherwise indicated.

Significant accounting judgements

The presentation of financial statements in conformity with IFRS requires the preparation of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements 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, and/or other factors could subsequently result in a change in estimates or other adjustments that could have a material impact on the reported financial position and results of operations.

The effect of a change in accounting estimates shall be recognised prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or the period of the change and future periods, if the change affects both. Significant areas of judgement include the following:

- The creation of impairment allowances for incurred loan losses and identified contingent liabilities involves many uncertainties concerning the outcomes of the risks mentioned above and requires the Group's management to make many subjective assessments when estimating the amount of losses. Measurement of the impairment allowances for expected credit losses for financial assets of amortised cost and at fair value through other comprehensive income is an area which requires application of models and significant judgements regarding such future economic conditions and credit behaviour. Considering the current economic conditions, the result of estimates may differ from the impairment provisions recognised as at 31 December 2019. The item is reported in *"(Creation)/Release of Provisions"* or *"Impairment allowances for financial assets not measured through income and loss statement"*.

Amounts recognised as provisions are based on the management's judgment and represent the best estimate of expenses required to settle the liability with uncertain timing or uncertain amount payable.

- The income tax rules and regulations have recently experienced significant changes; there is limited historical precedent and/or interpretation judgement with respect to the extensive and complex issues affecting the banking sector. Furthermore, tax authorities have broad powers as regards the interpretation of tax laws and regulations during the tax audit of a taxpayer. As a result, there is a higher degree of uncertainty as to the final outcome of any potential review conducted by the tax authorities. Since many areas of Slovak tax law have so far not been sufficiently validated in practice, there is uncertainty as to how they will be applied by the tax authorities. The extent of this uncertainty can not be quantified and disappears only when legal precedents or official interpretations of the competent authorities become available. Item Adjustment for the uncertain realisation of a deferred tax asset is disclosed in the note 15 *"Income Tax"*.

- Provisions for litigation take into account a significant degree of judgment in the expected future development of the respective litigation based on the facts available at the time of their creation. However, the actual outcome of the respective litigation may ultimately differ significantly from the expected state as a result of the development of the litigation itself. (Creation)/ Release of provisions for litigation is reported in *"(Creation)/ Release of Provisions "*.

b) Consolidation principles

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (refer to Note I. GENERAL INFORMATION) for the year ended 31 December 2019.

IFRS 12 requires disclosure about significant judgments and assumptions used to define the character of an investment in a company or in an agreement, investments in subsidiaries, joint-agreements and affiliates and in non-consolidated structured entities. Based on the analysis performed by management, the Group does not have any interest in consolidated structured entities, nor in unconsolidated structured entities.

Associates are those entities in which the Bank has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Bank has joint control, whereby the Bank has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

I. Business combinations
The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Acquisition related costs (transaction costs) are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

II. Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

III. Non-controlling interests (NCI)
NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

IV. Loss of control
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other component of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

V. Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

VI. Method of consolidation
The Bank has assessed the shares in and control over its subsidiaries with respect to IFRS 10, IFRS 11 and IFRS 12. Subsidiaries are consolidated using the full consolidation method.

c) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into euros and reported in the financial statements as at the exchange rate declared by the European Central Bank (ECB) valid as at the balance sheet date. Income and expenses denominated in foreign currencies are recorded in euros in the underlying accounting system of the Group and are reported in the financial statements at the actual exchange rate of the European Central Bank valid as at the date of the transaction.

Exchange rate gains (losses) from all foreign exchange transactions are included in the Statement of Comprehensive Income item *"Net profit/(loss) from financial instruments held for trading and exchange rate differences"*.

Off-balance sheet transactions denominated in foreign currency are translated into euros in the Group's off-balance sheet using the ECB spot exchange rate valid as at the balance sheet date.

The unrealised gain or loss from fixed term transactions is calculated using the anticipated forward rate based on a standard mathematical formula, which takes into account the European Central Bank spot rate and interest rates effective as at the balance sheet date and is reported in the item *"Hedging financial assets"* or in the item *"Hedging financial liabilities"* in the statement of financial position, and *"Net profit/(loss) from financial instruments held for trading and exchange rate differences"* in the statement of comprehensive income.

d) Cash, cash balances at central banks and other demand deposits

Cash, cash balances at central banks and other demand deposits consist of cash and balances on advances in the National Bank of Slovakia, including the compulsory minimum reserve in the National Bank of Slovakia. Other demand deposits include current deposits due to banks payable on demand.

The compulsory minimum reserve in the National Bank of Slovakia is a required deposit with restricted drawing to be held by all commercial banks licensed in the Slovak Republic. The interest rate is determined by the European Central Bank on a regular basis after the end of each period.

e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity.

The Group has applied a new approach to the classification and measurement of financial assets that takes into account the business model in which the assets are managed and as well as the characteristics of their cash flows.

The Group classifies financial instruments into four categories of financial assets and two categories of financial liabilities:
1. Financial assets measured at amortised cost (AC),
2. Financial assets measured at fair value through other comprehensive income (FVOCI),
3. Financial assets mandatorily measured at fair value through profit or loss (FVTPL),
4. Financial assets measured at fair value through profit or loss (FVTPL),
5. Financial liabilities measured at amortised cost (AC) and
6. Financial liabilities measured at fair value through profit or loss (FVTPL).

Financial assets are measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.

Occasional or insignificant sales, pre-maturity sales or sales which do not constitute a change in business model are not contrary to the intention to hold the financial assets to maturity to collect contractual cash flows.

A financial asset is classified as subsequently measured at FVOCI if it is held within a business model whose objective is both collecting the contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment–by–investment basis and takes into account strategic interests. Profits and losses from revaluation are not recognised in profit or loss. After derecognition of the investment, the final profit or loss is recognised in retained earnings.

All other financial assets, i.e. financial assets that do not meet the criteria for classification as subsequently measured at either amortised cost or FVOCI, are classified as subsequently measured at fair value, with changes in fair value recognised in the statement of comprehensive income.

In addition, the Group has the option at initial recognition to irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency, i.e. an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. Based on the business model and cash flow circumstances a financial asset is classified into one of these categories upon initial recognition.

Business model assessment

The Group made an assessment of the objective of the business model in which a financial asset is held at a portfolio level, as this reflects the way the business is managed and information is provided to management.

The Group has the following business models:

- Credit and investment portfolio ”hold-to-collect”
- Liquid portfolio ”hold and sell”
- Trading portfolio
- Hedging portfolio
- Equity investment portfolio

The following are considered as evidence when assessing which business model is relevant:

- How the performance of the business model (and the financial assets held within that business model) is evaluated and reported to the entity’s key management personnel,
- What are the risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed,
- How managers of the Group are compensated (e.g. whether the compensation is based on the fair value of the assets managed or the contractual cash flows collected),
- The frequency, value and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity, and
- Whether sales activity and the collection of contractual cash flows are integral or incidental to the business model (“hold-to-collect” versus “hold and sell” business model).

Financial assets that are held for trading and those that are managed and whose performance is measured based on a fair value basis will be measured at FVTPL.

Analysis of contractual cash flow characteristics

Once the Group determines that the business model of a specific portfolio is to hold the financial assets to collect the contractual cash flows (or both collecting contractual cash flows and selling financial assets), it must assess whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely the payments of principal and interest. For this purpose, interest is defined as a consideration for the time value of money, the credit risk associated with the principal during a particular period of time and for other basic lending risks and costs, as well as a profit margin. This assessment will be carried out on an instrument-by-instrument basis on initial recognition of the financial asset.

When assessing whether the contractual cash flows are solely the payments of principal and interest, the Group will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The Group will consider:
- Prepayment, extension terms,
- Leverage features,
- If a claim is limited to specified assets or cash flows,
- Contractually-linked instruments, and
- Interest rate.

In 2019, IASB issued an IFRS 9 amendment regarding prepayment features with negative compensation. Negative compensation arises when the contractual terms permit the borrower to repay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortised cost measurement, the negative compensation must be a reasonable compensation for early termination of the contract. The Group does not expect a significant volume of negative prepayment features with negative compensation, which must be measured mandatorily at FVTPL.

Modification of time value of money and the benchmark test

The time value of money is the element of interest that provides consideration for the passage of time (IFRS 9.B4.1.9A). It does not take into account other risks (credit, liquidity etc.) or costs (administrative, etc.) associated with holding a financial asset.

In some cases, the time value of money element may be modified (imperfect). This is the case, for example, if a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate. In this case, the entity must assess the modification to determine whether the contractual cash flows still represent solely the payments of principal and interest, i.e. the modification term does not significantly alter the cash flows from a perfect benchmark instrument.

1. Financial assets measured at amortised cost (AC)

The main components of the portfolio of financial assets measured at amortised cost are:

- Loans and advances in *"hold-to-collect"* business model and
- Debt securities in *"hold-to-collect"* business model.

Loans and advances

Loans and advances represent non-derivative financial assets with fixed or determinable payments unlisted in an active market. Loans and advances are measured at amortised cost using the effective interest rate method less impairment provisions.

When signing a loan agreement, the Group records the issued loan commitment on the off-balance sheet. The loan is recognised in the statement of financial position when the funds are provided to debtors. During the performance of their activities, the Group records contingent liabilities with inherent credit risk. The Group accounts for these contingent liabilities in off-balance sheet accounts, and records a provision for such liabilities that reflects the level of risk of issued guarantees, letters of credit and unused credit limits as at the balance sheet date. No provisions are recorded for unused retail credit facilities.

Debt securities

The portfolio is a non-derivative financial asset with fixed or determinable payments and a fixed maturity that the Group intends and has the ability to hold to maturity in accordance with the established hold-to-collect business model. The portfolio includes, in particular, securities issued by the government and other creditworthy securities.

Debt securities at amortised cost are measured using the effective interest rate less impairment. Interest income, discounts and premiums on debt securities at amortised cost are recognised in the statement of comprehensive income under *"Interest income"*.

2. Financial assets measured at fair value through other comprehensive income (FVOCI)

The Group owns two portfolios of financial assets at fair value through other comprehensive income. These are portfolios for:

- Equity investments not held for trading and
- Debt securities in *"hold and sell"* business model.

Equity investments

Equity investments in the portfolio of financial assets at fair value through other comprehensive income are primarily holdings in privately owned companies in which there is no active market, or in companies in which they are required to participate (Bratislava Stock Exchange, S.W.I.F.T. s.c., VISA INC., USA). For this reason, the Group uses Level 3 for these participations and for VISA INC., USA the Group uses Level 2 of fair value measurement (see Note h).

Dividends on financial assets at fair value through other comprehensive income are recognised in the statement of comprehensive income under *"Interest income and dividend income, net"*. Profit or loss on the sale of financial assets held for sale is recognised in the statement of comprehensive income under *"Equity instruments at fair value through other comprehensive income"*. The Group does not create impairment allowances on equity investments.

Debt securities

Debt securities in the portfolio of financial assets at fair value through other comprehensive income are initially measured at fair value plus or minus transaction costs directly attributable to the acquisition on issue. Unrealised gains and losses arising from changes in fair value are recognised in the item *"Fair value reserve for financial instruments at fair value through other comprehensive income"* within the Group's equity until the moment of disposal or impairment. In the event of a disposal or impairment of a debt security, the cumulative gains and losses recognised in *"Fair value reserve for financial instruments at fair value through other comprehensive income"* are reclassified to the statement of comprehensive income under *"Net profit/(loss) from derecognition of financial assets and liabilities not measured at fair value through comprehensive income"*.

Impairment of financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income

The calculation of expected credit losses requires the use of accounting estimates which may differ from the actual results. For the purposes of calculation, the management also takes into account the Group's accounting policies.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments – assets measured at amortised cost and FVOCI and with the exposure arising from loan commitments, leasing receivables and financial guarantee contracts. The Group recognises impairment allowance for such losses as at each reporting date.

Measurement of expected credit losses

The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, 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 measurement of the expected credit loss allowance for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Significant judgements are:

- Determining criteria for significant increase in credit risk,
- Choosing appropriate models and assumptions for the measurement of expected credit losses,
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses,
- Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

The estimation of credit exposure for risk management purposes is complex and requires the use of models. The assessment of credit risk for a portfolio of assets entails further estimations as to the probability of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using probability of default (PD), exposure at default (EAD) and loss given default (LGD). This is the predominant approach used for the purposes of measuring expected credit losses under IFRS 9.

IFRS 9 prescribes a three-stage model for impairment based on the changes in credit quality since the initial recognition. This model requires that a financial instrument which is not impaired on initial recognition is classified as Stage 1 and has its credit risk continuously monitored. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2, but is not deemed to be impaired. If the financial instrument is impaired, the financial instrument is then moved to Stage 3.

Financial instruments in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible in the next 12 months. Instruments in Stages 2 or 3 have their expected credit losses measured based on expected credit losses on a lifetime basis. According to IFRS 9, when measuring expected credit losses it is necessary to consider forward-looking information. Purchased or originated impaired

financial assets are financial assets that are impaired on initial recognition. Their expected credit loss is measured on a lifetime basis (Stage 3).

Expected credit losses are recognised in the Statement of comprehensive income as *"Impairment allowances for financial assets not measured at fair value through profit or loss"* and as *"(Creation)/ release of provisions for expected losses from commitments and guarantees given"*. If the reason for recognition of an allowance no longer applies or the amount of the allowance/provision is unreasonable, surplus allowances/provisions will be released through the same line of the Statement of comprehensive income.

Significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

The Group uses quantitative criteria as the primary indicator of a significant increase in credit risk for all material portfolios. For quantitative staging, the Group compares the lifetime PD curve at measurement date with the forward lifetime PD curve at the date of initial recognition. For the estimation of the lifetime PD curve at the date of initial recognition, assumptions are made about the structure of the PD curve. For highly rated financial instruments, it is assumed that the PD curve will deteriorate over time. For low-rated financial instruments, it is assumed that the PD curve will improve over time. The degree of improvement or deterioration will depend on the level of the initial rating.

The Group is not aware of any generally accepted market practice for the level at which a financial instrument should be transferred to Stage 2. From this perspective, it is expected that the increase in PD at the reporting date which is considered significant will develop over a period of time as a result of an iterative process between market participants and supervisors.

Qualitative criteria

The Group uses qualitative criteria as a secondary indicator of significant increase in credit risk for all material portfolios. Transfer to Stage 2 takes place when the criteria below are met.

For sovereign, bank, corporate and project finance portfolios, if the borrower meets one or more of the following criteria:

- External market indicators
- Changes in contract terms
- Changes to management approach
- Expert judgement

The assessment of a significant increase in credit risk incorporates forward-looking information and is performed on a quarterly basis at a deal level for all non-retail portfolios held by the Group.

For retail portfolios, if the borrower meets one or both of the criteria enlisted below:
- Forbearance
- Expert judgement

The assessment of a significant increase in credit risk incorporates forward-looking information and is performed on a monthly basis at a deal level for all portfolios held by the Group.

Backstop

A backstop is applied if the financial instrument is considered to have experienced a significant increase in credit risk when a borrower is more than 30 days past due on its contractual payments. In some limited cases, the presumption that financial assets which are more than 30 days past due should be in Stage 2 is rebutted.

The Group has not used the low credit risk exemption for any lending business; however, it selectively uses the exemption for debt securities due to low credit risk.

Definition of default and impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

When the borrower is more than 90 days past due on its contractual payments, no attempt is made to rebut the presumption that financial assets which are more than 90 days past due should be in Stage 3.

The borrower meets unlikeliness to pay criteria, which indicates that the borrower is in significant financial difficulty. These are the cases where:

- The borrower is in long-term forbearance,
- The borrower is deceased,
- The borrower is insolvent
- The borrower is in breach of financial covenants,
- An active market for that financial asset has disappeared because of financial difficulties,
- Concessions have been made by the lender relating to the borrower's financial difficulty,
- It is probable that the borrower will enter bankruptcy,
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses

The above criteria have been applied to all financial instruments measured at amortised cost and debt instruments at fair value through other comprehensive income held by the Group and are consistent with the definition of default used for internal credit risk management purposes.

Explanation of inputs, assumptions and estimation techniques

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition, or whether an asset is considered to be impaired. Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Expected credit losses are the discounted product of the probability of default (PD), loss given default (LGD), exposure at default (EAD) and discount factor (D).

Probability of default

The probability of default represents the probability of a borrower defaulting on its financial obligation over the next 12 months or over the remaining lifetime of the obligation. As a rule, the lifetime probability of default is calculated using the regulatory 12 month probability of default, stripped of any margin of conservatism, as a starting point. Thereafter, various statistical methods are used to generate an estimate of how the default profile will develop from the point of initial recognition throughout the lifetime of the loan or portfolio of loans. This probability of default is calculated separately for each product type based on the longest possible history of data for the product concerned available in the Group's internal database. Subsequently, various statistical methods are used to estimate the development of the default profile since the initial recognition over the lifetime of the loan or the loan portfolio, in particular: survival rating level analysis, interpolation of 12-month probability of default to loan lifetime and, in case of insufficient data for the above mentioned models, benchmark values (constants) recommended by a group methodology that differs depending on the product type.

In limited cases, where some inputs are not fully available, grouping, averaging and benchmarking of inputs are used for the calculation.

Loss given default

Loss given default represents the Group’s expectation of the extent of loss on a defaulted exposure. Loss given default varies by type of counterparty and product. Loss given default is expressed as a percentage loss per unit of exposure at the time of default. Loss given default is calculated by counting the yield collected for 36 months from the loan default, the resulting percentage loss given default being expressed as an add-up to 100% to the weighted average of all yields over the 36-month observation period of the number of defaulted loans for that product type. In a simplified methodology, the Group does not use the loan-level yields, but yields are counted by date of default.

Exposure at default

Exposure at default is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. Where relevant, early repayment/refinance assumptions are also considered in the calculation.

For revolving products, the exposure at default is predicted by adding a credit conversion factor to the current drawn balance, which allows for the expected drawdown of the remaining limit by the time of default.

Discount factor

As a rule, for balance sheet exposure which is not leasing or POCI, the discount rate used in the expected credit loss calculation is the effective interest rate or an approximation thereof.

The expected credit loss is the product of Probability of Default (PD), Loss Given Default (LGD), Exsposure at Default (EAD) and by the probability of non-default prior to the considered time period. The latter is expressed by the survivorship function S. This calculates future values of expected credit losses, which are then discounted back to the reporting date and summed. The calculated values of expected credit losses are then weighted by a forward looking scenario.

Different models have been used to estimate the Stage 3 provisions of outstanding lending amounts and these can be split into the following categories:

- Sovereign, corporate customers, project finance, financial institutions, local and regional governments, insurance companies and collective investment undertakings - Stage 3 provisions are calculated by workout managers who discount expected cash flows by the appropriate effective interest rate.
- Retail mortgages - Stage 3 provisions are generated by calculating the statistically derived best estimate of expected loss which has been adjusted for indirect costs.

No attempt is made to rebut the presumption that financial assets which are more than 90 days past due are to be shown in Stage 3.

Forward-looking information

Both, the assessment of a significant increase in credit risk and the calculation of expected credit losses incorporate forward-looking information. The Group has performed historical analysis and identified key economic variables impacting credit risk and expected credit losses for each portfolio.

Expert judgment is applied in this process. Forecasts of economic variables (base economic scenario) are provided by Raiffeisen Research on a quarterly basis and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach is used, which means that economic variables tend to achieve either a long run average rate, or a long run average growth rate until maturity. The impact of economic variables on the probability of default, loss given default and exposure at default is determined using statistical regression to understand the impact that changes in these variables have had historically on default rates and on the components of loss given default and exposure at default.

In addition to the base economic scenario, Raiffeisen Research also provide a best-case and worst-case scenario. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking into account the range of possible outcomes that each chosen scenario is representative of.

The Group considers these forecasts representing its best estimate of the possible outcomes to cover any potential non-linearities and asymmetries in the Group's different portfolios.

Economic scenarios used as at 31 December 2019 include the following key indicators for the Slovak republic for the years ended 31 December 2020 to 2022:

	(%)	2020	2021	2022
Unemployment rates	Baseline	5.50	5.76	5.72
	Downside	8.43	9.31	9.05
	Upside	4.26	4.30	4.88
Interest rates	Baseline	(0.12)	(0.57)	(0.62)
	Downside	1.91	1.83	1.50
	Upside	(0.16)	(0.35)	(0.40)
GDP growth	Baseline	1.87	1.08	1.84
	Downside	0.81	0.42	0.30
	Upside	4.38	4.70	3.86
Real estate price index	Baseline	2.04	1.98	1.93
	Downside	1.72	1.76	1.82
	Upside	2.31	2.16	2.00

Sensitivity Analysis

The most significant assumptions affecting the expected credit loss allowance are as follows:

- Corporate portfolios
  - Gross domestic product,
  - Unemployment rate,
  - Long term government bond rate,
  - Inflation rate.

- Retail portfolios
  - Gross domestic product,
  - Unemployment rate,
  - Real estate prices.

Loan write-offs

The Group writes off the loans provided to clients if, on the basis of an in-depth analysis, it proves that there is no real expectation of another recovery or the chance of another recovery is minimal. The usual, though not only, write-off indicators are the following: (i) the debtor does not carry out any activity, no repayment has been made over the past two years and there is no collateral or (ii) the debtor is in bankruptcy, all the assets being monetised and the proceeds realised; (iii) the court has decided (e.g. in case of legal restructuring, debt elimination, etc.) to write off part of the receivable, or (iv) the Group sells the claim, and others. In the event of ongoing litigation or other actions that might eventually lead to a recovery, the Group usually writes off the receivables into the off-balance sheet.

Loans are written-off on the basis of a valid decision of a court, Board of Directors, or another body of the Group (i.e. Problem Loan Committee and Executive Committee), in line with an internal directive on waiving their enforcement against booked impairment allowance. If the amount of the written-off receivable is higher than the impairment allowance created, the difference is written off to the statement of comprehensive income. The writen-off receivables for which the right to recovery have not expired are recorded in the off-balance sheet. As at 31 December 2019 written off receivables for which the right to recovery have not expired were in the amount of EUR 32 289 thousand (as at 31 December 2018 EUR 22 516 thousand).

After the write-off, the Group does not carry out active enforcement, and only in cases of write-offs to the off-balance sheet does it continues to conduct litigation in order to achieve a recovery in the future. If the Group, after writing off the loans and advances provided to the client, collects additional amounts from the client or obtains control over the collateral that is higher than originally estimated, the yield is recognised in the statement of comprehensive income under *"Impairment allowances for financial assets not measured at fair value through profit or loss"*.

Loan collateral

In terms of handling collateral, the Group places emphasis on valuing and revaluing of individual collaterals, determining the value of pledged collateral for secured loans, determining collateral acceptability to mitigate credit risk, and collateral enforcement, should the client be in default.

The Group mainly accepts the following types of collateral:
- Financial collateral
- Guarantees
- Real estate
- Movable assets
- Receivables
- Life insurance

In terms of legal instruments, the Group uses:
- Pledges
- Assignments of receivables intended to serve as security
- Transfers of title intended to serve as security
- Blockages of cash
- Contracts for purchase of securities
- Agreements on liability replacement

The methodology of collateral valuation and the frequency of such revaluation depends on the type of collateral and the minimum requirements pursuant to the effective legislative standards implemented in the Group's internal regulations. The method of determining the value of collateral is specific for each type of collateral, and the Group respects an adequate degree of prudence.

The value of pledged collateral is determined on a case-by-case basis for each type of collateral depending on the type of collateral and transaction, and individual risk characteristics. The value of pledged collateral is obtained by discounting the initial value of collateral obtained in valuation and revaluation. Factors based on which discounting factors are determined relate mainly to the enforceability of collateral if the counterparty defaults (e.g. type, location and condition of real estate), potential default of the security provider (e.g. credit quality and maturity of financial collateral), and other factors (business strategy and Group orientation). The discounting factors applied are subject to regular revaluation.

The claim value of collateral is derived from the value of pledged collateral up to the amount of the current amount receivable. If the value of pledged collateral is lower than the balance of the receivable, the Group will determine the claim value of collateral up to the value of pledged collateral.

The claim value of collateral contains a number of uncertainties and risks. The amounts that may be recovered in the course of liquidating the collateral for bad debts could differ from the estimated amounts, and the difference could be material.

The Group's decision on the enforcement of collateral is individual and depends on factors such as the current condition and value of the collateral, the current amount receivable, the promptness of the satisfaction of the receivable, collection-related costs etc. The relevant competent body of the Group decides which security instrument will be used in specific cases.

The Group mainly uses the following forms of enforcement of collateral:
- Voluntary auction
- Foreclosure procedure
- Realisation of the collateral for the Group's receivable in a bankruptcy procedure
- Sale of receivables

3. Financial assets at fair value through profit or loss (FVTPL)

When the Group determines that a specific portfolio business model is to hold financial assets in order to collect contractual cash flows (or both: to collect contractual cash flows and to sell financial assets) and assumes that for the financial assets in question, the contractual cash flows do not constitute purely principal and interest payments, the Group recognises those financial assets under *"Financial assets mandatorily measured at fair value through profit or loss"*. Primary as well as subsequent valuation of the listed financial assets is at fair value.

4. Financial assets designated to be measured at fair value through profit or loss (FVTPL)

a. Held-for-trading financial assets

The Group has acquired held-for-trading financial assets to utilise short-term price fluctuations in order to generate profits. In this category, the Group recognises securities - equity investments, debt securities, Treasury bills and shares. Equity and debt securities, treasury bills and shares are recognised by the Group in the statement of financial position line *"Held-for-trading financial assets"*. All purchases and sales of trading securities are recognised as at the settlement date.

