# Tatra banka

Annual report 2020

Slovak Republic

Member of Raiffeisen Bank International

TATRA BANKA

# Content of Annual Report

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## Profit for the Year 2020 and Dividend Payment

# About

# Summary of Key Data

## Summary of Key Data according to International Financial Reporting Standards

### Tatra banka Group (in EUR thousands)

| | 2020 | 2019 | Change |
|---|---|---|---|
| **Consolidated Statement of Comprehensive Income** | | | |
| Net interest income | 291 690 | 293 253 | (0.5) % |
| Net fees and commission income | 132 653 | 123 788 | 7.2 % |
| Net trading income and fair value result | 30 157 | 20 671 | 45.9 % |
| General administrative expenses | (231 507) | (250 599) | (7.6) % |
| Cash contributions to resolution funds and deposit guarantee schemes | (5 393) | (4 904) | 10.0 % |
| Impairment losses on financial assets | (49 497) | (21 827) | 126.8 % |
| Consolidated profit before income taxes | 139 984 | 171 052 | (18.2) % |
| Consolidated profit after income taxes | 105 707 | 135 078 | (21.7) % |
| Comprehensive consolidated profit after tax | 106 161 | 155 342 | (31.7) % |
| **Consolidated Statement of Financial Position** | | | |
| Loans to banks, gross | 109 854 | 202 236 | (45.7) % |
| Loans to customers, gross | 11 539 683 | 11 158 353 | 3.4 % |
| Deposits from banks | 1 129 176 | 362 324 | 211.6 % |
| Deposits from customers | 12 270 445 | 11 903 452 | 3.1 % |
| Equity (including consolidated profit) | 1 345 246 | 1 241 375 | 8.4 % |
| Total assets | 15 640 731 | 14 511 053 | 7.8 % |
| **Key ratios** | | | |
| Return on equity (ROE) before tax | 11.3 % | 15.3 % | (26.1) % |
| Cost/income ratio [2] | 48.7 % | 53.4 % | (8.8) % |
| Return on assets (ROA) before tax | 0.9 % | 1.2 % | (25.0) % |
| Tier 1 ratio, total | 18.5 % | 15.6 % | 18.3 % |
| Own funds ratio | 20.8 % | 17.8 % | 16.8 % |
| **Stock data** | | | |
| Earnings per ordinary share (nominal value per share: 800 EUR) | 1 328 | 1 940 | (31.5) % |
| Earnings per ordinary share (nominal value per share: 4 000 EUR) | 6 640 | 9 700 | (31.5) % |
| **Resources** | | | |
| Number of staff on balance sheet date | 3 591 | 3 863 | (7.0) % |
| Branches on balance sheet date [1] | 163 | 180 | (9.4) % |

| **Ratings** | Long-term deposits | Outlook | Short-term deposits | Baseline Credit Assessment |
|---|---|---|---|---|
| Moody's Investors Service | A3 | stable | Prime-2 | Baa3 |

1) *Inclusive 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,

We have all experienced an unexpectedly difficult year. Every day we had to face the unprecedented situation related to the spread of coronavirus. Lockdowns, restricted services, but also fear of infection. All this led to a sharp economic decline and a significant impact on the Slovak economy. At the same time, life has substantially moved from contact in person to the safer online environment.

The crisis increased even further the differences between the digitally advanced and those falling behind. Previous staunch opponents were also forced to resort to digital technologies. During the pandemic, we recorded a record share of transactions via mobile banking and the highest number of users so far. Being the Most Innovative Digital Bank in the world, as we were titled by Global Finance magazine in 2019 in sub-category Best Consumer Digital Banks, proved to be a great advantage. Our task of adapting to the new situation was considerably easier. Our readiness benefited our clients, who could continue using our services safely, simply and efficiently.

From the very beginning we decided to view the pandemic as an opportunity. This approach allowed us to introduce two breakthrough new products in the Tatra banka app in 2020 – the digital credit card and the self-employed account. The digital credit card shortened the card issue process from five to ten days to a few seconds. Immediately after signing the contract documentation, the client's new credit card is displayed in the mobile app and the client can use it immediately in a digital wallet. In the past, if clients wanted to use their new credit card, they had to wait for it to delivered to them or to a branch. The unique nature of the second innovation even crossed Slovakia's borders. We were the first bank in central Europe to introduce an account for the self-employed and freelancers, which can be opened without the need to visit a branch. The high standard of Tatra banka's digital services was also recognized through the awarding of the title of Best Digital Bank in Slovakia and World's Best Mobile Banking Adaptive Site by US magazine Global Finance.

In 2020, we also offered clients other practical online banking improvements, such as a change in the payment card delivery address, online submission of documents needed for a mortgage or consumer loan application, an option to add accounts from other banks and open savings in mutual or pension funds. Each improvement was made predominantly with the protection of the health of our clients and employees in mind.

Digitalization also offers great potential for the quick recovery of our economy. Small and medium-sized enterprises often possess unique know-how in their business field, but so far do not have an online presence or lack the necessary technology. We decided to give a helping hand to these businesses. We pooled the platforms that only require registration to start offering goods or services online under the **Digital** Market[TB] heading. This gave companies the opportunity to cooperate in their business with trusted partners with access to a large customer base even during lockdown without having to set up their own e-shop.

In recent years, we have often communicated that Tatra banka was not only developing its business but was doing so in a sustainable manner while carefully monitoring portfolio risk. As the crisis hit, Tatra banka demonstrated that it is one of the most stable banks on the Slovak market. Despite the pandemic, we achieved a nine-digit profit with a return on capital of 8.5 percent and operating efficiency of 48.7 percent.

Our efforts in 2020 have certainly not gone unnoticed and we were presented with prestigious international awards by Euromoney, The Banker and EMEA Finance and we were awarded first place in the Slovak 2020 Trend TOP Bank awards. I would like to take this opportunity to recognize the work and contribution of the colleagues of both our brands, Tatra banka and Raiffeisen Bank. It is amazing how they can turn challenges into opportunities and thereby advance the bank. I am truly grateful to all of them.

Another focus is on how we can best help our clients to cope with the current crisis. The banking sector and the rest of the economy are in symbiosis, and banks cannot achieve long-term success without their clients' success. We recognize that it is precisely in times like these that it is vital to take care of the society in which we live. We made it possible for clients who found themselves in financial need to fill in applications for installment deferrals in digital form on the date when the government act entered into force. In this way, we helped more than thirty thousand companies and households in 2020.

Furthermore, we made free online coronavirus consultations with specialists available to all clients in the My Doctor service. We wanted our clients to have someone to turn to, particularly as state helplines were overloaded and many people were worrying. The health-related support was crucial after the crisis outbreak, and the My Doctor service responded precisely to our clients' needs at the time, helping them to cope with the difficult situation. For this initiative we received the Outstanding Crisis Leader in Healthcare award from Global Finance.

We helped the sectors most affected by the measures intended to counter the pandemic to overcome the difficult period and maintain employment by offering them favorable operating loans with a state guarantee. In this respect, I would like to point out how greatly we appreciate that the new government abolished the banking levy. This action will enable the banking sector to assist in the recovery of the Slovak economy in the coming years.

Along with helping our clients, we started working on projects in response to the extraordinary impact on society. The crisis motivated our colleagues from Raiffeisen Bank to think of online activities for families with children. This resulted in a puppet show with Ralf, which brought people a lot of joy and fun in a difficult time. The Tatra banka Foundation has a long history of promoting the arts. Therefore, after donating EUR 500,000 to healthcare professionals to fight against coronavirus, the Foundation focused its attention on the artistic community, which was significantly affected by the economic crisis. The Foundation joined forces with the Bratislava Self-governing Region to jointly support culture and the arts in the Bratislava region with EUR 300,000, which contributed to creating dozens of valuable works of art.

Towards the end of the year, we continued in our efforts to bring values that would also persist for future generations. In the run-up to Christmas, we decided to make a gift to the whole of society of something unique that inspires, enriches and will also remain here for future generations. We bought Time Capsule by Roman Ondak, a prominent Slovak conceptual artist, for the collection of the Slovak National Gallery. It carries a strong and authentic humanistic message, and we very much hope that it will continue to spread to as many people as possible.

Finally, I would like to express my gratitude to you, our shareholders, business partners and clients for standing by us and supporting us in this difficult time. We greatly appreciate it. I believe that the 2021 vaccination program will be successful and we will also be able to see each other in person soon.

**Michal Liday**
Chairman of the Management Board and CEO

# Report of the Supervisory Board

Ladies and Gentlemen,

2020 was an especially difficult year for the economy as well as for our employees, clients and society as a whole. The COVID-19 pandemic caused a recession across the region and the resulting impact on the Slovakian economy was more severe than in 2009. Despite the pandemic and its ensuing challenges, Tatra banka posted a profit of above EUR 100 million and introduced two new innovative products to the Tatra banka app. These innovations and the high standard of Tatra banka's digital services was again recognized with the award for Best Digital Bank in Slovakia and World's Best Mobile Banking Adaptive Site from Global Finance, as well as further awards from Euromoney, The Banker, and EMEA Finance.

During the 2020 financial year, the members of the Supervisory Board held four meetings. The overall attendance rate for Supervisory Board meetings was 100 percent.

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 close 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 fully in accordance with generally binding legislation and Tatra banka's Articles of Association. It reviewed the separate and consolidated financial statements, as well as the proposed profit distribution, and recommended approval thereof by the General Meeting without any comments.

Considering what can honestly be described as an unprecedented year due to the challenges resulting from the COVID-19 pandemic, I would like to take this opportunity to sincerely thank the Management Board and all Tatra banka Group employees for their unwavering efforts, and also our customers for their continued trust during these exceptional times.

On behalf of the Supervisory Board,

**Andrii Stepanenko**
Chairman of the Supervisory Board

# Mission, Vision and Values of Tatra banka

## Mission
We transform continuous innovation into superior customer experience.

## Vision
We are the most recommended banking group in Slovakia.

## Values
Ambition
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, around 45,000 RBI employees serve 17.2 million customers from more than 1,800 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 2020, RBI's total assets stood at around EUR 166 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, as well as in the context of its systemic importance for the whole banking sector. The bank has consistently fulfilled the requirements of European directives, implementing the regulations known as Basel III, with the actual implementation being subject to the applicable regulations in Slovakia. 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 specifics 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/elimination of credit, market and operational risks as well as other risks to which the bank is exposed.

Achieving this goal mainly depends 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 the output.

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 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 constitute the most significant bank risk. The bank's goal was to switch to the Internal Ratings-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. for sovereigns, 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 also apply the IRB approach to SME clients.

Under this approach, the bank is authorized to quantify capital requirements for the above clients using its own estimates of the likelihood of a counterparty default, which makes the measurement of credit risk much more sensitive. Capital requirements also correspond more closely to actual risk exposure. During turbulent economic times, this approach 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 its own 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.

With respect to its retail portfolio, the bank continues to focus on regular scorecard and risk management model development and update. 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 is to define targets for individual components of credit risk management, and also for employees themselves. 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 2020, 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 an issuer 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 ensured 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 output 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 fundamental 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 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, all relevant risks of the bank are regularly evaluated in line with the risk profile and then quantified and evaluated in the context of the risk level the bank is willing to accept 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 the 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 with its internal capital with a sufficient reserve in 2020.

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, by using an approved allocation, key individual commercial units of the bank are assigned an expected level of the Return on Risk-Adjusted Capital (RORAC) performance indicator. 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 the priority in the forthcoming period.

## Capital Adequacy Forecasting and Stress Testing

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 2020, 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, e.g. depending on changes in the macroeconomic environment, the migration of clients and receivables between rating levels, a fall in collateral values, economic recession, and other changes to 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 decreased 21.7 percent year on year, from EUR 135.1 million in 2019 to EUR 105.7 million. The profit decrease was mainly the result of an increase in provisions for loans from EUR 20.2 million to EUR 64.1 million and the base effect of the sale of the bank's share in Mastercard of EUR 26.8 million in 2019. Provisions were created pro-actively due to the economy slow-down related to the SARS-Cov-2 virus pandemic rather than a worsening of the quality of the portfolio. The profit decrease was partially compensated by the reversal of provisions for legal disputes of EUR 18.1 million. Net interest income dropped to EUR 291.7 million from EUR 293.3 million, and net fee income increased to EUR 132.7 million from EUR 123.8 million.

In 2020, the return on equity decreased to 8.5 percent year on year from 12.1 percent in 2019. The decrease was caused by lower profit as well higher in-house funds since no dividends were paid out in 2020. The ratio of operating expenses to operating income, expressing efficiency, dropped to 48.7 percent from 53.4 percent.

In March 2017, the international credit rating agency Moody's 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. In April 2020, the outlook was downgraded back to stable due to the pandemic.

## Development of Income and Expenses

Net interest income decreased 0.5 percent year on year to EUR 291.7 million. The drop was the result of a long-term decrease in market interest rates. Interest rates on selected products in Slovakia are currently among the lowest in the EU.

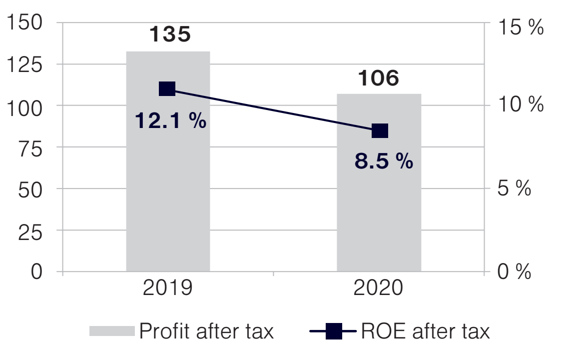
The volume of loans grew 3.4 percent in 2020. Personal loans grew faster than corporate loans, which reflects the reality on the Slovak banking market. Although the pandemic weakened loan growth, government measures, including installment deferrals, bank guarantees and cancellation of the banking levy were sufficient to prevent a decrease.

Net fee and commission income increased by 7.2 percent year on year to EUR 132.7 million.

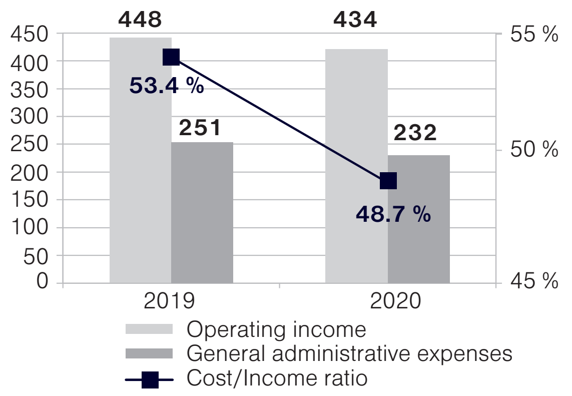
General administrative expenses decreased by 7.6 percent to EUR 231.5 million. Personnel costs dropped 6.1 percent year on year to EUR 134.9 million.

There was a significant increase in provisions for loans by more than 200 percent year on year to EUR 64.1 million. Provisions did not result from a worsening loan portfolio. They were increased pro-actively due to growing economic uncertainty caused by the pandemic.

**Development of profit and return on equity** EUR million




**Development of Cost/Income ratio** EUR million



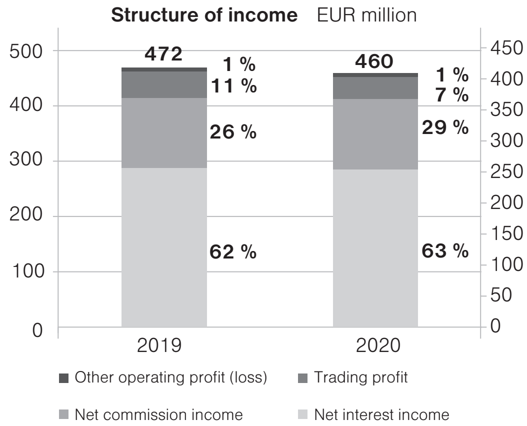
## Development of Assets

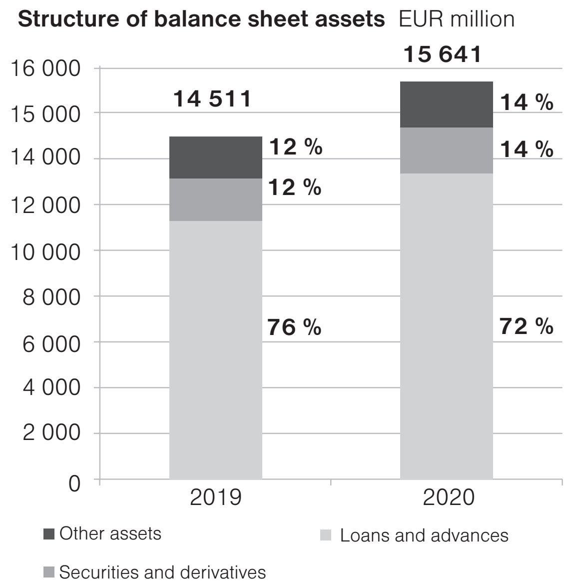
The consolidated assets of the Tatra banka Group increased 7.8 percent to EUR 15.6 billion. The main contributors to this growth were loans, which grew 3.4 percent to a total of EUR 11.5 billion, and debt securities with a growth of 42.2 percent to EUR 1.9 billion. The share of non-performing loans in the total portfolio maintained its level from 2019, and stood at 2.0 %, 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.

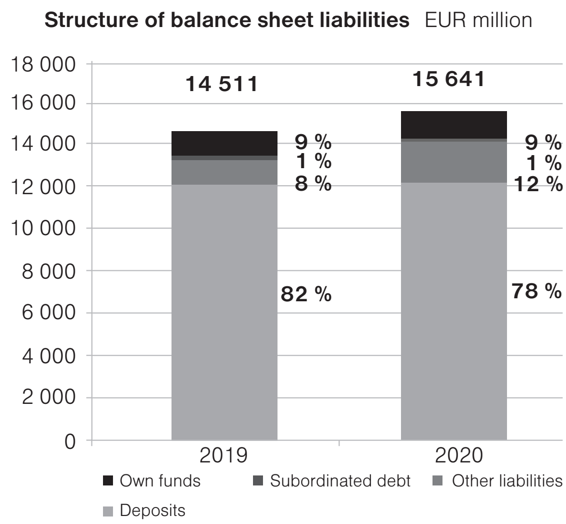
## Development of Liabilities and Equity

Deposits increased 3.1 percent to EUR 12.3 billion. The pandemic had a significant impact on term deposits, which dropped 43.6 percent to EUR 0.7 billion and shows demand for more liquid deposits in a time of uncertainty. The consolidated ratio of loans to deposits was 94.0 percent as of December 31, 2020.

As of December 31, 2020, the consolidated capital adequacy ratio increased to 20.8 percent from 17.8 percent, substantially more than required by the National Bank of Slovakia and the European Central Bank.