Held-for-trading financial assets are initially recognised at fair value net of transaction costs. The Group discloses unrealised gains and losses on revaluing such assets to fair value and net interest income in the statement of comprehensive income line "Net profit/(loss) from trading instruments".

b. Derivative financial instruments

In this category, the Group discloses derivative financial instruments - interest rate swaps, currency swaps, index swaps, currency forwards, interest rate options, currency options, share index options, currency, interest rate and index futures and commodity derivatives.

All purchases and sales that require delivery within the time frame established by regulation or market convention ("standard way") are recognised as spot transactions. Transactions that do not meet the "standard way" settlement criteria are treated as financial derivatives.

Derivatives embedded in other financial instruments or other host contracts under IFRS 9 are treated, in terms of accounting, as separate derivatives, i.e. the Bank analyzes the nature of the cash flows from the asset and the business model on which the asset was acquired.
Derivatives embedded in other financial instruments or other host contracts under IFRS 9 are treated, in terms of accounting, as separate derivatives if no close linkage exists between their risks and attributes, and risks and attributes of the host contract, and if the host contract is not recognised at fair value and changes in fair value are recognised in the statement of comprehensive income.

The Group records unrealised gains and losses from the revaluation of derivative instruments to their fair values and net interest income in the statement of comprehensive income line *"Net profit/(loss) from trading instruments"*.

5. Hedging derivatives

The Group has chosen to continue the original accounting under IAS 39 in recognition of the hedging derivatives over IFRS 9. Hedging derivatives are derivatives designed in the Group's strategy to hedge certain risks and meeting all classification criteria for hedging derivatives under international accounting standards. The relationship between the hedging instrument and the hedged item is documented at the origin of the hedging transaction. At the origin and during the existence of the hedging relationship the hedging effectiveness is tested so that the changes in fair values or cash flows from hedged or hedging items are offset with the final results within the range of 80% to 125%.

Fair value hedges

Changes in the fair value of hedging derivatives which are regarded as fair value hedges are recognised in the income statement together with any changes in the fair value of hedged assets or liabilities to which a hedge risk can be attributed. Hedge accounting is discontinued if the Group cancels the hedging relationship, the derivative instrument expires or is sold, terminated, or exercised, or when the hedging relationship no longer meets the criteria for fair value hedge accounting.

The positive fair value of a hedging derivative is recognised in the statement of financial position, line *"Hedging derivative financial assets"*. The negative fair value of a hedging derivative is recognised in the statement of financial position, line *"Hedging derivative financial liabilities"*. Any change in the fair value of a hedging derivative and a hedged instrument relating to the hedged risk is recognised in the statement of comprehensive income, line *"Net profit/(loss) from financial instruments held for trading and exchange rate differences"*. Interest income and expenses related to the hedging derivative are recognised together with interest expenses related to the hedged instruments in the statement of comprehensive income as *"Net interest income and dividend income"* depending on the hedged item type.

Cash flow hedges

The Group uses derivative financial instruments – interest rate swaps to hedge the risk of the variability of future cash flows associated with floating rate assets, which could result in unexpected losses in the event of changes in interest rates on the interbank market. The structure of such derivatives is strictly adjusted to the structure of a secured loan, as a result of which the Group is not exposed to the risk of changes in interest rates and the risk of cash flows. The efficiency of such hedging transactions is regularly monitored and the hedges were efficient during the respective period.

The positive fair value of a hedging derivative is recognised in the statement of financial position line *"Derivative financial assets"*. The negative fair value of a hedging derivative is recognised in the statement of financial position line *"Derivative financial liabilities"*. Any change in the fair value of a hedging derivative is recognised in the statement of other comprehensive income line *"Cash flow hedges"*. Interest income and expenses related to the hedging derivative are recognised together with interest income related to the hedged instruments in the statement of comprehensive income as *"Interest and similar income, net"*.

Macro hedges

In macro hedges, the Group uses the so-called carve-out to IAS 39 adopted by the European Union, which enables hedging of the interest rate risk of core deposits. The Group uses macro hedges for a dynamically changing portfolio of fixed loans and deposits, where it can periodically add hedging and hedging items. In this way, the Group hedges its interest rate risk, with the hedged items (designated part of the portfolio) being remeasured at fair value associated with movements in the risk-free interest rate (or benchmark rate). The fair value of the hedged portfolio of loans and deposits is recognised in the note *"Fair value changes of the hedged items in hedge of interest rate risk"*. The change in the fair value of the hedged portfolio of loans and deposits related to the hedged risk is recognised in the statement of comprehensive income in *"Net profit/(loss) on financial instruments held for trading"*.

The positive fair value of the hedging derivative is presented in the statement of financial position in *"Receivables from hedging derivatives"*. The negative fair value of the hedging derivative is recognised in the statement of financial position in *"Liabilities from hedging derivatives"*. The movement in the fair value of the hedging derivative and the hedged instrument attributable to the hedged risk is recognised in the statement of comprehensive income in *"Net profit/(loss) on financial instruments held for trading"*. Interest income and expense from the hedging derivative are presented together with the interest expense and income of the hedged instrument in the statement of comprehensive income in *"Interest income and dividend income, net"* depending on the type of hedging item.

6. Financial liabilities at amortised cost (AC)

All liabilities of the Group, except for financial liabilities held for trading and hedging derivative financial liabilities, are measured at amortised cost. Subordinated debt is recognised under Financial liabilities measured at amortised cost.

Subordinated debt refers to the Group's external funds and, in the event of bankruptcy, composition or Group's liquidation, the entitlement to its repayment is subordinated to liabilities to other creditors. Interest expense paid on the received subordinated debt is recognised through the statement of comprehensive income in *"Interest expense"*.

Subordinated debt is a financial liability initially measured at fair value, net of transaction costs. It is subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The Group issues debt securities as part of financial liabilities measured at amortised cost.

7. Financial liabilities measured at fair value through profit or loss (FVTPL)

The Group, within financial liabilities recognised at fair value through profit or loss, recognises short-sell debt securities ("short selling") and the negative fair value of derivatives from the portfolio of financial liabilities held for trading.

f) Derecognition of financial instruments

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor substantially retains all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group substantially retains all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the financial assets are modified resulting in a significant change in cash flows (see "Modification of financial instruments"), the original asset is derecognised and a new financial asset is recognised.

The Group derecognises financial liabilities only when the Group's obligations are discharged or cancelled, or when they expire.

If debt instruments are exchanged between the borrower and the creditor with significantly different terms, the group derecognises the original financial liability and recognises a new financial liability. The Group proceeds similarly in case there is a fundamental change in the terms of the existing financial liability or part of it.

g) Modification of financial instruments

Modification under IFRS 9 represents a change in the contractual cash flows of the loan/asset on the basis of a change in the contractual terms. If the modification meets the following qualitative or quantitative criteria (substantial modification), it leads to derecognition of the original loan or other asset and recognition of a new one.

The Group defines qualitative criteria as follows:
- Change in loan currency,
- Changes that cause the SPPI test to fail,
- Change in the type of financial asset (e.g. from loan to debt security).

The Group defines the quantitative criteria as follows:
- Extending maturity by more than 50% and over 2 years (cumulative), and/or
- Change in the amortised value (NPV before and after change using the original effective interest rate) of more than 10% and/or more than EUR 100,000.

In the event that a modification does not result in the obligation to derecognise the loan/asset, the Group is required to recognise gains or losses on modifications. Gain or loss is equal to the difference between NPV from the new (modified) cash flow and current book value.

h) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. Fair value of derivative instruments is also subject to credit impairment allowances.

- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally-accepted pricing models based on discounted cash flow analysis.

- *Level 1* – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- *Level 2* – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- *Level 3* – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Insofar as market prices are available (which is mainly the case for securities traded on the stock exchange and active markets), the Group groups the respective financial instrument based on an observable market price into Level 1. If the security is not traded on the stock exchange or the NBS benchmark for the security is not disclosed, the Group measures the security at fair value derived from inputs other than quoted prices.

An analysis of the amount of financial instruments recognised at fair value divided according to their fair value measurement levels is disclosed as *"Fair value of financial instruments"*.

With respect to the definition of the fair value of financial instruments not revalued to fair value, the Group applies the net present value method using the prime interest rates of individual currencies disclosed by central banks, which approximate market rates adjusted for an average mark-up for systematic risk.

Transfers between valuation levels

If the security is measured at fair value derived from quoted prices – Level 1 and the security is removed from trading on the stock exchange as well as from the NBS benchmark, the Group transfers such security to Level 2.

If at the initial recognition, the security was measured primarily at a theoretical price – Level 2, the Group changes the security's category from Level 2 to Level 1 by making the first deal on the stock exchange and disclosing its price. If the security is not traded in the following days and the security's price is not disclosed, such security will be transferred back to Level 2.

i) Sale and repurchase agreements – repo transaction

Securities sold under sale and repurchase agreements ("repo transactions") are recorded as assets in the statement of financial position line *"Financial assets at amortised cost"*, and the counterparty liabilities are included in *"Financial liabilities at amortised cost"*.

Debt securities purchased under agreements to purchase and resell ("reverse repos") are recorded as assets in the statement of financial position line *"Financial assets at amortised cost"*.

The difference between the sale and repurchase price is treated as interest and accrued evenly over the life of the repo agreement using the effective interest rate.

j) Non-current tangible and intangible assets

Non-current tangible and intangible assets are stated at historical cost less accumulated depreciation/amortisation together with accumulated impairment losses. Non-current assets are depreciated using the straight–line method based on the estimated useful life. Tangible assets in progress, land and artwork are not depreciated.

The estimated useful economic lives (in years) are set out below:

Machinery and equipment, computers, vehicles	Up to 8
Software	Up to 17
Fixtures, fittings and equipment	6 – 10
Energy machinery and equipment	10 – 15
Optical network	30
Buildings and structures	Up to 40

k) Investment property

Investment property represents assets held by the Group in order to earn rentals or for further capital appreciation. Investment property is recognised at cost less accumulated depreciation and provisions for impairment. The net book value of investment property, depreciation charges and rentals are described in *"Development of non-current tangible and intangible assets and investment property"*. The creation and release of provisions due to the impairment of investment property is recognised as *"(Creation)/release of impairment allowances for investment property"*.

To determine the level of provisions, the Group uses a proprietary model to determine the fair value of investment property, which is based on discounted future income from rentals less direct operating expenses. The fair value of investment property that is not leased but held for appreciation is determined using an independent appraiser's calculation.

The estimated useful life of buildings classified as investment property is 20 to 40 years.

l) Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company as at the acquisition date. Goodwill is initially recognised at cost and subsequently its value is adjusted for accumulated losses by its impairment. Goodwill is tested from once to several times a year provided that the events or changes in circumstances indicate that the impairment of value is in compliance with IAS 36 – Impairment of assets. Impairment of goodwill cannot be reversed in the following reporting periods.

m) Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of the fair value less costs to sell and the present value of future cash flows expected to derive from the asset. If any of the amounts above exceeds the carrying amount, there is no need to estimate the other amount. If the estimated recoverable amount of an asset is lower than its carrying amount, the carrying amount of the asset shall be reduced to equal the recoverable amount. The impairment loss shall be recognised directly through the statement of comprehensive income.

n) Assets held for development and construction

The Group applies the principles of IAS 2 “Inventories” to assets held for development and construction that are designated for subsequent sale. The aforementioned assets are measured at the lower value of either the cost or the net realisable value. The Group recognises assets held for development and construction in *"Other assets”* as *"Assets held for development and construction”*.

o) Leases

IFRS 16 Leases

IFRS 16 superseded IAS 17 Leases and related interpretations. The Standard eliminated the preceding dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This results in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals. The new Standard introduces a number of limited scope exceptions for lessees which include:

- Leases with a lease term of 12 months or less and containing no purchase options, and
- Leases where the underlying asset has a low value (‘small-ticket’ leases).

Lessor accounting remains largely unaffected by the introduction of the new Standard and the distinction between operating and finance leases is retained.

1. The Group as lessor

Amounts due from leases under finance lease are recognised as receivables in the amount of the Group’s net lease investment. Finance lease income is allocated to reporting periods so as to express a constant periodic rate of return on the Group’s net investment in respect of the lease.

The present value of future lease payments is recognised in the statement of financial position as *"Financial assets at amortised cost"*, line *"Finance lease receivables"*.

2. The Group as lessee

The application of the Standard's requirements did not have a material effect on the financial statements when first applied. In the statement of financial position, the Group recognised assets and liabilities related to operating leases in which the Group acts as a lessee in Note 24 Non-currenct tangible and intangible assets in “Land and buildings - Right-of-use of assets”. The Group recognised new assets and liabilities (impact of EUR 60 million) from operating leases for branch and office premises. The nature and expenses of these leases have changed as the Group will depreciate the right-to-use assets and interest expense on lease obligations. Previously, the Group recognised operating lease costs on a straight-line basis during the lease term and assets and liabilities only to the extent of timing mismatch between the current lease payments and the recognised costs. Information about leases where the Group is a lessee is presented in Note 44 *"Leases as a lessee"* (IFRS 16).

Transition period

The Group applied IFRS 16 as at 1 January 2019 using a revised retrospective approach B. Therefore, no adjustments to the opening balance of retained earnings as at 1 January 2019 and no adjustments to comparative periods were recognised. The Group applied the exemption and applied IFRS 16 to all contracts it concluded before 1 January 2019 and identified them as leases under IAS 17 and IFRIC 4.

p) Current assets held for sale

When the carrying amount is recovered through a sale transaction rather than through continuous use, non-current assets and assets for disposal are classified as held for sale. This condition is considered to be met only if the sale is highly probable and the assets (or assets for disposal) are readily available for sale and, in addition, management has undertaken to perform the sale. The sales transaction must be completed within twelve months.

Non-current assets and assets for disposal classified as held for sale are measured at the lower of their carrying amount and fair value less selling costs and are reported under *"Non-current assets and assets for disposal classified as held for sale"*.

q) Provisions

The amount of provisions is recognised as an expense and liability when the Group has legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and a reasonable estimate of the amount of the resulting loss can be made. Any loss resulting from the recognition of provision for liability is recognised in the statement of comprehensive income for the period.

r) Provisions for employee benefits

The Group has a long-term employee benefit program comprising a lump-sum retirement benefit. As at 31 December 2019, the Group had 3 724 employees included in the program (31 December 2018: 3 708 employees).

The method of calculating the liability applies actuarial calculations, based on employee age, number of years worked, employee turnover, mortality tables, and discount rates.

The employee benefit costs are assessed using the projected unit credit method with actuarial valuation at the balance sheet date, measured as the present value of the estimated future cash outflows discounted by interest approximating yield on investment grade fixed income securities. Gains and losses from the post-employment defined benefit obligation are charged to the statement of comprehensive income in the current year in *"General administrative expenses"*. Discount from the liability in this provision is recognised in the current period in the statement of comprehensive income under *"Interest expense"*. The provision for employee benefits is recognised in the statement of financial position as *"Provisions "*.

The Group also has a defined contribution plan for employees. All company contributions are included in personnel expenses in Note 8 *"General administrative expenses"*.

s) Accrued interest

Accrued interest income and expenses related to financial assets and liabilities are presented together with the corresponding assets and liabilities in the statement of financial position.

t) Recognition of income and expense

Income represents an increase in economic benefits during the accounting period in the form of an asset appreciation or a reduction in liabilities resulting in equity increase and are other than those relating to shareholder contributions.

Expense represents a decrease in economic benefits during the accounting period in the form of decrease or impairment of assets, impairment or rise of liability resulting in equity decrease and are other than those relating to the distribution of profit to shareholders.

The Group asseses each contract and product terms and conditions on an individual basis when recognising income and expense:
- Service or other fulfillment for which the reward is received or paid,
- The period in which the income or expense are to be recognised,
- Correct income and expense amount to be recognised depending on product terms and conditions or contract,
- Correct recognition of all discounts and rebates related to received or provided service,
- Significant financial component, if any
- Non-financial services,
- Client rewards,
- Uncertain income.

1) Interest and interest related charges and fees

Paid interest related charges and fees are transaction costs. Transaction costs represent incremental expenses that are part of an effective interest rate which can be directly added to acquisition, issue or disposal of financial assets or liabilities. Incremental expense would not arise without acquisition, issue or disposal of the financial instruments.

Received interest, interest related charges and fees are initial fees related to the acquisition/provision of financial instrument including compensation for activities such as for the assessment of debtor financial status, assessment and evidence of guarantees and other hedging measurements, preparation and processing of documents and closing of transaction.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period.

Interest income and expenses, and interest related charges arising on all interest-bearing instruments except for *"Financial assets held for trading"* are accrued in the statement of comprehensive income using the effective interest rate method.

Interest income from *"Financial assets held for trading"* are in the statement of comprehensive income in *"Net interest income and dividend income"*.

Interest income (expense) from securities includes revenues from coupons with fixed and floating rates, and amortised discount or premium.

If the Group is a contractual party with deferred payment for received or provided services, income or expense are recognised individually in interest income or expense in the amount related to the service price.

2) Fee and commision income/expense

Fees and commissions that do not form part of the effective interest rate are recognised depending on whether the service is provided on a one-off basis or for a specified period. In case of a service received or provided during a specified period, fees and commissions are recognised during that period on an accrual basis as earned. Fees paid and received for a one-time service are recognised immediately.

Fees and commissions recognised as expenses and income in the statement of comprehensive income in *"Net fee and commission income"* from financial assets and liabilities not restated to fair value.

3) Dividend income

Dividend income is recognised when the dividend is approved to the Group in the statement of comprehensive income line *"Net interest income and dividend income"*.

4) Income to be partially returned

Received income, part of which the Group promised to return, is recognised as liability that is measured as at each financial statement date on contractual and probability basis.

Reclassification in the statement of comprehensive income:

The Bank reclassified the statement of comprehensive income and adjusted the comparative period as at 31 December 2018 as follows:

Reclassification*	2018 (before reclassification)	Reclassi-fication	2018 (after reclassification)
Net profit/(loss) on the derecognition of financial assets and liabilities not measured at fair value through the statement of comprehensive income	**(642)**	**765**	**123**
Profit/(loss) on derecognition of financial assets at amortised cost:	(728)	765	37
Due to direct write-offs of loans and advances	(678)	678	-
Profit/(loss) from the sale of debt securities	(50)	87	37
Other operating profit/(loss):	**6 766**	**540**	**7 306**
Other taxes and charges	(540)	540	-
General administrative expense:	**(240 841)**	**4 057**	**(236 784)**
General administrative expense:	(89 609)	4 057	(85 552)
Contribution to the Resolution fund	(4 136)	4 136	-
Deposit Guarantee Fund	(461)	461	-
Other taxes and charges	-	(540)	(540)
Contribution to the Resolution fund and Deposit Guarantee Fund	**-**	**(4 597)**	**(4 597)**
Contribution to the Resolution fund	-	(4 136)	(4 136)
Contribution to the Deposit Guarantee Fund	-	(461)	(461)
Impairment allowances for expected losses to financial assets not valued through profit or loss	**(27 235)**	**(765)**	**(28 000)**
Impairment allowances for credit impaired financial assets (Stage 3):	(15 136)	(765)	(15 901)
(Creation)/Release of impairment allowances	(15 136)	(765)	(15 901)

* *The purpose of the reclassification is to reconcile the individual items in the statement of comprehensive income with the parent company of the Bank.*

u) Basic and diluted earnings per share

The Group reports earnings per share attributable to the holders of each class of share. The Group calculated earnings per share as profits attributable to each class of shares divided by the weighted average number of each class of shares outstanding during the reporting period.

The profit attributable to each class of share is determined based on the face value of each class of share in relation to the percentage of the total face value of all shares.

The Group does not report diluted earnings per share as there were no dilutive potential ordinary shares in issue as at 31 December 2019 nor 31 December 2018.

v) Taxation and deferred taxation

The Group calculates income tax in accordance with the provisions of the relevant legislation of the Slovak Republic, based on taxable profit. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the reporting date.

Deferred income tax is provided, using the balance sheet method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The tax rate anticipated for future periods was used to determine deferred income tax, i.e. 21%. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally-enforceable right to offset current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group recognises the due corporate income tax in the statement of financial position line *"Current tax asset"* or *"Current tax liability"* and the deferred tax in *"Deferred tax asset"* or *"Deferred tax liability"*.

The Group pays various local taxes and value added tax (VAT). Various local taxes are recognised in the statement of comprehensive income line *"Other operating profit (loss)"*. VAT that is non-deductible for the Group is recognised as *"General administrative expenses"* and VAT on the acquisition of noncurrent tangible and intangible assets is included in the cost of non-current tangible and intangible assets.

III. SEGMENT REPORTING

When reporting by segment, the Group applies IFRS 8 – *"Operating Segments"*. The accounting principles related to the reported segments are consistent with the Group's accounting principles.

The basis for classifying by segment is an internal principle for the Parent Company management that is customer oriented. It also reflects the segmentation principle of the majority shareholder (Raiffeisen Bank International AG). The segmentation applied by the Parent Company is as follows:

- Corporate clients
- Financial institutions and public sector
- Retail customers
- Investment Banking and Treasury
- Equity investments and others

Corporate clients include all resident and non-resident companies, including state-owned companies. In terms of products, corporate clients are mainly provided with investment and operating loans in the form of instalment credits or overdraft facilities, factoring and documentary financing, project financing of commercial real estate projects, office premises, construction of shopping centres etc.

Financial institutions and public sector include:

Banks/Supra-Nationals, which include all local and international banks and their majority-owned subsidiaries in the country, and institutions such as the World Bank, EBRD, EIB, IMF, and KfW. In terms of products on the side of assets, exposures to banks mainly includ nostro accounts and term placements made. On the side of liabilities, they includ mainly loro accounts, term placements received and loans received from banks.

Brokers & Asset Management Companies, which include foundations, all broker houses, mutual fund companies, leasing companies, investment banks, and other similar entities. Insurance companies include, for example, pension funds. These entities are mainly provided with investment and operating loans.

Public sector, which includes all government entities, ministries, municipalities, and similar institutions. Corporations that are owned by the public sector (state-owned) are shown under the corporate clients segment. Banks that belong to the government are defined as financial institutions. Securities of the Slovak Republic are disclosed in the Investment *Banking and Treasury segment*. Embassies and trade representatives are shown in this segment.

Retail Customers consist of *Individuals (Consumers)*, which include all consumer customers, from low-income to high-income. The retail customers segment also includes micro businesses. For private banking, individuals are defined locally, with special treatment to individually manage their assets. In terms of products, retail customers – micro businesses and sole traders – are mainly provided with operating loans called **Business**ÚverTB Expres, **Business**ÚverTB Hypo and **Business**ÚverTB Variant, company credit cards (VISA Standard/Gold) and other products.

Retail customers – households are mainly provided with mortgage loans, equity home loans, **Hypotéka**TB, **Bezúčelový** úverTB Classic, **Bezúčelový** úverTB Garant, private credit cards (Visa Standard/Visa Gold/Visa Platinum) and other products. Retail customers place their financial funds mainly in current accounts and term deposits.

Treasury and Investment Banking consist of business transactions conducted on the Parent company's own account and risk originated from managing market risk positions like FX-dealing, securities and derivatives trading, money market trading, liquidity management and funding, strategic placement positioning (investment portfolio), interest rate gapping (maturity transformation).

Segment reporting is based on the schemes of contribution margins that are calculated as a basis for the management of the Parent Company. In these schemes, revenues and expenses are allocated under the principles of causality, i.e. revenues and expenses are allocated to individual segments based on their place of origin.

"General administrative expenses" consist of direct and indirect expenses. Direct expenses (personnel expenses and other administrative expenses) are allocated per individual segment and indirect expenses are allocated in line with the approved ratios.

"Special levy of selected financial institutions" was allocated to individual segments according to the daily balances of all liabilities and to all segments.

The structure of items presented in Note III *"Segment Reporting"* is consistent with similar items of the statement of comprehensive income.

Geographically, operating profit was primarily generated by the provision of banking services in the Slovak Republic. Some assets and liabilities are placed outside the Slovak Republic. The summary of the most significant exposures of total assets and liabilities to customers in foreign countries is included in *"Foreign assets and liabilities"*. The Group decided not to report the total amount of revenues from foreign entities owing to their immateriality.

The Parent Company’s management monitors the interest income of individual segments on a net basis.

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

	Corporate customers	Financial institutions and public sector	Retail customers	Investment banking and Treasury	Total reportable segments	Equity investments and other	Total
Net interest income and dividend income	70 001	983	208 745	7 036	**286 765**	6 488	**293 253**
Net fee and commission income	24 406	7 913	94 845	(392)	**126 772**	(2 984)	**123 788**
Net profit/(loss) from derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	-	-	719	**719**	-	**719**
Net profit/(loss) from financial instruments held for trading and exchange rate differences	4 374	182	11 450	4 667	**20 673**	(2)	**20 671**
Net profit/(loss) from financial instruments at fair value through profit or loss	26 798	-	-	-	**26 798**	230	**27 028**
Special levy of selected financial institutions	(5 850)	(1 016)	(11 719)	(2 582)	**(21 167)**	(2 714)	**(23 881)**
Other operating profit (loss)	-	-	-	-	**-**	6 656	**6 656**
General administrative expenses	(46 314)	(2 873)	(190 371)	(3 478)	**(243 036)**	(7 563)	**(250 599)**
Contribution to Resolution fund and Deposit Guarantee fund	(1 496)	(548)	(1 778)	(214)	**(4 036)**	(868)	**(4 904)**
(Creation)/release of Provisions	-	-	-	-	**-**	(2 184)	**(2 184)**
(Creation)/release of provisions for expected losses from commitments and guarantees given	97	18	489	-	**604**	-	**604**
Impairment allowances for financial assets not measured at fair value through profit or loss	279	52	(20 635)	8	**(20 296)**	49	**(20 247)**
Impairment allowances for non-financial assets	-	-	-	-	**-**	(343)	**(343)**
Net profit on non-current assets and assets for disposal classified as held for sale	-	-	-	-	**-**	491	**491**
Profit before income tax	**72 295**	**4 711**	**91 026**	**5 764**	**173 796**	**(2 744)**	**171 052**
Income tax	-	-	-	-	**-**	(35 974)	**(35 974)**
Profit after tax	**72 295**	**4 711**	**91 026**	**5 764**	**173 796**	**(38 718)**	**135 078**
Total assets	**4 169 067**	**219 329**	**6 814 687**	**3 094 141**	**14 297 224**	**213 829**	**14 511 053**
Total equity and liabilties	**3 107 762**	**1 211 199**	**7 871 149**	**1 009 760**	**13 199 870**	**1 311 183**	**14 511 053**

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

	Corporate customers	Financial institutions and public sector	Retail customers	Investment banking and Treasury	Total reportable segments	Equity investments and other	Total
Net interest income and dividend income	68 726	1 253	212 163	1 744	**283 886**	5 368	**289 254**
Net fee and commission income	25 476	6 296	99 071	(118)	**130 725**	(1 445)	**129 280**
Net profit/(loss) from derecognition of financial assets and liabilities not measured at fair value through profit or loss	269	(1 008)	(26)	-	**(765)**	123	**(642)**
Net profit/(loss) from financial instruments held for trading and exchange rate differences	5 017	366	13 077	5 939	**24 399**	(3)	**24 396**
Special levy of selected financial institutions	(6 148)	(933)	(11 535)	(2 493)	**(21 109)**	(1 159)	**(22 268)**
Other operating profit (loss)	-	-	-	-	**-**	6 766	**6 766**
General administrative expenses	(43 878)	(2 547)	(184 475)	(3 648)	**(234 548)**	(6 293)	**(240 841)**
(Creation)/release of provisions for liabilities	-	-	-	-	**-**	(5 679)	**(5 679)**
(Creation)/release of provisions for expected losses from commitments and guarantees given	1 748	(25)	(161)	-	**1 562**	-	**1 562**
Impairment allowances for financial assets not measured at fair value through profit or loss	6 669	(53)	(33 805)	(46)	**(27 235)**	-	**(27 235)**
Impairment allowances for non-financial assets	-	-	-	-	**-**	(13)	**(13)**
Profit before income tax	**57 879**	**3 349**	**94 309**	**1 378**	**156 915**	**(2 335)**	**154 580**
Total assets	**3 819 388**	**176 477**	**6 125 881**	**2 666 739**	**12 788 485**	**407 412**	**13 195 897**
Total equity and liabilties	**2 830 891**	**753 692**	**7 254 853**	**1 007 832**	**11 847 268**	**1 348 629**	**13 195 897**

IV. OTHER NOTES

1. Net interest and dividend income

	2019	2018
Interest income calculated using the effective interest rate:	**309 470**	**306 222**
from loans and advances to banks at amortised cost	4 906	1 909
from loans and advances to customers at amortised cost	280 822	277 908
from financial leases	7 044	7 489
from debt securities at amortised cost	14 413	16 205
from debt securities at fair value through other comprehensive income	2 285	2 711
Other interest income:	**647**	**1 707**
from debt securities held for trading	178	391
from derivatives held for trading	-	650
from other interest income	469	666
Dividend income:	**287**	**257**
from financial assets at fair value through other comprehensive income	171	257
from non-tradeable financial assets at fair value through profit or loss	116	-
Interest expense:	**(17 151)**	**(18 932)**
on deposits from banks	(1 005)	(1 199)
on deposits from customers	(5 449)	(4 805)
on subordinated debts	(4 327)	(7 175)
on liabilities from debt securities issued by the bank at amortised cost	(2 124)	(2 639)
on derivatives held for trading	(383)	-
on liabilities from debt securities held as measured at fair value through profit or loss	(18)	(352)
on loans and deposits at amortised cost (including negative interest)	(2 929)	(2 230)
on financial leases	(648)	-
other interest expenses	(268)	(532)
Net interest and dividend income	**293 253**	**289 254**

2. Net fee and commission income

	2019	2018
Fee and commission income:	**176 200**	**172 090**
from payment transfers business	109 645	103 000
from credit processing and guarantee business	21 869	22 447
from securities business	12 694	11 327
from activities regarding investment and pension funds	24 635	28 320
from activities regarding mediation for third parties	5 451	5 316
for other banking services	1 906	1 680
Fee and commission expense:	**(52 412)**	**(42 810)**
from payment transfers business	(44 663)	(33 382)
from credit processing and guarantee business	(2 503)	(1 720)
from securities business	(2 299)	(2 090)
from activities regarding investment and pension funds	(1 051)	(3 801)
from activities regarding mediation for third parties	(803)	(583)
for other banking services	(1 093)	(1 234)
Net fee and commission income	**123 788**	**129 280**

3. Net profit/(loss) from derecognition of financial assets and liabilities not measured at fair value through comprehensive income

	2019	2018
Net profit/(loss) from derecognition of financial assets at amortised cost:	**4**	**37**
Profit / (loss) from debt securities sold	4	37
Net profit/(loss) from derecognition of financial assets at fair value through other comprehensive income:	**715**	**86**
Profit / (loss) from debt securities sold	715	86
Total	**719**	**123**

4. Net profit/(loss) from financial instruments held for trading and exchange rate differences

	2019	2018
Interest rate contracts – securities:	**2 206**	**2 197**
Revaluation to fair value	438	1 077
Profit (loss) from securities sold	1 768	1 120
Interest rate contracts – liabilities from hedged debt securities:	**(3 779)**	**(1 402)**
Revaluation to fair value	(3 779)	(1 402)
Interest rate contracts – derivatives:	**2 946**	**1 634**
Realised profit (loss) from derivatives	(145)	491
Revaluation to fair value	133	(211)
Revaluation to fair value – derivatives to hedge fair value	2 958	1 354
Currency contracts:	**2 203**	**6 013**
Realised profit (loss) from derivatives	2 430	1 789
Revaluation to fair value of derivatives	(227)	4 224
Commodity contracts:	**(2)**	**(2)**
Revaluation to fair value of derivatives	(2)	(2)
Foreign exchange differences	**17 097**	**15 956**
Total	**20 671**	**24 396**

5. Net profit/(loss) from non-tradeable financial instruments at fair value through profit or loss

	2019	2018
Interest rate contracts – securities:		
Revaluation to fair value	223	-
Securities transactions	**26 798**	**-**
Profit (loss) from securities sold	26 798	-
Loans and advances	**7**	**-**
Revaluation to fair value	7	-
Total	**27 028**	**-**

In 2019, the Group identified inaccuracies in the classification and revaluation of equity interest in Mastercard Incorporated, which the Bank assessed as non significant.

In accordance with IFRS 9, based on the business model the Group categorised its equity interest to the portfolio "Financial assets at fair value through profit or loss". At initial recognition, the Group intended to sell the investment in the future.

In 2019, the Group measured its equity interest at fair value through profit or loss. In December 2019, the Group realised profit from the sale, net of income tax, in the amount of EUR 21 171 thousand (part of the cumulative unrealised revaluation of equity investments as at 31 December 2018 was in the amount of EUR 12 817 thousand, net of income tax).

6. Special levy of selected financial institutions

	2019	2018
Special levy of selected financial institutions:		
Special levy of selected financial institutions	(23 881)	(22 268)
Total	**(23 881)**	**(22 268)**

As of 1 January 2012, banks and branches of foreign banks in Slovakia are obliged to pay a special levy (the so-called bank tax) pursuant to Act No. 384/2011 Coll. on a Special Levy of Selected Financial Institutions and on the Amendment to and Supplementation of Certain Acts (hereinafter the "Special Levy Act"). Banks and branches of foreign banks are obliged to pay the special levy in four quarterly instalments in the amount of one fourth of the annual rate (annual rate: 0.2% in 2019) of the amount of the liabilities defined in line with the Special Levy Act. Since 1 January 2020, the annual rate of special bank levy will be increased to 0.4%.

7. Other operating profit (loss)

	2019	2018
Net profit/(loss) from disposals of non-current tangible and intangible assets	3 341	801
Revenues from lease of investment property	2 886	3 345
Profit from sale of assets held for development and construction	26	517
Other operating income	4 646	5 600
Other operating expense	(4 243)	(2 957)
Total	6 656	7 306

8. General administrative expenses

	2019	2018
Personnel expenses:	**(143 618)**	**(130 078)**
Wages and salaries	(103 091)	(93 675)
Social security costs	(36 337)	(32 381)
Other social expenses	(4 268)	(3 885)
(Creation) release of provisions for employee benefits	78	(137)
Other administrative expenses:	**(76 467)**	**(85 552)**
Costs of premises	(9 893)	(20 268)
Costs of information technology	(19 539)	(19 036)
Communication costs	(1 831)	(6 697)
Legal and consultancy costs*	(12 325)	(9 908)
Advertising and entertainment expenses	(19 055)	(14 700)
Consumption of stationeries	(1 139)	(1 288)
Transport and processing of cash	(832)	(773)
Travel costs	(1 694)	(1 891)
Education of employees	(2 515)	(2 136)
Other taxes and fees	(435)	(540)
Other expenses	(7 209)	(8 315)
Depreciation and amortisation of non-current tangible and intangible assets:	**(30 514)**	**(21 154)**
Non-current tangible assets	(21 839)	(11 405)
out of which right-of-use assets	*(9 965)*	-
Investment property	(962)	(1 679)
Non-current intangible assets	(7 713)	(8 070)
Total	**(250 599)**	**(236 784)**

* *"Legal and consultancy costs" include fee for the statutory audit in the amount of EUR 230 thousand (2018: EUR 214 thousand) and other audit-related assurance services in the amount of EUR 98 thousand (2018: EUR 221 thousand), that related to audit and review of the Group reporting, audit procedures related to NBS prudential returns and FINREP and COREP returns, agreed upon procedures under Act No. 566/2001 Coll. on Securities and Investment Services, preparation of Long-form report for NBS, and other non-audit services in the amount of EUR 8 thousand (2018: EUR 7 thousand), related to English translation, provided training and consultancy.*

9. Contribution to Resolution fund and deposit guarantee fund

	2019	2018
Contribution to Resolution fund and deposit guarantee fund:		
Contribution to Resolution fund *	(4 368)	(4 136)
Contribution to Deposit guarantee fund	(536)	(461)
Total	**(4 904)**	**(4 597)**

* *The Resolution fund represents an annual contribution for banks within the EU that are members of the Banking Union, the amount of which depends on the size and risk profile of the Bank under the Bank Recovery and Resolution Directive 2016/59/EU.*

10. (Creation)/release of Provisions

	2019	2018
(Creation)/release of other provisions:	**(2 184)**	**(5 679)**
(Creation)/release of provisions for legal disputes	(386)	(2 716)
(Creation)/release of employee provisions	11	(455)
(Creation)/release of other provisions	(1 809)	(2 508)
Total	**(2 184)**	**(5 679)**

11. (Creation)/release of provisions for expected losses from commitments and guarantees given

	2019	2018
Provisions for commitments and guarantees given (Stage 1):	**112**	**(786)**
(Creation)/release	112	(786)
Provisions for commitments and guarantees given (Stage 2):	**19**	**(538)**
(Creation)/release	19	(538)
Provisions for commitments and guarantees given (Stage 3)*:	**473**	**2 886**
(Creation)/release	473	2 886
Total	**604**	**1 562**

12. Impairment allowances for expected losses to financial assets not valued through profit or loss

	2019	2018
Impairment allowances for financial assets without significant increase in credit risk since initial recognition (stage 1):	**(1 124)**	**(3 662)**
(Creation)/release	(1 124)	(3 662)
Impairment allowances for financial assets with significant increase in credit risk since initial recognition, but not credit impaired (stage 2):	**6 987**	**(8 437)**
(Creation)/release	6 987	(8 437)
Impairment allowances for credit impaired financial assets (stage 3)*:	**(26 110)**	**(15 901)**
(Creation)/release	(26 110)	(15 901)
Total	**(20 247)**	**(28 000)**

For further information on the impairment allowances for expected credit losses, see Note 21 *"Financial assets at amortised cost"*.

13. Impairment allowances for non-financial assets

Movement in impairment allowances for non-financial assets:

	2019	2018
(Creation)/release of impairment allowances for non-current tangible and intangible assets	(800)	129
(Creation)/release of impairment allowances for investment property	306	(184)
(Creation)/release of impairment allowances for other assets	151	42
Total	**(343)**	**(13)**

14. Net profit/(loss) from non-current assets and assets for disposal classified as held for sale

	2019	2018
Net profit/(loss) from assets held for sale	491	-
Total	**491**	**-**

15. Income tax

	2019	2018
Current tax expense	(37 696)	(37 232)
Deferred tax (expense)/income	1 722	2 527
Total	**(35 974)**	**(34 705)**

Slovak legal entities must individually report taxable income and remit corporate income taxes thereon to the appropriate authorities. In 2019, the corporate income tax rate amounted to 21% (2018: 21%).

Pre-tax profit tax differs from the theoretical tax that would arise using the applicable income tax rate as follows:

	2019	2018
Profit before tax	**171 052**	**154 580**
Theoretical tax calculated at the tax rate rate 21% (2018: 21%)	35 921	32 462
Tax impact:		
Non-taxable income	(3 825)	(2 807)
Tax non-deductible expense	4 161	1 578
Impairment allowances and provisions, net	579	2 774
Additional tax of prior periods	(5)	102
Creation/(release) of allowances for uncertain realisation of deferred tax receivables	(2 870)	(151)
Tax losses carried forward	-	(142)
Effect of non-tax losses	330	51
Effect of consolidation	1 683	838
Income tax expense	**35 974**	**34 705**
Effective tax for accounting period	**21.03 %**	**22.45 %**

Deferred tax assets and liabilities as at 31 December 2019 and as at 31 December 2018 relate to the following items:

	Book value	Tax value	Permanent difference	Temporary difference	2019	2018
Deferred tax assets	12 508 636	12 691 778	3 858	179 284	37 650	40 056
Financial assets at amortised cost	13 117 216	13 118 529	-	1 313	276	-
Non-current tangible assets and investment property	114 475	133 932	600	18 857	3 960	4 270
Other assets	73 931	75 311	-	1 380	290	126
Provisions	84 178	2 411	49 332	32 435	6 811	5 845
Other liabilities	29 033	14 635	-	14 398	3 024	3 173
Total					**52 011**	**53 470**
Deferred tax liabilities						
Financial assets at fair value through other comprehensive income	396 012	370 491	-	(25 521)	(5 359)	(35)
Derivative financial assets	5 956	4 994	-	(962)	(202)	(198)
Total					**(5 561)**	**(233)**
Net deferred tax assets/(liability)					**46 450**	**53 237**
Uncertain realisation adjustment of deffered tax assets					(17 900)	(20 770)
Net deferred tax asset/(liability)					**28 550**	**32 467**

As at 31 December 2019, the Group did not present a deferred tax asset of EUR 17 900 thousand (31 December 2018: EUR 20 770 thousand), which relates mainly to deductible temporary differences arising from impairment allowances for loans and advances. The Group regularly performs testing of derecognition of loan receivables for write-offs from the tax point of view and, based on the results, adjusts the percentage of eligibility estimate of impairment allowances for loans and advances.

16. Earnings per share

2019	Ordinary shares Face value EUR 800	Ordinary shares Face value EUR 4 000	Preference shares Face value EUR 4
Profit after tax in the accounting period attributable to:	102 233	17 667	15 178
Weighted average number of shares outstanding during the period	60 616	2 095	1 799 902
Earnings per share	**1 687**	**8 435**	**8.4**

2018	Ordinary shares Face value EUR 800	Ordinary shares Face value EUR 4 000	Preference shares Face value EUR 4
Profit after tax in the accounting period attributable to:	90 817	15 694	13 364
Weighted average number of shares outstanding during the period	60 616	2 095	1 784 002
Earnings per share	**1 498**	**7 490**	**7.5**

Information on method of calculation of earnings per share is stated in Section II. *"Principal accounting Policies"* u).

17. Cash, cash balances at central banks and other demand deposits

	2019	2018
Cash in hand	135 652	95 610
Balances at central banks	1 135 155	1 018 508
Other deposits payable on demand	25 745	30 094
Total	**1 296 552**	**1 144 212**

The obligatory minimum reserve is maintained as an interest-bearing deposit under the regulations of the National Bank of Slovakia. The amount of the reserve depends on the level of deposits accepted by the Bank. The ability of the parent company to draw a reserve is limited in accordance with the applicable legislation. Therefore, it is not presented under *"Cash and cash equivalents"* for the purpose of preparing the cash flow statement (see the *"Consolidated Statement of Cash Flows"*).

18. Financial assets held for trading

	2019	2018
Positive fair value of financial derivatives held for trading	**26 685**	**26 143**
Interest rate contracts	18 697	15 452
Currency contracts	7 988	10 570
Commodity contracts	-	121
Debt securities	**4 548**	**3**
Government bonds	4 548	3
Total	**31 233**	**26 146**

19. Financial assets at fair value through profit or loss

	2019	2018
Equity securities, debt securities and other securities with variable yield	**717**	**-**
Mutual fund shares *	717	-
Loans and advances to customers	**724**	**-**
Loans and advances to corporate sectors	724	-
Total	**1 441**	**-**

** As at 31 December 2019, the Group held equity securities (mutual fund shares) for which the option of fair value through other comprehensive income (FVOCI) could not be used because these securities have a defined maturity and do not meet the definition of an equity instrument under IAS 32.*

20. Non-tradeable financial assets at fair value through other comprehensive income

	2019	2018
Debt securities	**368 497**	**491 401**
Government treasury bills	-	60 070
Government bonds	73 704	163 007
Bonds issued by bank sector	225 906	186 521
Bonds issued by other sectors	68 887	81 803
Equity investments	**27 515**	**10 990**
Equity instruments	27 515	10 527
Fund share certificates	-	463
Total	**396 012**	**502 391**

Classification of debt securities at fair value through other comprehensive income as at 31 December 2019:

	Gross book value	Impairment allowances	Net book value
Debt securities	**368 779**	**(282)**	**368 497**
Government treasury bills	73 708	(4)	73 704
Bonds issued by bank sector	225 921	(15)	225 906
Bonds issued by other sectors	69 150	(263)	68 887
Total	**368 779**	**(282)**	**368 497**

Classification of debt securities at fair value through other comprehensive income as at 31 December 2018:

	Gross book value	Impairment allowances	Net book value
Debt securities	**491 463**	**(62)**	**491 401**
Government treasury bills	60 071	(1)	60 070
Government bonds	163 013	(6)	163 007
Bonds issued by bank sector	186 551	(30)	186 521
Bonds issued by other sectors	81 828	(25)	81 803
Total	**491 463**	**(62)**	**491 401**

Equity instruments broken down per company:

Company	Group investment (v%)	Acqui-sition Cost	Impair-ment revaluation	Carrying amount as at 31 December 2019	Carrying amount as at 31 December 2018
Burza cenných papierov v Bratislave, a. s.	0.09	10	(10)	-	-
S.W.I.F.T. s. c., Belgicko	0.03	52	29	81	70
D. Trust Certifikačná Autorita, a. s.	10.00	37	(37)	-	-
Slovak Banking Credit Bureau, s. r. o.	33.33	3	(3)	-	3
VISA INC., USA	N/A	6 565	20 869	27 434	10 454
Total		**6 667**	**20 848**	**27 515**	**10 527**

In 2019, the Group corrected market inputs for revaluation of equity (this impact was assessed by the Bank as non significant) classified in accordance with IFRS 9 in the portfolio *"Financial assets at fair value through other comprehensive income"*. As at 31 December 2019, the Group recognised an unrealised profit on the revaluation of this equity interest, net of income tax, in the amount of EUR 9 899 thousand. As at 31 December 2018, the Group should have reported net unrealised profit on revaluation of equity interests, net of income tax, in the amount of EUR 6,822 thousand.

21. Financial assets at amortised cost

Classification of financial assets measured at amortised cost as at 31 December 2019:

	Gross book value	Impairment allowances	Net book value
Loans and advances to banks	**202 236**	**(399)**	**201 837**
Money-market business	29 055	(399)	28 656
Reverse repo transactions	173 181	-	173 181
Loans and advances to customers	**11 158 353**	**(201 078)**	**10 957 275**
Overdraft loans and current account overdrafts	929 979	(17 624)	912 355
Receivables from credit cards	104 034	(5 899)	98 135
Factoring and loans backed by bills of exchange	61 107	(556)	60 551
Mortgage and housing loans	4 445 002	(37 999)	4 407 003
American mortgages	658 035	(10 573)	647 462
Consumer loans	752 309	(51 615)	700 694
Finance lease receivables	251 715	(5 501)	246 214
Investment, operating and other loans	3 956 172	(71 311)	3 884 861
Debt securities	**1 349 585**	**(61)**	**1 349 524**
Government bonds	1 245 432	(47)	1 245 385
Bonds issued by bank sector	99 065	(5)	99 060
Bonds issued by other sectors	5 088	(9)	5 079
Total	**12 710 174**	**(201 538)**	**12 508 636**

Classification of financial assets measured at amortised cost as at 31 December 2018:

	Gross book value	Impairment allowances	Net book value
Loans and advances to banks	**122 591**	**(400)**	**122 191**
Money-market business	61 550	(400)	61 150
Reverse repo transactions	58 303	-	58 303
Other loans and receivables to banks	2 738	-	2 738
Loans and advances to customers	**10 269 773**	**(213 552)**	**10 056 221**
Overdraft loans and current account overdrafts	907 571	(21 826)	885 745
Receivables from credit cards	94 947	(6 188)	88 759
Factoring and loans backed by bills of exchange	49 890	(4 991)	44 899
Mortgage and housing loans	3 998 520	(38 404)	3 960 116
American mortgages	542 477	(11 035)	531 442
Consumer loans	871 003	(50 940)	820 063
Finance lease receivables	233 624	(4 584)	229 040
Investment, operating and other loans	3 571 741	(75 584)	3 496 157
Debt securities	**1 069 881**	**(46)**	**1 069 835**
Government bonds	939 535	(18)	939 517
Bonds issued by bank sector	130 346	(28)	130 318
Total	**11 462 245**	**(213 998)**	**11 248 247**

As at 31 December 2019, the total amount of syndicated loans managed by the Group was in the amount of EUR 1 344 587 thousand (31 December 2018: EUR 1 382 171 thousand). The Group's share amounted to EUR 421 036 thousand (31 December 2018: EUR 434 441 thousand). Syndicated loans are included in *"Investment, operating and other loans"*.

Classification of financial assets measured at amortised cost by customer group as at 31 December 2019:

	Gross book value	Impairment allowances	Net book value
Banks	301 301	(404)	300 897
Public sector	1 250 972	(51)	1 250 921
Corporate clients	4 576 747	(72 281)	4 504 466
Retail clients	6 581 154	(128 802)	6 452 352
Total	**12 710 174**	**(201 538)**	**12 508 636**

Classification of financial assets measured at amortised cost by customer group as at 31 December 2018:

	Gross book value	Impairment allowances	Net book value
Banks	252 937	(428)	252 509
Public sector	946 022	(22)	946 000
Corporate clients	4 377 122	(88 543)	4 288 579
Retail clients	5 886 164	(125 005)	5 761 159
Total	**11 462 245**	**(213 998)**	**11 248 247**

An overview of the quality of financial assets measured at amortised values is stated in Note 42 "*Risk report*".