# Objectives for 2021

In 2020, the whole of society experienced the first economic effects of the pandemic. In light of the current development of the epidemic in Slovakia, it will take some time to deal with its implications. Therefore, besides fulfilling its strategic goals, the bank‘s priority in 2021 will be to help clients, employees and society as a whole to successfully cope with the current situation.

In **digital channel** development the bank will continue to confirm its position as an innovation leader while fulfilling its vision – to provide a unique client experience across all client segments. The bank will develop digital channels in terms of products and services, but also focus on acquiring new clients, with a positive effect on market shares.

Digitalization efforts will also focus on service operations associated with client service provided at physical branches. Clients will be able to consult, for example, housing loans through telephone authentication and the offer will be gradually expanded to include other services.
Even greater digitalization is planned by all units serving the corporate segment, including capital markets. The aim is to digitalize as many processes as possible so that clients can experience higher comfort when handling necessary administration as well as in trading.

Tatra banka also seeks to be the most recommended bank in the medium-sized enterprise segment. Therefore, the priority this year is the continuous improvement of the client experience – through the continuing digitalization of services, streamlining processes and staff development. The segment expects further growth of the loan portfolio and in the number of client transactions.

The **DIALOG** Live contact center will continue to increase its efficiency aided by a technology upgrade and the use of end-to-end processes in further service and product requirements. A priority of the Raiffeisen Bank **Infoline** is to launch an active sale of current accounts and the sale of loans. Both contact centers together aim to further promote the exceptional experience of premium and mass clients.

The expansion of the offer with new ETF product solutions and private equity is planned in the private client segment.

In 2019, the Tatra banka Group developed its Security Strategy to 2025. The Strategy was approved at a Tatra banka Management Board meeting and by the Tatra banka Supervisory Board. The main objectives for 2021 in this area are

- Employee health and safety, also considering the development of the pandemic situation associated with COVID-19
- Secure home office
- Implementing a consistent program for raising security awareness among clients and continue to improve security awareness among employees
- Information and communication technology and security risk management
- ATM network security and operation
- Continuing other activities arising from the strategy directed towards improving the organization’s resilience

**Raiffeisen Bank**

Given the prevailing situation caused by the coronavirus pandemic, 2021 will bring new challenges. Raiffeisen Bank is adapting its activities to these circumstances. In relation to clients, this mainly involves proactive communication of recommendations for coping with the current situation, such as deferred installments, contactless payments, and a guarantee of compliance with hygiene rules in branches. As soon as the situation allows, Raiffeisen Bank is prepared to proceed with fulfilling the acquisition strategy in the mass segment.

During the year, the bank will introduce further new products to increase client comfort, such as payments via Google Pay and the ability to draw pre-approved loans via internet banking or the mobile app. The bank is also working on using digital channels as a means for sales process execution. These are some of the new services aimed at enhancing the positive client experience as one of the bank's principal objectives for this year.

# Top management

## Supervisory Board

**Dr. Andrii Stepanenko**
Chairman of the Supervisory Board

**Ing. Igor Vida (until April 15, 2020)**
Vice-Chairman of the Supervisory Board

**Dr. Johann Strobl**
Member of the Supervisory Board
(Vice-Chairman of the Supervisory Board from June 8, 2020)

**Mag. Peter Lennkh**
Member of the Supervisory Board

**Mag. Andreas Gschwenter**
Member of the Supervisory Board

**Mag. Hannes Mösenbacher**
Member of the Supervisory Board

**Mag. Lukasz Januszewski (until June 18, 2020)**
Member of the Supervisory Board

**JUDr. Tomáš Borec (from June 25, 2020)**
Member of the Supervisory Board

**Ing. Iveta Uhrinová**
Member of the Supervisory Board

**Mgr. Iveta Medveďová (from May 1, 2020)**
Member of the Supervisory Board

**Ing. Peter Golha (from May 1, 2020)**
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**
Member of the Management Board

## Confidential Clerk

**Ing. Zuzana Koštialová**

# Addresses

## Raiffeisen Bank International AG

**Austria**
Am Stadtpark 9
1030 Vienna
Tel: +43-1-71 707-0
SWIFT/ BIC: RZBATWW
www.rbinternational.com
ir@rbinternational.com
communications@rbinternational.com

## CEE banking network

**Albania**
**Raiffeisen Bank Sh.A.**
European Trade Center
Bulevardi „Bajram Curri"
1000 Tirana
Tel: +355-4-23 81 381
SWIFT/BIC: SGSBALTX
www.raiffeisen.al

**Belarus**
**Priorbank JSC**
V. Khoruzhey St. 31 A
220002 Minsk
Tel: +375-17-28 9-9090
SWIFT/BIC: PJCBBY2X
www.priorbank.by

**Bosnia and Herzegovina**
**Raiffeisen Bank d.d.**
Bosna i Hercegovina
Zmaja od Bosne bb
71000 Sarajevo
Tel: +387-33-75 50 10
SWIFT/BIC: RZBABA2S
www.raiffeisenbank.ba

**Bulgaria**
**Raiffeisenbank (Bulgaria) EAD**
55 Nikola I. Vaptzarov Blvd.
Business Center EXPO 2000 PHAZE III
1407 Sofia
Tel: +359-2-91 985 101
SWIFT/BIC: RZBBBGSF
www.rbb.bg

**Croatia**
**Raiffeisenbank Austria d.d.**
Magazinska cesta 69
10000 Zagreb
Tel: +385-72-626 262
SWIFT/BIC: RZBHHR2X
www.rba.hr

**Czech Republic**
**Raiffeisenbank a.s.**
Hvězdova 1716/2b
14078 Prague 4
Tel: +420-412 440 000
SWIFT/BIC: RZBCCZPP
www.rb.cz

**Hungary**
**Raiffeisen Bank Zrt.**
Váci út 116-118
1133 Budapest
Tel: +36-1-48 444-00
SWIFT/BIC: UBRTHUHB
www.raiffeisen.hu

**Kosovo**
**Raiffeisen Bank Kosovo J.S.C.**
Robert Doll St. 99
10000 Pristina
Tel: +383-38-222 222
SWIFT/BIC: RBKOXKPR
www.raiffeisen-kosovo.com

**Romania**
**Raiffeisen Bank S.A.**
Calea Floreasca 246C
014476 Bucharest
Tel: +40-21-30 610 00
SWIFT/BIC: RZBRROBU
www.raiffeisen.ro

**Russia**
**AO Raiffeisenbank**
St. Troitskaya17/1
129090 Moscow
Tel: +7-495-721 99 00
SWIFT/BIC: RZBMRUMM
www.raiffeisen.ru

**Serbia**
**Raiffeisen banka a.d.**
Djordja Stanojevica 16
11070 Novi Beograd
Tel: +381-11-32 021 00
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
Tel: +38-044-490 8888
SWIFT/BIC: AVALUAUK
www.aval.ua

# Leasing companies

**Austria**
**Raiffeisen-Leasing GmbH**
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"
1000 Tirana
Tel: +355-4-22 749 20
www.raiffeisen-leasing.al

**Belarus**
**„Raiffeisen-Leasing" JLLC**
V. Khoruzhey 31 A
220002 Minsk
Tel: +375-17-28 9-9394
www.rl.by

**Bosnia and Herzegovina**
**Raiffeisen Leasing d.o.o. Sarajevo**
Zmaja od Bosne bb.
71000 Sarajevo
Tel: +387-33-254 340
www.rlbh.ba

**Bulgaria**
**Raiffeisen Leasing Bulgaria OOD**
32A Cherni Vrah Blvd. Fl.6
1407 Sofia
Tel: +359-2-49 191 91
www.rlbg.bg

**Croatia**
**Raiffeisen Leasing d.o.o.**
Radnicka cesta 43
10000 Zagreb
Tel: +385-1-65 9-5000
www.raiffeisen-leasing.hr

**Czech Republic**
**Raiffeisen-Leasing s.r.o.**
Hvězdova 1716/2b
14000 Prague 4
Tel: +420-2-215 116 11
www.rl.cz

**Hungary**
**Raiffeisen Corporate Lízing Zrt.**
Váci út 116-118
1133 Budapest
Tel: +36-1-486 5177
www.raiffeisenlizing.hu

**Kosovo**
**Raiffeisen Leasing Kosovo LLC**
Rr. UCK p.n.222
10000 Pristina
Tel: +383-38-222 222-340
www.raiffeisenleasing-kosovo.com

**Romania**
**Raiffeisen Leasing IFN S.A.**
Calea Floreasca 246 D
014476 Bucharest
Tel: +40-21-30 644 44
www.raiffeisen-leasing.ro

**Russia**
**OOO Raiffeisen-Leasing**
Smolenskaya-Sennaya Sq. 28
119121 Moscow
Tel: +7-495-72 1-9980
www.raiffeisen-leasing.ru

**Serbia**
**Raiffeisen Leasing d.o.o.**
Djordja Stanojevica 16
11070 Novi Beograd
Tel: +381-11-220 7400
www.raiffeisen-leasing.rs

**Slovakia**
**Tatra-Leasing s.r.o.**
Hodžovo námestie 3
811 06 Bratislava
Tel: +421-2-5919-3168
www.tatraleasing.sk

**Slovenia**
**Raiffeisen Leasing d.o.o.**
Letališka cesta 29a
1000 Ljubljana
Tel: +386-8-281-6200
www.raiffeisen-leasing.si

**Ukraine**
**LLC Raiffeisen Leasing Aval**
Stepan Bandera Av. 9
Build. 6 Office 6-201
04073 Kiev
Tel: +38-044-590 24 90
www.rla.com.ua

## Branches and representative offices – Europe

**France**
**RBI Representative Office Paris**
9-11 Avenue Franklin D. Roosevelt
75008 Paris
Tel: +33-1-45 612 700

**Germany**
**RBI Frankfurt Branch**
Wiesenhüttenplatz 26
60329 Frankfurt
Tel: +49-69-29 921 924

**Poland**
**RBI Poland Branch**
Ul. Grzybowska 78
00-844 Warsaw
Tel: +48-22-578 56 00

**Sweden**
**RBI Representative Office**
Nordic Countries
Drottninggatan 89, 14th Floor
11360 Stockholm
Tel: +46-8-440 5086

**UK**
**RBI London Branch**
Tower 42, Leaf C 9th Floor
25 Old Broad Street
London EC2N 1HQ
Tel: +44-20-79 33-8000

## Branches and representative offices – Asia

**China**
**RBI Beijing Branch**
Beijing International Club
Suite 200, 2nd Floor
Jianguomenwai Dajie 21
100020 Beijing
Tel: +86-10-65 32-3388

**RBI Representative Office Zhuhai**
Room 2404, Yue Cai Building
No. 188, Jingshan Rd, Jida,
Zhuhai, Guangdong Province
519015, P.R. China
Tel: +86-756-32 3-3500

**India**
**RBI Representative Office Mumbai**
501, Kamla Hub, Gulmohar Rd, Juhu
Mumbai 400049
Tel: +91-22-26 230 657

**Korea**
**RBI Representative Office Korea**
#1809 Le Meilleur Jongno Town
24 Jongno 1 ga
Seoul 110-888
Tel: +82-2-72 5-7951

**Singapore**
**RBI Singapore Branch**
50 Raffles Place
#31-03 Singapore Land Tower
Singapore 048623
Tel: +65-63 05-6000

**Vietnam**
**RBI Representative Office**
Ho-Chi-Minh-City
35 Nguyen Hue Str.,
Harbour View Tower
Room 601A, 6th Floor, Dist. 1
Ho-Chi-Minh-City
Tel: +842-8-38 214 718,
+842-8-38 214 719

# 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
1010 Vienna
Tel: +43-1-51 520-0
www.rcb.at

**Raiffeisen Factor Bank AG**
Mooslackengasse 12
1190 Vienna
Tel: +43-1-219 74 57-0
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
1190 Vienna
Tel: +43-1-717 07-0
www.raiffeisen-wohnbaubank.at

**Valida Holding AG**
Mooslackengasse 12
1190 Vienna
Tel: +43-1-31 648-0
www.valida.at

# Corporate Governance Statement

The corporate governance system of Tatra banka is regulated by the Corporate Governance Code in Slovakia issued by the Slovak Association of Corporate Governance. The Code is publicly available on the Association's website at 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 by 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 is derived 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. Preferred 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 of 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 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 percent of the share capital of the bank.

g. The right to a secure shareholding registration system
   Book-entry shares of the bank 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 preferred shares is limited subject to the terms and conditions stipulated in the bank's Articles of Association and pursuant to 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 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 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, subject to 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 an amendment.

In 2020, the Annual General Meeting was held on June 18, 2020. Shareholders holding ordinary shares representing a total of 64,498 votes, which accounted for 80.21 percent of the share capital, took part in the voting at the General Meeting. The General Meeting approved the Annual Separate Financial Statements and Consolidated Financial Statements for 2019, the Annual Report for 2019 and the proposed profit distribution. The General Meeting also decided on the appointment of a Supervisory Board member.

## 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. reviewing 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 a 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 compensation conditions and other Management Board member benefits;
g. granting approval or filing a motion for granting or withdrawing a procuration;
h. authorizing the remuneration principles;
i. authorizing or filing a motion for appointment and removal of the head of the 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 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 statutory 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, always 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 is quorate 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 any of the nominated candidates is not elected, a new election with the same rules must be held to elect a member of the Management Board. Removal of a member of the Management Board requires a majority of votes of the Supervisory Board members. 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 compliance with the organizational structure of the bank;

c. ensuring 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 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 specific requirements and individual steps in the selection and evaluation processes. It stipulates the qualification criteria for 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 potential conflict of interest, overall composition of the body, 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 regarding 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 performed 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.

Remuneration Committee – independently evaluates the remuneration rules and principles, participates in preparing remuneration decisions, and monitors the remuneration of members of the bank’s bodies and individuals discharging key functions. Its members include designated Supervisory Board members.

Nomination Committee – identifies, evaluates and recommends nominations, periodically evaluates the suitability and qualification of each member as a member of a bank body and defines the selection and evaluation criteria for a bank body member. 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 operational risk at the bank 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 the bank's operational risks and proposes the bank's strategic objectives. Its members include designated members of the Management Board and designated employees.

Damage Commission – focused on resolving 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 primarily include direct management methods, methods combining direct and technical (indirect) management and project management methods.

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

Technical (indirect) management is performed 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. They report temporarily 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. It includes 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. The operational model of the three lines of defense sets out appropriate responsibility for risk management and internal control.

In 2020, the bank continued to perform its activities under the established Internal Control System framework. It includes regular monitoring and validations, the results of which were presented to the competent authorities and to the Supervisory Board acting as the Audit Committee. The bank systematically enhances the Internal Governance Framework, and within it the Internal Control System, in accordance with the principles of the three lines of defense, both in terms of legislative and regulatory requirements, and in order to address the latest developments in the internal and external environments.

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 in charge of support in the implementation of the Internal Control System framework, monitoring and reporting is part of the Regulatory Affairs & Controls Department under the Compliance Division. In 2020, the Internal Control System Officer also participated in working groups tasked with revising the control system in selected processes, projects and regulatory requirements. The 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 the 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 at individual bank units, which are a direct and natural part of work processes on a daily basis. A work 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 at individual units of the bank, which are an indirect part of processes. Indirect process control is carried out by the 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 Internal Control System functionality and evaluation of its efficacy.

## Risk Management System

As part of risk management, the bank monitors, evaluates and manages in particular 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 compliant with 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**, i.e. the risk that a counterparty will not be able or willing to repay the full amount owed upon maturity, is monitored regularly and the financial position of each client is reviewed and assessed at least once a year. The highest exposure to any single borrower or a group of related borrowers is restricted by capital exposure limits, which are consistently monitored and reported to the National Bank of Slovakia on a monthly basis. Retail borrowers 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 risk 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 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.

The bank actively monitors new risk management legislation.

## 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 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 percent
Held for trading: 60,616 shares

ISIN: SK1110015510
Nominal value: EUR 4,000 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 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 percent
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: preferred 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 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 percent
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 shareholder Raiffeisen CEE Region Holding GmbH, with its registered office at Am Stadtpark 9, 1030 Vienna, Austria, with a 78.782 percent share and an 89.107 percent 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 if their office or employment ends 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.

# Remuneration Report for Tatra banka Management Board and Supervisory Board Members in 2020 pursuant to Section 201e(2) of the Commercial Code

This Remuneration Report provides an overview of all remuneration components of individual members of the Tatra banka, a.s. Management Board and the Tatra banka, a.s. Supervisory Board ("Company Body Members") for 2020.

## Fixed remuneration component

In particular, the fixed remuneration component reflects the relevant professional experience and organizational responsibility and provides a stable source of income for Company Body Members. The fixed remuneration component does not depend on the performance of the company or the Company Body Member.

The fixed remuneration component of company Management Board members is represented by the monthly remuneration set out in the service agreement. In 2020, the annual fixed remuneration component of individual members of the company Management Board ranged from EUR 120,000 to 216,000, other bonuses and additional health insurance ranged from EUR 0 to EUR 29,095.92, accident insurance was in a lump sum of EUR 75.65 and the employer's supplementary pension insurance contribution ranged from EUR 900 to EUR 6,480.

The fixed remuneration component of Supervisory Board members is represented by fixed annual remuneration paid at the end of the year or at the end of the office term. In 2020, the annual fixed remuneration component of individual members of the company Supervisory Board ranged from EUR 17,377.05 to EUR 60,000, in full compliance with the decision of the company general meeting on the remuneration of the company Supervisory Board members depending on the function discharged on the company Supervisory Board and the length of office term in 2020.

## Variable remuneration component

The variable remuneration component depends on performance. The amount of the variable remuneration component is based on a combination of an individual's performance and the evaluation of overall results of the company or the parent company. Financial and non-financial criteria are considered when evaluating individual performance.

The variable remuneration component of each company Management Board member is represented by an annual bonus. The variable remuneration component awarded after considering the performance, relevant targets and performance indicators, is reasonably balanced and never exceeds the fixed remuneration component of any Management Board member.

The fixed remuneration component is determined by the following performance indicators:

- Return on equity (ROE) of the company (usual weight 50 percent of 2/3)
- Cost income ratio (CIR) of the company (usual weight 50 percent of 2/3)
- Return on equity (ROE) of the RBI Group (usual weight 50 percent of 1/3)
- Cost income ratio (CIR) of the RBI Group (usual weight 50 percent of 1/3)

The performance indicators are evaluated as a ratio of the achieved indicator value and the strategic indicator value for the evaluated period. The final bonus is determined as the multiple of the ratio (coefficient) and the target bonus amount.