Movement in impairment allowances for financial assets measured at amortised cost as at 31 December 2019:

	As at 1 January 2019	Creation/ Release*	Usage	Transfers, exchange rate differences	As at 31 December 2019
Impairment allowances for financial assets without significant increase in credit risk since initial recognition (stage 1)	**16 851**	**1 151**	**-**	**-**	**18 002**
Banks	1	(1)	-	-	-
Corporate clients	7 423	(590)	-	-	6 833
Retail clients	9 381	1 727	-	-	11 108
Debt securities	46	15	-	-	61
Impairment allowances for financial assets with significant increase in credit risk since initial recognition, but not credit impaired (stage 2)	**32 161**	**(7 298)**	**-**	**-**	**24 863**
Banks	-	-	-	-	-
Corporate clients	10 098	(3 022)	-	-	7 076
Retail clients	22 063	(4 276)	-	-	17 787
Debt securities	-	-	-	-	-
Specific impairment allowances for individually and collectively assessed items (stage 3)	**164 986**	**25 583**	**(31 906)**	**10**	**158 673**
Banks	399	-	-	-	399
Corporate clients	71 026	3 552	(16 219)	8	58 367
Retail clients	93 561	22 031	(15 687)	2	99 907
Debt securities	-	-	-	-	-
Total	**213 998**	**19 436**	**(31 906)**	**10**	**201 538**

** The amount of creation/(release) of the impairment allowances for financial assets measured at amortised cost includes the impact of unwinding in the amount of EUR 402 thousand.*

Movement in impairment allowances for financial assets measured at amortised cost as at 31 December 2018:

	As at 1 January 2018	Creation/ Release*	Usage	Transfers, exchange rate differences	As at 31 December 2018
Impairment allowances for financial assets without significant increase in credit risk since initial recognition (stage 1)	**13 249**	**3 602**	**-**	**-**	**16 851**
Banks	1	-	-	-	1
Corporate clients	5 303	2 120	-	-	7 423
Retail clients	7 916	1 465	-	-	9 381
Debt securities	29	17	-	-	46
Impairment allowances for financial assets with significant increase in credit risk since initial recognition, but not credit impaired (stage 2)	**23 725**	**8 436**	**-**	**-**	**32 161**
Banks	-	-	-	-	-
Corporate clients	5 921	4 177	-	-	10 098
Retail clients	17 804	4 259	-	-	22 063
Debt securities	-	-	-	-	-
Specific impairment allowances for individually and collectively assessed items (stage 3)	**169 234**	**17 476**	**(21 755)**	**31**	**164 986**
Banks	399	-	-	-	399
Corporate clients	90 342	(10 398)	(8 944)	26	71 026
Retail clients	78 493	27 874	(12 811)	5	93 561
Debt securities	-	-	-	-	-
Total	**206 208**	**29 514**	**(21 755)**	**31**	**213 998**

** The amount of creation/(release) of the impairment allowances for financial assets measured at amortised cost includes the impact of unwinding in the amount of EUR 2 341 thousand.*

The following table represents the carrying amount of transfers between the impairment stages for financial assets at amortised cost and contingent liabilities and other off-balance sheet items as at 31 December 2019:

	From stage 2 to stage 1	From stage 1 to stage 2	From stage 3 to stage 2	From stage 2 to stage 3	From stage 3 to stage 1	From stage 1 to stage 3
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**558 468**	**434 333**	**7 510**	**35 664**	**4 758**	**32 050**
Corporate clients	63 013	111 094	-	5 935	8	8 809
Retail clients	495 455	323 239	7 510	29 729	4 750	23 241
Debt securities	**1 006**	**25 239**	**-**	**-**	**-**	**-**
Provided commitments and financial guarantees	**113 957**	**71 460**	**2 854**	**444**	**214**	**532**
Banks	30	-	-	-	-	-
Corporate clients	93 414	47 832	2 717	261	-	187
Retail clients	20 513	23 628	137	183	214	345
Total	**673 431**	**531 032**	**10 364**	**36 108**	**4 972**	**32 582**

The following table represents the carrying amount of transfers between the impairment stages for financial assets at amortised cost and contingent liabilities and other off-balance sheet items as at 31 December 2018:

	From stage 2 to stage 1	From stage 1 to stage 2	From stage 3 to stage 2	From stage 2 to stage 3	From stage 3 to stage 1	From stage 1 to stage 3
Loans and advances to banks	**-**	**106**	**-**	**-**	**-**	**-**
Loans and advances to customers	**781 048**	**1 203 977**	**7 300**	**48 085**	**3 113**	**37 883**
Corporate clients	31 772	158 584	1 449	14 128	174	18 464
Retail clients	749 276	1 045 393	5 851	33 957	2 939	19 419
Provided commitments and financial guarantees	**73 922**	**257 416**	**325**	**968**	**48 668**	**42 566**
Banks	-	658	-	-	-	-
Corporate clients	17 809	148 786	11	710	48 482	42 332
Retail clients	56 113	107 972	314	258	186	234
Total	**854 970**	**1 461 499**	**7 625**	**49 053**	**51 781**	**80 449**

Balance of finance lease receivables as at 31 December 2019 and as at 31 December 2018:

	2019	2018
Gross investment	**268 183**	**248 097**
Up to 3 months	27 299	22 629
From 3 months up to 1 year	62 196	59 302
From 1 up to 5 years	154 485	150 114
More than 5 years	24 203	16 052
Unrealised financial income	**16 468**	**14 473**
Up to 3 months	1 670	1 586
From 3 months up to 1 year	4 236	4 039
From 1 up to 5 years	8 589	7 731
More than 5 years	1 973	1 117
Net investment value	**251 715**	**233 624**
Up to 3 months	25 629	21 043
From 3 months up to 1 year	57 960	55 263
From 1 up to 5 years	145 896	142 383
More than 5 years	22 230	14 935

Assets leased under finance lease contracts:

	2019	2018
Lease of vehicles	116 308	108 707
Lease of real estate	88 441	40 364
Lease of movable assets	46 966	84 553
Total	**251 715**	**233 624**

22. Hedging derivative financial assets

	2019	2018
Positive fair value of financial derivatives for fair value hedging	**4 993**	**1 226**
Interest–rate contracts	4 993	1 226
Positive fair value of financial derivatives for cash flow hedging	**963**	**942**
Interest–rate contracts	963	942
Total	**5 956**	**2 168**

Fair value hedges relating to interest rate risk

The Group uses interest rate swaps to hedge the interest rate risk related to issued debt securities – mortgage bonds and debentures from the debt securities portfolio and debt securities from the portfolio of financial assets at fair value through other comprehensive income. Changes in the fair values of these interest rate swaps as a result of interest rate changes offset, to a large extent, changes in the fair values of issued mortgage bonds and debentures caused by changes in risk-free interest rates. Hedging was effective during the reporting period.

With respect to the hedging instruments, as at 31 December 2019 the Group recognised a net profit in the amount of EUR 2 958 thousand. With respect to the hedging instruments, the Group recognised a net loss of EUR 1 354 thousand as at 31 December 2018. As at 31 December 2019, net loss from hedged items that related to the hedged risk amounted to EUR 3 779 thousand. As at 31 December 2018, the Group recognised a net loss of EUR 1 402 thousand. Both items are recognised in Note 4 "*Net profit/(loss) from financial instruments held for trading and exchange rate differences*".

Cash flow hedges

The Group uses derivative financial instruments (interest rate swaps) to hedge the risk of variability of future cash flows associated with floating rate assets, which could result in unexpected losses in the event of interest rate changes on the interbank market. The structure of such derivatives is strictly adjusted to the structure of a secured loan, as a result of which the Group is not exposed to the risk of an interest rate change or cash flow risk. The efficiency of such hedging transactions is regularly monitored and the hedges were effective during the respective period.

As at 31 December 2019, in relation to the hedging instruments, the Group recognised a net profit in the amount of EUR 22 thousand, which is recognised in Other comprehensive income under *"Cash flow hedges"* (As at 31 December 2018 a net profit of EUR 120 thousand).

The following tables represent an overview of Hedging derivative financial assets and liabilities as at 31 December 2019:

The amount, timing and uncertainty of future cash flows - information regarding hedging instruments:

	Up to 3 Months	More than 3 Months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Cash flow hedges	-	26 048	22 732	-
Fair value hedges	8 813	-	53 858	389 000
Interest based transactions	**8 813**	**26 048**	**76 590**	**389 000**

Effects of hedge accounting on financial position and performance - hedging instruments:

	Nominal amount of the hedging instrument	Assets - Carrying amount of the hedging instrument	Liabilities - Carrying amount of the hedging instrument	Changes in fair value used for calculating hedge ineffectiveness
Interest rate risk	48 780	963	-	-
Micro cash flow hedges	**48 780**	**963**	**-**	**-**
Interest rate risk	450 671	4 993	723	2 957
Micro fair value hedges	**450 671**	**4 993**	**723**	**2 957**
Interest rate risk	1 000	-	18	(18)
Portfolio fair value hedges	**1 000**	**-**	**18**	**(18)**

Effects of hedge accounting on financial position and performance - hedged items:

	Assets - Carrying amount of the hedged item	Liabilities - Carrying amount of the hedged item	Assets - Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	Liabilities - Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	Changes in fair value used for calculating hedge ineffectiveness
Debt securities	-	34 424	-	-	557
Debt securities issued	-	-	382 148	-	(3 779)
Fair value hedges	**-**	**34 424**	**382 148**	**-**	**(3 222)**

Cash flow hedge - additional information:

	Change in the value of the hedging instrument recognised in other comprehensive income	Hedge ineffectiveness recognised in profit or loss
Loans and advances	22	-
Interest rate risk	**22**	**-**

The following tables represent an overview of Hedging derivative financial assets and liabilities as at 31 December 2018:

The amount, timing and uncertainty of future cash flows - information regarding hedging instruments:

	Up to 3 Months	More than 3 Months, up to 1 year	More than 1 year, up to 5 years	More than 5 years
Cash flow hedges	-	-	51 574	-
Fair value hedges	-	-	34 240	128 000
Interest based transactions	-	-	85 814	128 000

Effects of hedge accounting on financial position and performance – information regarding hedging instruments:

	Nominal amount of the hedging instrument	Assets - carrying amount of the hedging instrument	Liabilities - carrying amount of the hedging instrument	Changes in fair value used for calculating hedge ineffectiveness
Interest rate risk	51 574	942	-	-
Micro cash flow hedges	**51 574**	**942**	**-**	**-**
Interest rate risk	161 240	1 226	256	1 354
Micro fair value hedges	**161 240**	**1 226**	**256**	**1 354**
Interest rate risk	1 000	-	-	-
Portfolio fair value hedges	**1 000**	**-**	**-**	**-**

Effects of hedge accounting on financial position and performance - information regarding hedged items:

	Assets - carrying amount of the hedged item	Liabilities - carrying amount of the hedged item	Assets - Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	Liabilities - accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	Changes in fair value used for calculating hedge ineffectiveness
Debt securities	-	31 416	-	-	(451)
Debt securities issued	-	-	128 693	-	(1 019)
Fair value hedges	**-**	**31 416**	**128 693**	**-**	**(1 470)**

Cash flow hedge - additional information:

	Change in the value of the hedging instrument recognised in other comprehensive income	Hedge ineffectiveness recognised in profit or loss
Loans and advances	120	-
Interest rate risk	**120**	**-**

23. Fair value changes of the hedged items in hedge of interest rate risk

	2019	2018
Positive fair value of financial derivatives for fair value hedging	**18**	**-**
Interest rate contracts	18	-
Total	**18**	**-**

24. Non-current tangible and intangible assets and investment property

Development of non-current tangible assets for own use as at 31 December 2019:

	Land and buildings – operating lease	Land and Buildings – Right-of-use assets	Land and buildings	Machinery & equipment	Other non-current assets	Means of transport	Assets in progress	Total
Cost								
31 December 2018	**3 536**	**-**	**78 209**	**59 836**	**18 019**	**5 135**	**5 583**	**170 318**
IFRS 16 impact	-	60 505	-	-	-	-	-	60 505
1 January 2019	**3 536**	**60 505**	**78 209**	**59 836**	**18 019**	**5 135**	**5 583**	**230 823**
Additions	-	-	-	-	-	-	18 226	18 226
Consolidation adjustments	-	-	-	-	-	-	-	-
Disposals	-	-	(1 208)	(4 495)	(612)	(1 561)	(2)	(7 878)
Transfer from own use to investment property	-	-	-	-	-	-	-	-
Transfer from tangible assets in progress	-	2 645	6 662	8 563	2 712	1 343	(21 888)	37
31 December 2019	**3 536**	**63 150**	**83 663**	**63 904**	**20 119**	**4 917**	**1 919**	**241 208**
Accumulated depreciation and provisions								
1 January 2019	**(2 023)**	**-**	**(45 002)**	**(49 730)**	**(11 823)**	**(2 810)**	**-**	**(111 388)**
Depreciation charge	(238)	(9 965)	(4 611)	(4 964)	(1 495)	(566)	-	(21 839)
Consolidation adjustments	-	-	-	-	-	-	-	-
Disposals	-	-	760	4 486	582	1 465	-	7 293
Provision	-	-	(800)	-	-	-	-	(800)
Transfer from own use to investment property	-	-	-	-	-	-	-	-
31 December 2019	**(2 261)**	**(9 965)**	**(49 653)**	**(50 208)**	**(12 736)**	**(1 911)**	**-**	**(126 734)**
Carrying amount as at 1 January 2019	**1 513**	**60 505**	**33 207**	**10 106**	**6 196**	**2 325**	**5 583**	**119 435**
Carrying amount as at 31 December 2019	**1 275**	**53 185**	**34 010**	**13 696**	**7 383**	**3 006**	**1 919**	**114 474**

Development of non-current tangible assets for own use as at 31 December 2018:

	Land and buildings – operating lease	Land and buildings	Machinery & equipment	Other non-current assets	Means of transport	Assets in progress	Total
Cost							
1 January 2018	**3 536**	**78 317**	**58 580**	**17 207**	**4 732**	**4 067**	**166 439**
Additions	-	-	-	-	-	10 218	10 218
Consolidation adjustments	-	-	-	-	-	-	-
Disposals	-	(1 439)	(1 689)	(1 282)	(969)	-	(5 379)
Transfer from own use to investment property	-	(957)	(3)	-	-	-	(960)
Transfer from tangible assets in progress	-	2 288	2 948	2 094	1 372	(8 702)	-
31 December 2018	**3 536**	**78 209**	**59 836**	**18 019**	**5 135**	**5 583**	**170 318**
Accumulated depreciation and provisions							
1 January 2018	**(1 785)**	**(41 687)**	**(46 875)**	**(11 580)**	**(3 034)**	**-**	**(104 961)**
Depreciation charge	(238)	(4 618)	(4 530)	(1 430)	(589)	-	(11 405)
Consolidation adjustments	-	-	-	-	-	-	-
Disposals	-	1 417	1 675	1 187	813	-	5 092
Provision	-	57	-	-	-	-	57
Transfer from own use to investment property	-	(171)	-	-	-	-	(171)
31 December 2018	**(2 023)**	**(45 002)**	**(49 730)**	**(11 823)**	**(2 810)**	**-**	**(111 388)**
Carrying amount as at 1 January 2018	**1 751**	**36 630**	**11 705**	**5 627**	**1 698**	**4 067**	**61 478**
Carrying amount as at 31 December 2018	**1 513**	**33 207**	**10 106**	**6 196**	**2 325**	**5 583**	**58 930**

Development of investment property as at 31 December 2019:

	Land and buildings	Assets in progress	Total
Cost			
1 January 2018	**57 490**	**470**	**57 960**
Additions	-	717	717
Disposals	(31 080)	-	(31 080)
Transfer from investment property to non-current assets held for sale	(27 592)	-	(27 592)
Transfer from tangible assets in progress	1 187	(1 187)	-
31 December 2019	**5**	**-**	**5**
Accumulated depreciation and provisions			
1 January 2019	**(24 817)**	**-**	**(24 817)**
Depreciation charge	(962)	-	(962)
Disposals	15 189	-	15 189
Provision	306	-	306
Transfer from own use to investment property	10 280	-	10 280
31 December 2019	**(4)**	**-**	**(4)**
Carrying amount as at 1 January 2019	**32 673**	**470**	**33 143**
Carrying amount as at 31 December 2019	**1**	**-**	**1**

During the year, the Group reclassified assets from investment property into non-current assets classified as held for sale at fair value less selling costs in the amount of EUR 17 312 thousand. At the end of 2019, the Group sold the assets and made a profit in the amount of EUR 491 thousand. This is reported in Note 14 *"Net profit/(loss) on non-current assets and assets for disposal classified as held for sale"*.

During the year, the Group made further sales from investment property without reclassification to non-current assets classified as held for sale with a residual value of assets in the amount of EUR 15 891 thousand. The Group made a profit in the amount of EUR 3 103 thousand. This is reported in Note 7 *"Other operating profit (loss)"* under *"Net profit/(loss) on disposal of tangible and intangible fixed assets"*.

Development of investment property as at 31 December 2018:

	Land and buildings	Assets in progress	Total
Cost			
1 January 2018	**58 018**	**462**	**58 480**
Additions	-	1 012	1 012
Disposals	(2 492)	-	(2 492)
Transfer from own use to investment property	960	-	960
Transfer from tangible assets in progress	1 004	(1 004)	-
31 December 2018	**57 490**	**470**	**57 960**
Accumulated depreciation and provisions			
1 January 2018	**(23 779)**	**-**	**(23 779)**
Depreciation charge	(1 679)	-	(1 679)
Disposals	582	-	582
Provision	(112)	-	(112)
Transfer from own use to investment property	171	-	171
31 December 2018	**(24 817)**	**-**	**(24 817)**
Carrying amount as at 1 January 2018	**34 239**	**462**	**34 701**
Carrying amount as at 31 December 2018	**32 673**	**470**	**33 143**

As at 31 December 2019, the Group does not own buildings leased to third parties (2018: EUR 28 078 thousand). The Group sold all properties leased to third parties during 2019. Total rental income in 2019 amounted to EUR 2 886 thousand (2018: EUR 3 345 thousand) and is recognised under *"Other operating profit (loss)"*. Depreciation charges on buildings held for lease are recognised as *"General administrative expenses"* in line *"Depreciation and amortisation on non-current tangible and intangible assets"* and amount to EUR 1 318 thousand (2018: EUR 1 679 thousand).

The buildings are recognised in movements in the accounts of tangible assets as *"Investment property"*. In addition to the buildings, *"Investment property"* also includes a land intended for further capital appreciation with a net carrying amount of EUR 1 thousand (31 December 2018: EUR 5 065 thousand).

As at 31 December 2019, the estimated fair value of the investment property amounted to EUR 1 thousand. As at 31 December 2019, the Group created a provision in the amount of EUR 4 thousand (31 December 2018: provision release in the amount of EUR 78 thousand).

Insurance coverage

The Parent Company concluded insurance coverage for assets and business disruption (International Insurance Program) under which its buildings are covered up to EUR 70 344 thousand, operational-commercial facilities up to EUR 16 148 thousand, business disruption up to EUR 2 000 thousand, loss of assets up to EUR 500 thousand, insurance of electronics (local amendment to the fronting contract), under which the Bank's ATMs and cash dispensers (cashomats) are covered up to EUR 3 301 thousand and liability insurance - damage to third party assets, life and health, expenses for insured person's defence with an insured amount of EUR 10 000 thousand. Transportation means are insured up to a maximum risk for EUR 4 640 thousand.

Development of non-current intangible assets as at 31 December 2019:

	Software	Goodwill	Other intangible assets	Intangible assets in progress	Total
Cost					
1 January 2019	**145 792**	**44 120**	**3 372**	**5 607**	**198 891**
Additions	-	-	-	12 914	12 914
Consolidation adjustments	9	-	-	-	9
Disposals	(5)	-	-	-	(5)
Transfer from intangible assets in progress	12 987	-	-	(12 987)	-
31 December 2019	**158 783**	**44 120**	**3 372**	**5 534**	**211 809**
Accumulated depreciation and provisions					
1 January 2019	**(117 023)**	**(31 900)**	**(1 376)**	**-**	**(150 299)**
Additions	(6 870)	-	(843)	-	(7 713)
Consolidation adjustments	(9)	-	-	-	(9)
Disposals	5	-	-	-	5
Provision	-	-	-	-	-
31 December 2019	**(123 897)**	**(31 900)**	**(2 219)**	**-**	**(158 016)**
Carrying amount as at 1 January 2019	**28 769**	**12 220**	**1 996**	**5 607**	**48 592**
Carrying amount as at 31 December 2019	**34 886**	**12 220**	**1 153**	**5 534**	**53 793**

Development of non-current intangible assets as at 31 December 2018:

	Software	Goodwill	Other intangible assets	Intangible assets in progress	Total
Cost					
1 January 2018	**133 100**	**44 120**	**3 372**	**8 250**	**188 842**
Additions	-	-	-	11 477	11 477
Consolidation adjustments	-	-	-	-	-
Disposals	(1 428)	-	-	-	(1 428)
Transfer from intangible assets in progress	14 120	-	-	(14 120)	-
31 December 2018	**145 792**	**44 120**	**3 372**	**5 607**	**198 891**
Accumulated depreciation and provisions					
1 January 2018	**(111 087)**	**(31 900)**	**(533)**	**-**	**(143 520)**
Additions	(7 227)	-	(843)	-	(8 070)
Consolidation adjustments	-	-	-	-	-
Disposals	1 291	-	-	-	1 291
Provision	-	-	-	-	-
31 December 2018	**(117 023)**	**(31 900)**	**(1 376)**	**-**	**(150 299)**
Carrying amount as at 1 January 2018	**22 013**	**12 220**	**2 839**	**8 250**	**45 322**
Carrying amount as at 31 December 2018	**28 769**	**12 220**	**1 996**	**5 607**	**48 592**

Development of goodwill:

	2019	2018
As at 1 January	12 220	12 220
Additions	-	-
Impairment	-	-
As at 31 December	**12 220**	**12 220**

Goodwill of EUR 9 020 thousand arose on the acquisition of Doplnková dôchodková spoločnosť Tatra banky, a.s. in 2006, and goodwill of EUR 3 199 thousand arose on the acquisition of 51.5% ownership interest in Tatra-Leasing s.r.o. in 2015.

Goodwill in Doplnková dôchodková spoločnosť Tatra banky, a.s. arose as a result of a business combination, mainly from the expected future income from pension funds management, as well as expected synergies from the integration of the company into the Group structure. These benefits are not reported separately as the related future economic benefits cannot be separately measured reliably.

Goodwill impairment testing

At the end of each year, the Bank performs a goodwill impairment test by comparing the recoverable amount for each cash-generating unit at which goodwill originated and its carrying amount.

The impairment testing is performed by comparing the carrying amount of each cash-generating unit and its recoverable amount. If the recoverable amount is lower than its carrying amount, the difference is recognised in the statement of comprehensive income in item *"Impairment allowances for non-financial assets"*.

As a recoverable amount for each cash-generating unit, the Bank determined value in use using the expected future cash flows. The calculation of the recoverable amount is based on the plans for the next 10-year period.

Value in use of each cash-generating unit is sensitive to volatile parameters: primarily to the amount and development of future cash flows, discount rates, and growth rates.

25. Current tax asset

	2019	2018
Tax asset – current	147	752
Total	**147**	**752**

26. Deferred tax asset

	2019	2018
Tax asset – deferred	28 860	32 661
Total	**28 860**	**32 661**

Net deferred income tax asset resulted mainly from temporary deductible differences described in Note 15 *"Income tax"*.

27. Other assets

	2019	2018
Prepayments and other deferrals	16 915	18 130
Receivables from a service company	39 828	60 686
Inventories	1 168	1 382
Assets held for development and construction	524	447
Lease-related prepayments	6 528	7 017
Other assets	8 967	10 993
Total	**73 930**	**98 655**

In *"Receivables from a service company"* the Group recognises a receivable from an entity which provides services related to the operation of ATMs and cash transport.

28. Financial liabilities held for trading

	2019	2018
Negative fair value of financial derivatives held for trading	**25 086**	**25 638**
Interest rate contracts	20 762	20 008
Currency contracts	4 324	5 511
Commodity contracts	-	119
Liabilities from debt securities held for trading*	**13 066**	**2 588**
Total	**38 152**	**28 226**

** Securities received as collateral in a reverse REPO transaction were sold in a short sale.*

29. Financial liabilities at amortised cost

Financial liabilities measured at amortised cost by product group are as follows:

	2019	2018
Deposits from banks	**362 324**	**406 440**
Current accounts and interbank settlement	15 901	11 739
Money-market business	2 130	40
Loans received	154 457	203 316
Loans received - repo deals from the NBS	54 424	55 648
Subordinated debt	135 412	135 697
Deposits from customers	**11 903 452**	**10 928 189**
Current accounts and settlement	10 523 008	9 578 688
Time deposits	1 240 700	1 174 772
Savings deposits	136 229	163 076
Loans received	3 515	11 653
Other financial liabilities	**787 512**	**585 239**
Issued debt securities – mortgage bonds	778 493	575 210
Issued debt securities – other bonds	9 019	10 029
Other financial liabilities	**10 667**	**3 307**
Lease liabilities	**53 261**	**-**
Total	**13 117 216**	**11 923 175**

Deposits measured at amortised cost by customer segment as at 31 December 2019 and as at 31 December 2018 are as follows:

	2019	2018
Banks	362 324	406 440
Public sector	99 175	241 857
Corporate clients	4 034 708	3 522 909
Retail clients	7 769 569	7 163 423
Total	**12 265 776**	**11 334 629**

Within the TLTRO programme (targeted longer-term refinancing operations), the Parent Company received a REPO loan from the National Bank of Slovakia in the amount of EUR 54 424 thousand. As collateral for the received repo deals, the Parent Company provided loan receivables amounting to EUR 62 754 thousand from the portfolio of loans and advances to customers.

Received loans by type of counterparty is as follows:

Type of loan	Currency	Type of loan by maturity	Contractual maturity	2019	2018
Loans received from banks:					
– commercial bank	EUR	long-term	May 2021	3 510	6 263
– commercial bank	EUR	long-term	May 2021	6 807	6 807
– commercial bank	EUR	long-term	September 2022	49 125	64 276
– bank for reconstruction and development	EUR	long-term	May 2025	95 015	125 970
Total				**154 457**	**203 316**

Subordinated debts by type of counterparty is as follows:

Type of loan	Currency	Type of loan By maturity	Start of loan drawing	Type of interest rate	Contractual maturity	2019	2018
Subordinated debts from banks:							
– commercial banks	EUR	Long-term	November 2019	3M EURIBOR + 2.4%	November 2029	135 412	135 697
Total						**135 412**	**135 697**

The Group issued mortgage bonds with the following conditions:

Name	Interest rate	Curr.	Number of mortgage bonds issued	Mortgage bonds unit face value in currency	Issue date	Maturity date	Coupon Maturity	2019	2018
HZL 068	5.00%	EUR	1 000	10 000	14.10.2011	14.10.2031	annually	10 020	10 015
HZL 079	6M EURIBOR + 0.388%	EUR	300	100 000	7.10.2014	7.4.2020	annually	30 098	30 053
HZL 080 - repaid	1.110%	EUR	-	100 000	28.10.2014	28.10.2019	semi-annually	-	49 980
HZL 083	0.50%	EUR	500	100 000	29.4.2015	29.4.2025	annually	51 701	50 348
HZL 084	1.00%	EUR	2 500	100 000	19.8.2015	19.8.2020	semi-annually	250 212	250 546
HZL 086	0.13%	EUR	600	100 000	15.2.2016	15.2.2023	annually	60 209	60 151
HZL 087	5.00%	EUR	458	100 000	21.3.2016	21.9.2021	annually	45 806	45 772
HZL 088	0.50%	EUR	500	100 000	16.11.2016	16.11.2026	annually	51 866	49 752
HZL 089	6M EURIBOR + 0.388%	EUR	280	100 000	10.2.2017	10.2.2024	annually	28 996	28 593
HZL 090	0.13%	EUR	2 500	100 000	1.7.2019	1.7.2026	annually	249 585	-
Total covered bonds								**778 493**	**575 210**

The Group also issued other debt securities with the following conditions:

Name	Interest rate	Curr.	Number of debt securities issued	Face value per debt security in currency	Issue date	Maturity date	Coupon payment	2019	2018
Bond Tatra-Leasing 09 Fix	0.68%	EUR	-	1 000	26. 7. 2017	26. 7. 2019	annually	-	10 029
Bond Tatra-Leasing 10 Fix	0.55%	EUR	9 000	1 000	13. 8. 2019	13. 8. 2021	annually	9 019	-
Total bonds								**9 019**	**10 029**
Total liabilities from debt securities								**787 512**	**585 239**

Act on Banks No. 279/2017 Coll. amending Act no. 483/2001 Coll. introduced new legislation for the issue of covered bonds and abolished the bank's obligation to finance mortgage loans of at least 90% by issuing and selling mortgage bonds. The Group re-registered mortgage bonds to its covered bond register on 14 December 2018. All covered bonds are registered, in bearer form.

The bonds are negotiable and are not subject to any pre-emptive right. The entitlement to receiving the face value plus yield is governed by generally binding legal regulations and the bond issue terms and conditions, the full wording of which is published as required pursuant to Act No. 530/1990 Coll. on Bonds as amended.

Covered bonds of the Group are listed on the Bratislava Stock Exchange.

As at 31 December 2019 and as at 31 December 2018, covered mortgage bonds issued by the Group were not secured by any form of collateral.

30. Hedging derivative financial liabilities

	2019	2018
Negative fair value of financial derivatives for fair value hedging	**741**	**256**
Interest–rate contracts	741	256
Total	**741**	**256**

31. Provisions

Movements in provisions for contingent liabilities as at 31 December 2019 were as follows:

	As at 1 January 2019	Creation /(Release)	Usage	As at 31 December 2019
Provisions for guarantees and irrevocable loan commitments without significant increase in credit risk since initial recognition (stage 1)	3 037	(111)	-	2 926
Provisions for guarantees and irrevocable loan commitments with significant increase in credit risk since initial recognition (stage 2)	1 655	(19)	-	1 636
Specific impairment allowances for guarantees and irrevocable loan commitments (stage 3)	1 202	(475)	-	727
Legal disputes (Note 43)	49 105	2 357	(1 971)	49 491
Provisions for employee benefits	3 958	34	(45)	3 947
Employee provisions	17 399	9 587	(6 517)	20 469
Other provisions	2 692	2 290	-	4 982
Total	**79 048**	**13 663**	**(8 533)**	**84 178**

Movements in provisions for contingent liabilities as at 31 December 2018 were as follows:

	As at 1 January 2018	Reclassification other than IFRS 9	Impact of IFRS 9	As at 31 December 2018
Provision for guarantees and irrevocable loan commitments without significant increase in credit risk since initial recognition (stage 1)	2 185	852	-	3 037
Provision for guarantees and irrevocable loan commitments with significant increase in credit risk since initial recognition (stage 2)	1 113	542	-	1 655
Specific impairment allowances for guarantees and irrevocable loan commitments (stage 3)	4 089	(2 887)	-	1 202
Legal disputes (Note 43)	46 390	5 938	(3 223)	49 105
Provisions for employee benefits	3 503	484	(29)	3 958
Employee provisions	17 339	7 999	(7 939)	17 399
Other provisions	1 450	1 330	(88)	2 692
Total	**76 069**	**14 258**	**(11 279)**	**79 048**

Key assumptions used in actuarial valuation of provisions for employee benefits:

Real annual discount rate	1.7%
Annual future real rate of salary increases	0.5%
Annual employee turnover	2.6% – 10.5%
Retirement age	Based on valid legislation

Long-term provisions for employee benefits are calculated using the valid mortality tables issued by the Statistical Office of the Slovak Republic.

The Group does not have pension arrangements separate from the state pension system of the Slovak Republic. Pursuant to Slovak legal regulations, an employer is obliged to pay contributions to social security, health insurance, accident insurance, unemployment insurance, and contributions to a guarantee fund set as a percentage of gross salary. These expenses are charged to the statement of comprehensive income in the period in which the employee was entitled to a salary.

32. Current tax liability

	2019	2018
Current tax liability	358	4 623
Total	**358**	**4 623**

33. Deffered tax liability

	2019	2018
Tax liability - deferred	-	194
Total	**-**	**194**

34. Other liabilities

	2019	2018
Outstanding and other liabilities	21 578	19 434
Other liabilities to the state budget	67	114
Social fund liabilities	1 172	1 150
Liabilities to employees	4 187	2 710
Other liabilities	2 029	5 063
Total	**29 033**	**28 471**

35. Equity

Equity, except for the profit for the current year, consists of:

	2019	2018
Share capital – ordinary shares	56 873	56 873
Share capital – preference shares	7 453	7 453
Treasury shares	(4 945)	(2 514)
Share premium	297 596	297 345
Reserve and other funds	15 767	15 767
Cash flow hedging reserve revaluation	760	743
Revaluation reserve for financial instruments at fair value through other comprehensive income	20 443	196
Retained earnings (excluding current year net profit after tax)	612 350	536 166
AT1 capital	100 000	100 000
Total	**1 106 297**	**1 012 029**

The type, form, nature, number and par value of equity shares and preference shares issued by the Parent Company:

Type	Ordinary shares	Ordinary shares	Preference shares
Form	Registered	Registered	Registered
Nature	Non-certified	Non-certified	Non-certified
Number	60 616 shares	2 095 shares	1 863 357 shares
Par value 1 pc	EUR 800	EUR 4 000	EUR 4
Issue No. (ISIN)	SK1110001502 series 01-05	SK1110015510	SK1110007186 SK1110008424 SK1110010131 SK1110012103 SK1110013937 SK1110014901 SK1110016237 SK1110016591

Description of rights:

Each holder of an equity share is the Parent Company's shareholder. Each shareholder enjoys its fundamental shareholder rights resulting from the Commercial Code and from the Parent Company's Articles, namely:

- The right to share in the Parent Company's profit (dividend), based on the proportion of total face value of their shares to the total face value of all shareholders,
- The right to attend the General Meeting, vote at the General Meeting, ask for information and explanations regarding the Parent Company's issues and/or issues concerning the controlled entities and related to the agenda of the General Meeting, make proposals at the General Meeting, and
- The right to share in the liquidation balance.

Each holder of preference share has similar rights as a holder of equity share; the only difference is that the preference shares are not equipped with the right to vote at a General Meeting, except for cases for which the law assigns voting power to such shares. A preferential right to dividends is attached to preference shares and solely consists of the right to a dividend amounting to a fixed multiple of the dividend awarded at the distribution of profit to shareholders holding the ordinary shares according to the formula: DPA = 1.001 x DKA800/200 = 1.001 x DKA4000/1000 (DPA – preferential dividend per preference share at a face value of EUR 4, DKA800 – dividend per ordinary share at a face value of EUR 800 and DKA4000 – dividend per ordinary share at a face value of EUR 4 000).

Voting power exercisable at the General Meeting is determined by the face value of the share, where one vote is assigned to each share at face value of EUR 800 and five voting rights to each ordinary share at face value of EUR 4 000. If the law requires voting by the preference shares' holders, their voting is conducted separately and each preference share at face value of EUR 4 is assigned one vote.

Ordinary shares are publicly tradeable on stock markets, preference shares are not publicly tradeable. The parent company creates a share premium fund, which is derived from ordinary and preference shares.

Reserve fund and other funds: In 1992, the parent company established a reserve fund at 10% of the registered capital, which is intended to cover the company's losses. The reserve fund was replenished annually with 10% of net profit up to 20% of the parent company's share capital, but not less than the minimum reserve fund stipulated by applicable laws. The parent company has created a special-purpose reserve fund in accordance with the Methodological Instruction of the Ministry of Finance of 1990 from exchange rate differences of foreign capital resulting from devaluation. Its use is intended to cover losses from banking transactions.

In August 2018, the parent Company issued subordinated AT1 capital investment certificates in the amount of EUR 100 000 thousand meeting the requirements for Tier 1 capital.

The AT1 capital investment certificate is a perpetual instrument without the obligation to deliver cash. The Group may, on the basis of its decision, repay the certificate at the earliest 5 years after the issue. Early repayment must be approved by the supervisory board of the parent company and the regulator. AT1 capital investment certificates comply with the definition of an equity instrument in accordance with IAS 32.

36. Values in custody and management

	2019	2018
Values in custody	**16 270**	**14 440**
Merchandise and warehouse trust receipts	14 978	14 052
Gold	1 292	388
Total	**16 270**	**14 440**

The Group recognises values received in custody and management at fair values. Values received in custody and management do not represent the Group's property and accordingly they are not part of the Group's assets.

In addition to amounts in the table above, in accordance with the depositary function for Tatra Asset Management, správ. spol., a.s. ("TAM"), as at 31 December 2019 the Group reported deposited securities in custody of the TAM mutual funds in the amount of EUR 1 388 877 thousand (as at 31 December 2018: EUR 1 313 339 thousand). Simultaneously, the Group manages 24 open funds with net value in the amount of EUR 2 252 353 thousand (2018: EUR 2 020 712 thousand) in TAM, and 5 supplementary pension funds in Doplnková dôchodková spoločnosť Tatra banky, a.s. with net value in the amount of EUR 727 784 thousand (2018: EUR 622 349 thousand).

37. Sale and repurchase agreements

As at 31 December 2019 and as at 31 December 2018 the following repurchase agreements were concluded:

	2019	2018
Repo deals (debtor)		
Deposits from banks	54 424	55 648
Total	**54 424**	**55 648**

Within the TLTRO programme (targeted long-term refinancing operations), the Group received a REPO loan from the National Bank of Slovakia in the amount of EUR 54 424 thousand. As collateral for the received repo deals, the Group provided loan receivables amounting to EUR 62 754 thousand from the portfolio of loans and advances to customers.

	2019	2018
Reverse repo deals (creditor)		
Loans and advances to banks	173 181	58 303
Total	**173 181**	**58 303**

As part of the reverse repo deals, the Group received government debt securities as collateral with a fair value of EUR 171 234 thousand.

38. Assets pledged as collateral

Liabilities secured by the Group's assets:

	2019	2018
Deposits to banks at amortised cost – received loans - repo transactions with National Bank of Slovakia	54 424	55 648
Debt securities liabilities	778 493	575 210
Financial liabilities held for trading – negative fair value of financial derivatives held for trading	21 139	21 455
Borrowed securities liabilities	15 243	28 963
Total	**869 299**	**681 276**

The pledge attributable to the aforementioned liabilities comprised the following assets recognised in the statement of financial position:

	2019	2018
Loans and advances to banks at amortised cost	3 338	7 996
Loans and advances to customers at amortised cost	1 148 775	756 251
Debt securities at amortised cost	46 782	28 002
Total	**1 198 895**	**792 249**

Other pledged assets without a liability:

	2019	2018
Loans and advances to customers	132 903	128 699
Debt securities at amortised cost	409 243	400 436
Total	**542 146**	**529 135**

At the end of 2019, the Parent Company determined the volume of mortgage loans usable as collateral for future issues of covered bonds in the amount of EUR 2 006 299 thousand.

The Group opened margin accounts as a collateral for derivative transactions. The amount of cash deposited by the Group in margin accounts depends on the volume and risk exposures of the deals made. The amount of cash deposited in margin accounts equals the amount of assets pledged as collateral and is recognised in *"Financial assets at amortised cost"*.

In favour of the NBS, the Group pledged government bonds and bonds issued by the banking sector, which are held in the securities portfolio measured at amortised cost in the amount of EUR 393 693 thousand (31 December 2018: EUR 400 436 thousand). For the pledged securities, the Group can draw an intraday credit in the amount of EUR 300 000 thousand (31 December 2018: EUR 500 000 thousand). As at 31 December 2019, no funds were drawn against the said collateral (31 December 2018: no drawing).

The Parent company has determined the amount of highly liquid assets usable as collateral in the monetary policy operations of the European Central Bank, except for deposits with central banks and other banks for the following financial assets:

	2019 Nominal value	2019 Carrying amount
Government bonds	1 209 997	1 283 930
Bonds issued by other sectors	257 375	264 623
Loans and advances to customers	180 581	180 657
Total	**1 647 953**	**1 729 210**

39. Offsetting financial assets and liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's statement of financial position or are subject to an enforceable/unenforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position or not.

The following summary represents the structure of framework agreements for offsetting assets and liabilities as at 31 December 2019:

			Value not set-off in the statement of financial position		
	Asset/ Liability in the statement of financial position	Asset/ Liability offset in the statement of financial position	Net value in the statement of financial position	Financial instrument	Net value
Assets:					
Positive fair value of financial derivatives available-for-sale	29 999	-	-	23 999	6 000
Total assets	**29 999**	**-**	**-**	**23 999**	**6 000**
Liabilities:					
Negative fair value of financial derivatives available-for-sale	24 957	-	-	23 999	958
Total liabilities	**24 957**	**-**	**-**	**23 999**	**958**

The following summary represents the structure of framework agreements for offseting assets and liabilities as at 31 December 2018:

			Value not set-off in the statement of financial position		
	Asset/ Liability in the statement of financial position	Asset/ Liability offset in the statement of financial position	Net value in the statement of financial position	Financial instrument	Net value
Assets:					
Positive fair value of financial derivatives available-for-sale	23 440	-	-	18 957	4 483
Total assets	**23 440**	**-**	**-**	**18 957**	**4 483**
Liabilities:					
Negative fair value of financial derivatives available-for-sale	24 515	-	-	18 957	5 558
Total liabilities	**24 515**	**-**	**-**	**18 957**	**5 558**

40. Derivative financial instruments

The total volume of unsettled derivative financial instruments as at 31 December 2019 was as follows:

	Nominal amounts by maturity				Fair values	
	Up to 1 year	From 1 to 5 years	More than 5 years	Total	Positive (Note 18 and Note 22)	Negative (Note 28 and Note 30)
a) Interest-rate contracts for hedging	**34 861**	**76 590**	**389 000**	**500 451**	**5 956**	**(741)**
OTC products:						
Interest rate swaps	34 861	76 590	389 000	500 451	5 956	(741)
b) Interest rate contracts for trading	**898 027**	**1 046 892**	**742 984**	**2 687 903**	**18 314**	**(20 760)**
OTC products:						
Interest rate swaps	36 459	784 629	700 320	1 521 408	18 314	(18 978)
Interest rate options – buy	163	146 490	38 664	185 317	-	(1 782)
Interest rate options – sell	163	115 773	4 000	119 936	-	-
Stock exchange products:						
Interest rate futures	861 242	-	-	861 242	-	-
c) Currency contracts for trading	**572 657**	**203 417**	**-**	**776 074**	**8 371**	**(4 326)**
OTC products:						
Currency swaps	407 963	52 562	-	460 525	5 887	(2 011)
Currency-interest rate swaps	-	150 377	-	150 377	1 121	(1 125)
Currency forwards	94 652	-	-	94 652	907	(763)
Currency options-buy	37 906	239	-	38 145	456	-
Currency options-sell	32 136	239	-	32 375	-	(427)
Stock exchange products:						
Currency futures	-	-	-	-	-	-
d) Index-related contracts for trading	**-**	**-**	**-**	**-**	**-**	**-**
OTC products:						
Index options - buy	-	-	-	-	-	-
Index options - sell	-	-	-	-	-	-
Index swaps	-	-	-	-	-	-
Stock exchange products:						
Index futures	-	-	-	-	-	-
e) Commodity contracts for trading	**-**	**-**	**-**	**-**	**-**	**-**
OTC products:						
Commodity swaps	-	-	-	-	-	-
Commodity options - buy	-	-	-	-	-	-
Commodity options - sell	-	-	-	-	-	-
Total	**1 505 545**	**1 326 899**	**1 131 984**	**3 964 428**	**32 641**	**(25 827)**

The total volume of unsettled derivative financial instruments as at 31 December 2018 was as follows:

	Nominal amounts by maturity				Fair values	
	Up to 1 year	From 1 to 5 years	More than 5 years	Total	Positive (Note 18 and Note 22)	Negative (Note 28 and Note 30)
a) Interest-rate contracts for hedging	**1 000**	**84 814**	**128 000**	**213 814**	**2 168**	**(256)**
OTC products:						
Interest rate swaps	1 000	84 814	128 000	213 814	2 168	(256)
b) Interest-rate contracts for trading	**376 011**	**1 008 497**	**362 161**	**1 746 669**	**18 498**	**(20 008)**
OTC products:						
Interest rate swaps	302 957	760 703	345 242	1 408 902	18 312	(19 476)
Interest rate options – buy	19 035	132 619	12 919	164 573	186	(346)
Interest rate options – sell	-	115 175	4 000	119 175	-	(186)
Stock exchange products:						
Interest rate futures	54 019	-	-	54 019	-	-
c) Currency contracts for trading	**611 982**	**153 869**	**-**	**765 851**	**7 523**	**(5 511)**
OTC products:						
Currency swaps	442 024	-	-	442 024	2 583	(605)
Currency-interest rate swaps	-	149 598	-	149 598	1 473	(1 567)
Currency forwards	62 184	58	-	62 242	438	(332)
Currency options-buy	56 411	2 099	-	58 510	3 029	-
Currency options-sell	51 363	2 114	-	53 477	-	(3 007)
Stock exchange products:						
Currency futures	-	-	-	-	-	-
d) Index-related contracts for trading	**-**	**-**	**-**	**-**	**-**	**-**
OTC products:						
Index options - buy	-	-	-	-	-	-
Index options - sell	-	-	-	-	-	-
Index swaps	-	-	-	-	-	-
Stock exchange products:						
Index futures	-	-	-	-	-	-
e) Commodity contracts for trading	**60 542**	**-**	**-**	**60 542**	**121**	**(119)**
OTC products:						
Commodity swaps	-	-	-	-	-	-
Commodity options - buy	30 515	-	-	30 515	121	-
Commodity options - sell	30 027	-	-	30 027	-	(119)
Total	**1 049 535**	**1 247 180**	**490 161**	**2 786 876**	**28 310**	**(25 894)**

41. Fair value of financial instruments

Financial instruments at fair value

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Insofar as market prices were available (which was mainly the case for securities and derivative instruments traded on stock exchanges and functioning markets), they were used. All other financial instruments were valued using internal measurement models, including present value models or accepted option price models in particular, or external expert opinions were used.

The following table shows a summary of financial instruments recognised at fair value divided into Level 1 to Level 3 based on fair value measurements as at 31 December 2019:

Financial assets at fair value	Level 1*	Level 2**	Level 3***	Total
Financial assets held for trading	**4 548**	**26 685**	**-**	**31 233**
Positive fair value of financial derivative instruments for trading	-	26 685	-	26 685
Debt securities	4 548	-	-	4 548
Non-tradeable financial assets at fair value through profit or loss	**-**	**-**	**1 441**	**1 441**
Debt securities	-	-	717	717
Loans provided to customers	-	-	724	724
Financial assets at fair value through other comprehensive income	**302 799**	**93 132**	**81**	**396 012**
Equity instruments	-	27 434	81	27 515
Loans provided to customers	302 799	65 698	-	368 497
Hedging derivative financial assets	**-**	**5 956**	**-**	**5 956**
Positive fair value of financial derivative instruments for fair value hedging	-	4 993	-	4 993
Positive fair value of financial derivative instruments for cash flow hedging	-	963	-	963
Total	**307 347**	**125 773**	**1 522**	**434 642**

Financial liabilities at fair value	Level 1*	Level 2**	Level 3***	Total
Financial liabilities held for trading	**13 066**	**25 086**	**-**	**38 152**
Negative fair value of financial derivative instruments for trading	-	25 086	-	25 086
Debt securities and other fixed income securities	13 066	-	-	13 066
Hedging derivative financial liabilities	**-**	**741**	**-**	**741**
Negative fair value of financial derivative instruments for fair value hedging	-	741	-	741
Total	**13 066**	**25 827**	**-**	**38 893**

* *Level 1 – derived from listed prices on active markets.*
** *Level 2 – derived on the basis of active markets other than prices for identical assets or liabilities.*
*** *Level 3 – inputs for assets or liabilities, which are not based on observable market data (unobservable inputs).*

The following table shows a summary of financial instruments recognised at fair value divided into Level 1 to Level 3 based on fair value measurements as at 31 December 2018:

Financial assets at fair value	Level 1*	Level 2**	Level 3***	Total
Financial assets held for trading	**-**	**26 146**	**-**	**26 146**
Positive fair value of financial derivative instruments for trading	-	26 143	-	26 143
Debt securities	-	3	-	3
Financial assets at fair value through other comprehensive income	**393 942**	**107 913**	**536**	**502 391**
Equity instruments	-	10 454	536	10 990
Debt securities	393 942	97 459	-	491 401
Hedging derivative financial assets	**-**	**2 168**	**-**	**2 168**
Positive fair value of financial derivative instruments for fair value hedging	-	1 226	-	1 226
Positive fair value of financial derivative instruments for cash flow hedging	-	942	-	942
Total	**393 942**	**136 227**	**536**	**530 705**

Financial liabilities at fair value	Level 1*	Level 2**	Level 3***	Total
Financial liabilities held for trading	**2 588**	**25 638**	**-**	**28 226**
Negative fair value of financial derivative instruments for trading	-	25 638	-	25 638
Debt securities and other fixed income securities	2 588	-	-	2 588
Hedging derivative financial liabilities	**-**	**256**	**-**	**256**
Negative fair value of financial derivative instruments for fair value hedging	-	256	-	256
Total	**2 588**	**25 894**	**-**	**28 482**

* *Level 1 – derived from listed prices on active markets.*
** *Level 2 – derived on the basis of active markets other than prices for identical assets or liabilities.*
*** *Level 3 – inputs for assets or liabilities, which are not based on observable market data (unobservable inputs)*

Movements between Level 1 and Level 2
During 2019, there were no movements in bonds at fair value transferred from Level 1 to Level 2 based on a change in the bond price source.

Movements in Level 3 financial instruments at fair value

If there is at least one significant parameter of the measurement that is not observable in the market, this instrument is assigned to Level 3 measured at fair value. The following table shows changes in the financial instruments at fair value whose valuation models are based on unobservable inputs:

	As at 31 December 2018	Revaluation	Increase/ Decrease	Profit/ loss in comprehensive income	As at 31 December 2019
Fund share certificates	463	254	-	-	717
Equity investments	73	8	-	-	81
Loans and advances	-	7	717	-	724
Total	**536**	**269**	**717**	**-**	**1 522**

Qualitative information on financial instruments for Level 3 measurements:

Financial instrument	Valuation method	Fair value	Significant unobservable inputs	Range of unobservable inputs	Positive sensitivity*	Positive sensitivity*
Fund share certificates	Net asset value	717	discount	20 – 50%	72	(72)
Equity investments	Market value	81	-	-	8	(8)
Loans and advances	Value of discounted cash flows	724	-	-	72	(72)
Total		**1 522**			**152**	**(152)**

** Equity investments at net asset value - price deterioration between -10 % and + 10 %*

Financial instruments recognised at amortised cost

For purposes of valuation of non-impaired receivables to banks and customers, the Group uniformly implemented an approach applicable for the whole Group. For valuation of retail and corporate portfolios the method of discounting future cash flows until maturity is used.

For the retail portfolio, future cash flows are discounted by a rate that takes into consideration the actual market situation and specific risk factors of respective retail sub-portfolios. For the corporate portfolio, future cash flows are discounted by a rate that takes into consideration the actual market situation and risk specific factors of respective transactions.

Calculation of fair value of respective transactions comprises of two essential steps:

1. Determination of future cash flows at the level of individual transactions representing the loan receivable
2. Calculation of the respective discount rate that takes into consideration factors such as:

    - Market rates
    - Client's credit quality
    - Liquidity
    - Administration expenses

For the discounted future cash flows method, components of discount factor which take into consideration credit quality, level of liquidity costs and market rates change during the lifetime of transaction (depending on current situation at the time of respective cash flows), while for example administrative costs are constant all of the time at level given by calibration at the beginning of transation.

In case of debt securities at amortised cost and debt securities liabilities at amortised cost and available market prices, the Group classifies the securities to Level 1. If the security is not traded on the stock exchange or the NBS benchmark for the security is not disclosed, the Group measures the security at fair value derived from inputs other than quoted prices and classifies the security to Level 2.

In case of valuation of the defaulted portfolio, the Group recognisesd the fair value as net value of respective exposures, which represents the gross amount less any impairment allowances.

Liabilities to Groups and liabilities to customers with fixed interest are remeasured to fair value that are different from their carrying amount, provided that their remaining maturity exceeds one year. Floating interest liabilities are taken into account only if the interest extension period is longer than 1 year. Only then will discounting on the basis of the presumed interest rate in line with market rates have a significant impact.

The Group uses the income approach to calculate the fair value of its liabilities to banks and customers. Within the income approach, it applies the present value technique. The Group uses the discounted rate calculated by the discount rate adjustment technique to discount future contractual cash flows.