Management Board members have been awarded no variable remuneration component for 2020 as of the date of this Report. Consequently, as of the Report date, the share of the fixed and variable components in total remuneration for 2020 is unknown. The estimated corresponding target amount of the variable remuneration component of each Management Board member ranges from EUR 27,500 to EUR 64,000.

As of the date of this Report, there have been no circumstances that would give rise to the obligation to recover the variable component of the total remuneration.

The variable remuneration component of each Supervisory Board member for 2020 was EUR 0. The share of the fixed and variable components in the total remuneration for 2020 was 100 percent.

Company Body Members received no remuneration from any company under a special law.
Company Body Members were provided no shares or share options in relation to the discharged function.
The company awards no Company Body Member the variable remuneration component in the form of shares.

## Annual overview of fixed and variable remuneration components for 2020

The total of the fixed and estimated variable remuneration components of the company Management Board members for 2020 ranged from EUR 148,475.65 to EUR 286,555.65. Pursuant to Section 768r(2) of the Commercial Code (transitional provisions to amendments effective from July 1, 2019), the management board of a public company limited by shares is obliged to submit a remuneration report pursuant to Section 201e to the general meeting for discussion for the first time for the accounting period starting after July 1, 2019. Accordingly, no information on remuneration for the periods preceding January 1, 2020 is provided in the Report.

Section 201a(3) of the Commercial Code was not applied to 2020.

The requested company statement pursuant to Section 201e(3) of the Commercial Code is irrelevant because the Remuneration Report was not discussed at the general meeting in 2020.

# Segment reports

# Corporate Clients

| (in EUR ths) | 12/2020 | 12/2019 | 12/2018 | 12/2017 | 12/2016 | 12/2015 | 12/2014 |
|---|---|---|---|---|---|---|---|
| Net interest income | 69 296 | 67 301 | 66 054 | 64 914 | 66 282 | 73 394 | 87 928 |
| Net fees and commission income | 32 473 | 28 277 | 30 357 | 29 429 | 32 014 | 31 196 | 23 170 |
| Net provisioning | (28 753) | (370) | 8 177 | 8 030 | 4 265 | (21 631) | (35 011) |
| Other operating income | (7 214) | 20 948 | (5 890) | (4 732) | (4 829) | (4 618) | (6 428) |
| Operating expenses | (38 736) | (45 639) | (43 699) | (50 220) | (52 092) | (42 909) | (39 603) |
| **Profit before income taxes** | **27 066** | **70 517** | **54 999** | **47 421** | **45 640** | **35 432** | **30 056** |
| Cost/Income ratio | 38,06 % | 47,75 % | 45,33 % | 53,23 % | 53,00 % | 41,03 % | 35,65 % |

Note: Large and medium-sized corporate customers

## Large Corporate Clients

For the large corporate client segment, 2020 was a unique, and in terms of new business, an extremely successful year. Revenues in the segment were affected by the overall situation on the market, the new pandemic element, as well as the prevailing low interest rates and extremely intense competition. Despite the challenging conditions on the market, the segment's total revenues increased year on year. The amount of assets slightly exceeded the budgeted levels which, given the unique nature of the year, was a major achievement.

Although the quality of the loan portfolio was affected by the pandemic, it remained stable in the large corporate segment. Companies demonstrated sufficient financial reserves with a low number of installment deferrals in this segment in relation to the total number.

Asset growth was largely the result of investments in infrastructure, healthcare, real estate financing and an increase in the existing credit trades. In 2020, the bank completed several transactions acting as a syndicated loan arranger.

During the year there was further significant growth in the demand for project financing, mainly directed at new residential properties. In 2020, Tatra banka also funded a number of "green" projects.

The bank continued to pay particular attention to increasing client satisfaction during the year. The large corporate client segment again recorded an above-average satisfaction index. The bank invested significant effort in further development of business banking for corporate clients and service digitization. It focused on further progress in optimizing the lending process.

The bank also directed its energy into the acquisition of new corporate clients and new foreign investors in Slovakia, although there were fewer of them in the context of the pandemic and uncertainty.

## Corporate Centers
Despite all the challenges, Tatra banka evaluates last year in the medium-sized corporate client segment as successful in terms of the achieved business results. Communication with clients and request handling have been largely moved online. The bank is particularly pleased about the results of a client satisfaction survey, which definitely put the bank in the leading position on the Slovak market.

Even in such a challenging economic situation, segment revenues grew year on year, mainly as a result of credit trades and foreign payments. Attention was largely focused on addressing clients' liquidity shortfalls, both through loan instalment deferrals and the provision of new loans to supplement working capital. Investment loans were mainly directed at real estate projects, and the agricultural and automotive sectors. The amount of assets increased 7.5 percent year on year. Current accounts dominated deposit products due to prevailing low interest rates, and primary deposits reached record levels.

## Corporate Products
The 2020 business results were considerably affected by the pandemic. Despite uncertainty in the business environment, the demand for loans and other business and project financing products was relatively stable.

Demand for real estate project financing continued to increase. The amount of loans drawn increased by more than EUR 100 billion year on year, which reinforced Tatra banka's position as a clear leader on the Slovak market.

Factoring and financing of receivables was one of the market leaders again in 2020, with year-on-year sales growth. There was a slight decrease in the amount of loans drawn for financing agricultural and renewable energy source projects. The principal reason is the regular amortization of existing financed projects and a very low volume of new loans for renewable energy sources.

Concerning electronic banking for corporate clients, Tatra banka continued its efforts to develop the **Business** banking$^{TB}$ portal. In December, the bank launched the new **Business** Banking$^{TB}$ app for cell phones, which contains all the features of the desktop version. The app gives clients the option to sign contracts electronically.

## Capital Market Products
On the financial markets, 2020 can definitely be evaluated as a very turbulent year.

At the beginning of the year, there was no indication of the coming storm. Markets were calm and smoothly followed up on the optimistic trends prevailing in 2019. However, with the coming spring, the whole world was alarmed by the spread of the new coronavirus epidemic.  Economies slowed down significantly. Measures that the countries were forced to adopt substantially affected all areas of economic and social life and all segments.  Indeed, financial markets responded immediately. Within days, major stock markets fell by dozens of percentage points from their record-high levels. Financial markets, including the foreign exchange market, saw a significant growth in volatility.

Central banks responded by injecting money into the economy via the highest ever fiscal and monetary incentives. Markets were flooded with extremely cheap liquidity. However, stock markets started to grow again at the beginning of April to such an extent that one of the main stock indices recorded new record highs in the second half of the year.

High uncertainty naturally affected the economy and the behavior of the bank's corporate clients.

Extremely low market interest rates (even negative on short and mid-term maturities) made it impossible for predominantly conservative corporate clients to effectively appreciate their available funds. These clients prefer almost exclusively hedged and highly-liquid investment products and they are very cautious about investments in mutual funds, bonds, equities or other forms of securities, such as ETFs and investment certificates. Institutional clients faced the same problem. Massive purchases by central banks contributed to the fact that government bonds and corporate bonds with better ratings only offered positive interest income with very long maturities. As a result, the bank also recorded higher demand for unsecured bonds, subordinated bonds as well as securities with underlying assets in the form of stock indices.

Against this background, Tatra banka successfully put the first ever issue of its own unsecured MREL bonds of EUR 105 million on the market in the fall. Most interest in this type of security came from institutional clients.

Concerning securities issues, together with two other banks, Tatra banka implemented the issue of Slovak bonds of EUR 1.5 billion. This was achieved at the beginning of the pandemic crisis, when the liquidity situation on the market was not good. This and other trades in Slovak bonds place Tatra banka among the most active players in this segment over the long term, while in 2020 the bank even took the leading position.

There were no distinctive trends compared to previous years in foreign exchange transactions. Corporate clients satisfied their need to buy and sell foreign exchange mainly through spot transactions, taking advantage of the abovementioned higher market volatility. Only when the situation became relatively stable, and especially in light of the fact that the industry was able to adapt relatively quickly to the new conditions, did some clients choose to hedge their exchange rate risks for a longer period, largely through forward transactions.

Due to the longer-term forecasts of interest rate developments, even fewer clients than the year before showed interest in interest rate hedging products and preferred the purchase of interest rate options to IRSs.

# Retail Clients

| (in EUR ths) | 12/2020 | 12/2019 | 12/2018 | 12/2017 | 12/2016 | 12/2015 | 12/2014 |
|---|---|---|---|---|---|---|---|
| Net interest income | 195 489 | 203 671 | 207 492 | 194 809 | 182 966 | 187 410 | 194 530 |
| Net fees and commission income | 94 405 | 89 433 | 95 128 | 100 718 | 95 380 | 102 423 | 99 782 |
| Net provisioning | (35 480) | (17 823) | (33 006) | (22 576) | (17 606) | (12 344) | (18 241) |
| Other operating income | (15 632) | (11 719) | (11 535) | (12 707) | (11 215) | (9 578) | (12 979) |
| Operating expenses | (178 577) | (184 384) | (176 956) | (172 756) | (165 453) | (165 455) | (162 098) |
| **Profit before income taxes** | **60 205** | **79 178** | **81 123** | **87 488** | **84 072** | **102 455** | **100 994** |
| Cost/Income ratio | 61,60 % | 62,91 % | 58,47 % | 58,46 % | 59,44 % | 57,09 % | 55,08 % |

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

## Natural Persons

Despite unfavorable conditions, 2020 brought many new clients in the retail segment thanks to digitized products and services being ready for clients.

Tatra banka introduced the first digital personality in Slovakia, Bejby Blue. She contributed to the fact that more than 20,000 new student accounts were opened. More than three quarters of the accounts were opened online, which substantially exceeded the bank's initial expectations and ambitions.

In the adult segment, the ratio of primary clients increased as well as the use of the mobile app and also to purchase new products.

The premium segment saw a successful change in the service model focused on the growth of a client's investment portfolio.

## Consumer Loans

The challenging situation during the pandemic was also demonstrated in consumer loans. Within days, clients' needs changed from the demand for new loans to addressing installment deferrals. From the moment the Lex Corona law, which was passed and signed within 4 days, came into force, Tatra banka's clients were also able to request installment deferrals remotely using the **Tatra banka** mobile app or **Internet** Banking$^{TB}$. As well as installment deferrals, other product services also started to be provided remotely without visiting a branch in person.

The restriction of movement and services further highlighted the advantages of adequately prepared digital channels. Clients could continue to use **Face** Biometrics$^{TB}$ not only to open an account, but also to receive a consumer loan.

After the hectic months of the first pandemic wave, the bank again started to actively offer new financing to clients, including popular pre-approved loans. In the fall, clients showed interest in the offer of a zero interest benefit after repaying half of the instalments.

## Housing Loans

Housing loans recorded historically low interest rates, which positively influence client interest in loans.

Increased interest in housing loans was generated despite restrictions resulting from the pandemic situation related to COVID-19. Despite lower sales in the spring months, the total amount of housing loans provided by Tatra banka equaled the amount achieved in 2019, mainly because the bank had been prepared for remote sales and because of the bank's active sales promotion.

Even more clients appreciated and made use of the option to consult their loan from the comfort of their home. Clients increasingly used online services via DIALOG Live as well as courier services to sign documentation.

To further increase client comfort, Tatra banka introduced the option to upload documents required for a loan application via **Internet** Banking[TB]. Clients can simply take photos of the documents needed for a loan application and send them to the bank by uploading them in **Internet** Banking[TB].

The situation in 2020 showed that the bank's orientation towards the online sale of housing loans and remote client service was a step in the right direction.

## Electronic Banking

In 2020, Tatra banka's electronic banking confirmed its important role in fulfilling the bank's strategic goals. More than 99 percent of transactions at Tatra banka are made through electronic channels. Over 38 million domestic payments were made via client apps such as **Internet** Banking[TB], the **Tatra banka** mobile app and **Tatra banka VIAMO**.

## Internet Banking

The situation in 2020 was extremely challenging. The pandemic brought significant restrictions to which clients and the bank had to adapt. Nevertheless, this did not stop development and the bank brought clients new functionalities in order to let them perform as many service operations as possible from home, without the need to visit a branch. On digital channels, the bank implemented requests for loan installment deferrals, the increase of contactless limits for card payments, changes in the payment card delivery address and the option to upload documents required for a loan via **Internet** Banking[TB].

From 2020, clients could use their **Internet** Banking[TB] to conclude a savings contract for the supplementary pension savings scheme or receive a pre-approved **Business**Loan[TB] Expres without the need to sign paper contracts at a branch. To activate **Internet** Banking[TB] or the **Tatra banka** mobile app, clients no longer receive their initial password in an envelope. They can set it up online themselves. Other important activities in 2020 included the PSD2 Aggregation project for including accounts from other banks in **Internet** Banking[TB] and the development of **Premium** API[TB] to provide account information to corporate clients. In 2020, the bank also went ahead with a number of activities that should deliver further attractive new client services in the near future.

In e-commerce, 3D Secure transaction authorization was implemented in **Internet** Banking[TB] and the **Tatra banka** mobile app.

The **TatraPay** internet payment service (credit transfer to a contract merchant's account) recorded an increase of 31 percent in the number of transactions and 28 percent growth in the value of transactions year on year. A total of 2.1 million payments with a value of more than EUR 116 million were made using **TatraPay**.

## Mobile Applications

A number of new features were introduced in mobile banking in 2020 concerning sales, services and to increase client satisfaction.

The most significant changes were made to the **Tatra banka** mobile app.

The option to open up to 15 savings accounts with a current account was added. This was followed later by the option to open **Investment** Savings[TB] in **Mutual** Funds[TB].

Noticeable changes were also made to payment cards. A number of functionalities were added to the **Tatra banka** app, which enable a client to use a credit card immediately after they have filled in an online application. The safety of payment cards was improved with 3D Secure authorization of online payments directly in the app.

Tatra banka was the first bank in Slovakia to introduce the option of opening a **Self-employed** Account[TB] online. It was also the first bank in Slovakia to support the new Payme banking standard, which allows mobile app users of any bank to easily share payment information and subsequently pay via a payment link.

New functionalities were also introduced in the **Mobile**Pay[TB], **Tatra banka VIAMO** and **Čítačka**[TB] mobile apps.

Through regular updates, incorporation of changes based on client input and other activities, the bank's apps maintained high client satisfaction and helped to expand the mobile banking user base to more than 430,000 regular users.

## Payment Cards

At the beginning of 2020, Tatra Banka presented new payment card designs inspired by the works of art of contemporary Slovak artists. Moreover, since April 2020 for the first time ever, the bank started to issue vertical Visa debit payment cards.

Towards the end of the year, the bank gradually implemented SCA (Strong Customer Authentication) to authorize online card payments, which is fully compliant with PSD2 requirements.

In 2020, Tatra banka recorded a 17 percent increase in the number of contactless payments compared to 2019 and the value of contactless payments also increased by 21 percent.

During the first wave of the COVID-19 pandemic, Tatra banka expanded selected My Doctor services (previously only provided to clients with a personal credit card) to all clients of the bank. These included the services of an AI chatbot for online consultations of COVID-19 symptoms, Doctor on Call, an 11 percent discount on PCR tests for self-payers and the option of an online consultation with psychologists and therapists. These services continue to be available to clients during further pandemic waves. For this activity, Tatra banka received the Global Finance "Outstanding Crisis Leadership 2020" award.

At the end of the year, Tatra banka implemented the digital credit card innovation. From the clients' perspective, the card issue process was shortened from 7 to 10 days to seconds or minutes. After clients sign their contract documentation for a credit card via all channels, a card is added to their **Tatra banka** mobile app, which they can immediately add to the Apple Pay or Google Pay digital wallets and pay at POS terminals, or use the internet payment functionality to generate one-off data for online payments.

In light of the current situation, the credit card market in Slovakia decreased and Tatra banka also recorded a slight portfolio decrease.

### Mobile Payments

Mobile payments have been extremely popular with clients for several years. In 2020, Tatra banka expanded the portfolio of mobile payment solutions with Google Pay, which replaced the **Mobile**Pay$^{TB}$ payment functionality and allowed clients with an NFC-enabled smartphone with Android to use the global digital wallet. Clients made a total of 12.7 million transactions with a value of EUR 226 million using their smartphones, smartwatches and tablets in 2020.

### Business Credit Card

In 2020, Tatra banka introduced the option to get a business credit card for the newly self-employed instantly after meeting the basic risk criteria. Clients can use this option at any branch or even after opening a **Self-employed** Account$^{TB}$ via the mobile app. Cards for the newly self-employed are available after three months at the branch where they opened their account.

### Acceptance of Payment Cards

Tatra banka maintained its position as a leader on the Slovak market in payment card acceptance in 2020. Despite restrictions related to COVID-19, Tatra banka's business partners generated a turnover of EUR 4.680 billion on POS terminals with a total of more than 179 million transactions. In 2020, 17.1 million transactions totaling EUR 569.4 million were made using **CardPay** and **ComfortPay** payment gateways. The number of payment transactions over the internet keeps growing, increasing 37.9 percent compared to 2019.

In further innovations, in addition to ApplePay, the bank also offered Google Pay to clients and merchants accepting online payment via the Tatra banka's **CardPay** payment gateway.

At the end of 2020, Tatra banka had 17,990 active POS terminals, almost all of which supported contactless payments. The share of contactless transactions on Tatra banka's POS terminals was almost 82 percent in 2020.

## ATMs

At the end of 2020, Tatra banka had 359 ATMs. Throughout the year, cash dispensing ATMs were replaced with recycling ATM 2.0s, of which there was 145 at the end of the year. In addition to cash withdrawals, ATM 2.0s also allow Tatra banka's clients to deposit cash and pay invoices by scanning a code.

A total of 10.99 million cash withdrawals of over EUR 2.7 billion were made via Tatra banka's ATMs. Clients made 1.47 million deposits with a value of EUR 1.39 billion.

During the year, clients showed increasing interest in cash withdrawals with a cell phone. Almost 1.39 million withdrawals were made in this way totaling EUR 134.1 million. The number of withdrawals with a cell phone accounted for 12.6 percent of the total withdrawals from Tatra banka's ATMs.

## Small Corporate Clients

In 2020, the bank provided financial support of EUR 317 million to the small and medium-sized enterprise segment affected by the COVID-19 pandemic and the related measures, meeting the definition of a reliable and stable partner. Entrepreneurs came even closer to the digital world in the form of various new features in electronic banking introduced by the Small Corporate Clients Department.

After the pandemic outbreak, the small and medium-sized enterprise segment faced a difficult situation having virtually zero income on one hand, but expenses on the other hand. Clients sought support from their financial institution, expecting a helping hand. Help was provided extremely fast, first in the form installment deferrals and then through legislation by passing the LEX CORONA law. Moreover, Tatra banka's clients could complete the entire process from filing the application for deferrals to signing the amendment via **Tatra banka** or **Internet** Banking[TB].

The bank also joined the program of state-guaranteed loans. Through the enormous commitment of the team, all entrepreneurs affected by the pandemic could draw the first funds from this state aid within three days of signing the contract between the bank and guarantors. In fewer than 6 months, the bank supported this segment with EUR 150 million. The leading position of the bank in drawing EU investment and structural funds was transformed into support for almost 4,000 clients.

In 2020, Tatra banka also continued to expand the service options for the small and medium-sized enterprise segment, while innovating processes, which was reflected in increased client comfort and a broader range of client service options. The bank provided clients with a digital form for requesting documents be delivered to them and the option to upload these documents directly in **Internet** Banking[TB], with an overview of financial obligations of the self-employed in **Internet** Banking[TB] and the option to open a **Self-employed** Account[TB] online. Clients could also draw funds online or sign contract amendments directly in their apps.

## Private Clients

Tatra banka's private banking also offered attractive investment solutions to its clients in 2020. The bank launched ESG Funds onto the Slovak market in cooperation with Raiffeisen Capital Management. This gives clients the opportunity to invest in companies that keep the factors of social responsibility, environmental protection and corporate culture in mind in their business. The value of investments in ESG Funds totaled EUR 27.2 million.

Primary issues of investment certificates exceeding EUR 107 million took place in cooperation with Raiffeisen Centrobank.

The number of securities transactions exceeded 29,400 with their turnover surpassing EUR 751.9 million.

The bank continued to develop digital communication for private clients in 2020. With the mobile app, clients have an up-to-date overview of their portfolio, its performance and completed transactions. Digitization of contractual documentation allows clients to conclude and amend their contractual relations in the mobile app, which significantly contributes to reducing red tape and increasing the efficiency of client meetings.

In terms of awards, 2020 was also successful. Prestigious magazines PWM, The Banker and EMEA Finance recognized Tatra banka's Private Banking as the best in Slovakia.

## Raiffeisen Bank

Raiffeisen Bank confirmed its position again in 2020 as the bank with the most satisfied clients of all local banks measured by a customer satisfaction survey through the NPS (Net Promoter Score). During the challenging situation caused by the corona crisis, Raiffeisen Bank preferred pro-active client care. Later, with releasing measures, the bank was able to attract new clients and offer them useful easy-to-use and easy-to-understand products and services at a fair price.

# Corporate Social Responsibility

Tatra banka is part of the 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.

Besides ensuring compliance with the applicable legal regulations, in their work, RBI Group employees are also obliged to comply with the RBI Group Code of Conduct (the "*Code*") adopted by and adhered to by Tatra banka.

The *Code* sets out 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 any dealings with internal and external stakeholders.

If necessary, employees can consult with their managers or members of the Compliance Division responsible, among others, for the supervision of compliance with external and internal rules and regulations.

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 – in particular, our 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 approach to CSR and its CSR strategy. The Report also includes the CSR results achieved by all subsidiary banks, including Tatra banka. Among others, the document provides information on Group diversity, its green initiatives, as well as the wealth of charity and volunteering activities undertaken by our affiliated banks in their respective countries.

The *Sustainability Report* is available on the RBI website in the "Who we are" section.

In Tatra banka's Annual Report, there is information on selected aspects: customer relations, employee relations, the fight against financial crime, human rights protection, environmental protection and community relations.

## 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 carries out all its activities in consideration of environmental protection. The bank makes strategic and systematic decisions leading to a reduction in the produced carbon footprint. Environmental impact is one of the criteria considered in financing projects and business transactions.

Service providers and contractors comply with the defined standards, promoting the sustainability philosophy.

In the area of waste management, heating and cooling equipment and state environmental inspections, Tatra banka uses the services of an experienced external consultant, who represents the bank in dealings with the competent environmental and ecological authorities.

Residual heat from a data center is used as the source of heating for one of the head office buildings in Bratislava. Another building requires less energy because of its double facade. Heating is turned down in the evening and on weekends, and lighting sources in buildings are being systematically replaced with more energy-efficient sources.

Travel between the two head office buildings is provided by two electric cars, which serve as the employee shuttle service. A large number of meetings take the form of video conferences, which significantly reduce the number of business trips and together with a lower number of company cars positively contributes to reduced fuel consumption. Employees in the head office buildings can also use several shared bicycles.

Tatra banka plans to proceed with the defined strategic environmental activities. A number of diesel-fueled company cars will be replaced with electric cars, recycled paper will be used for printing documents and optimization of office space use will be gradually implemented.

## 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

Due to the impact of the pandemic particularly, 2020 posed a challenge which was handled well by the bank in terms of employee relations.

Long-term building and fostering of employee relations also proved to be a very important factor in the pandemic year 2020 for coping successfully with this difficult period.

The bank made an extraordinary effort in terms of employee health care, adopting a number of preventive measures against the impact of COVID-19. It supplied employees with protective equipment, directed client services to the online environment as much as possible, made antigen testing available at workplaces, substantially expanded and made available options for working from home (or remotely) as well as for employees of client service workplaces such as contact centers and people working as relationship managers serving retail and corporate clients.

It exceptionally expanded and provided the MyDoctor service from renowned international company Diagnose.me to clients and employees, through which they also had the option of a free online medical coronavirus consultation, a discount on a diagnostic COVID-19 PCR test and a hotline with medical staff providing psychological counseling in the case of anxiety or stress related to the consequences of the pandemic

The bank put emphasis on transparent internal communication in a timely manner. Message readership in the employee mobile app and on the intranet increased 30 percent in the first half-year compared to the long-term average and maintained its high levels throughout the year.

Investments in modern communication channels allowed the bank to quickly shift the majority of internal communication, including training and events, to the online environment. This provided efficient support for cross-functional cooperation based on the bank's corporate values.

In Q4 of 2020, the Management Board members introduced the bank's new 5-year strategy to all employees in an interactive and engaging form. Understanding the strategy, and people's identification with and involvement in its fulfillment is part of long-term leadership development, which is key to creating a sense of solidarity and meaningfulness in employees' work.

Tatra banka's vision as an employer is: We are the employer of the future for smart people and a place where we like to be, to create and to advance. The achievement of this vision is based on 3 fundamental pillars.

- Ambience
- Meaningful and creative work
- A place for work and life

The results of a regular loyalty and engagement survey of Tatra banka Group employees again showed that activities improving the working environment and conditions for people move the bank in the right direction. We achieved progress in all three pillars.

Opinions were expressed by 85 percent of employees. A total of 88 percent of employees are proud to work at our bank. As many as 72 percent of employees express a willingness to recommend work at the bank to their family or friends, which is great news and an important prerequisite for enhancing the bank's reputation as a responsible employer.

Tatra banka also supports employee volunteering activities and donations. They can engage in volunteering programs and each employee has two working days a year available for volunteering activities.

## Support of the Arts, Education and Innovations

Tatra banka's sponsorship activities and Tatra banka Foundation's donations strategically focus on three main profile areas: the arts, education and digital innovations.

Tatra banka is a proud general partner of two major cultural and social institutions in Slovakia. It is a long-standing supporter of the Slovak National Gallery and the Slovak National Theater. Also, thanks to Tatra banka, entry to the Slovak National Gallery is free for all visitors. The bank is also the general partner of the Academy of Fine Arts.

As another form of supporting the arts, the bank has presented awards to well-known and new artists for 25 years. The Tatra banka Foundation Art Award is the Tatra banka Foundation's largest open grant program, which, throughout its history, has presented awards to nearly 180 artists in 6 categories: theater, audiovisual, literature, music, fine arts and design. The following awards were presented in 2020: in the main artist category to Ivan Ostrochovský (movie), Milla Dromovich and Klára Jakubová (theater), Jan Filípek and Martina Figush Rozinajová (design), Miloš Valent (music), Lucia Tkáčová (fine arts), Katarína Kucbelová (literature), in each of the above categories for a specific artistic contribution in the previous year. In addition, 6 young artists received awards in the same categories. The awards consist of a bronze statue by the academic painter and sculptor Daniel Brunovský and a financial reward of EUR 6,600 in the Main Award category and EUR 3,300 in the Young Artist category.

This year, considering the unprecedented nation-wide situation, which has had an extremely paralyzing impact on culture and the arts, the bank has decided to reward not only the winners, but all 24 nominated artists.

In 2020, the Tatra banka Foundation applied a "reactive" strategy, which entailed not opening traditional grant programs usually constituting more than 80 percent of the Foundation's budget. This was an ad hoc response to the current situation and the provision of help in areas that urgently needed it at the time. Moreover, for the first time in its history, the Foundation used its emergency reserve created in 2004 to cope with the extreme events in the country. As a result, the Foundation was able to donate EUR 500,000 to fight the coronavirus and support more than 300 social care homes and non-profit organizations involved in the fight against COVID-19, to more than 100 general practitioner's offices for children and adults, and to make a donation to the St. Elizabeth University of Health and Social Work, which brings together pandemic experts and is, even at this time, extremely important and active. In addition, the Foundation co-financed the established and proven subsidy scheme of the Bratislava self-governing region, which experienced a significant shortage. A total of EUR 150,000 was used to support more than 50 cultural institutions in Bratislava, whose existence depends on support.

Due to other activities, 2020 was also unique. The Tatra banka Foundation donated dresses made by 10 young fashion designers to the collections of the Slovak National Gallery. These works of art were created for the presenter of the Tatra banka Foundation Art Awards over 10 years. This created a unique exhibition in the main building of the Slovak National Gallery, which lasted from October 2020 to February 2021.

Moreover, the bank decided to minimize its consumption even more substantially in everything that was not essential for life. Instead of buying Christmas presents for important clients, the bank made a donation of EUR 100,000 to the Slovak National Gallery. The gallery deposits thus acquired the work of Roman Ondak, one of the most prominent contemporary conceptual artists. This is a special gift for current and future generations. The work is currently exhibited in the Slovak National Gallery exhibition in Schaubmar's Mill in Pezinok. After completing extensive renovation of the gallery, it will become part of the permanent exhibition in the gallery's main building.

One of the fundamental pillars in 2020 was the participation in the founding of the Kempelen Institute of Intelligent Technologies. It is the first independent institute of its kind in Slovakia. It will engage in the research of intelligent technologies – artificial intelligence and several areas of informatics and information technologies (data science, machine learning, natural language processing, information security, software engineering). The institute will also address ethical issues in information technologies, particularly in artificial intelligence.

For more information about all the above-mentioned topics, please visit www.nadaciatatrabanky.sk.

## 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 corporate philanthropy. **Volunteering and donations** are an inseparable part of its activities. It supports larger and smaller projects that are often initiated by employees themselves.

### Corporate Volunteering

Responsibility towards community at Tatra banka is demonstrated by encouraging employees in **corporate volunteering** (during working hours with wage compensation, in line with defined rules). The bank mainly achieves this through two activities – the foundation employee program More for Regions (**Viac** pre regióny$^{TB}$) and active involvement in the biggest corporate volunteering event in Slovakia, **Our Town** (Pontis Foundation).

### More for Regions (Viac pre regióny$^{TB}$)

The More for Regions (**Viac** pre regióny$^{TB}$) employee grant program was organized for the seventh time last year in cooperation with the Tatra banka Foundation. The program supports NGOs and civic associations in all regions of Slovakia. It supports NGO projects submitted by Tatra banka Group employees, in which the employees also participate as volunteers.

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

In 2020, as part of this employee grant program, Tatra banka Group employees organized 10 from the initially planned 15 volunteering activities in cooperation with NGOs that had received financial support under the program in 2019. Due to the anti-pandemic measures, one volunteering activity was canceled and 4 were postponed to 2021. In 2020, 97 Tatra banka Group employees participated in the program as volunteers.

Volunteering activities took place in cooperation with the following organizations:

- OZ Vodníček – Rodičovské združenie pri Materskej škole Tupolevova 20
- Hokejový klub HC 07 Detva – mládež
- ZŠ Mládežnícka 3, Košice – Šaca
- Rada rodičov školy pri Základnej škole Belehradská 21, Košice
- VERBUM BONUM, o. z.
- Hornonitrianske stopy, o. z.
- Združenie na záchranu Lietavského hradu
- OZ Zatúlané psíky Šaľa
- Spojená škola Mudroňova 1, Nitra
- Radostná práca

Volunteering activities with the following organizations were postponed to 2021:

- OZ GaBa
- Stredisko sociálnych služieb Petržalka
- Orbis Nostri
- Rodičovské združenie pri Materskej škole Štiavnická

A volunteering event in cooperation with OZ Naša Revúca was canceled by the organization without any replacement, and the organization returned the funds provided under the program in 2019.

## Our Town

Tatra banka's employees can also participate in the **Our Town** event – which has been the biggest corporate volunteering program in Slovakia since it started. In 2020, 330 employees in 6 Slovak towns took part in the 14th year of this event. Together they put in approximately 1,430 volunteering hours.

Last year, employees had one whole day of their working time allocated for this event. During this time they could take part in any volunteering activity they chose, for which they received full wage compensation.

## Donations and Other Charity Events by Tatra banka Employees

The First Aid (**Prvá** pomoc$^{TB}$) grant program is designed for employees and their close family members experiencing a difficult life situation. A financial support application can be filed by employees themselves, but they often also give a helping hand to their colleagues through this program.

The aim of this program is to make difficult life situations easier for employees and their close relatives, to reduce the financial costs associated with a health or social problem, or difficulties caused by a natural disaster or another's fault. In 2020, 50 applicants were supported in this way with a total of EUR 52,890.

The blood donation program, **Krvná** banka$^{TB}$, which Tatra banka organizes in cooperation with the National Transfusion Service, has a ten-year tradition. In 2020, due to the pandemic, the mobile blood donation exceptionally took place only once, in both head office buildings, at the processing center in Prešov and at the DIALOG Live call center in Nitra. There were 67 blood donors among employees.

Tatra banka participated for the eleventh time in the collection of clothes and other items for non-profit organizations, called Pass On (**Posuň** ďalej[TB]), in cooperation with the Pontis Foundation. The collection took place in the summer and winter. Hundreds of employees in Bratislava, Prešov, Banská Bystrica and the Nitra region took part.

Employees brought clothes and home textiles filling dozens of bags. In addition, several hundred pairs of shoes and a number of boxes with drugstore goods, kitchen utensils and small appliances, accessories, toys and books were collected.

The collected items were distributed to 4 families from the Pontis Foundation's Heart for Children program and to 7 NGOs according to their needs: ZŠ sv. Marka in Nitra, Centrum pre deti a rodiny Nitra, Centrum pre deti a rodiny Bernolákovo, OZ Domov pre každého, Depaul Slovensko, Diecézna Charita – Dom pre núdznych Banská Bystrica and Gréckokatolícka charita Prešov.

In 2020, Tatra banka organized the **Christmas Tree of Fulfilled Wishes** for the third time. Employees from both central offices in Bratislava, the processing center in Prešov, the DIALOG Live call center in Nitra and from branches in Prešov, Trenčín, Košice, Bratislava, Žilina and the entire Nitra region participated in the event. Together they fulfilled the Christmas wishes of 473 children from 9 centers for children and families from CDR Bernolákovo, Nitra, Kolárovo, Pečeňady, Prešov, Sabinov, Holíč, Levice and Malacky.

## 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.

# Consolidated financial statements

# Independent Auditors' Report

KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
P. O. Box 7
820 04 Bratislava 24
Slovakia

Telephone: +421 (0)2 59 98 41 11
Fax: +421 (0)2 59 98 42 22
Internet: www.kpmg.sk

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 2020, 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 financial position of the Group as at 31 December 2020, and of its financial performance and its 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.

## Impairment of loans and advances to customers

*The carrying amount of loans and advances to customers as at 31 December 2020: € 11,316,033 thousand (as at 31 December 2019: € 10,957,275 thousand); total loan loss provisions recognized in 2020: € 50,555 thousand (in 2019: € 19,422 thousand); total loan loss provisions as at 31 December 2020: € 223,650 thousand (as at 31 December 2019: € 201,078 thousand).*

*Refer to Note II. (Principal accounting policies) and Note IV. 22. (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 ("ECLs" or "impairment allowances") within the loans and advances to customers at the reporting date. We focused on this area as the determination of impairment allowances requires complex and subjective judgment from the Management Board over the amount of any such impairment.<br><br>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.<br><br>For individually assessed exposures, the impairment assessment is based on the Group's knowledge and understanding of each individual borrower's circumstances and often on estimation of the realizable amount of the related | Our audit procedures in this area included, among others:<br><br>• Updating our understanding of the Group's ECL impairment provisioning methodology and assessing its compliance with the relevant requirements of IFRS 9. As part of the above, we identified the relevant methods, assumptions and sources of data, and assessed whether such methods, assumptions, data and their application are appropriate in the context of IFRS 9 requirements. We also challenged the Management Board on whether the level of methodology sophistication is appropriate based on our assessment of the entity-level and portfolio-level factors, including inspecting and assessing the internal validation reports;<br><br>• Obtaining an understanding of the Group's retrospective review of its ECL estimates and its response to the results of the review, and performing our own independent back-test;<br><br>• Making relevant inquiries of the Group's risk management and information technology (IT) personnel in order to |

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| | |
|---|---|
| collateral. Related impairment allowances are determined on an individual basis by means of a discounted cash flows valuation.<br><br>For the above reasons, coupled with the significantly higher estimation uncertainty stemming from the impact of the COVID-19 global pandemic on multiple sectors of the economy, 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 a key audit matter. | obtain an understanding of the provisioning process, IT applications used therein, key data sources and assumptions used in the ECL model. Also, assisted by our own IT specialists, assessing and testing of the Group's IT control environment for data security and access;<br><br>• 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 / default, appropriateness of the classification of exposures into performing and non-performing, rating appraisal, calculation of days past due, collateral valuations and the overall ECL estimate;<br><br>• Assessing whether the definition of default and the staging criteria of the Standard were consistently applied. Also assessing whether the definition of default applied for each segment/portfolio is appropriate based on the requirements of the IFRS 9 standard (e.g. taking into account the 90-day presumption);<br><br>• Evaluating whether in its loan staging and ECL measurement the Group appropriately considered the effects of the market disruption resulting from the COVID-19 pandemic;<br><br>For collective impairment allowance:<br><br>• Obtaining the relevant forward-looking information and macroeconomic forecasts used in the Group's ECL assessment. Assessing the information by means of comparison to the economic projections published by the National Bank of Slovakia and other publicly available projections and corroborating inquiries of the Management Board. |

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- Challenging the collective LGD, EAD and PD parameters used by the Group, by reference to historical defaults and realized losses on those defaults, and also considering any required adjustments to reflect expected changes in circumstances;

For impairment allowances calculated individually, for a risk-based sample of loans:

- 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 2020;

- For the exposures with triggers for classification Stage 3, 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 also performing respective independent estimates, where relevant.

For loans and advances exposures in totality:

- Examining whether the Group's loan impairment and credit risk-related disclosures in the consolidated financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.