	Fair value as at 2019	Carrying amount as at 2019	Difference as at 2019	Fair value as at 2018	Carrying amount as at 2018	Difference as at 2018
Assets						
Financial assets at amortised cost	**12 883 763**	**12 508 636**	**375 127**	**11 637 239**	**11 248 247**	**388 992**
Loans and advances to banks	**201 837**	**201 837**	**-**	**122 191**	**122 191**	**-**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*201 837*	*201 837*	-	*122 191*	*122 191*	-
Loans and advances to customers	**11 272 991**	**10 957 275**	**315 716**	**10 390 391**	**10 056 221**	**334 170**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*11 272 991*	*10 957 275*	*315 716*	*10 390 391*	*10 056 221*	*334 170*
Debt securities	**1 408 935**	**1 349 524**	**59 411**	**1 124 657**	**1 069 835**	**54 822**
of which Level 1	*1 238 311*	*1 180 456*	*57 855*	*961 609*	*907 767*	*53 842*
of which Level 2	*170 624*	*169 068*	*1 556*	*163 048*	*162 068*	*980*
of which Level 3	-	-	-	-	-	-
Liabilities						
Financial liabilities at amortised cost	**13 124 696**	**13 117 216**	**7 480**	**11 928 694**	**11 923 175**	**5 519**
Deposits from banks	**362 325**	**362 325**	**-**	**519 109**	**519 109**	**-**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*362 325*	*362 325*	-	*519 109*	*519 109*	-
Deposit from customers	**11 904 238**	**11 903 451**	**787**	**10 812 994**	**10 815 518**	**(2 524)**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*11 904 238*	*11 903 451*	*787*	*10 812 994*	*10 815 518*	*(2 524)*
Liabilities from debt securities	**794 205**	**787 512**	**6 693**	**593 283**	**585 240**	**8 043**
of which Level 1	-	-	-	-	-	-
of which Level 2	*794 205*	*787 512*	*6 693*	*593 283*	*585 240*	*8 043*
of which Level 3	-	-	-	-	-	-
Other financial liabilities	**63 928**	**63 928**	**-**	**3 308**	**3 308**	**-**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*63 928*	*63 928*	-	*3 308*	*3 308*	-

42. Risk report

Credit risk

The Group bears a credit risk, i.e. the risk that the counterparty will not be able to repay the amounts owed at their maturity in full. The Group classifies loan exposure borne by the Group by setting limits of risk accepted with respect to one debtor, or a group of debtors, and with respect to individual countries. The aforementioned risks are monitored on a regular basis and reviewed at least annually. Exposure to one debtor, including Groups and securities dealers, is also limited by partial limits set for balance sheet and off-balance sheet exposures, and by daily limits of exposure in relation to items traded, such as forward foreign currency contracts. The actual exposure is compared to set limits on a daily basis.

The loan exposure is managed based on regular analyses of the ability of debtors and potential debtors to repay the principal amount and interest, and using potential adjustments to such loan limits. Credit risks are also partially managed by collaterals and guarantees received from private individuals or legal entities.

Retail debtors are assessed by the Group using scoring models developed for individual products, or an individual client. Credit risk in the retail loan portfolio is managed using several tools: Credit scoring is a tool used by the Group in the loan decision-making process for private individuals and retail legal entities. An important tool in credit quality management is the system of credit underwriting by risk assessment specialists, whose goal is to optimise revenues from the portfolio in relation to the risk borne by the Group. The regular monitoring of the existing loan portfolio quality and trends in the portfolio together with appropriate strategies to secure the quality of the existing portfolio are also a very important component that contributes to retaining the entire portfolio quality and the targeted level of risk charges of the Group.

When collecting receivables, the Group uses a very broad scale of tools and collection strategies depending on the amount and type of receivable. The Group uses both internal and external resources to collect receivables. In the event of unsuccessful collection of receivables from clients, the receivables are subsequently forwarded to external agencies specialising in the enforcement of receivables via the courts. Receivables with higher amounts and specific receivables are dealt with by an in-house expert team in co-operation with the legal department and other professional units of the Group.

As part of credit risk monitoring and management, the Group also closely observes the area of exposure and residual risks.

Exposure risk represents the risk resulting from the concentration of the Group's transactions with an entity, a group of economically-related parties, state, geographical area, industry sector, collateral provider, etc. The risk is closely related to both exposures in the Banking book and exposures in the Trading book. To manage exposure risk effectively, the Group's focuses on quality portfolio management and its adequate diversification while adhering to set exposure limits (large assets exposure and others). The Group also develops methods for exposure risk quantification.

Residual risk represents the risk stemming from the insufficient enforceability of rights arising to the Group from security received against credit risk. The Group eliminates this risk in particular by means of consistently observing legal and operational requirements, and conservative valuation and revaluation methods, and by applying appropriate discounts depending on the type and quality of the received collateral.

The Group also bears a credit risk in trading with OTC derivatives. This risk is monitored on a daily basis and mitigated by collateral contracts which allow the Group to request additional collateral from the counterparty to ensure at least the current value of the derivative transactions with this counterparty. In case of counterparties that are not financial institutions, the Group requires, in addition to current value, a potential future value of derivatives within the 10-day horizon. In the event of failure to provide the relevant collateral, the Group has the right to terminate all derivative transactions with the counterparty prematurely, offsetting the individual losses and gains, and the potential resulting loss to the client is realised against the collateral provided by the client.

The table below shows the maximum amount of credit risk regardless of received collateral:

	2019	2018
Credit risk related to balance sheet assets:		
Cash, cash balances at central banks and other demand deposits	1 296 552	1 144 212
Financial assets held for trading	31 233	26 146
Financial assets at fair value through profit or loss	1 441	-
Financial assets at fair value through other comprehensive income	396 012	502 391
Financial assets at amortised cost	12 508 636	11 248 247
Hedging derivative financial assets	5 956	2 168
Fair value changes of the hedged items in hedge of interest rate risk	18	-
Other assets	28 860	98 655
Total	**14 268 708**	**13 021 819**

	2019	2018
Credit risk related to off-balance sheet items:		
Contingent commitments from guarantees and letters of credit	478 441	389 717
Irrevocable loan commitments/stand-by facility	1 182 107	1 447 379
Revocable loan commitments/stand-by facility	1 693 287	1 457 102
Total	**3 353 835**	**3 294 198**

The table below shows a summary of the quality of the financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as at 31 December 2019:

	Total carrying amount	Carrying amount – stage 1 *	Carrying amount – stage 2 **	Carrying amount – stage 3 ***	Allowances for expected credit losses - stage 1	Allowances for expected credit losses - stage 2	Allowances for expected credit losses - stage 3	Net carrying amount
Financial assets at amortised cost	**12 710 174**	**10 715 667**	**1 765 394**	**229 113**	**18 002**	**24 863**	**158 673**	**12 508 636**
Loans and advances to banks	202 236	201 837	-	399	-	-	399	201 837
Loans and advances to customers	11 158 353	9 164 245	1 765 394	228 714	17 941	24 863	158 274	10 957 275
Public sector	*6 530*	*5 698*	*832*	*-*	*3*	*1*	*-*	*6 526*
Corporate clients	*4 570 704*	*4 156 467*	*327 152*	*87 085*	*6 830*	*7 075*	*58 367*	*4 498 432*
Retail clients	*6 581 119*	*5 002 080*	*1 437 410*	*141 629*	*11 108*	*17 787*	*99 907*	*6 452 317*
Debt securities	1 349 585	1 349 585	-	-	61	-	-	1 349 524
Banks	*99 065*	*99 065*	*-*	*-*	*5*	*-*	*-*	*99 060*
Public sector	*1 245 432*	*1 245 432*	*-*	*-*	*47*	*-*	*-*	*1 245 385*
Corporate clients	*5 088*	*5 088*	*-*	*-*	*9*	*-*	*-*	*5 079*
Financial assets at fair value through other comprehensive income	**368 779**	**343 288**	**25 491**	**-**	**30**	**252**	**-**	**368 497**
Debt securities	368 779	343 288	25 491	-	30	252	-	368 497
Banks	*225 921*	*225 921*	*-*	*-*	*15*	*-*	*-*	*225 906*
Public sector	*73 708*	*73 708*	*-*	*-*	*4*	*-*	*-*	*73 704*
Corporate clients	*69 150*	*43 659*	*25 491*	*-*	*11*	*252*	*-*	*68 887*
Contingent liabilities and other off-balance sheet items	**3 353 835**	**3 027 231**	**309 179**	**17 425**	**2 926**	**1 636**	**727**	**3 348 546**

* *stage 1 – without significant increase in credit risk since initital recognition.*
** *stage 2 – with significant increase in credit risk since initital recognition, but not credit impaired.*
*** *stage 3 – credit impaired*

The table below shows a summary of the quality of the financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as at 31 December 2018:

	Total carrying amount	Carrying amount – stage 1 *	Carrying amount – stage 2 **	Carrying amount – stage 3 ***	Allowances for expected credit losses - stage 1	Allowances for expected credit losses - stage 2	Allowances for expected credit losses - stage 3	Net carrying amount
Financial assets at amortised cost	**11 462 245**	**9 492 725**	**1 729 941**	**239 579**	**16 851**	**32 161**	**164 986**	**11 248 247**
Loans and advances to banks	122 591	122 086	106	399	1	-	399	122 191
Loans and advances to customers	10 269 773	8 301 769	1 728 824	239 180	16 804	32 161	164 587	10 056 221
Public sector	*6 488*	*5 304*	*1 184*	*-*	*2*	*2*	*-*	*6 484*
Corporate clients	*4 377 120*	*3 985 672*	*282 163*	*109 285*	*7 421*	*10 096*	*71 026*	*4 288 577*
Retail clients	*5 886 165*	*4 310 793*	*1 445 477*	*129 895*	*9 381*	*22 063*	*93 561*	*5 761 160*
Debt securities	1 069 881	1 068 870	1 011	-	46	-	-	1 069 835
Banks	*130 346*	*129 335*	*1 011*	*-*	*28*	*-*	*-*	*130 318*
Public sector	*939 535*	*939 535*	*-*	*-*	*18*	*-*	*-*	*939 517*
Corporate clients	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Financial assets at fair value through other comprehensive income	**491 463**	**491 463**	**-**	**-**	**62**	**-**	**-**	**491 401**
Debt securities	491 463	491 463	-	-	62	-	-	491 401
Banks	*186 551*	*186 551*	*-*	*-*	*30*	*-*	*-*	*186 521*
Public sector	*223 084*	*223 084*	*-*	*-*	*7*	*-*	*-*	*223 077*
Corporate clients	*81 828*	*81 828*	*-*	*-*	*25*	*-*	*-*	*81 803*
Contingent liabilities and other off-balance sheet items	**3 294 198**	**2 880 213**	**392 258**	**21 727**	**3 037**	**1 655**	**1 202**	**3 288 304**

* *stage 1 – without significant increase in credit risk since initital recognition.*
** *stage 2 – with significant increase in credit risk since initital recognition, but not credit impaired.*
*** *stage 3 – credit impaired*

The summary below represents net book value of overdue financial assets at amortised cost and overdue financial assets at fair value through other comprehensive income by overdue days as at 31 December 2019:

	Stage 1 ≤ 30 days	Stage 1 > 30 days ≤ 90 days	Stage 1 > 90 days	Stage 2 ≤ 30 days	Stage 2 > 30 days ≤ 90 days	Stage 2 > 90 days	Stage 3 ≤ 30 days	Stage 3 > 30 days ≤ 90 days	Stage 3 > 90 days
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**94 728**	**-**	**-**	**18 145**	**11 442**	**-**	**3 564**	**3 836**	**27 602**
Public sector	-	-	-	-	-	-	-	-	-
Corporate clients	67 642	-	-	9 759	5 855	-	256	863	6 500
Retail clients	27 086	-	-	8 386	5 588	-	3 308	2 973	21 102
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Banks	-	-	-	-	-	-	-	-	-
Public sector	-	-	-	-	-	-	-	-	-
Corporate clients	-	-	-	-	-	-	-	-	-
Total	**94 728**	**-**	**-**	**18 145**	**11 442**	**-**	**3 564**	**3 836**	**27 602**

The summary below represents net book value of overdue financial assets at amortised cost and overdue financial assets at fair value through other comprehensive income by overdue days as at 31 December 2018:

	Stage 1 ≤ 30 days	Stage 1 > 30 days ≤ 90 days	Stage 1 > 90 days	Stage 2 ≤ 30 days	Stage 2 > 30 days ≤ 90 days	Stage 2 > 90 days	Stage 3 ≤ 30 days	Stage 3 > 30 days ≤ 90 days	Stage 3 > 90 days
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**61 585**	**20**	**-**	**31 638**	**12 938**	**400**	**5 551**	**5 469**	**33 318**
Public sector	-	-	-	-	-	-	-	-	-
Corporate clients	*19 282*	*15*	-	*11 807*	*1 000*	-	*1 438*	*413*	*14 968*
Retail clients	*42 303*	*5*	-	*19 831*	*11 938*	*400*	*4 113*	*5 056*	*18 350*
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Banks	-	-	-	-	-	-	-	-	-
Public sector	-	-	-	-	-	-	-	-	-
Corporate clients	-	-	-	-	-	-	-	-	-
Total	**61 585**	**20**	**-**	**31 638**	**12 938**	**400**	**5 551**	**5 469**	**33 318**

The following summary represents an analysis of the impaired portfolio of financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as at 31 December 2019:

	Gross carrying amount (stage 3)	Impairment allowances (stage 3)	Recoverable value of received collateral
Banks	399	399	-
Corporate clients	87 085	58 367	19 117
Retail clients	141 629	99 907	51 601
Total	**229 113**	**158 673**	**70 718**

The following summary represents an analysis of the impaired portfolio of financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as at 31 December 2018:

	Gross carrying amount (stage 3)	Impairment allowances (stage 3)	Recoverable value of received collateral
Banks	399	399	-
Corporate clients	109 285	71 026	29 847
Retail clients	129 895	93 561	32 243
Total	**239 579**	**164 986**	**62 090**

The summary of individual types of received collateral for financial assets at recoverable value is provided as follows:

	2019	2018
Collateralisation of provided loans		
Cash and cash equivalents	40 788	41 750
Guarantees	184 976	179 193
Securities	253 822	116 460
Real estate	5 696 334	4 226 402
Movables	282 668	352 069
Receivables and other collaterals	179 620	160 568
Total	**6 638 208**	**5 076 442**

The summary of individual types of received collateral for contingent liabilities and other off-balance sheet liabilities at recoverable value is provided as follows:

	2019	2018
To cover contingent liabilities and other off-balance sheet liabilities		
Cash and cash equivalents	63 511	60 220
Guarantees	81 854	56 995
Securities	61 181	77 280
Real estate	183 741	169 597
Movables	2 925	2 604
Receivables and other collaterals	161 082	145 847
Total	**554 294**	**512 543**

The summary below represents the quality of the portfolio of financial assets at amortised cost that is non-impaired (Stage 1 and 2) and non-overdue in accordance with the internal rating:

	2019		2018	
	Stage 1	Stage 2	Stage 1	Stage 2
Loans and advances to banks	**201 837**	**-**	**122 086**	**106**
Minimum risk	-	-	4 999	-
Excellent credit rating	201 837	-	116 928	-
Very good credit rating	-	-	108	-
Good credit rating	-	-	-	-
Standard credit rating	-	-	-	-
Ordinary credit rating	-	-	-	106
Sub-standard credit rating	-	-	-	-
Significantly sub-standard credit rating	-	-	-	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	51	-
Loans and advances to customers:	**9 083 348**	**1 742 823**	**8 276 855**	**1 669 685**
Of which public sector:	***5 698***	***832***	***5 308***	***1 180***
Minimum risk	-	-	-	-
Excellent credit rating	-	-	-	-
Very good credit rating	178	7	215	6
Good credit rating	2 665	825	4 162	1 174
Standard credit rating	2 356	-	897	-
Ordinary credit rating	457	-	14	-
Sub-standard credit rating	42	-	20	-
Significantly sub-standard credit rating	-	-	-	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	-	-
Of which corporate clients without project financing:	***3 198 774***	***179 188***	***2 955 295***	***164 784***
Minimum risk	127 015	44	113 841	44
Excellent credit rating	103 438	349	68 526	596
Very good credit rating	257 879	4 474	115 288	183
Good credit rating	761 802	14 407	780 764	6 428
Standard credit rating	826 920	31 360	953 234	26 169
Ordinary credit rating	821 715	56 382	499 656	18 714
Sub-standard credit rating	276 459	19 716	358 452	23 209
Significantly sub-standard credit rating	22 851	39 492	55 831	62 238
Doubtful/high risk of default	675	12 931	6 619	27 203
Defaulted	1	11	2	-
With no assigned rating	19	22	3 082	-

	2019		2018	
	Stage 1	Stage 2	Stage 1	Stage 2
Of which corporate clients – project financing:	***897 243***	***138 664***	***1 038 665***	***91 123***
Excellent project financing profile rating	712 917	79 825	897 629	61 459
Good project financing profile rating	172 529	47 736	135 589	1 228
Acceptable project financing profile rating	11 797	2 739	5 447	8 686
Weak project financing profile rating	-	8 364	-	19 750
Defaulted	-	-	-	-
Of which retail clients:	***4 981 633***	***1 424 139***	***4 277 587***	***1 412 598***
Excellent credit rating	2 492 675	450 255	2 442 774	478 823
Very good credit rating	2 193 345	841 410	1 583 163	809 209
Good credit rating	213	-	112	-
Ordinary credit rating	188 183	97 584	176 714	97 036
Sub-standard credit rating	3 793	17 971	3 846	13 765
Defaulted	-	-	-	-
With no assigned rating	103 425	16 919	70 978	13 765
Debt securities	**1 349 585**	**-**	**1 068 870**	**1 011**
Minimum risk	-	-	-	-
Excellent credit rating	174 291	-	129 896	1 011
Very good credit rating	1 107 898	-	879 687	-
Good credit rating	-	-	32 608	-
Standard credit rating	67 396	-	26 679	-
Ordinary credit rating	-	-	-	-
Sub-standard credit rating	-	-	-	-
Significantly sub-standard credit rating	-	-	-	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	-	-
Financial assets at amortised cost	**10 634 770**	**1 742 823**	**9 467 811**	**1 670 802**

The summary below represents the quality of the portfolio of contingent liabilities and other off-balance sheet items that is non-impaired (Stage 1 and 2) and non-overdue in accordance with the internal rating:

	2019		2018	
	Stage 1	Stage 2	Stage 1	Stage 2
Contingent liabilities and other off-balance sheet items to banks	**78 896**	**-**	**72 850**	**777**
Minimum risk	270	-	-	500
Excellent credit rating	72 366	-	66 445	-
Very good credit rating	6 134	-	6 312	276
Good credit rating	126	-	-	-
Standard credit rating	-	-	93	-
Ordinary credit rating	-	-	-	1
Sub-standard credit rating	-	-	-	-
Significantly sub-standard credit rating	-	-	-	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	-	-
Contingent liabilities and other off-balance sheet items to customers	**2 948 337**	**309 177**	**2 807 364**	**391 480**
Of which public sector:	***3 048***	***209***	***3 216***	***192***
Minimum risk	-	-	-	-
Excellent credit rating	-	17	2 806	45
Very good credit rating	3 028	192	71	147
Good credit rating	20	-	241	-
Standard credit rating	-	-	98	-
Ordinary credit rating	-	-	-	-
Sub-standard credit rating	-	-	-	-
Significantly sub-standard credit rating	-	-	-	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	-	-

	2019		2018	
	Stage 1	Stage 2	Stage 1	Stage 2
Of which corporate clients – no project financing	***2 047 499***	***64 285***	***1 826 342***	***174 295***
Minimum risk	182 341	718	120 207	761
Excellent credit rating	155 793	2 409	59 268	50 927
Very good credit rating	397 263	7 375	333 454	8 765
Good credit rating	485 570	7 036	476 053	9 355
Standard credit rating	501 151	6 564	452 751	38 025
Ordinary credit rating	214 514	26 050	263 190	12 589
Sub-standard credit rating	98 083	4 232	112 178	16 305
Significantly sub-standard credit rating	12 488	4 626	7 967	29 232
Doubtful/high risk of default	296	5 195	429	8 336
Defaulted	-	-	-	-
With no assigned rating	-	80	845	-
Of which corporate clients – project financing	***145 076***	***40 837***	***200 296***	***72***
Excellent project financing profile rating	121 145	34 681	198 050	-
Good project financing profile rating	23 931	6 124	1 494	3
Acceptable project financing profile rating	-	-	752	10
Weak project financing profile rating	-	32	-	59
Defaulted	-	-	-	-
Of which retail clients:	***752 714***	***203 846***	***777 510***	***216 921***
Excellent credit rating	389 603	124 089	435 969	127 172
Very good credit rating	198 614	58 990	164 153	56 851
Good credit rating	-	-	-	-
Standard credit rating	2 879	1 727	3 429	2 121
Sub-standard credit rating	156	175	108	242
Defaulted	-	-	-	-
With no assigned rating	161 462	18 865	173 851	30 535
Contingent liabilities and other off-balance sheet items	**3 027 233**	**309 177**	**2 880 214**	**392 257**

The summary below represents the quality of the portfolio of financial assets at fair value through other comprehensive income that is non-impaired (Stage 1 and 2) and non-overdue in accordance with the internal rating:

	2019		2018	
	Stage 1	Stage 2	Stage 1	Stage 2
Debt securities	**343 288**	**25 491**	**491 463**	**-**
Minimum risk	30 752	-	10 316	-
Excellent credit rating	179 133	-	183 168	-
Very good credit rating	91 929	-	220 029	-
Good credit rating	25 990	-	56 200	-
Standard credit rating	15 484	25 491	10 945	-
Ordinary credit rating	-	-	10 805	-
Sub-standard credit rating	-	-	-	-
Significantly sub-standard credit rating	-	-	-	-
Doubtful/high risk of default	-	-	-	-
Defaulted	-	-	-	-
With no assigned rating	-	-	-	-
Financial assets at fair value through other comprehensive income	**343 288**	**25 491**	**491 463**	**-**

The scoring system of the Group's corporate clients (applied for the entire RBI Group) is based on the client's economic rating and complies with the rules of the Internal Rating Based Approach (IRB). The rating range has 28 grades from 1A to 10 for corporate clients, and 5 grades for project financing from 6.1 to 6.5.

The table below represents details of rating scale:

Institution Rating Scale	10-Grade Rating Scale	28-Grade Rating Scale			10-Grade Rating Scale Description
A1	0.5	1A	2B	1C	Minimum risk
A2	1.0	2A	2B	2C	Excellent credit rating
A3	1.5	3A	3B	3C	Very good credit rating
B1	2.0	4A	4B	4C	Good credit rating
B2	2.5	5A	5B	5C	Standard credit rating
B3	3.0	6A	6B	6C	Ordinary credit rating
B4	3.5	7A	7B	7C	Sub-standard credit rating
B5	4.0	8A	8B	8C	Significantly sub-standard credit rating
C	4.5	9A	9B	9C	Doubtful/high risk of default
D	5.0	10A			Defaulted

The summary below represents the net book value of the loans and advances to banks and loans and advances to customers in terms of the concentration risk by industry:

	2019	2018
A. Agriculture, forestry and fisheries	201 901	167 511
B. Mining and quarrying	18 100	20 590
C. Industrial production	813 176	681 695
D. Supply of electricity, gas, steam and air-conditioning	466 027	510 793
E. Water supply	106 989	113 899
F. Construction	335 892	332 390
G. Wholesale and retail trade	797 743	679 061
H. Transport and storage	351 536	353 445
I. Accommodation and catering services	50 469	57 750
J. Information and Communication	208 220	139 415
K. Financial and insurance activities	304 153	197 259
L. Real estate activities	904 246	1 003 773
M. Professional, scientific and technical activities	132 478	119 773
N. Administrative and support services	158 650	160 173
O. Public administration and defense, compulsory social security	13 349	15 452
P. Education	16 488	17 818
Q. Health and social assistance	100 224	101 648
R. Arts, entertainment and recreation	47 090	33 216
S. Other service activities	45 251	20 198
T. Activities of households, private households with domestic staff	6 087 130	5 452 553
Total	**11 159 112**	**10 178 412**

The structure of the Group's credit risk exposure to the Slovak Republic (entities controlled by the Slovak Republic, guarantees issued by the Slovak Republic, and similar exposures) is as follows:

	2019	2018
Government treasury bills	-	60 070
Government bonds with no coupon	29 583	29 476
Loans and advances to banks	1 135 155	1 018 508
Loans and advances to customers	334 876	300 200
Debt securities	1 116 337	1 010 606
Total	**2 615 951**	**2 418 860**

The following overview represents a change in the impairment allowances for expected losses on loans and advances measured at amortised cost as at 31 December 2019:

	Impairment allowances for expected losses – stage 1	Impairment allowances for expected losses – stage 2	Impairment allowances – stage 3	Impairment allowances – POCI	Total
As at 1 January 2019	**16 805**	**32 161**	**163 041**	**1 945**	**213 952**
Transfer from stage 1 to stage 2 and 3	(5 382)	12 069	5 540	-	12 227
Transfer from stage 2 and 3 to stage 1	36 171	(37 509)	(10 890)	-	(12 228)
Net changes due to change in credit risk	(42 303)	19 268	37 827	1 427	16 219
New financial assets originated or purchased	16 912	6 194	8 912	1 391	33 409
Financial assets that have been derecognised	(4 116)	(8 476)	(19 416)	(355)	(32 363)
Amortisation	-	-	(30 980)	(926)	(31 906)
Unwinding	-	-	396	6	402
Change in methodology*	(146)	1 156	745	-	1 755
Exchange rate differences	-	-	10	-	10
As at 31 December 2019	**17 941**	**24 863**	**155 185**	**3 488**	**201 477**

** Change due to new default definition.*

The following overview represents a change in the impairment allowances for expected losses on loans and advances measured at amortised cost as at 31 December 2018:

	Impairment allowances for expected losses – stage 1	Impairment allowances for expected losses – stage 2	Impairment allowances – stage 3	Impairment allowances – POCI	Total
As at 1 January 2018	**13 220**	**23 725**	**167 448**	**1 786**	**206 179**
Transfer from stage 1 to stage 2 and 3	(6 403)	8 347	4 861	-	6 805
Transfer from stage 2 and 3 to stage 1	24 899	(28 247)	(3 458)	-	(6 806)
Net changes due to change in credit risk	(29 201)	27 909	21 188	823	20 719
New financial assets originated or purchased	18 397	6 542	15 131	613	40 683
Financial assets that have been derecognised	(4 107)	(6 115)	(23 313)	(710)	(34 245)
Amortisation	-	-	(21 156)	(600)	(21 756)
Unwinding	-	-	2 308	33	2 341
Exchange rate differences	-	-	32	-	32
As at 31 December 2018	**16 805**	**32 161**	**163 041**	**1 945**	**213 952**

Non-performing exposures (NPE)

Non-performing exposures are defined in the technical standard governing the reporting of forborne exposures and non-performing exposures, as issued by EBA (European Bank Authority). Non-performing exposures include both defaulted and non-defaulted exposures.