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

The Management Board 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 Management Board 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 Management Board 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 Management Board 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.

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

- Conclude on the appropriateness of the Management Board'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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

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## Report on Other Legal and Regulatory Requirements

***Reporting on other information in the Consolidated Annual Report***

The Management Board is responsible for the other information. The other information comprises the information included in the Consolidated Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting") but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information in the Consolidated Annual Report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the Consolidated Annual Report that we have obtained prior to the date of the auditors' report on the audit of the financial statements, and, in doing so, consider whether the other information is materially inconsistent with the audited consolidated financial statements or our knowledge obtained in the audit of the consolidated financial statements, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

The Consolidated Annual Report was not available to us as of the date of this auditors' report on the audit of the consolidated financial statements.

When we obtain the Consolidated Annual Report of the Company, based on the work undertaken in the course of the audit of the consolidated financial statements we will express an opinion as to whether, in all material respects:

- the other information given in the Consolidated Annual Report for the year 2020 is consistent with the consolidated financial statements prepared for the same financial year; and
- the Consolidated Annual Report contains information required by the Act on Accounting.

In addition, we will report whether we have identified any material misstatement in the other information 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 Management Board of the Group 13 July 2018 on the basis of approval by the General Meeting of the Bank on 25 April 2019. 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 three 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.

9 March 2021
Bratislava, Slovak Republic

Slovenská komora audítorov
SKAU
Č.licencie 96
KPMG
Slovensko spol. s r.o.

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 2020

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

| | Note | 2020 | 2019 |
|---|---|---|---|
| Interest income calculated using effective interest rate method | | 291 348 | 302 426 |
| Other interest income | | 9 709 | 7 691 |
| Interest expenses | | (9 377) | (17 151) |
| **Net interest income** | **(1)** | **291 680** | **292 966** |
| | | | |
| Dividend income | (1) | 10 | 287 |
| **Net interest income and dividend income** | **(1)** | **291 690** | **293 253** |
| | | | |
| Fee and commission income | | 183 757 | 176 200 |
| Fee and commission expense | | (51 104) | (52 412) |
| **Net fee and commission income** | **(2)** | **132 653** | **123 788** |
| | | | |
| Net profit/(loss) from derecognition of financial assets and liabilities not measured at fair value through profit or loss | (3) | 384 | 719 |
| Net profit/(loss) from financial instruments held for trading and exchange rate differences | (4) | 30 157 | 20 671 |
| Net profit/(loss) from non-trading financial instruments mandatorily at fair value through profit or loss | (5) | 1 995 | 27 028 |
| Special levy of selected financial institutions | (6) | (25 550) | (23 881) |
| Other operating profit | (7) | 5 291 | 10 899 |
| Other operating loss | (7) | (2 388) | (4 243) |
| General administrative expenses | (8) | (231 507) | (250 599) |
| Contribution to the Resolution fund and the Deposit guarantee fund | (9) | (5 393) | (4 904) |
| Net modification profit / (loss) | (10) | (3 675) | - |
| (Creation)/release of provisions | (11) | 16 294 | (2 184) |
| (Creation)/release of provisions for expected losses from commitments and guarantees given | (12) | (1 714) | 604 |
| Impairment allowances for financial assets not measured at fair value through profit or loss | (13) | (64 077) | (20 247) |
| Impairment allowances for non-financial assets | (14) | (4 272) | (343) |
| Profit/(loss) on non-current assets and assets for disposal classified as held for sale | (15) | 96 | 491 |
| **Profit before tax** | | **139 984** | **171 052** |
| | | | |
| Income tax | (16) | (34 277) | (35 974) |
| **Profit after tax** | | **105 707** | **135 078** |

| | Note | 2020 | 2019 |
|---|---|---|---|
| **Other comprehensive income after income tax:** | | | |
| **Items which can be reclassified to profit or loss** | | | |
| Debt instruments at fair value through other comprehensive income | | 1 015 | 8 650 |
| Cash flow hedges | | (962) | 22 |
| Income tax related to items which can be reclassified to profit or loss | | 5 | (1 775) |
| **Items which can be reclassified to profit or loss** | | **58** | **6 897** |
| **Items which will not be reclassified to profit or loss** | | | |
| Equity instruments at fair value through other comprehensive income | | 502 | 16 814 |
| Income tax related to items which will not be reclassified to profit or loss | | (106) | (3 447) |
| **Items which will not be reclassified to profit or loss** | | **396** | **13 367** |
| **Other comprehensive income after income tax** | | **454** | **20 264** |
| **Comprehensive profit after tax** | | **106 161** | **155 342** |
| **Basic and diluted earnings per ordinary share (face value EUR 800) in EUR** | **(17)** | **1 328** | **1 940** |
| **Basic and diluted earnings per ordinary share (face value EUR 4 000) in EUR** | **(17)** | **6 640** | **9 700** |
| **Basic and diluted earnings per preference share (face value EUR 4) in EUR** | **(17)** | **6.6** | **9.7** |

# Consolidated statement of financial position as at 31 December 2020

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

| | Note | 2020 | 2019 |
|---|---|---|---|
| **Assets** | | | |
| Cash and Other deposits payable on demand | (18) | 142 189 | 161 397 |
| Cash balances at central banks | (18) | 1 572 152 | 1 135 155 |
| Financial assets held for trading | (19) | 54 549 | 31 233 |
| Non-trading financial assets mandatorily at fair value through profit or loss | (20) | 19 891 | 1 441 |
| Financial assets at fair value through other comprehensive income | (21) | 221 211 | 396 012 |
| Financial assets at amortised cost | (22) | 13 345 050 | 12 508 636 |
| Hedging derivative financial assets | (23) | 14 191 | 5 956 |
| Change in fair value of hedged items in interest rate risk hedging | (24) | - | 18 |
| Non-current tangible assets | (25) | 109 871 | 114 474 |
| Investment property | (25) | 1 | 1 |
| Non-current intangible assets | (25) | 57 265 | 53 793 |
| Current tax asset | (26) | 34 | 147 |
| Deferred tax asset | (27) | 36 266 | 28 860 |
| Other assets | (28) | 63 771 | 73 930 |
| Non-current assets held for sale | (29) | 4 290 | - |
| **Total assets** | | **15 640 731** | **14 511 053** |
| | | | |
| **Equity and liabilities** | | | |
| Financial liabilities held for trading | (30) | 84 277 | 38 152 |
| Financial liabilities at amortised cost | (31) | 14 089 060 | 13 117 216 |
| Hedging derivative financial liabilities | (32) | 3 322 | 741 |
| Change in fair value of hedged items in interest rate risk hedging | (33) | 1 991 | - |
| Provisions | (34) | 70 739 | 84 178 |
| Current tax liability | (35) | 4 028 | 358 |
| Other liabilities | (36) | 42 068 | 29 033 |
| **Total liabilities** | | **14 295 485** | **13 269 678** |
| | | | |
| Equity (excluding profit for current year) | (37) | 1 239 539 | 1 106 297 |
| Profit after tax | | 105 707 | 135 078 |
| **Total equity** | | **1 345 246** | **1 241 375** |
| | | | |
| **Total equity and liabilities** | | **15 640 731** | **14 511 053** |

# Consolidated statement of changes in equity for the year ended 31 December 2020

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 | Revaluation differences from instruments at fair value through other comprehensive income | Revaluation differences from cash flow hedges | Retained earnings | AT1 capital | Profit after tax | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity as at 1 January 2020** | **64 326** | **(347)** | **297 596** | **(4 598)** | **15 767** | **20 443** | **760** | **612 350** | **100 000** | **135 078** | **1 241 375** |
| *Total profit after tax* | | | | | | | | | | | |
| ***Profit after tax*** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | ***105 707*** | ***105 707*** |
| *Other comprehensive income* | | | | | | | | | | | |
| Debt instruments at fair value through other comprehensive income | - | - | - | - | - | 818 | - | - | - | - | 818 |
| Cash flow hedges | - | - | - | - | - | - | (760) | - | - | - | (760) |
| Equity instruments at fair value through other comprehensive income | - | - | - | - | - | 396 | - | - | - | - | 396 |
| **Other comprehensive income net of income tax** | **-** | **-** | **-** | **-** | **-** | **1 214** | **(760)** | **-** | **-** | **-** | **454** |
| **Total profit after tax** | **-** | **-** | **-** | **-** | **-** | **1 214** | **(760)** | **-** | **-** | **105 707** | **106 161** |
| **Transfer in equity[1)]** | **-** | **-** | **-** | **-** | **-** | **(9 831)** | **-** | **9 831** | **-** | **-** | **-** |
| **Reclassification[2)]** | **-** | **-** | **-** | **-** | **-** | **(7 136)** | **-** | **7 136** | **-** | **-** | **-** |
| *Transactions with owners of the Group[3)]* | | | | | | | | | | | |
| *Contributions and distributions* | | | | | | | | | | | |
| Distribution of profit, of which | - | - | - | - | (424) | - | - | 129 176 | - | (135 078) | (6 326) |
| *transfer to retained earnings* | - | - | - | - | - | - | - | *129 176* | - | *(128 752)* | - |
| *AT1 revenue payment[4)]* | - | - | - | - | - | - | - | - | - | *(6 326)* | *(6 326)* |
| Disposal of treasury shares | - | 333 | - | 4 417 | - | - | - | - | - | - | 4 750 |
| Profit from the sale of ordinary and preference shares | - | - | 499 | - | - | - | - | - | - | - | 499 |
| Repurchase of preference shares | - | (83) | - | (1 130) | - | - | - | - | - | - | (1 213) |
| **Total contributions and distributions** | **-** | **250** | **499** | **3 287** | **(424)** | **-** | **-** | **129 176** | **-** | **(135 078)** | **(2 290)** |
| **Equity as at 31 December 2020** | **64 326** | **(97)** | **298 095** | **(1 311)** | **15 343** | **4 690** | **-** | **758 493** | **100 000** | **105 707** | **1 345 246** |

*1) Note 21 Financial assets at fair value through other comprehensive income and*
*2) Note 20 Non-trading financial assets mandatorily at fair value through profit or loss*
*3) description of transactions with owners in Note 37 Equity*
*4) see "Distribution of the Bank's profit for 2019"*

# 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 | Revaluation differences from instruments at fair value through other comprehensive income | Revaluation differences from cash flow hedges | 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 hedges | - | - | - | - | - | - | 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** |
| **Transfer 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)* | - |
| *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 |
| Sale of ordinary and preference shares | - | - | 251 | - | - | - | - | - | - | - | 251 |
| Repurchase of preference shares | - | (528) | - | (6 969) | - | - | - | - | - | - | (7 497) |
| **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 cash flow statement for the year ended 31 December 2020

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

| | Note | 2020 | 2019 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| ***Profit before tax*** | | ***139 984*** | ***171 052*** |
| ***Adjustments for non-cash transactions*** | | ***(256 241)*** | ***(268 998)*** |
| Interest expense | (1) | 9 377 | 17 151 |
| Interest income | (1) | (301 067) | (310 289) |
| Dividend income | (1) | (10) | (116) |
| Impairment loss allowances, provisions for losses and other provisions, net | (11-14) | 13 205 | (5 216) |
| (Profit)/loss on sale and other disposal of non-current assets | (7) | (1 731) | (226) |
| (Profit)/loss on sale and other disposal of investment property | (7) | - | (3 102) |
| (Profit)/loss from sale of non-current assets held for sale | (15) | (96) | (491) |
| Unrealised (profit)/loss from financial derivatives and securities held for trading | (4) | 2 600 | 4 565 |
| Unrealised (profit)/loss from non-trading financial assets mandatorily at fair value through profit or loss | (5) | (112) | - |
| Unrealised (profit)/loss from hedging derivatives | (4) | (6 810) | (2 957) |
| Net (profit)/loss from securities at fair value through other comprehensive income | | (2 505) | 1 926 |
| Depreciation and amortisation | (8) | 29 677 | 30 514 |
| Impairment allowances for investment property | (8) | - | (306) |
| (Profit)/loss from foreign exchange operations and other operations with cash and cash equivalents | (4) | 1 231 | (451) |

| | Note | 2020 | 2019 |
|---|---|---|---|
| ***Cash flows used in operating activities before changes in working capital, interest received and paid and income tax paid*** | | ***(116 257)*** | ***(97 946)*** |
| ***(Increase)/decrease in operating assets*** | | | |
| Obligatory reserve with National Bank of Slovakia | (18) | (436 997) | (116 647) |
| Loans and advances to banks and customers | (22) | (267 304) | (961 163) |
| Financial assets held for trading | (19) | (15 129) | (5 662) |
| Non-trading financial assets mandatorily at fair value through profit or loss | (20) | (10 906) | (1 441) |
| Other assets | (28) | 10 244 | 21 911 |
| ***Increase/(decrease) in operating liabilities:*** | | | |
| Deposits from customers and current bank accounts | (31) | 377 168 | 991 902 |
| Financial liabilities held for trading | (30) | 42 683 | 9 714 |
| Other liabilities | (36) | 15 025 | 564 |
| ***Cash (used in)/earned from operations before interest paid received and income tax paid*** | | ***(401 473)*** | ***(158 768)*** |
| Interest paid | (1) | (22 633) | (17 051) |
| Interest received | (1) | 264 169 | 291 633 |
| Income tax paid | (16) | (33 490) | (41 462) |
| **Cash flows from operating activities, net** | | **(193 427)** | **74 352** |

| | | | |
|---|---|---|---|
| **Cash flows from investment activities** | | | |
| (Increase) in debt securities at amortised cost | (22) | (1 945 466) | (388 372) |
| Decrease in debt securities at amortised cost | (22) | 1 363 554 | 99 365 |
| (Increase) in debt securities at fair value through other comprehensive income | (21) | (220 546) | (257 478) |
| Decrease in debt securities at fair value through other comprehensive income | (21) | 387 447 | 385 988 |
| Interest received from financial assets at amortised cost | (22) | 27 526 | 23 716 |
| Proceeds from the sale or disposal of non-current tangible and intangible assets | (25) | 2 572 | 811 |
| Proceeds from the sale or disposal of investment property | (25) | - | 18 994 |
| Proceeds from the sale of non-current assets held for sale | (29) | - | 17 802 |
| Purchase of non-current tangible and intangible assets | (25) | (38 856) | (31 892) |
| Dividends received | (1) | 10 | 116 |
| **Cash flows from investment activities, net** | | **(423 759)** | **(130 950)** |

| | Note | 2020 | 2019 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Redemption of preference shares | (37) | (1 213) | (7 247) |
| Sale of preference shares | (37) | 5 250 | 5 066 |
| Loans received | (31) | 886 263 | - |
| Loans paid | (31) | (106 747) | (50 283) |
| Subordinated debt | (31) | (38) | (285) |
| Received debt security liabilities | (31) | 113 955 | 258 604 |
| Repayments of debt security liabilities | (31) | (280 660) | (60 377) |
| Rentals paid | (31) | (11 231) | (9 937) |
| Dividends paid | (37) | (6 327) | (43 710) |
| **Cash flows from financing activities, net** | | **599 252** | **91 831** |
| | | | |
| Effects of exchange rate changes on cash and cash equivalents and other effects | (18) | (1 275) | 460 |
| **Change in cash and cash equivalents** | | **(19 209)** | **35 693** |
| | | | |
| Cash and cash equivalents, beginning of the year* | (18) | 161 398 | 125 704 |
| **Cash and cash equivalents, end of the year*** | **(18)** | **142 189** | **161 397** |

** Cash and cash equivalents include bank overdrafts payable on demand (nostro accounts)*

# Notes to Consolidated financial statements as at 31 December 2020

## 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 8 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:

| | 2020 | 2019 |
|---|---|---|
| Raiffeisen CEE Region Holding GmbH, Vienna | 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:

| | 2020 | 2019 |
|---|---|---|
| Raiffeisen CEE Region Holding GmbH, Vienna | 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:

| | 2020 | 2019 |
|---|---|---|
| Raiffeisen CEE Region Holding GmbH, Vienna | 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 94 branches, corporate centres and corporate centre sub-agencies and 62 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 2020:**

| | |
|---|---|
| **Supervisory Board** | |
| Chairman: | Andrii STEPANENKO |
| Vice-chairman: | Johann STROBL |
| Members: | Peter LENNKH |
| | Peter GOLHA |
| | Tomáš BOREC |
| | Andreas GSCHWENTER |
| | Iveta MEDVEĎOVÁ |
| | 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 (the Group) Supervisory Board in 2020:**

Igor Vida – termination of office of a member of the Supervisory Board as at 15.4.2020.
Iveta Uhrínová – termination of office of a member of the Supervisory Board as at 15.4.2020.
Peter Golha – member of the Supervisory Board from 1.5.2020.
Iveta Medveďová – member of the Supervisory Board from 1.5.2020.
Iveta Uhrínová – member of the Supervisory Board from 1.5.2020.
Johann Strobl – vice-chairman of the Supervisory Board from 8.6.2020.
Lukasz Januszewski – termination of office of a member of the Supervisory Board as at 18.6.2020.
Tomáš Borec – member of the Supervisory Board from 25.6.2020.

**Changes in the Parent company's (the Group) Board of Directors in 2020:**

There were no changes in the structure of the Group's Board of Directors during 2020.

**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, Austria

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 2020, the Group comprised the Parent Company and the following companies (the „consolidated entities“):

| Company | Direct share | 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 |
| 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 | Mediation activities | Full consolidation | Bratislava |
| Rent CC, s.r.o. v likvidácii | - | 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 2020*

PRODEAL, a.s. merged with its parent company Tatra Residence, a. s. on the decisive date of 1 June 2020. Rent CC, s.r.o. in liquidation entered the liquidation process on 1 January 2020.

### *Distribution of the Parent company's profit for 2019*

| | |
|---|---|
| VAT1 Investment certificate revenue payment* | 6 326 |
| Contribution to retained earnings | 128 550 |
| **Total** | **134 876** |

** AT1 Investment certificate revenue payment will take place in accordance with the issue conditions of the instrument.*

### *Payment of dividends from the Parent company's retained earnings*

The Parent company did not pay any dividends from retained earnings in 2020.

The separate and consolidated financial statements for 2019, the Annual Report for 2019, the distribution of profit, retained earnings and the determination of royalties to the members of the Supervisory Board for 2019 were approved by the Parent company's General Meeting held on 18 June 2020.

### *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.

### *Impact of the COVID-19 coronavirus pandemic*

At the beginning of last year, a worldwide pandemic of a new coronavirus broke out. Its economic impact could not be accurately predicted at the time, but today it is almost certain that the economic fall in 2020 was deeper than in 2009.

To ensure the smooth provision of services in changed conditions and to help clients who have been affected by the anti-pandemic measures became the Group‘s new priorities.

The current crisis has widened the gap between the digital advanced and those lagging behind. Even the staunch opponents were forced to reach for digital technologies. It was during the pandemic that the bank recorded the highest share of transactions via mobile banking in history and historically the highest number of its users. The Group‘s long-term strategic focus on digital innovations has thus proved to be a great advantage.

Another very far-sighted step was the introduction of the concept of working from home a few years ago. Up to 2 000 people can work completely from home office within the Group. Despite the fact that the branches operated during reduced opening hours and half of the branch staff was in reserve in case of necessary quarantine, the provision of services to clients was ensured without serious restrictions.

In addition to fast adaptation to digitization, the pandemic also required fast assistance to the population and businesses. The sectors most affected by the anti-pandemic measures were helped to overcome the difficult period and maintain employment with favorable state-guaranteed operating loans. Over the last year‘s six months, more than 4 000 sole traders and companies received aid from the Group in the amount of EUR 212 million for which a state guarantee with a nominal value of EUR 189 million was accepted. Thus, the Group has become a leader in providing loans with a state guarantee on the Slovak market.

Requests for deferral of instalments were made available to households and companies in financial need in digital form immediately on the day the law came into force, approved by the government only two days earlier. Last year, more than 30 000 households and companies used this assistance. Current banking statistics show that most clients whose legislative deferral has ended have returned to repaying loans without any problems. The Group is ready to help clients who are still in a difficult financial situation through individual solutions.

Simultaneously in addition to helping clients, the foundation Nadácia Tatra banky (“the Foundation”) began working on projects which responded to extraordinary events in the company. The Foundation has been supporting art long-term. After a contribution of EUR 500 000 to the health professionals fighting against the coronavirus, the main focus was on the artistic community, on which the economic crisis had a significant impact. The foundation contacted Bratislava self-governing region and jointly contributed EUR 300 000 to the support of culture and art in Bratislava region.

The efficiency and rate of vaccination will have a major impact on the start-up of the economy and business of clients in 2021. Banks can only be successful in the long run if their clients are also successful.

***Impact of COVID-19 outbreak on financial statements***

The Group has a well-established Risk Management framework with sustainable risk solutions. The long-time implemented Risk Management practices proved to be effective to enable timely management of all material risks arising from coronavirus, to enable implementation of changes and necessary adjustments as a reaction on COVID-19 pandemic effects and to establish efficient reporting lines to senior management.

In the base case it is assumed that the introduction of COVID-19 vaccinations will improve the economic outlook over the year 2021, with risks of setbacks still in the first half of 2021, but more stability and growth in the second half of the year, when the vaccinations are more widely available and a degree of normalization of economic life can be achieved. However, for 2021 growth only partly compensates for the slump in 2020 and pre-crisis levels are only reached in the base case during 2022 for most countries.

For the pessimistic and optimistic scenarios, the methodology has been adapted due to the COVID-19 pandemic. We removed an additional adjustment for the position in the business cycle, as this adjustment would imply an even stronger recovery in 2021. In terms of interest rates, a return to previously higher rate levels looks unlikely, given continuously expansionary monetary policies. Therefore, interest rates increase less also in pessimistic scenario. The deviation of the pessimistic scenario from the base scenario for GDP has been increased in comparison to the deviation of the optimistic scenario to reflect downside risks.

In order to ensure adequate monitoring and timely risk management in times of COVID-19 pandemic outbreak and in order to address pro-actively the potential future COVID-19 impact on the borrower's unlikeliness to pay, since March 2020 the Group has implemented several measures. First, the Group introduced a new flag (automatically triggering transfer to Stage 2) assigned to customers that (i) were provided with the moratoria, or (ii) are based on individual risk assessment classified as endangered, although not belonging to risky red industries. Second, the Group has approved and implemented new methodology and process for providing payment moratoria related to COVID-19:

i. Public Lex Corona payment moratoria based on the Slovak Lex Corona law (max. 9 months postponement principal, interests or principal and interests according to request from client. The interest is accrued over the period of payment holiday. Public Lex Corona payment moratoria is in place during the pandemic situation or till Slovak government does not change it. Payment moratoria based on the Slovak Lex Corona law can be applied only once per agreement and it is available for SMEs).

ii. Commercial COVID-19 payment moratorium for customers not eligible for public Lex Corona moratorium (i.e. large corporates), with max. 6 months postponement of principal and only for eligible corporates (assessment of qualitative criteria based on the methodology and precondition).

All clients under COVID-19 payment moratoria, irrespective whether public or commercial are continuously monitored and adequately classified.

According to EBA GL, there is no automatic classification of loans under moratoria as forborne. However, loans under moratoria are flagged as forborne, or even default in case where financial difficulties and/or unlikeliness to pay are identified.

a) Public moratorium – Slovak Lex Corona law was until 31.12.2020 prohibiting the banks to deteriorate the creditworthiness quality of borrowers applying for public moratorium as a result of provided public moratorium. Nevertheless, as the payment discipline is not the only risk factor, within risk management the bank was and is monitoring credit quality and behavior of these clients and in case unlikeliness to pay is identified (as a result of other risk signals), adequate classification is performed (default, change of internal risk status, change of rating, shift to Stage 2 or 3).

b) Commercial moratorium for large corporates – approved methodology is defining eligible customers for this payment moratorium (those, who do not show deteriorated risk profile actually as well as mid-term). Availability of this payment moratorium is subject to individual assessment and does not trigger forbearance or default classification, as no substantial financial difficulties or unlikeliness to pay are identified.

The Group is since June 2020 involved into the program of state guarantee loans (published on Tatra banka's webpage) for non-retail clients and is supporting viable borrowers with new liquidity. Risk management and Workout were actively involved into implementation of this program and defining the underwriting policy, verification processes as well as future collection processes.

Following up on the COVID-19 situation and related state measures implemented, all process steps were followed carefully and challenged with scrutiny to ensure the level of provisions on adequate levels. Wherever the output of the existing models was assessed not appropriate, either changes in models or methodologies, or proper Post model adjustments were put in place. In retail, staging (and consequently, provisioning) of individual instruments according the IFRS9 is performed automatically, without almost any human intervention. The only exception providing an override possibility is the so-called "IFRS9 holistic flag" allowing, on a collective basis, to specify a group of instruments fulfilling certain predefined criteria (usually some negative information not captured by rating system), to be classified in Stage 2 (provided they were not previously already classified as Stage 3). Individual flags must be approved by the local Problem Loan Committee and clearly specify the reason and duration of the flag's validity. Retail holistic flags introduced since the start of the COVID-19 pandemic were several, since May 2020 until December 2020 with overall cumulated ECL impact cca EUR 8.5 million which represented the exposure of loans in amount of EUR 537.3 million.

Apart from the IFRS9 holistic flag, Staging can be influenced only by introduction of some systemic changes. For the Tatra banka retail portfolios where also quantitative criteria for Stage 2 apply (comparison of ratings at origination and current ratings), such change has been requested by the RBI Group in May 2020, when the RBI Retail Risk division decided (after discussing the proposals extensively with the Joint Supervisory Team (JST)) on the following two methodological changes:

1) Applicable since February 2020, to cease periodic scorecards' recalibrations (which influences current ratings assignment)

2) In May and June 2020, to freeze behavioral score for all eligible moratoria clients/loans (to last known value before requesting payment moratoria) and, from July 2020 onwards, to adjust calculation of their (monthly) behavioral scores by excluding moratorium periods from the evaluation of individual predictors (inputs of the behavioral scorecard). The primary aim of both these actions was to avoid potentially incorrect (and likely overly optimistic) assessment of creditworthiness of moratorium clients.

Apart from above stated, no other adjustments were necessary in retail with respect to Staging and provisioning calculation according the IFRS9.

The Group identifies customers for Stage 2 transfer based on quantitative and qualitative triggers. With the emerging of the pandemic situation in March 2020, the focus was naturally more on the qualitative triggers (the Group is using a wide range of indicators for qualitative assessment).

The Group transfers to Stage 2 all exposures whose cumulative PD calculated at the current rating for the remaining maturity has increased over the cumulative PD corresponding to the rating at origination above a certain relative threshold (no thresholds have been relaxed during the COVID-19 pandemic).

The Group had to apply several post-model adjustments (incl. method adjustments and collective assessments) in order to reflect the pandemic situation in impairments in line with IFRS9.B5.5.16.

Post-model adjustments (PMA) are adjustments used in circumstances where existing inputs, assumptions and model techniques do not capture all relevant risk factors. The emergence of new macroeconomic, microeconomic or political events, along with expected changes to parameters, models or data that are not incorporated in current parameters, internal risk rating migrations or forward-looking information are examples of such circumstances. Therefore, collective assessment in corporate and SMB segment was introduced in terms of ECL adjustment on portfolio level. Impairments calculated for non-retail non-defaulted clients (individual level adjustments) would be subject to an add-on, specifically for those with increased credit risk (assessed on individual customer level). In case of these customers, due to ongoing increased uncertainty of the situation development caused by COVID pandemic and to address potential underestimation of credit loss allowance, application of additional add-on on standard impairments calculation for these customers is reasonable (impact of add-on 2.5 implementation was recalculated at the time of implementation resulting to ECL increase in a volume of EUR 3.8 milion).

The following table presents the carrying amount of loans and advances subject to the public guarantee scheme as at 31 December 2020:

| | ***2020*** |
|---|---|
| **Loans and advances to banks** | **-** |
| **Loans and advances to customers** | **206 917** |
| Public sector | - |
| Corporate clients | 42 132 |
| Retail clients | 164 785 |
| **Total** | **206 917** |

The following table provides an overview of the gross carrying amount of financial assets and impairment allowances for expected losses, subject to legislative and non-legislative moratoriums by the remaining maturity of the moratoriums as at 31 December 2020.

| | *Gross carrying amount* | | | *Remaining maturity of moratoriums* | | | | | *Impairment allowances for expected losses* | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | *Of which: exposures with relief measures* | Of which: expired | ≤ 3 months | > 3 months ≤ 6 months | > 6 months ≤ 9 months | > 9 months ≤ 12 months | > 1 year | | *Of which: exposures with relief measures* |
| **Loans and advances to banks** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Loans and advances to customers** | **1 623 097** | **13 486** | **979 765** | **536 676** | **64 418** | **32 318** | **9 920** | **-** | **(37 158)** | **(6 415)** |
| Public sector | - | - | - | - | - | - | - | - | - | - |
| Corporate clients | 708 140 | 3 957 | 411 774 | 256 731 | 23 438 | 6 277 | 9 920 | - | (18 086) | (2 170) |
| Retail clients | 914 957 | 9 529 | 567 991 | 279 945 | 40 980 | 26 041 | - | - | (19 072) | (4 245) |
| **Total** | **1 623 097** | **13 486** | **979 765** | **536 676** | **64 418** | **32 318** | **9 920** | **-** | **(37 158)** | **(6 415)** |

The following table provides an overview of the gross carrying amount of financial assets and impairment allowances for expected losses subject to legislative and non-legislative moratoriums by stages as at 31 December 2020.

| | *Gross carrying amount* | | | | *Impairment allowances for expected losses* | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Stage 1 | Stage 2 | Stage 3 | POCI |
| **Loans and advances to banks** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Loans and advances to customers** | **390 568** | **1 201 285** | **31 244** | **-** | **(1 176)** | **(18 690)** | **(17 292)** | **-** |
| Public sector | - | - | - | - | - | - | - | - |
| Corporate clients | 36 840 | 659 154 | 12 146 | - | (75) | (9 399) | (8 612) | - |
| Retail clients | 353 728 | 542 131 | 19 098 | - | (1 101) | (9 291) | (8 680) | - |
| **Total** | **390 568** | **1 201 285** | **31 244** | **-** | **(1 176)** | **(18 690)** | **(17 292)** | **-** |

# II. PRINCIPAL ACCOUNTING POLICIES

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

## a) Basis for presentation

The consolidated financial statements of the Group (hereinafter also "financial statements") for 2020 and comparatives for 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") in Commission Regulation (EC) no. 1 126/2008 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 2020. The adoption of these standards and amendments to the existing standards and new interpretations had no significant impact on the Group's accounting policies.

As of the date of approval of these financial statements, the following new standards have been issued by the IASB and adopted by the EU but have not yet become effective:

**Interest Rate Benchmark Reform („IBOR reform") – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)**

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities.

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

The Group applied the Phase 2 amendments retrospectively. However, in line with the exceptions set out in the Phase 2 amendments, the Group has decided not to adjust the previous period to reflect the application of those amendments, including the failure to provide additional disclosures for 2019. As a result, it does not affect opening equity balances resulting from retrospective application.

The Phase 2 amendments provide practical relief from certain standards requirements. These concessions relate to changes in financial instruments, lease contracts or hedging relationships when the reference interest rate in the contract is replaced by a new alternative reference rate. If the basis for determining the contractual cash flows of a financial instrument changes as a direct result of a reform of reference interest rates and takes place on an economically equivalent basis, Phase 2 amendments provide practical relief for updating the effective interest rate of a financial instrument before applying existing standard requirements. The amendments also provide an exemption from the application of the revised discount rate, which reflects the change in the interest rate when revaluation of the lease liability due to the lease adjustment required by the interest rate reform. Finally, the Phase 2 amendments provide a series of reliefs from certain hedge accounting requirements when the interest rate of a hedged item required by a reform and/or a hedging instrument changes and, as a result, the hedging relationship can be continued without interruption.

The Group actively monitors the development of benchmark regulation (IBOR) and guidelines by the European institutions. As part of this change in regulation, the Group takes an active approach to the analysis of products and IT solutions. Part of the analysis is the identification of specific impacts on products and IT solutions and the time schedule for the implementation of this regulation during 2021.

**Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current** – the amendments clarify that the classification of liabilities as current or non-current shall be based solely on the Entity's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the Entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability. (effective for annual periods beginning on or after January 1, 2023).

**Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions** – the amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss. (effective for annual periods beginning on or after June 1, 2020).

**Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets** – in determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. Paragraph 68A clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts (effective for annual periods beginning on or after January 1, 2022).

**Annual Improvements to IFRS Standards 2018-2020 – Amendment to IFRS 9 Financial Instruments** - The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf (effective for annual periods beginning on or after 1 January 2022).

The Group does not expect any significant impact on the consolidated 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 2020, dated 9 March 2021, 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.

The financial statements have been prepared on a historical cost basis, except for the following material items, which are measured on the following alternative basis on each reporting date.

| Items | Measurement basis |
|---|---|
| Non-derivative financial instruments at FVTPL | Fair value |
| Derivative financial instruments | Fair value |
| Debt and equity securities at FVOCI | Fair value |
| Recognised financial assets and financial liabilities designated as hedged items in qualifying fair value hedging relationships (which otherwise would have been measured at amortised cost) | Amortised cost adjusted for hedging gain or loss |

### *Basis of preparation of the financial statements*

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 thousands, 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, or other factors could subsequently result in a change in estimates or other adjustments which 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 credit losses involves many uncertainties concerning the outcomes of the risks mentioned above and requires the Bank'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 at amortised cost and at fair value through other comprehensive income, loan commitments and financial guarantees 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 2020. The item is reported in "*(Creation)/release of provisions for expected losses from commitments and guarantees given*" or "*Impairment allowances for financial assets not measured at fair value through profit or loss*".

- The income tax rules and regulations have recently experienced significant changes; there is a limited historical precedent or interpretation judgement with respect to the extensive and complex issues affecting the banking sector. Furthermore, the 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 the Slovak tax law have not been sufficiently validated yet in practice, there is uncertainty as to how they will be applied by the tax authorities. The extent of this uncertainty cannot be quantified and disappears only when legal precedents or official interpretations of the competent authorities become available. The item adjustment for the uncertain realisation of a deferred tax asset is disclosed in the Note 16 "*Income Tax*".

- Provisions for litigation consider 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*".

- 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.

**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 2020.

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 the statement of 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 the statement of 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 foreign exchange transactions including unrealised gains and losses from financial assets revaluations to fair value are included in the Statement of Comprehensive Income item "*Net profit/(loss) from financial instruments held for trading and exchange rate differences*". Exchange rate gains (losses) from equity financial instruments at fair value through other comprehensive income are included in "*Other comprehensive income*".

The unrealised gain or loss from fixed term transactions are recognised only in EUR where fair value is calculated by the standard mathematical formula on the anticipated forward exchange rate basis, 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 derivative financial assets*" or in the item "*Hedging derivative 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.

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

**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 (cash equivalents) include current deposits due to banks payable on demand.

The compulsory minimum reserves in the National Bank of Slovakia are 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 considers 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 for each investment 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 held for trading and those which 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.

**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 are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are measured at amortised cost using the effective interest rate method, less impairment losses.

When signing a loan agreement, the Group books the credit facility as off-balance sheet. The loan is recognised by the Group in the statement of financial position when providing funds to the debtor. During this exercise, the Group creates potential liabilities that are associated with credit risk. The Group recognises potential off-balance sheet liabilities and creates provisions for such liabilities that represent the level of risk of issued guarantees, letters of credit and undrawn credit limits as at the balance sheet date.

***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 calculated using effective interest rate method*".

### *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 measured at fair value. This portfolio includes, in particular, shares 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., D. Trust Certifikačná Autorita, a. s., Slovak Banking Credit Bureau, s. r. o.).

Dividends on financial assets at fair value through other comprehensive income are recognised in the statement of comprehensive income under „*Net interest income and dividend income*". Fair value gains or losses on equity investment measured at FVOCI are never reclassified to profit or loss and no impairment is recognised in profit or loss. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

***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 or issue. Unrealised gains and losses arising from changes in fair value are recognised in the item „*Revaluation 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 „*Revaluation differences 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 profit or loss*".

**Impairment of financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantees**

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 considers 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 through other comprehensive income (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 (i.e. instrument with a better than average rating of relevant portfolio), 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 applies increase in PD as a criterium for SICR determination for all portfolios with officially validated Lifetime PD models. Currently, these are the following: mortgages and home equity loans, personal loans, credit cards for private individuals (PI), and PI overdrafts. Significance trigger (a threshold value) is defined during model development as it is evaluated for each of these portfolios separately. It corresponds to a predefined quantile of distribution of logit differences of cumulative PDs (current and at origination), assessed on worsening portfolio. Currently, RBI Group's recommended quantile = 0.5 (i.e. median) is used for all portfolios.

### 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

Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life. Changes in market indicators of credit risk include, but are not limited to the credit spread, the credit default swap prices for the borrower, the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost, and other market information related to the borrower (such as changes in the price of a borrower's debt and equity instruments).

Expected changes in the contractual terms including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument.

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 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. Rebuttance can be performed only due to technical reasons (such as failed or incorrect IT processes for past due data calculation) and only in rare situations when correction of input data cannot be successfully remedied in the original IT system.