Based on change (implementation of IFRS 9), and in line with the EBA standard definition (FINREP ANNEX III REV1/FINREP ANNEX V), cash balances at central banks and other demand deposits and government and corporate bonds purchased to the Banking book are part of a share of non-performing exposures, resulting in a decrease of the indicator.

The table below represents the summary of non-performing exposures as at 31 december 2019:

	Gross carrying amount	Share of non-performing exposures	% coverage of non-performing exposures
Loans and advances to banks	**399**	**0.03%**	**100.00%**
Loans and advances to customers	**228 944**	**2.05%**	**69.07%**
Public sector	-	-	-
Corporate clients	*87 028*	*1.90%*	*67.00%*
Retail clients	*141 916*	*2.16%*	*70.34%*
Debt securities	**-**	**-**	**-**
Total	**229 343**	**1.83%**	**69.12%**

The table below represents the summary of non-performing exposures as 31 December 2018:

	Gross carrying amount	Share of non-performing exposures	% coverage of non-performing exposures
Loans and advances to banks	**399**	**0.03 %**	**100.00 %**
Loans and advances to customers	**243 580**	**2.37 %**	**67.60 %**
Public sector	-	-	-
Corporate clients	*109 237*	*2.50%*	*64.78%*
Retail clients	*134 343*	*2.28%*	*69.88%*
Debt securities	**-**	**-**	**-**
Total	**243 979**	**2.13%**	**67.65%**

Forborne exposures

This section applies exclusively to non-default exposures based on Article 178 CRR. In the business sphere, when credit conditions change for the benefit of the client, the Group differentiates between modified loans and forborne loans based on valid definitions in the technical standard (ITS) governing the reporting of forborne exposures and non-performing exposures, as issued by the EBA (European Bank Authority).

A key aspect when deciding whether a loan is forborne in the business sector, is the client's financial situation at the time of the change in maturity or loan terms. If, on the basis of the client's creditworthiness (taking into account the internal early warning system), it can be assumed that the client has financial difficulties at the time of changing loan terms, and if the change is treated as easing of conditions, such loans are flagged as forborne exposures. If such change is made to a loan or such a loan becomes more than 30 days overdue and was previously considered to be defaulted, but is subsequently considered as non-defaulted (under Article 178 CRR), the loan is considered to be a default exposure (NPE) regardless of whether there is a reason for default under Article 178 CRR. The decision as to whether the loan is classified as defaulted and/or forborne is not a reason for creation of a specific impairment allowance.

Under IFRS 9, non-defaulted forborne exposures are automatically transferred to Stage 2 and are therefore subject to lifetime expected credit losses. The transfer back to Stage 1 is only possible after all of the exit criteria have been met (including a trial period in the retail segment) and at the same time criteria for classification to Stage 2 are not met (quantitative or qualitative).

The Group may adjust the terms and conditions of repayment of its loan receivables if the client's financial situation is poor and the client would not be able to repay its obligations to the Group in real time.

In case of overdrafts, when an agreement on repayments of debt due is concluded - the contract is not prolonged, it is only transformed into an instalment loan after being declared as due.

In case of instalment loans, repayment schedules are changed due to the client's inability to pay within the agreed deadlines. For retail loans, there is a possibility to apply for loan restructuring in the form of a temporary reduction of repayments mostly for a period of 12 months, with subsequent changes to the original loan (extension of the maturity, change of the instalment amount) so as not to reduce the cash flows after termination of the credit relationship (i.e. there is no impairment).

The summary below represents the analysis of forborne exposures as at 31 December 2019:

	Gross carrying amount	Allowances for expected credit losses	Net carrying amount
Loans and advances to banks	**-**	**-**	**-**
Loans and advances to customers	**56 075**	**(38 103)**	**17 972**
Public sector	-	-	-
Corporate clients	*33 422*	*(25 390)*	*8 032*
Retail clients	*22 653*	*(12 713)*	*9 940*
Total	**56 075**	**(38 103)**	**17 972**

The summary below represents the analysis of forborne exposures as at 31 December 2018:

	Gross carrying amount	Allowances for expected credit losses	Net carrying amount
Loans and advances to banks	**-**	**-**	**-**
Loans and advances to customers	**93 711**	**(42 052)**	**51 659**
Public sector	-	-	-
Corporate clients	*63 026*	*(32 809)*	*30 217*
Retail clients	*30 685*	*(9 243)*	*21 442*
Total	**93 711**	**(42 052)**	**51 659**

Default loan portfolio (NPL)

There is no definition of default loans in the methodology of International Financial Reporting Standards.

To determine the client's default, the Bank mainly uses the following indicators depending on the client's segment: permanent delay in the repayment of a material portion of a receivable of more than 90 days, declaration of early maturity, bankruptcy or insolvency, a portion of the loan receivables from the client written off, legal restructuring, suspended interest on receivables, sale of the receivables of the client resulting in a loss or an anticipated loss from a deal. In the retail portfolio, the Bank applies a limit set at an absolute materiality threshold of EUR 100 and a relative materiality threshold of 1% of the carrying amount of all client credit exposures that the receivable must exceed. In the corporate portfolio, the Bank applies a limit that depends on the default type. In case of a permanent default of more than 90 days, the limit is set at EUR 500 and simultaneously 1% of the carrying value, in restructuring the limit of change in net present value is assessed at 1% and in case of other types, the receivable is assessed with no limit application.

The summary below represents analysis of the default loan portfolio (balance sheet items) and impairment off-balance sheet portfolio analysis (guarantees and irrevocabale loan commitments) as at 31 December 2019:

	Default loans (Gross book value)	Impairment allowances for default loans	Impaired loans (Net book value)	Recoverable value of received collateral for default loans
Loan and advances:	**229 111**	**158 670**	**70 441**	**70 718**
Banks	*399*	*399*	*-*	*-*
Corporate clients	*87 085*	*58 366*	*28 719*	*19 117*
Retail clients	*141 627*	*99 905*	*41 722*	*51 601*
Contingent liabilities and other off-balance sheet items	**17 381**	**711**	**16 670**	**1 705**
Corporate clients	*16 459*	*-*	*16 459*	*1 655*
Retail clients	*922*	*711*	*211*	*50*
Total	**246 492**	**159 381**	**87 111**	**72 423**

The summary below represents analysis of the default loan portfolio (balance sheet items) and impairment off-balance sheet portfolio analysis (guarantees and irrevocabale loan commitments) as at 31 December 2018:

	Default loans (Gross book value)	Impairment allowances for default loans	Impaired loans (Net book value)	Recoverable value of received collateral for default loans
Loan and advances:	**239 575**	**164 983**	**74 592**	**62 090**
Banks	*399*	*399*	*-*	*-*
Corporate clients	*109 284*	*70 909*	*38 375*	*29 847*
Retail clients	*129 892*	*93 675*	*36 217*	*32 243*
Contingent liabilities and other off-balance sheet items	**21 727**	**1 202**	**20 525**	**3 222**
Corporate clients	*20 593*	*326*	*20 267*	*3 172*
Retail clients	*1 134*	*876*	*258*	*50*
Total	**261 302**	**166 185**	**95 117**	**65 312**

Sensitivity analyzes of expected credit losses

The retail loan portfolio's sensitivity to change of probability of default (PD) was tested by a 10% increase / decrease in the PD scenario. In case of a 10% increase / decrease in PD, the impact on ECL would be +/- 2.3%.

The retail loan portfolio's sensitivity to change in the loss given deafult (LGD) was tested by a 10% increase / decrease in the LGD scenario. If the LGD increases by 10%, the impact on ECL would be +7.4%. If the LGD decreases by 10%, the impact on the ECL would be -9.9%.

The corporate loan portfolio's sensitivity (Stage 1 and Stage 2) to change of probability of default (PD) was tested by a 10% increase / decrease in the PD scenario. In case of a 10% increase / decrease in PD, the impact on ECL would be +/- 10%.

The corporate loan portfolio's sensitivity (Stage 1 and Stage 2) to change in the loss given default (LGD) was tested by a 10% increase / decrease in the LGD scenario. In case of a 10% increase / decrease in LGD, the impact on ECL would be +/- 10%.

Concentration risk by geographic regions

Structure of assets and liabilities related to entities outside the Slovak Republic:

	2019	2018
Assets	**1 138 434**	**938 922**
Of which Austria	*175 733*	*221 462*
Of which Czech Republic	*342 936*	*256 499*
Of which Germany	*19 953*	*2 032*
Of which Poland	*30 962*	*7 799*
Of which Netherlands	*165 035*	*93 953*
Of which Great Britain	*33 079*	*24 344*
Of which Romania	*41 623*	*37 834*
Of which Ireland	*144*	*33 925*
Of which Spain	*33 430*	*28 226*
Of which Lithuania	*23 903*	*24 382*
Of which other countries (mainly EU countries)	*271 636*	*208 466*

Liabilities	**1 324 731**	**1 148 925**
Of which Austria	*515 989*	*397 365*
Of which Hungary	*250 703*	*244 367*
Of which Luxembourg	*97 774*	*126 031*
Of which Czech Republic	*102 520*	*73 790*
Of which Denmark	*52 475*	*52 890*
Of which Ukraine	*42 305*	*40 781*
Of which other countries (mainly EU countries)	*262 965*	*213 701*

Market risk

The Group is exposed to market risks. Market risks result from open positions of transactions with interest rate, cross-currency, and equity products that are subject to general and specific market changes. To assess the approximate level of market risk associated with the Group's positions, and the expected maximum amount of potential losses, the Group uses internal reports and models for individual types of risk faced by the Group. The Group uses a system of limits, the aim of which is to ensure that the level of risks the Group is exposed to at any time does not exceed the level of risks the Group is willing and able to accept. These limits are monitored on a daily basis.

For risk management purposes, market risk is regarded as the risk of potential losses the Group may incur due to unfavourable developments in market rates and prices. To manage market risk, the Group uses a system of limits imposed on individual positions and portfolios.

As to the structure of trades, the Group primarily faces the following market risks:
- Currency risk and
- Interest rate risk.

Market risks to which the Group faces insignificant exposure (nominal value does not exceed 0.1% of the Group's balance):
- Equity price risk and
- Commodity risk.

Currency risk

Currency risk represents the potential of loss resulting from unfavourable movements in foreign currency exchange rates. The Group controls this risk by determining and monitoring open position limits.

Open currency positions are subject to real-time monitoring through the information system. The currency position of the Group is monitored separately for each currency, as well as the group limit for specific currencies if monitoring is necessary, e.g. in case of market turbulences. Limits for these positions are set in line with the RBI Group standards. Data on the Group's currency positions and on the compliance with the limits set by RBI are reported on a weekly basis.

In addition to the limit on an open currency position, the Group also sets gamma and vega limits on an option position for each currency match subject to trading.

Positions from client option trades to currency matches, where no gamma and vega limits on trading has been specified by the Group, are closed at the market so as to ensure that the Group has no open position for this currency match.

In addition, the Group has set stop-loss limit for the overall foreign exchange position.

Items in foreign currencies

The financial statements consist of following assets and liabilities denominated in foreign currencies:

	2019	2018
Assets	**386 509**	**207 423**
Of which: USD	*132 392*	*82 650*
Of which: CZK	*215 622*	*87 434*
Of which: other currencies (PLN, HUF, GBP and other)	*38 495*	*37 339*
Liabilities	**528 301**	**484 915**
Of which: USD	*296 571*	*305 785*
Of which: CZK	*115 558*	*92 257*
Of which: other currencies (PLN, HUF, GBP and other)	*116 172*	*86 873*

The Group's net foreign exchange (FX) position of assets, liabilities and equity as at 31 December 2019 and 31 December 2018 was as follows:

	Net FX position as at 31 December 2019	***Net FX position as at 31 December 2018***
USD	(164 179)	(223 135)
CZK	100 064	(4 823)
Other (GBP, CHF, PLN, HUF and other)	(77 677)	(49 534)
Total net FX balance sheet position	**(141 792)**	**(277 492)**
USD	154 522	220 359
CZK	(101 101)	4 984
Other (GBP, CHF, PLN, HUF and other)	78 515	49 966
Total net FX off-balance sheet position	**131 936**	**275 309**
Total Net FX position	**(9 856)**	**(2 183)**

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk.

The Group separately controls and manages its interest rate risk for all trades, the Banking book and the Trading Book. Interest rate risk is monitored and assessed on a daily basis. The Banking book interest rate risk is monitored and assessed on a weekly basis and at each month end.

To monitor interest rate risk the Group uses the gap analysis method (interest GAP), method of market value sensitivity to yield curve shift by a defined number of basis points (basis point value – BPV), method of interest field sensitivity yield curve shift by a defined number of basis points, and stop-loss limits to interest rate sensitive instruments.

The internal interest rate risk limits applicable in the Banking book are set in the form of limits on open positions in each time band of the interest gap for each currency that is included in the Banking book (mainly EUR and USD).

The Group's limit on the interest rate risk of the Banking book is set in the form of limits on the sensitivity of the overall position to the yield curve shifts (BPV) in the Banking Book, with a limit on the position concentration in one time basket and one currency.

The interest rate risk limits applicable in the Trading Book are set in the form of limits related to the sensitivity of the overall position to yield curve shifts (BPV). The limits are set for individual currencies included in the Trading Book. The loss resulting from interest rate variations is limited to the stop-loss limit.
Market Risk Management regularly submits information on the actual amount of credit risk in individual currencies and information on the use of the Banking Book's credit risk limits to the Assets and Liabilities Committee (ALCO).

In the event of exceeding the set limit, the interest rate positions are closed by using both traditional and derivative financial instruments.

The table below provides information in the carrying amount on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that do not have a contractual maturity date or are not interest-bearing are grouped in the "Unspecified" category.

The interest rate gap of financial assets and liabilities as at 31 December 2019:

	Up to 3 months included	From 3 months to 1 year included	From 1 to 5 years included	Over 5 years included	Unspecified	Total
Assets						
Cash, cash balances at central banks and other demand deposits	1 296 552	-	-	-	-	1 296 552
Financial assets held for trading	92	-	-	4 456	26 685	31 233
Financial assets at fair value through other comprehensive income	10 939	37 036	226 060	94 462	27 515	396 012
Financial assets at amortised cost	3 423 055	1 853 950	6 077 716	876 285	277 630	12 508 636
Derivative financial assets	-	-	-	-	5 956	5 956
Fair value changes of the hedged items in hedge of interest rate risk	-	-	-	-	18	18
Other assets	-	-	-	-	73 931	73 931
Interest rate position for financial assets as at 31 December 2019	**4 730 638**	**1 890 986**	**6 303 776**	**975 203**	**411 735**	**14 312 338**
Liabilities						
Financial liabilities held for trading	-	-	-	-	38 152	38 152
Financial liabilities at amortised cost*	5 029 072	1 863 496	4 137 822	1 934 954	151 872	13 117 216
Derivative financial liabilities	-	-	-	-	741	741
Provisions	-	-	-	-	84 178	84 178
Other liabilities	-	-	-	-	29 033	29 033
Interest rate position for financial liabilities as at 31 December 2019	**5 029 072**	**1 863 496**	**4 137 822**	**1 934 954**	**303 976**	**13 269 320**
Net interest rate position as at 31 December 2019	**(298 434)**	**27 490**	**2 165 954**	**(959 751)**	**107 759**	**1 043 018**

** The Group uses its own model to categorize the non-term deposits according to interest rate sensitivity, whereas these deposits are categorized for up to 10 years.*

Interest rate gap of financial assets and liabilities as at 31 December 2018:

	Up to 3 months included	From 3 months to 1 year included	From 1 to 5 years included	Over 5 years included	Unspecified	Total
Assets						
Cash, cash balances at central banks and other demand deposits	1 048 602	-	-	-	95 610	1 144 212
Financial assets held for trading	-	3	-	-	26 143	26 146
Financial assets at fair value through other comprehensive income	4 906	62 104	284 018	140 373	10 990	502 391
Financial assets at amortised cost	3 981 329	1 679 054	4 880 326	616 082	91 456	11 248 247
Derivative financial assets	-	-	-	-	2 168	2 168
Other assets	-	-	-	-	98 655	98 655
Interest rate position for financial assets as at 31 December 2018	**5 034 837**	**1 741 161**	**5 164 344**	**756 455**	**325 022**	**13 021 819**
Liabilities						
Financial liabilities held for trading	-	-	-	-	28 226	28 226
Financial liabilities at amortised cost*	4 296 007	1 490 974	3 399 898	1 531 998	1 204 298	11 923 175
Derivative financial liabilities	-	-	-	-	256	256
Provisions	-	-	-	-	79 048	79 048
Other liabilities	-	-	-	-	28 471	28 471
Interest rate position for financial liabilities as at 31 December 2018	**4 296 007**	**1 490 974**	**3 399 898**	**1 531 998**	**1 340 299**	**12 059 176**
Net interest rate position as at 31 December 2018	**738 830**	**250 187**	**1 764 446**	**(775 543)**	**(1 015 277)**	**962 643**

** The Group uses its own model to categorize the non-term deposits according to interest rate sensitivity, whereas these deposits are categorized for up to 10 years.*

Equity price risk

Equity price risk arises from the Group's exposure to changes in equity investment prices. Equity price risk is determined at the Group level. Equity price risk is measured using individual exposures and by calculating and monitoring the overall equity investment position. Equity investment positions are reported at the level of the overall portfolio on a weekly basis.

Commodity risk

Commodity risk arises from the Group's exposure to changes in commodity prices. Commodity risk is determined at the Group level and is measured using positions in individual commodities. Sensitivity analysis is applied for the measurement and management of commodity risk.

Sensitivity analysis of market risks

Sensitivity analysis reflects the implications on the Group's profit/loss arising from the movements in market parameters (interest rates, exchange rates, share prices etc.) by predetermined delta values. For monitoring and limiting of risk, the Group uses 100 basis points for interest rates, a 5% movement in exchange rates, a 50% movement in share prices, and 30% movement in commodity prices.

The GAP method sorts the Group's positions into baskets and examines the Group's final position in individual baskets. This method is used in interest rate risk management. The stress scenario is similar to the sensitivity analysis; however, it takes into consideration a marginal situation on the market. It combines movements in the market parameters so that these are the least favourable for the Group.

The table below shows the Group's sensitivity to movements in exchange rates, assuming negative movements in exchange rates by 5% to the detriment of the Group.

Change in the present value of assets and liabilities of the Group following movements in exchange rates of the selected currencies to the detriment of the Group as at 31 December 2019 (in thousands of EUR):

	Present value of exchange rate	Exchange rate in sensitivity scenario	Group's position in the respective currency	Economic loss of the Bank for a given scenario with an impact on equity
USD	1.1234	1.0672	(9 748)	(487)
CZK	25.4080	24.1376	(1 065)	(53)
GBP	0.8508	0.8933	562	(28)
SEK	10.4468	9.9245	(525)	(26)
NOK	9.8638	10.3570	419	(21)
Total			**(10 357)**	**(615)**

Change in the present value of assets and liabilities of the Group following movements in exchange rates of the selected currencies to the detriment of the Group as at 31 December 2018 (in thousands of EUR):

	Present value of exchange rate	Exchange rate in sensitivity scenario	Group's position in the respective currency	Economic loss of the Bank for a given scenario with an impact on equity
USD	1.1450	1.0878	(2 770)	(139)
CZK	25.7240	27.0102	164	(8)
PLN	4.3014	4.0863	(160)	(8)
RON	4.6635	4.8967	156	(8)
CAD	1.5605	1.6385	154	(8)
Total			**(2 456)**	**(171)**

The table below shows the Group's sensitivity to movements in the interest rate assuming negative movement of the yield curve to the detriment of the Group by 100 basis points.

Change in the present value of assets and liabilities of the Group following changes in the interest rate for the selected currencies as at 31 December 2019 (in thousands of EUR):

	Yield curve shift	Group's loss from yield curve shift
EUR	-100 BPV	(23 680)
USD	+100 BPV	(1 983)
Total		**(25 663)**

Change in the present value of assets and liabilities of the Group following changes in the interest rate for the selected currencies as at 31 December 2018 (in thousands of EUR):

	Yield curve shift	Group's loss from yield curve shift
EUR	-100 BPV	(6 274)
USD	+100 BPV	(794)
Total		**(7 068)**

As at 31 December 2019, the Group's exposure position in the Trading book to equity price risk is nil, as at 31 December 2018 it was also nil. The Group, therefore, does not recognise this exposure position to equity price risk.

As at 31 December 2019, the Group's net exposure position to commodities in the Trading book is insignificant; as at 31 December 2018 the Group's position was also insignificant. Therefore, the Group does not recognise this exposure position to commodity risk.

The Group, in the sensitivity analysis scenario, uses the negative development of exchange rates, yield curves movements, and decrease in share prices. In case of exactly-opposite movements, the Group would book profit instead of loss in approximately the same amounts.

Liquidity risk

Liquidity risk is the risk that the Group may not be able to fulfil its obligation to settle its liabilities when they fall due.

The Group wishes to maintain its solvency, i.e. its ability to meet its financial liabilities duly and timely, and to manage its assets and liabilities so as to ensure continuous liquidity. Liquidity management is the responsibility of the Assets and Liabilities Committee (ALCO), the Asset and Liabilities Management function, and the Capital Markets division. The ALCO at its regular meetings assesses the Group's liquidity and, subsequently, makes decisions based on the current state of affairs.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees, and from margin and other calls on cash settled derivatives. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Group sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals during unexpected levels of demand.

The Integrated Risk Management function monitors the Group's liquidity on a daily basis and reports on its development. Information on the liquidity position is reported to ALCO at least once a month. The Asset and Liabilities Management function submits reports on the Group's structure of assets and liabilities at regular meetings of ALCO, and proposes the size and structure of the portfolio of securities held strategically for the following period, subject to monitoring. The Asset and Liabilities Management function informs ALCO about new investments in securities on a regular basis.

The Group monitors short-, medium- and long-term liquidity risk by developing a liquidity and crisis liquidity gap (3 scenarios) based on rules and assumptions set by the parent company RBI. Internal liquidity limits are approved by the Group's management through an annual update of the liquidity management strategy.

The Group also monitors the regulatory coefficients set by the NBS and the ECB and the coefficients and limits set by the parent company RBI.

Deposits from customers are the primary funding source for the Group. Although the terms of the majority of the deposits permit customer withdrawals with little or no advanced notice, the actual balances maintained by customers provide a stable source of funding.

The Group's liquidity position reflecting the existing contractual residual maturity of assets and liabilities as at 31 December 2019:

	Up to 12 months	Over 12 months	Unspecified	Total
Assets				
Cash, cash balances at central banks and other demand deposits	1 296 552	-	-	1 296 552
Financial assets held for trading	92	4 456	26 685	31 233
Non-tradeable financial assets at fair value through other comprehensive income	-	724	717	1 441
Financial assets at fair value through profit or loss	47 975	320 522	27 515	396 012
Financial assets at amortised cost	2 721 155	9 454 002	333 479	12 508 636
Hedging derivative financial assets	-	-	5 956	5 956
Fair value changes of the hedged items in hedge of interest rate risk	-	-	18	18
Non-current tangible assets	-	-	114 474	114 474
Investment property	-	-	1	1
Non-current intangible assets	-	-	53 792	53 792
Current tax asset	-	-	147	147
Deferred tax asset	-	-	28 860	28 860
Other assets	-	-	73 931	73 931
Total assets	**4 065 774**	**9 779 704**	**665 575**	**14 511 053**
Liabilities				
Financial liabilities held for trading	-	-	38 152	38 152
Financial liabilities at amortised cost[1)]	2 669 239	10 339 945	108 032	13 117 216
Hedging derivative financial liabilities	-	-	741	741
Provisions	-	-	84 178	84 178
Current tax liability	-	-	358	358
Other liabilities	-	-	29 033	29 033
Total liabilities	**2 669 239**	**10 339 945**	**260 494**	**13 269 678**
Balance sheet position, net	**1 396 535**	**(560 241)**	**405 081**	**1 241 375**
Off-balance sheet position, net[2)]	**(2 776 103)**	**(150)**	**4 643 451**	**1 867 198**
Cumulative balance sheet and off-balance sheet position	**(1 379 568)**	**(560 391)**	**5 048 532**	**3 108 573**

1) Amounts for current accounts and savings books are recognised based on the estimated maturity model.
2) The off-balance sheet position includes receivables and liabilities from spot transactions and financial derivative transactions where the underlying instrument is replaced, in particular from future loans and borrowings, guarantees and letters of credit, and delta option equivalents.
3) Positive/negative fair value of financial derivatives held for trading and hedging derivative assets/liabilities are classified as not specified under the National Bank of Slovakia Reporting on the current and estimated residual maturity of assets and liabilities.