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 purchased or originated credit-impaired asset (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), Exposure 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, considering the range of possible outcomes that each chosen scenario is representative of. Since the adoption of IFRS 9 in January 2018, the following weights for individual economic scenarios are used in retail: 25% (upturn/ optimistic): 50% (base): 25% (downturn/ pessimistic).

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 2020 include the following key indicators for the Slovak republic for the years ended 31 December 2021 to 2023:

| | (%) | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Unemployment rate | Baseline | 7.38 | 6.44 | 5.84 |
| | Downside | 10.38 | 8.84 | 7.64 |
| | Upside | 4,84 | 4,41 | 4,32 |
| Interest rates | Baseline | (0,35) | (0,35) | (0,30) |
| | Downside | 1,30 | 0,97 | 0,69 |
| | Upside | (0,35) | (0,35) | (0,30) |
| GDP growth | Baseline | 5,02 | 2,49 | 2,50 |
| | Downside | 3,50 | 1,28 | 1,60 |
| | Upside | 6,74 | 3,87 | 3,54 |
| Real estate price index | Baseline | 1,86 | 1,90 | 1,93 |
| | Downside | 1,63 | 1,60 | 1,58 |
| | Upside | 2,13 | 2,27 | 2,38 |

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 rate | 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 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.

**Write-offs**

The Group writes off the loans and advences provided to clients if, based on 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 based on 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, further impairment allowance is created up to the amount of the written-off receivable and subsequently is derecognised from the statement of comprehensive income. The written-off receivables for which the right to recovery have not expired are recorded in the off-balance sheet. As at 31 December 2020 written off receivables for which the right to recovery have not expired were in the amount of EUR 21 722 thousand (as at 31 December 2019: EUR 32 289 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 a 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 *mandatorily measured 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 „*Non-trading financial assets mandatorily 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. Financial assets held for trading***

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 - debt securities, treasury bills and shares. Debt securities and treasury bills are recognised by the Group in the statement of financial position line „*Financial assets held for trading*". All purchases and sales of trading securities are recognised as at the settlement date.

Financial assets held for trading are initially recognised at fair value. The Bank 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 financial instruments held for trading and exchange rate differences*".

***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 („regular way") are recognised as spot transactions. Transactions that do not meet the "standard way" settlement criteria are treated as financial derivatives.

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 financial instruments held for trading and exchange rate differences*".

***c. Embedded derivatives***

An embedded derivative is a component of a hybrid contract which also includes a non-derivative host contract. As a result of such a contract, some of the cash flows of such combined instrument change in the same way as for the derivative itself. If a hybrid contract contains a host contract which is an asset and falls within the scope of IFRS 9, the whole contract is treated as a single instrument from an accounting perspective, with the embedded derivative not separated, i.e. the Group analyses the cash flows of the whole asset and the business model, from which the asset was acquired.

If a hybrid contract contains a host contract which is not within the scope of IFRS 9, embedded derivatives are separated and recognised as separate derivatives unless there is a close relationship between the risks and economic characteristics of the derivative and the risks and economic characteristics of the host contract and if the embedded derivative recognised separately meets the definition of a derivative and if the primary contract is not accounted for at fair value, the changes in which are recognised in the statement of comprehensive income. If an embedded derivative is separated, the host contract is recognised in accordance with other standards.

**5. Hedging derivatives**

Within implementation of IFRS 9, the Group has decided to continue using the original accounting under IAS 39 in the reporting of hedging derivatives. 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 statement of comprehensive income 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 ”*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*”. Only a 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 ”*Net interest income and dividend income*”.

### Macro hedges

In macro hedges, the Group used 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 “*Change in fair value of hedged items in interest rate risk hedging*”. 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) from financial instruments held for trading and exchange rate differences*”.

The positive fair value of the hedging derivative is presented in the statement of financial position in ”*Hedging derivative financial assets*”. The negative fair value of the hedging derivative is recognised in the statement of financial position in ”*Hedging derivative financial liabilities*”. 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) from financial instruments held for trading and exchange rate differences*”. 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 ”*Net interest income and dividend income*” depending on the type of hedging item.

***6. Financial liabilities measured 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.

**Reclassification in the statement of comprehensive income:**

The Group reclassified the financial instruments portfolio as at 1 January 2020 as follows:

| *Reclassification* | *31. 12. 2019 (before reclassification)* | *Reclassi-fication* | *1. 1. 2020 (after reclassification)* |
|---|---|---|---|
| **Financial assets at fair value through profit or loss** | **14 904** | **(14 904)** | **-** |
| Equity investments | 14 904 | (14 904) | - |
| **Non-trading financial assets at fair value through profit or loss** | **-** | **14 904** | **14 904** |
| Debt securities | - | 14 904 | 14 904 |
| **Equity*** | **7 136** | **(7 136)** | **-** |
| Revaluation differences from instruments at fair value through profit or loss | 7 136 | (7 136) | - |
| **Equity*** | **-** | **7 136** | **7 136** |
| Retained earnings | - | 7 136 | 7 136 |

** after income tax*

## 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 based on 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% or less than 10%, but more than EUR 100 000.

If the 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 recorded in Note "*Net modification profit / (loss)*".

### 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 „*Non-current tangible and intangible assets and investment property*”. The creation and release of impairment allowances due to the impairment of investment property is recognised in “*Other operating profit/(loss)*” in “Creation of impairment allowances for investment property ” or „*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.

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***

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).

IFRS 16 does not largely affect the lessor‘s accounting. The lessor will continue to distinguish between finance and operating leases.

***1. The Group as a lessor***

The Group as a lessor initially assesses whether the lease takes the form of a finance lease or an operating lease.

For the classification of a lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards of ownership of the asset. If the Group transfers substantially all the risks and rewards, the lease is classified as financial. Otherwise as an operating lease. One indicator of a finance lease is a lease term that lasts for almost the entire useful life of the asset.

The Group recognises lease payments under operating leases on a straight-line basis over the lease term in Note 7 “*Other operating profit/(loss)*” in “*Income from non-banking operations*”.

***2. The Group as lessee***

The Group leases real estate and other similar assets (branch business premises, parking spaces, data center, etc.) as part of a longer-term lease.

The Group recognises assets related to operating leases in the statement of financial position in the note 25 „*Non-current tangible and intangible assets and investment property*“ under „*Land and buildings – Right of use asets*“. Information on leases where the Group is a lessee is presented in Note 46 Leases as a lessee (IFRS 16).

**p) Non-current assets held for sale**

When the carrying amount is recovered through a sale transaction rather than through continuous use, non-current assets 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 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 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, provisions for liabilities are recognised as an expense or a liability. 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 2020, the Group had 3 591 employees included in the program (31 December 2019: 3 724 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 assesses 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 commission 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 are recognised in the statement of comprehensive income in „*Net fee and commission income*“ from financial assets and liabilities not measured at fair value.

The Group applies IFRS 15 to customer contracts if:
- the parties have agreed to the contract,
- it is possible to identify the rights of each party regarding the provision of services,
- it is possible to identify payment terms,
- the contract has a commercial substance,
- it is probable that the Group will receive consideration for the service provided.

In the contract, the Group identifies each obligation to deliver a service or several various services. Each such delivery of a different service is assessed and reported separately by the Group. Revenue is recognised when the service is delivered, i.e. the Group has fulfilled its obligation and the customer has the opportunity to benefit from the delivered service. Revenue is recognised on a one-off basis if it is a one-off service or sequentially if the service is delivered sequentially. A transaction price is set for each service delivery. If the Group receives a consideration from the client but a portion or full amount is expected to be returned, the revenue is not recognised, and the consideration received is recognised as a liability. If the transaction price provides the client or the Group with a significant element of financing the delivery of the service, the financing component and the price of the service are recognised separately.

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.

### 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.

### 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 include nostro accounts and term deposits made. On the side of liabilities, they included mainly loro accounts, term deposits 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**Úver$^{TB}$ Expres, **Business**Úver$^{TB}$ **Hypo** and **Business**Úver$^{TB}$ 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** úver[TB] Classic, **Bezúčelový** úver[TB] 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 2020:

| | Corporate customers | Financial institution and public sector | Retail customers | Investment banking and treasury | Total reportable segments | Equity investments and other | Total |
|---|---|---|---|---|---|---|---|
| Net interest income and dividend income | 72 557 | 1 525 | 200 821 | 9 260 | **284 163** | 7 527 | **291 690** |
| Net fee and commission income | 25 140 | 9 530 | 100 873 | (1 002) | **134 541** | (1 888) | **132 653** |
| *From payment transfers business* | *13 276* | *1 928* | *52 576* | *-* | ***67 780*** | *(544)* | ***67 236*** |
| *From credit processing business* | *8 037* | *79* | *9 922* | *(493)* | ***17 545*** | *(1 640)* | ***15 905*** |
| *From securities business* | *59* | *5 674* | *16 455* | *(509)* | ***21 679*** | *(8 145)* | ***13 534*** |
| *From activities related to the management of investment and pension funds* | *10* | *1 684* | *16 980* | *-* | ***18 674*** | *7 777* | ***26 451*** |
| *From activities regarding mediation for third parties* | *14* | *-* | *5 651* | *-* | ***5 665*** | *(483)* | ***5 182*** |
| *From guarantee business* | *3 941* | *173* | *298* | *-* | ***4 412*** | *39* | ***4 451*** |
| *For other banking services* | *(197)* | *(8)* | *(1 009)* | *-* | ***(1 214)*** | *1 108* | ***(106)*** |
| Net profit/(loss) from derecognition of financial assets and liabilities not measured at fair value through profit or loss | - | - | - | 372 | **372** | 12 | **384** |
| Net profit/(loss) from financial instruments held for trading and exchange rate differences | 7 569 | 425 | 12 126 | 10 102 | **30 222** | (65) | **30 157** |
| Net profit/(loss) from non-trading financial instruments mandatorily at fair value through profit or loss | 65 | - | 2 784 | (854) | **1 995** | - | **1 995** |
| Special levy of selected financial institutions | (7 214) | (1 027) | (14 741) | (164) | **(23 146)** | (2 404) | **(25 550)** |
| Other operating profit | - | - | - | - | **-** | 5 291 | **5 291** |
| Other operating loss | - | - | - | - | **-** | (2 388) | **(2 388)** |
| General administrative expenses | (39 129) | (2 474) | (184 181) | (2 678) | **(228 462)** | (3 045) | **(231 507)** |
| Contribution to the Resolution fund and the Deposit Guarantee fund | (1 196) | (337) | (1 291) | (410) | **(3 234)** | (2 159) | **(5 393)** |
| Net profit/(loss) from adjustment of profit or loss | - | - | (3 675) | - | **-** | - | **(3 675)** |
| (Creation)/release of provisions | - | - | - | - | **-** | 16 294 | **16 294** |
| (Creation)/release of provisions for expected losses from commitments and guarantees given | (1 046) | (28) | (640) | - | **(1 714)** | - | **(1 714)** |
| Impairment allowances for financial assets not measured at fair value through profit or loss | (28 812) | (1) | (35 208) | (56) | **(64 077)** | - | **(64 077)** |
| Impairment allowances for non-financial assets | - | - | - | - | **-** | (4 272) | **(4 272)** |
| Net profit on non-current assets held for sale | - | - | - | - | **-** | 96 | **96** |
| **Profit before income tax** | **27 934** | **7 613** | **76 868** | **14 570** | **126 985** | **12 999** | **139 984** |
| Income tax | - | - | - | - | **-** | (34 277) | **(34 277)** |
| **Profit after tax** | **27 934** | **7 613** | **76 868** | **14 570** | **126 985** | **(21 278)** | **105 707** |
| **Total assets** | **4 258 414** | **266 547** | **7 158 726** | **3 842 334** | **15 526 021** | **114 710** | **15 640 731** |
| **Total equity and liabilities** | **3 019 503** | **453 294** | **8 684 390** | **1 962 290** | **14 119 477** | **1 521 254** | **15 640 731** |

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

| | Corporate customers | Financial institution 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** |
| *From payment transfers business* | *12 822* | *1 355* | *51 401* | *-* | ***65 578*** | *(596)* | ***64 982*** |
| *From credit processing business* | *7 728* | *81* | *8 994* | *(519)* | ***16 284*** | *(1 314)* | ***14 970*** |
| *From securities business* | *46* | *4 357* | *14 351* | *127* | ***18 881*** | *(8 486)* | ***10 395*** |
| *From activities related to the management of investment and pension funds* | *11* | *1 947* | *15 535* | *-* | ***17 493*** | *6 091* | ***23 584*** |
| *From activities regarding mediation for third parties* | *10* | *-* | *4 591* | *-* | ***4 601*** | *47* | ***4 648*** |
| *From guarantee business* | *3 911* | *180* | *272* | *-* | ***4 363*** | *33* | ***4 396*** |
| *For other banking services* | *(122)* | *(7)* | *(299)* | *-* | ***(428)*** | *1 241* | ***813*** |
| 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 non-trading financial instruments mandatorily 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 | - | - | - | - | **-** | 10 899 | **10 899** |
| Other operating loss | - | - | - | - | **-** | (4 243) | **(4 243)** |
| General administrative expenses | (46 314) | (2 873) | (190 371) | (3 478) | **(243 036)** | (7 563) | **(250 599)** |
| Contribution to the Resolution fund and the 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 | 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 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 liabilities** | **3 107 762** | **1 211 199** | **7 871 149** | **1 009 760** | **13 199 870** | **1 311 183** | **14 511 053** |

# IV. OTHER NOTES

## 1. Net interest and dividend income

| | 2020 | 2019 |
|---|---|---|
| **Interest income calculated using effective interest rate method:** | **291 348** | **302 426** |
| from loans and advances to banks at amortised cost | 1 551 | 4 906 |
| from loans and advances to customers at amortised cost | 272 471 | 280 822 |
| from debt securities at amortised cost | 15 326 | 14 413 |
| from debt securities at fair value through other comprehensive income | 2 000 | 2 285 |
| **Other interest income:** | **9 709** | **7 691** |
| from financial leases | 7 155 | 7 044 |
| from debt securities held for trading | 198 | 178 |
| from financial liabilities | 2 259 | 463 |
| from other interest income | 97 | 6 |
| **Interest expense:** | **(9 377)** | **(17 151)** |
| on deposits from banks | (680) | (1 005) |
| on deposits from customers | (2 023) | (5 449) |
| on subordinated debts | (2 733) | (4 327) |
| on liabilities from debt securities issued by the bank at amortised cost | (1 357) | (2 124) |
| on derivatives held for trading | (529) | (383) |
| on liabilities from debt securities at fair value through profit or loss | (131) | (18) |
| on loans and deposits at amortised cost (including negative interest) | (1 194) | (2 929) |
| on financial leases | (602) | (648) |
| other interest expenses | (128) | (268) |
| **Net interest income** | **291 680** | **292 966** |
| **Dividend income:** | **10** | **287** |
| from financial assets at fair value through other comprehensive income | 10 | 171 |
| from non-trading financial assets mandatorily at fair value through profit or loss | - | 116 |
| **Net interest and dividend income** | **291 690** | **293 253** |

Change in presentation of Consolidated statement of comprehensive income as at 31 December 2019:

| | ***2019 before change*** | ***2019 after change*** |
|---|---|---|
| Interest income | 310 117 | - |
| Interest income calculated using the effective interest rate | - | 309 470 |
| Other interest income | - | 647 |
| Dividend income | 287 | - |
| Interest expense | (17 151) | (17 151) |
| **Net interest and dividend income** | **293 253** | **-** |
| **Net interest income** | **-** | **292 966** |
| | | |
| Dividend income | - | 287 |
| **Net interest and dividend income** | **-** | **293 253** |

## 2. Net fee and commission income

| | 2020 | 2019 |
|---|---|---|
| **Fee and commission income:** | **183 757** | **176 200** |
| ***out of which related to IFRS 15:*** | ***179 304*** | ***171 803*** |
| from payment transfers business | 111 512 | 109 645 |
| from credit processing business | 17 907 | 17 472 |
| from securities business | 15 252 | 12 694 |
| from activities related to the management of investment and pension funds | 26 468 | 24 635 |
| from activities regarding mediation for third parties | 5 735 | 5 451 |
| for other banking services | 2 430 | 1 906 |
| ***Other fee and commission income*** | ***4 453*** | ***4 397*** |
| from guarantee business | 4 453 | 4 397 |
| | | |
| **Fee and commission expenses:** | **(51 104)** | **(52 412)** |
| ***out of which related to IFRS 15:*** | ***(51 102)*** | ***(52 411)*** |
| from payment transfers business | (44 276) | (44 663) |
| from credit processing business | (2 002) | (2 502) |
| from securities business | (1 718) | (2 299) |
| from activities related to the management of investment and pension funds | (17) | (1 051) |
| from activities regarding mediation for third parties | (553) | (803) |
| for other banking services | (2 536) | (1 093) |
| **Other fee and commission expenses** | **(2)** | **(1)** |
| from guarantees business | (2) | (1) |
| | | |
| **Net fee and commission income** | **132 653** | **123 788** |

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

| | 2020 | 2019 |
|---|---|---|
| **Net profit / (loss) from derecognition of financial assets at amortised cost:** | **(645)** | **4** |
| Profit / (loss) from debt securities sold | (645) | 4 |
| | | |
| **Net profit / (loss) from derecognition of financial assets at fair value through other comprehensive income:** | **1 029** | **715** |
| Profit / (loss) from debt securities sold | 1 029 | 715 |
| | | |
| **Total** | **384** | **719** |

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

| | *2020* | *2019* |
|---|---|---|
| **Interest rate contracts – securities:** | **8 421** | **2 206** |
| Revaluation to fair value | 2 282 | 438 |
| Profit/(loss) from securities sold | 6 139 | 1 768 |
| | | |
| **Interest rate contracts – liabilities from hedged debt securities:** | **(7 345)** | **(3 779)** |
| Revaluation to fair value | (7 345) | (3 779) |
| | | |
| **Interest rate contracts – derivatives:** | **5 257** | **2 946** |
| Realised profit/(loss) from derivatives | 355 | (145) |
| Revaluation to fair value | 83 | 133 |
| Revaluation to fair value – fair value hedging derivatives | 4 819 | 2 958 |
| | | |
| **Currency contracts:** | **6 183** | **2 203** |
| Realised profit/(loss) from derivatives | 6 451 | 2 430 |
| Revaluation to fair value of derivatives | (268) | (227) |
| | | |
| **Commodity contracts:** | **-** | **(2)** |
| Revaluation to fair value of derivatives | - | (2) |
| | | |
| **Foreign exchange differences** | **17 641** | **17 097** |
| | | |
| **Total** | **30 157** | **20 671** |

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

| | *2020* | *2019* |
|---|---|---|
| **Interest-rate contracts – securities:** | **1 930** | **223** |
| Revaluation to fair value | 1 930 | 223 |
| **Transactions with securities** | **-** | **26 798** |
| Profit/(loss) from securities sold | - | 26 798 |
| **Loans and advances** | **65** | **7** |
| Revaluation to fair value | 65 | 7 |
| **Total** | **1 995** | **27 028** |

In 2019, the Group realised profit from the sale of equity investment of Mastercard Incorporated, net of income tax, in the amount of EUR 21 171 thousand (portion of the cumulative unrealised revaluation of equity investment as at 31 December 2018 was in the amount of EUR 12 817 thousand, net of income tax).