The Group's liquidity position reflecting the existing contractual residual maturity of assets and liabilities as at 31 December 2018:

	Up to 12 months	Over 12 months	Unspecified	Total
Assets				
Cash, cash balances at central banks and other demand deposits	1 144 212	-	-	1 144 212
Financial assets held for trading	3	-	26 143	26 146
Financial assets at fair value through other comprehensive income	67 010	424 391	10 990	502 391
Financial assets at amortised cost	2 406 065	8 550 497	291 685	11 248 247
Hedging derivative financial assets	-	-	2 168	2 168
Non-current tangible assets	-	-	58 930	58 930
Investment property	-	-	33 143	33 143
Non-current intangible assets	-	-	48 592	48 592
Current tax asset	-	-	752	752
Deferred tax asset	-	-	32 661	32 661
Other assets		-	98 655	98 655
Total assets	**3 617 290**	**8 974 888**	**603 719**	**13 195 897**
Liabilities				
Financial liabilities held for trading	-	-	28 226	28 226
Financial liabilities at amortised cost[1)]	2 236 789	9 643 930	42 456	11 923 175
Hedging derivative financial liabilities	-	-	256	256
Provisions	-	-	79 048	79 048
Current tax liability	-	-	4 623	4 623
Deferred tax liability	-	-	194	194
Other liabilities	-	-	28 471	28 471
Total liabilities	**2 236 789**	**9 643 930**	**183 274**	**12 063 993**
Net balance sheet position	**1 380 501**	**(669 042)**	**420 446**	**1 131 904**
Net off-balance sheet position[2)]	**(2 907 414)**	**-**	**4 321 482**	**1 414 068**
Cumulative balance sheet and off-balance sheet position	**(1 526 913)**	**(669 042)**	**4 741 927**	**2 545 972**

1) Amounts for current accounts and savings books are recognised based on the estimated maturity model.
2) The off-balance sheet position includes receivables and liabilities from spot transactions and financial derivative transactions where the underlying instrument is replaced, in particular from future loans and borrowings, guarantees and letters of credit, and delta option equivalents.

The summary below represents an analysis of the earliest possible contractual maturity of financial assets, in the worst-case scenario, as at 31 December 2019 (in non-discounted amounts):

			Residual maturity			
	Carrying amount	Contractual cash flows	Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Non-derivative financial liabilities:						
Cash in hand	135 652	135 652	135 652	-	-	-
Balances at central banks	1 135 155	1 135 155	1 135 155	-	-	-
Other deposits payable on demand	25 745	25 745	25 745	-	-	-
Loans and advances	11 159 836	12 375 356	2 160 362	1 744 360	3 924 403	4 546 231
Debt securities	1 723 286	1 789 390	117 688	375 347	670 688	625 667
Derivative financial assets:						
Positive fair value of financial derivatives available-for-sale	26 685	618 498	350 717	180 606	72 110	15 065
Hedging derivative financial assets	5 956	5 724	639	1 250	944	891

The summary below represents an analysis of the earliest possible contractual maturity of financial assets, in the worst-case scenario, as at 31 December 2018 (in non-discounted amounts):

			Residual maturity			
	Carrying amount	Contractual cash flows	Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Non-derivative financial liabilities:						
Cash in hand	95 610	95 610	95 610	-	-	-
Balances at central banks	1 018 508	1 018 508	1 018 508	-	-	-
Other deposits payable on demand	30 094	30 094	30 094	-	-	-
Loans and advances	10 178 412	10 269 456	4 534 587	1 937 644	3 623 505	173 720
Debt securities	1 561 239	1 646 936	48 826	254 361	887 991	455 758
Derivative financial assets:						
Positive fair value of financial derivatives available-for-sale	26 143	544 490	390 757	115 366	23 110	15 257
Hedging derivative financial assets	2 168	5 596	268	721	3 104	1 503

The summary below represents an analysis of the earliest possible contractual maturity of financial liabilities, in the worst-case scenario, as at 31 December 2019 (in non-discounted amounts):

	Carrying amount	Contractual cash flows	Residual maturity Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Non-derivative financial liabilities:						
Financial liabilities held for trading	13 066	13 066	13 066	-	-	-
Financial liabilities at amortised cost	13 117 216	13 202 736	11 404 284	977 279	468 816	352 357
of which Deposits	*12 265 776*	*12 338 777*	*11 362 258*	*679 120*	*294 352*	*3 047*
of which Liabilities from debt securities	*787 512*	*800 031*	*29 340*	*291 200*	*148 770*	*330 721*
of which Other financial liabilities	*63 928*	*63 928*	*12 686*	*6 959*	*25 694*	*18 589*
Provisions	84 178	84 178	84 178	-	-	-
Other liabilities	29 033	29 033	29 033	-	-	-
Hedging derivative financial liabilities:						
Negative fair value of financial derivatives held for trading	25 086	604 035	340 015	178 819	70 862	14 339
Derivative financial liabilities	741	2 251	291	305	1 400	255

The summary below represents an analysis of the earliest possible contractual maturity of contingent liabilities and other off-balance sheet items, in the worst-case scenario, as at 31 December 2019 (in non-discounted amounts):

	Carrying amount	Contractual cash flows	Residual maturity Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Contingent liabilities and other off-balance sheet items:						
Contingent liabilities from guarantees	475 247	475 247	475 247	-	-	-
Contingent liabilities from letters of credit	3 194	3 194	3 194	-	-	-
From irrevocable loan commitments	1 182 107	1 182 107	1 182 107	-	-	-

The summary below represents an analysis of the earliest possible contractual maturity of financial liabilities, in the worst-case scenario, as at 31 December 2018 (in non-discounted amounts):

	Carrying amount	Contractual cash flows	Residual maturity Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Non-derivative financial liabilities:						
Financial liabilities held for trading	2 588	2 588	2 588	-	-	-
Financial liabilities at amortised cost	11 923 175	11 968 346	10 677 411	534 788	451 823	304 324
Of which Deposits	*11 334 629*	*11 359 571*	*10 407 726*	*477 682*	*310 592*	*163 571*
Of which Liabilities from debt securities	*585 239*	*605 468*	*266 378*	*57 106*	*141 231*	*140 753*
Of which Other financial liabilities	*3 307*	*3 307*	*3 307*	-	-	-
Provisions	79 048	79 048	79 048	-	-	-
Other liabilities	28 471	28 471	28 471	-	-	-
Hedging derivative financial liabilities:						
Negative fair value of financial derivatives held for trading	25 638	589 706	412 246	134 998	27 326	15 136
Derivative financial liabilities	256	1 619	179	183	1 257	-

The summary below represents an analysis of the earliest possible contractual maturity of contingent liabilities and other off-balance sheet items, in the worst-case scenario, as at 31 December 2018 (in non-discounted amounts):

	Carrying amount	Contractual cash flows	Residual maturity Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Contingent liabilities and other off-balance sheet items:						
Contingent liabilities from guarantees	386 914	386 914	386 914	-	-	-
Contingent liabilities from letters of credit	2 803	2 803	2 803	-	-	-
From irrevocable loan commitments	1 447 379	1 447 379	1 447 379	-	-	-

Operational risk

Operational risk is the risk arising from inappropriate or erroneous procedures, human error, failures of the Group's systems or from external events. Operational risk also includes legal risk, i.e. the risk of loss primarily due to the failure to enforce contracts, and the risk of unsuccessful legal disputes or court rulings with adverse impacts on the Group. As in other types of risk, operational risk is managed by applying the standard principle including the separation of functions in risk management and controlling.

For the purposes of the capital requirement calculation to cover operational risk, the Group uses the *"Standardised Approach"* according to the requirements of BASEL II and the Banking Act. Under the Standardised Approach, the Group's activities and the related Gross Income are divided into eight business lines. Gross Income for each business line is represented by a general indicator serving as a representative for a range of business activities, thereby representing an operational risk rate for each business line. The capital to cover operational risk is calculated as net interest income and net interest-free income multiplied by an assigned ß factor for each business line separately. The total capital requirement equals the sum of eight partial requirements for each business line and the average for the past three years.

To identify operational risk, the Group uses a three-dimensional model compound of risk categories, business functions, and business lines (Risk Management Association methodology). Operational risk loss data collection covers the obtaining of all operational losses by individual risk categories of this three-dimensional model.

The Group puts an emphasis on process quality improvement and operational risk mitigation actions. The essential assumption of set goals is based on operational risk awareness and operational risk Group culture.

The Group also uses other tools to manage operational risk such as Key Risk Indicators and Self-Assessment and operational risk scenarios, which are designated to identify, analyse and monitor areas with increased operational risk.

The Group is also active in preparing Business Continuity plans. The plans aim to minimise impacts of unexpected events on the Group's operation.

Other risks

Simultaneously, in terms of implementing an internal process of capital adequacy determination, the Group monitors and develops quantification and management methods aimed at other risks.

Basel III

In connection with the adopted new legislative rules known as Basel III (by Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, which is directly applicable in all member states of the EU with effect from 1 January 2015, and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudent supervision of credit institutions and investment firms), the Group has prepared and applies these stricter rules in capital adequacy and liquidity. The Group ensured smooth compliance with these rules while maintaining the required level of risk appetite, portfolio performance and return on capital.

The concepts, methodology, and documentation for the activities in the Basel III Project are prepared in close co-operation with Raiffeisen Group International AG while reflecting the local specifics of the Group and the entire bank environment.

The Group’s intention is to implement an advanced approach to the management, quantification, and reporting of individual risks as soon as possible. As at the reporting date, for credit risk, the Group uses the standardised approach and the internal rating approach for calculating the regulatory capital requirement to cover credit risk. The general approach of internal ratings is applied by the Group for the bulk of the non-retail portfolios. For the bulk of the retail portfolios, the advanced internal ratings-based approach is applied.

The IRB approach is used for central governments and central groups, institutions, and corporate entities (including project financing, insurance companies, leasing companies and financial institutions) as of 1 January 2009, as of 1 April 2010 for the retail part of the portfolio, and as of 1 December 2013 for the

SME portfolio. In connection with the approved IRB approach, the Group continuously reassesses the performance of its rating models and subsequently ensures the required performance of the models.

The Group modifies and supplements its methodology and process procedures for Pillar 2 (internal process of capital adequacy assessment) in the context of its risk appetite and performed business activities. As part of this process, pursuant to the approved methodology, the Group performs a risk relevance and materiality assessment, a risk quantification and an assessment with respect to the Group's capital and subsequent reporting on a regular basis. The process of capital allocation, which is closely linked with budgeting, forms an integral part.

An important aspect of the Group's capital management is a thorough prediction of capital adequacy developments and its stress testing to eliminate the effects of unforeseen events and for efficient capital planning. Information on the Group's individual risks and capital are reflected in the management of the Group and its business strategies to achieve an optimum compromise between the mitigation of individual risk types and augmentation of the market share, profit and return on capital. Major changes introduced by the Group with respect to changing economic developments included, for instance, implementing comprehensive stress testing for Pillar 1 risks as well as for other risk types identified by the Group, as material or partial optimisation of parameter estimates for the calculation of the own funds requirement for the retail portion of the portfolio. At the same time, the Group actively uses the results of stress testing in capital planning and capital management.

OTHER DISCLOSURES

43. Contingent liabilities and other off-balance sheet items

The Group reports the following contingent liabilities and other off-balance sheet items:

	2019	2018
Contingent liabilities:	**478 441**	**389 717**
from guarantees	475 247	386 914
from letters of credit	3 194	2 803
Commitments:	**2 875 394**	**2 904 481**
from irrevocable loan commitments:	1 182 107	1 447 379
up to 1 year	*655 485*	*897 356*
more than 1 year	*526 622*	*550 023*
from revocable loan commitments:	1 693 287	1 457 102
up to 1 year	*1 288 404*	*1 068 621*
more than 1 year	*404 883*	*388 481*
Total	**3 353 835**	**3 294 198**

Off-balance sheet commitments from guarantees represent obligations that the Group will make payments in the event that a customer cannot fulfil its obligations against third parties.

A documentary letter of credit is an irrevocable undertaking of the issuing Group acting at the request of a customer (buyer) to make a payment to the beneficiary (seller) or to pay or accept bills of exchange drawn by the beneficiary against stipulated documents, provided all terms and conditions of the letter of credit are complied with. The documentary letters of credit are collateralised depending on the creditworthiness of the customer and on the same basis as guarantees or loans.

The primary purpose of unused credit facilities (loan commitments) is to ensure that funds are available to a customer as required. Commitments to grant loans issued by the Group represent issued loan commitments and the unused part of approved overdraft loans.

The risk associated with off-balance sheet financial commitments and contingent liabilities is assessed similarly as for loans to customers, taking into account the financial position and activities of the entity to which the Group issued the guarantee, and taking into account the collateral obtained. As at 30 June 2019, the Group created reserves for these risks amounting to EUR 5 289 thousand (as at 31 December 2018: EUR 5 894 thousand), Note 31 *"Provisions "*.

An overview of the quality of contingent liabilities and other off-balance sheet items is stated in Note 42 *"Risk report"*.

Ligitations and claims

In the ordinary course of business, the Group is subject to legal actions and complaints. Each dispute is subject to special monitoring and regular re-assessment as a part of the Group's standard procedures. In the event of significant disputes the Group cooperates with external lawyers, submitting the changes in dispute to the Board of Directors on a regular basis. In 2019, the Group was not subject to new significant disputes, and some long-term disputes developed in favour of the Group. It is the policy of the Group not to disclose details of ongoing legal actions in cases where such disclosure might be prejudicial. This policy is in line with wording of IAS 37.92.

The case of the most serious legal action revolves around agreed credit facilities and a contract breach allegedly committed by the Parent Company through failing to execute payment transfer orders and renew credit facilities, which ultimately allegedly led to the termination of the customer's business activities, and an additional two related lawsuits for damages and lost profit. In the former one, the first and second instance court rejected the applied claim and the court of appeal dismissed the appeal. In the latter case, the court of first instance dismissed the action. In the Bank's view, both actions are speculative.

As at 31 December 2019, the Group examined the status of disputes, taking into account the amount of claims and IFRS requirements related to provision and contingent liabilities recognition.

If it is probable that the Group will be required to settle a claim and a reliable estimate of the amount can be made, the Group creates provisions. The total provision for claims is in the amount of EUR 49 491 thousand (31 December 2018: EUR 49 105 thousand), Note 31 *"Provisions"*. To determine the amount of provisions, the Group uses professional judgement and relies on advice from legal counsel, taking into account all circumstances and available factors, including the application of publicly available information on disputes in the Slovak Republic in the past. For important accounting estimates, see Note II.

Contingent liabilities from operating lease

The Group recognises contingent liabilities from non-cancellable operating leases as a lessee on the off-balance sheet as follows:

	2019	2018
Total non-cancellable payments for operating leases	**-**	**55 016**
Less than 1 year	-	10 240
1 year to 5 years	-	23 424
More than 5 years	-	21 352
Operating lease expense in other administrative costs	-	11 562

The Group recognises operating leases after IFRS 16 implementation in Note 29 *"Financial liabilities at amortised cost"* in *"Lease liabilities*".

44. Leases as a lessee (IFRS 16)

The right-of-use the asset (under IFRS 16) is part of the Group's tangible assets. Its amount and movement, along with the amount and movement of accumulated depreciation, are recognised in the tangible fixed assets in *"Right-of-use the asset"*.

Depreciation of the right-of-use is included in the general administrative expenses under *"Depreciation and amortization of tangible and intangible fixed assets"*, where they are separately allocated: *"out of which the right-of-use the asset"*.

The amount of interest expense on lease liability is disclosed in Note 1 *"Interest income and dividend income, net"*, separately reported in *"Interest expense: lease liability"*.

The following table provides an overview of rental costs under IFRS 16, which are part of the general administrative expenses under *"Other administrative expenses: Other expenses"* for which the Group has chosen an exception in accordance with IFRS 16.22 to 49:

	2019
Lease costs:	**(814)**
Short-term lease	(11)
Lease of tangible fixed assets	(803)

The following table provides an analysis of the maturity of contractual undiscounted cash flows from lease liability:

	2019
Contractual undiscounted cash flows:	**56 102**
Less than 1 year	9 999
1 to 5 years	31 383
More than 5 years	14 720

45. Related parties

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

In the ordinary course of business, the Bank enters into several banking transactions with related parties. Bank transactions were carried out under normal conditions and relationships at market prices.

Assets, liabilities, commitments, issued and received guarantees related to related parties as at 31 December 2019:

Related Parties*	RBI	RBI Group	Statutory bodies and Supervisory Board**	Other related parties	Total
Loans and advances to banks and customers	7 062	187 197	684	3 316	**198 259**
Receivables from financial derivative transactions	27 800	-	-	-	**27 800**
Other assets	150	310	-	-	**460**
Deposits from banks and customers	15 649	1 876	2 105	1 085	**20 715**
Liabilities from financial derivative transactions	23 136	129	-	-	**23 265**
Subordinated debts	135 412	-	-	-	**135 412**
Other liabilities	2 270	965	-	-	**3 235**
Guarantees issued	4 893	1 628	-	-	**6 521**
Commitments	37 000	3 124	110	1 285	**41 519**

* *Groups of related parties under the IAS 24 definition*
** *Including members of RBI Boards of Directors*

Assets, liabilities, commitments, issued and received guarantees related to related parties as at 31 December 2018:

Related Parties*	RBI	RBI Group	Statutory bodies and Supervisory Board**	Other related parties	Total
Loans and advances to banks and customers	20 317	60 236	1 292	2 867	**84 712**
Receivables from financial derivative transactions	16 296	121	-	-	**16 417**
Other assets	133	219	-	-	**352**
Deposits from banks and customers	10 598	4 046	2 470	707	**17 821**
Liabilities from financial derivative transactions	21 711	-	-	-	**21 711**
Subordinated debts	135 697	-	-	-	**135 697**
Other liabilities	1 645	667	-	-	**2 312**
Guarantees issued	1 943	494	-	-	**2 437**
Commitments	37 000	4 926	175	1 740	**43 841**
Guarantees received	1 943	494	-	-	**2 437**

* *Groups of related parties under the IAS 24 definition*
** *Including members of RBI Boards of Directors*

Revenues and expenses of related parties as at 31 December 2019:

Related Parties*	RBI	RBI Group	Statutory bodies and Supervisory Board	Other related parties	Total
Interest and dividend income	11 990	1 895	8	50	**13 943**
Fee and commission income	797	586	-	-	**1 383**
Unrealised gain (loss) on financial derivative transactions	9 424	(249)	-	-	**9 175**
Operating revenues	1 122	635	-	-	**1 757**
Interest expense	(16 247)	(468)	(1)	(4)	**(16 720)**
Fee and commission expense	(801)	(7 003)	-	-	**(7 804)**
General administrative expenses	(7 089)	(3 493)	(5 776)**	-	**(16 358)**
Total	**(804)**	**(8 097)**	**(5 769)**	**46**	**(14 624)**

* *Groups of related parties under the IAS 24 definition*
** *Wages and bonuses to the Board of Directors' members, Supervisory board members and authorised signatories*

Revenues and expenses of related parties as at 31 December 2018:

Related Parties*	RBI	RBI Group	Statutory bodies and Supervisory Board	Other related parties	Total
Interest and dividend income	10 713	1 396	10	57	**12 176**
Fee and commission income	737	534	-	-	**1 271**
Unrealised gain (loss) on financial derivative transactions	11 585	(2 782)	-	-	**8 803**
Operating revenues	1 098	711	-	-	**1 809**
Interest expense and similar expense	(20 181)	(32)	(2)	(10)	**(20 225)**
Fee and commission expense	(816)	(6 350)	-	-	**(7 166)**
General administrative expenses	(7 001)	(2 809)	(5 478)**	-	**(15 288)**
Total	**(3 865)**	**(9 332)**	**(5 470)**	**47**	**(18 620)**

* *Groups of related parties under the IAS 24 definition*
** *Wages and bonuses to the Board of Directors' members, Supervisory board members and authorized signatories*

46. Average number of employees

The average number of Group's employees was as follows:

	2019	2018
Group employees	3 868	3 793
Of which: Members of the Board of Directors	*7*	*7*
Total	**3 868**	**3 793**

47. Capital management

For capital management purposes, the Group defines regulatory capital, capital adequacy, internal capital and economic capital.

Regulatory capital is the capital defined by the capital adequacy rules under Pillar 1. When quantifying regulatory capital, the Group complies with current legislation, defining its structure and minimum amount.

Regulatory capital designated as own funds comprises Tier 1 regulatory capital, Tier 1 supplementary capital and Tier 2 capital. Regulatory capital serves to cover credit risk from activities in the Banking Book, counterparty risk from activities in the Trading book, market risks (position risk for activities in the Trading book, foreign exchange risk and commodity risk from all trading activities), settlement risk, CVA risk, off-exchange derivatives and operational risk.

Capital adequacy is monitored with regard to Tier 1 regulatory capital expressed as its percentage of the total risk exposure, and with regard to Tier 1 capital expressed as its percentage of the total risk exposure and as own funds expressed as a percentage of the total risk exposure. The methodology for its quantification is regulated. Additional information on the Group's capital requirement is disclosed in Note 42 *"Risk report"*, part *"BASEL III"*.

During 2019, the Group complied with the level defined for the Group.

Internal capital represents such own sources of the Group's financing that are internally held and placed by the Group to cover its risks. The capital consists of capital components supplemented by other additional funds available to the Group. The Group's objective is to maintain the required amount of internal capital. For 2019, the Group met this objective.

Economic capital is the necessary capital and/or it responds to the minimum capital requirement to cover unexpected losses resulting from internal risks, which are defined by the Group as material. Economic capital ensures the financial stability of the Group at the reliability level corresponding to the Group's credibility. The benefits of the knowledge of economic capital are important for the Group, for active portfolio management, valuation, and controlling etc.

An additional own resources requirement, the so-called "own resources requirement", is designed to cover risks that are not or are not sufficiently covered by the first pillar own funds requirement. Pillar 2 requirement (P2R).

Its value has been determined to the parent company by the banking supervision based on the SREP assessment as of 1 January 2020 at 1.5%.

The below table provides the outline of the structure of the Group's regulatory capital, including the capital adequacy ratios:

	2019	2018
The original own funds (TIER 1)	**1 005 535**	**911 284**
Paid-up share capital	64 326	64 326
(-) Treasury shares	(347)	(188)
Share premium	297 596	297 345
(-) Share premium- treasury shares	(4 599)	(2 326)
Funds from profit and other capital reserves	15 814	15 767
Other specific items of original own funds	612 302	536 164
Other temporary adjustments to Tier 1 capital	20 443	196
The additional own funds (TIER 1) (AT1 equity)	**100 000**	**100 000**
(-) Items deductible from the original own funds	**(53 792)**	**(48 592)**
(-) Intangible assets	(41 573)	(36 373)
(-) Goodwill	(12 219)	(12 219)
Additional own funds (TIER 2)	**140 882**	**142 973**
Subordinated debts	135 000	135 000
Excess of provisions over expected losses eligible	5 882	7 973
(-) Items deductible from the original and additional own funds	**(11 170)**	**(12 851)**
(-) From the original own funds	(11 170)	(12 851)
Total own funds	**1 181 455**	**1 092 814**
Adequacy of own funds (%)	**17.75**	**17.69**
Own funds	**1 181 455**	**1 092 814**
Risk-weighted assets (RWA)	**6 654 957**	**6 178 431**
RWA from receivables recorded in the Banking book	5 800 593	5 400 723
RWA from positions recorded in the Trading book	119 446	56 348
RWA from operating risk – standardised approach	734 918	721 360

48. Events after the balance sheet date

There were no significant events between the balance sheet date and the approval date of these financial statements that would require an adjustment or additional disclosure.

49. Approval of the Consolidated financial statements

The annual consolidated financial statements for the immediately preceding reporting period (as at 31 December 2018) were signed and authorised for issue on 6 March 2019.

The financial statements were signed and authorised for issue on 10 March 2020 by the following bodies/persons:

a) Statutory body

Michal Liday
Chairman of the Board of Directors
and Chief Executive Officer

Johannes Schuster
Member of the Board of Directors

b) Person responsible for the bookkeeping and the preparation of the financial statements

Ľubica Jurkovičová
Accounting, Reporting
and Tax Director

Distribution of the Profit for the Year 2019

Distribution of the Profit for the Year 2019

(in EUR)

Profit after tax for the year 2019	**134 876 487**
Distribution for Investment certificate AT1 [1)]	6 326 717
Allocation to retained earnings	67 421 220
Remaining profit [2)]	61 128 550

1) The payment of proceeds from the AT1 Investment certificate will be carried out in accordance with the instrument's emission conditions.
2) The part of the profit in the amount of EUR 61 128 550 shall be allocated to retained earnings as to 31. 12. 2020, unless the extraordinary general meeting decides until then otherwise.

Annual report for the year 2019 and the proposal for distribution of the profit were approved by the Ordinary General Meeting of Shareholders on June 18, 2020.

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