As at 1 January 2020, the Group reclassified the ownership interests in VISA Inc. from the portfolio "*Financial assets at fair value through other comprehensive income*" to the portfolio "*Non-trading financial assets mandatorily at fair value through profit or loss*". The revaluation to the fair value of the ownership is recognised in "*Net profit /(loss) from non-trading financial instruments mandatorily at fair value through profit or loss*".

## 6. Special levy of selected financial institutions

| | *2020* | *2019* |
|---|---|---|
| **Special levy of selected financial institutions:** | | |
| Special levy of selected financial institutions | (25 550) | (23 881) |
| **Total** | **(25 550)** | **(23 881)** |

From 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 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 was increased to 0.4 % (annual rate: 0.2 % in 2019). For the second half of 2020, the obligation to pay a special levy is abolished by the law.

## 7. Other operating profit/(loss)

| | *2020* | *2019* |
|---|---|---|
| Net gain from disposals of non-current tangible and intangible assets | 1 774 | 3 341 |
| Income from non-banking operations | 2 004 | 6 027 |
| Other operating income | 1 513 | 1 531 |
| **Other operating income** | **5 291** | **10 899** |

| | *2020* | *2019* |
|---|---|---|
| Other operating expenses | (2 388) | (4 243) |
| **Other operating expenses** | **(2 388)** | **(4 243)** |

## 8. General administrative expenses

| | *2020* | *2019* |
|---|---|---|
| **Personnel costs:** | **(134 916)** | **(143 618)** |
| Wages and salaries | (95 814) | (103 091) |
| Social security costs | (33 863) | (36 337) |
| Other social expenses | (3 972) | (4 268) |
| (Creation)/release of provisions for employee benefits | (1 267) | 78 |
| **Other administrative expenses:** | **(66 914)** | **(76 467)** |
| Costs of premises | (10 662) | (9 893) |
| Costs of information technology | (21 298) | (19 539) |
| Communication costs | (2 077) | (1 831) |
| Legal and consultancy costs* | (10 087) | (12 325) |
| Advertising and entertainment expenses | (15 406) | (19 055) |
| Consumption of stationeries | (659) | (1 139) |
| Transport and processing of cash | (769) | (832) |
| Travel costs | (721) | (1 694) |
| Education of employees | (1 532) | (2 515) |
| Other taxes and charges | (314) | (435) |
| Other expenses | (3 389) | (7 209) |
| **Depreciation and amortisation of non-current tangible and intangible assets:** | **(29 677)** | **(30 514)** |
| Non-current tangible assets | (20 366) | (21 839) |
| *out of which: right-of-use assets* | *(10 250)* | *(9 965)* |
| Investment property | - | (962) |
| Non-current intangible assets | (9 311) | (7 713) |
| **Total** | **(231 507)** | **(250 599)** |

* *"Legal and consultancy costs" include fee for the statutory audit in the amount of EUR 392 thousand (2019: 230 thousand) and other audit-related assurance services in the amount of EUR 100 thousand (2019: EUR 98 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 7 thousand (2019: EUR 8 thousand), related to English translation, provided training and consultancy.*

## 9. Contribution to the Resolution fund and the Deposit Guarantee fund

| | 2020 | 2019 |
|---|---|---|
| **Contribution to the Resolution fund and the Deposit Guarantee fund** | | |
| Contribution to the Resolution fund* | (4 847) | (4 368) |
| Contribution to the Deposit Guarantee fund | (546) | (536) |
| **Total** | **(5 393)** | **(4 904)** |

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

## 10. Net modification profit/(loss)

| | 2020 | 2019 |
|---|---|---|
| **Financial assets at amortised cost:** | **(3 675)** | **-** |
| Net modification profit / (loss) – Stage 1 | (1 520) | - |
| Net modification profit / (loss) – Stage 2 | (2 155) | - |
| **Total** | **(3 675)** | **-** |

## 11. (Creation)/release of provisions

| | 2020 | 2019 |
|---|---|---|
| **(Creation)/release of provisions for:** | **16 294** | **(2 184)** |
| (Creation)/release of provisions for litigations | 16 294 | (2 184) |
| **Total** | **16 294** | **(2 184)** |

In the first quarter of 2020, the Group received a decision on the termination of litigation, on which a provision was created in the outstanding balance of EUR 18 093 thousand. The balance of the provision was released as at the end of 31 March 2020.

## 12. (Creation)/release of provisions for expected losses from provided commitments and guarantees

| | 2020 | 2019 |
|---|---|---|
| **Provisions for provided commitments and guarantees (Stage 1):** | **(152)** | **112** |
| (Creation)/release | (152) | 112 |
| **Provisions for provided commitments and guarantees (Stage 2):** | **(1 507)** | **19** |
| (Creation)/release | (1 507) | 19 |
| **Provisions for provided commitments and guarantees (Stage 3):** | **(55)** | **473** |
| (Creation)/release | (55) | 473 |
| **Total** | **(1 714)** | **604** |

## 13. Impairment allowances for financial assets not measured at fair value through profit or loss

| | 2020 | 2019 |
|---|---|---|
| **Impairment allowances for financial assets without significant increase in credit risk since initial recognition (Stage 1):** | **2 035** | **(1 124)** |
| (Creation)/release | 2 035 | (1 124) |
| **Impairment allowances for financial assets with significant increase in credit risk since initial recognition, but not credit impaired (Stage 2):** | **(23 535)** | **6 987** |
| (Creation)/release | (23 535) | 6 987 |
| **Impairment allowances for credit impaired financial assets (Stage 3):** | **(45 461)** | **(23 825)** |
| (Creation)/release | (45 461) | (23 825) |
| **Impairment allowances for financial assets (POCI):** | **2 884** | **(2 285)** |
| (Creation)/release | 2 884 | (2 285) |
| **Total** | **(64 077)** | **(20 247)** |

For further information on the impairment allowances for expected credit losses, see Note 21 „*Financial assets at fair value through other comprehensive income*" and Note 22 „*Financial assets at amortised cost*".

## 14. Impairment allowances for non-financial assets

Movement in impairment allowances for non-financial assets:

| | *2020* | *2019* |
|---|---|---|
| (Creation)/release of impairment allowances for non-current tangible assets | (2 507) | (800) |
| (Creation)/release of impairment allowances for investment property | - | 306 |
| (Creation)/release of impairment allowances for non-current intangible assets | (887) | - |
| (Creation)/release of impairment allowances for other assets | (878) | 151 |
| **Total** | **(4 272)** | **(343)** |

## 15. Net profit/(loss) on non-current assets held for sale

| | *2020* | *2019* |
|---|---|---|
| Net profit/(loss) on assets held for sale | 96 | 491 |
| **Total** | **96** | **491** |

## 16. Income tax

| | *2020* | *2019* |
|---|---|---|
| Current tax expense | (37 273) | (37 696) |
| Deferred tax (expense)/income | 2 996 | 1 722 |
| **Total** | **(34 277)** | **(35 974)** |

Slovak legal entities must individually report taxable income and remit corporate income taxes thereon to the appropriate authorities. In 2020, the corporate income tax rate amounted to 21% (2019: 21%).

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

| | 2020 | 2019 |
|---|---|---|
| **Profit before tax** | **139 984** | **171 052** |
| | | |
| Theoretical tax calculated at the tax rate rate 21% (2019: 21%) | 29 397 | 35 921 |
| **Tax impact:** | | |
| Non-taxable income | (4 953) | (3 825) |
| Tax non-deductible expense | 534 | 4 161 |
| Impairment allowances and provisions, net | 783 | 579 |
| Additional tax of previous periods | 888 | (5) |
| Creation/(release) of impairment allowances for uncertain realisation of deferred tax assets | 4 461 | (2 870) |
| Impact of non - tax losses | 13 | 330 |
| Impact of consolidation | 3 154 | 1 683 |
| **Income tax expense** | **34 277** | **35 974** |
| | | |
| **Effective tax for accounting period** | **24.49%** | **21.03%** |

Deferred tax assets and liabilities as at 31 December 2020 and as at 31 December 2019 relate to the following items:

| | Book value | Tax value | Permanent difference | Permanent difference | 2020 | 2019 |
|---|---|---|---|---|---|---|
| Deferred tax assets | | | | | | |
| Financial assets at amortised cost | 13 345 050 | 13 554 760 | 4 320 | 205 390 | 43 132 | 37 650 |
| Financial liabilities at amortised cost | 14 089 060 | 14 090 534 | - | 1 474 | 310 | 276 |
| Non-current tangible assets and investment property | 109 872 | 128 516 | 887 | 17 757 | 3 729 | 3 960 |
| Other assets | 63 771 | 65 012 | - | 1 241 | 261 | 290 |
| Provisions | 70 739 | 118 | 33 988 | 36 633 | 7 693 | 6 811 |
| Other liabilities | 42 068 | 19 910 | - | 22 158 | 4 653 | 3 024 |
| **Total** | | | | | **59 778** | **52 011** |
| | | | | | | |
| Deferred tax liabilities | | | | | | |
| Financial assets at fair value through other comprehensive income | 221 211 | 215 729 | - | (5 482) | (1 151) | (5 359) |
| Derivative financial assets | 14 191 | 14 191 | - | - | - | (202) |
| **Total** | | | | | **(1 151)** | **(5 561)** |
| | | | | | | |
| **Net deferred tax asset/(liability)** | | | | | **58 627** | **46 450** |
| Uncertain realisation adjustment of deferred tax asset | | | | | (22 361) | (17 900) |
| **Net deferred tax asset/(liability)** | | | | | **36 266** | **28 550** |

As at 31 December 2020, the Group did not present a deferred tax asset of EUR 22 361 thousand (31 December 2019: EUR 17 900 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.

## 17. Basic and diluted earnings per share

| *2020* | *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: | 80 475 | 13 907 | 11 779 |
| Weighted average number of shares outstanding during the period | 60 616 | 2 095 | 1 774 401 |
| **Basic and diluted earnings per share** | **1 328** | **6 640** | **6.6** |

| *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: | 117 570 | 20 317 | 17 455 |
| Weighted average number of shares outstanding during the period | 60 616 | 2 095 | 1 799 902 |
| **Basic and diluted earnings per share** | **1 940** | **9 700** | **9.7** |

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

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

| | *2020* | *2019* |
|---|---|---|
| Cash in hand | 115 964 | 135 652 |
| Balances at central banks | 1 572 152 | 1 135 155 |
| Other deposits payable on demand | 26 225 | 25 745 |
| **Total** | **1 714 341** | **1 296 552** |

The obligatory minimum reserve is maintained as an interest-bearing deposit under the regulations of the National Bank of Slovakia and are part of item "*Balances at central banks*". The amount of the reserve depends on the level of deposits accepted by the Group. The Parent company's option to draw a reserve is limited in accordance with the applicable legislation. Therefore, it is not included in "*Cash and cash equivalents*" for the purposes of cash flow statement preparation (see the "*Consolidated cash flow statement*").

## 19. Financial assets held for trading

| | *2020* | *2019* |
|---|---|---|
| **Positive fair value of financial derivatives held for trading** | **34 453** | **26 685** |
| Interest rate contracts | 26 886 | 18 697 |
| Currency contracts | 7 567 | 7 988 |
| | | |
| **Debt securities** | **20 096** | **4 548** |
| Government bonds | 20 096 | 4 548 |
| | | |
| **Total** | **54 549** | **31 233** |

## 20. Non-trading financial assets mandatorily at fair value through profit or loss

| | 2020 | 2019 |
|---|---|---|
| **Equity securities, debt securities and other securities with variable yield** | **8 197** | **717** |
| Debt securities * | 8 197 | 717 |
| **Loans and advances to customers** | **11 694** | **724** |
| Loans and advances to corporate sectors | 11 694 | 724 |
| **Total** | **19 891** | **1 441** |

** As at 31 December 2020, 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. As at 31 December 2020, the value of the above-mentioned mutual fund shares was EUR 764 thousand (as at 31 December 2019: EUR 717 thousand).*

As at 1 January 2020, the Group reclassified the ownership interests in VISA Inc. from the portfolio „*Financial assets at fair value through other comprehensive income*“ to the portfolio „*Non-trading financial assets mandatorily at fair value through profit or loss*“ as debt securities. For this reason, the Group adjusted the item of Retained Earnings as at 1 January 2020 in the amount of EUR 7 136 thousand after income tax (see Consolidated statement of changes in equity).

## 21. Financial assets at fair value through other comprehensive income

| | 2020 | 2019 |
|---|---|---|
| **Debt securities** | **221 125** | **368 497** |
| Government bonds | 46 297 | 73 704 |
| Bonds issued by bank sector | 106 437 | 225 906 |
| Bonds issued by other sectors | 68 391 | 68 887 |
| **Equity investments** | **86** | **27 515** |
| Equity instruments | 86 | 27 515 |
| **Total** | **221 211** | **396 012** |

Classification of debt securities measured at fair value through other comprehensive income as at 31 December 2020:

| | Gross book value | Impairment allowances | Net book value |
|---|---|---|---|
| **Debt securities** | **221 484** | **(359)** | **221 125** |
| Government bonds | 46 300 | (3) | 46 297 |
| Bonds issued by bank sector | 106 449 | (12) | 106 437 |
| Bonds issued by other sectors | 68 735 | (344) | 68 391 |
| **Total** | **221 484** | **(359)** | **221 125** |

Classification of debt securities measured 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 bonds | 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** |

Equity instruments broken down per company:

| *Company* | *Group investment (%)* | *Acquisition Cost* | *Adjustment* | *Carrying amount as at 31 December 2020* | *Carrying amount as at 31 December 2019* |
|---|---|---|---|---|---|
| Burza cenných papierov v Bratislave, a. s. | 0.09 | 10 | (10) | - | - |
| S.W.I.F.T. s. c., Belgium | 0.03 | 52 | 34 | 86 | 81 |
| D. Trust Certifikačná Autorita, a. s. | 10.00 | 37 | (37) | - | - |
| Slovak Banking Credit Bureau, s. r. o. | 33.33 | 3 | (3) | - | - |
| VISA INC., USA | N/A | - | - | - | 27 434 |
| **Total** | | **102** | **(16)** | **86** | **27 515** |

During the first quarter of 2020, the Group sold part of the shares of VISA INC. (VISA Common A) in the carrying amount of EUR 12 530 thousand. The realised profit from the sale of these shares was in the amount of EUR 9 619 thousand (net of income tax) and is recognised in equity in the item "Retained earnings" (Note 37 Equity).

As at 1 January 2020, the reclassified the ownership interests in VISA Inc. (part VISA C Preferred) from the portfolio „*Financial assets at fair value through other comprehensive income*" to the portfolio „*Non-trading financial assets mandatorily at fair value through profit or loss*".

As at 24 September 2020, part of the VISA C Preferred shares were converted to VISA A Preferred in accordance with the conversion terms of VISA INC. During December 2020, the sale of the given type of share VISA INC. (VISA Preferred A) was performed in the carrying amount of EUR 9 620 thousand. The realised profit from the sale of these shares was in the amount of EUR 212 thousand (net of income tax) and is recognised in equity in the item "*Retained earnings*" (Note 37 Equity).

## 22. Financial assets at amortised cost

Classification of financial assets measured at amortised cost as at 31 December 2020:

| | *Gross book value* | *Impairment allowances* | *Net book value* |
|---|---|---|---|
| **Loans and advances to banks** | **109 854** | **-** | **109 854** |
| Money-market business | 10 820 | - | 10 820 |
| Reverse repo transactions | 99 034 | - | 99 034 |
| **Loans and advances to customers** | **11 539 683** | **(223 650)** | **11 316 033** |
| Overdraft loans and current account overdrafts | 835 895 | (21 542) | 814 353 |
| Receivables from credit cards | 92 362 | (5 637) | 86 725 |
| Factoring and loans backed by bills of exchange | 49 743 | (633) | 49 110 |
| Mortgage and housing loans | 4 704 305 | (37 905) | 4 666 400 |
| Home Equity Loans | 753 332 | (9 620) | 743 712 |
| Consumer loans | 886 035 | (58 779) | 827 256 |
| Financial lease assets | 250 578 | (6 373) | 244 205 |
| Investment, operating and other loans | 3 967 433 | (83 161) | 3 884 272 |
| **Debt securities** | **1 919 297** | **(134)** | **1 919 163** |
| Government bonds | 1 824 755 | (105) | 1 824 650 |
| Bonds issued by bank sector | 77 261 | (6) | 77 255 |
| Bonds issued by other sector | 17 281 | (23) | 17 258 |
| **Total** | **13 568 834** | **(223 784)** | **13 345 050** |

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 |
| Home Equity Loans | 658 035 | (10 573) | 647 462 |
| Consumer loans | 752 309 | (51 615) | 700 694 |
| Financial lease assets | 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 sector | 5 088 | (9) | 5 079 |
| **Total** | **12 710 174** | **(201 538)** | **12 508 636** |

As at 31 December 2020, the total amount of syndicated loans managed by the Group was in the amount of EUR 1 284 316 thousand (31 December 2019: EUR 1 344 587 thousand). The Group's share amounted to EUR 440 166 thousand (31 December 2019: EUR 421 036 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 2020:

| | *Gross book value* | *Impairment allowances* | *Net book value* |
|---|---|---|---|
| Banks | 187 115 | (6) | 187 109 |
| Public sector | 1 829 778 | (107) | 1 829 671 |
| Corporate clients | 4 607 567 | (78 594) | 4 528 973 |
| Retail clients | 6 944 374 | (145 077) | 6 799 297 |
| **Total** | **13 568 834** | **(223 784)** | **13 345 050** |

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** |

An overview of the quality of financial assets measured at amortised values is stated in Note 44 ”*Risk report*”.

Movement in impairment allowances for losses on financial assets measured at amortised cost as at 31 December 2020:

| | *As at 1 January 2020* | *Creation/ (Release)** | *Usage* | *Transfers, FX differences* | *As at 31 December 2020* |
|---|---|---|---|---|---|
| **Impairment allowances for financial assets without significant increase in credit risk since initial recognition (Stage 1)** | **18 002** | **(887)** | **-** | **-** | **17 115** |
| Banks | - | - | - | - | - |
| Corporate clients | 6 833 | (1 878) | - | - | 4 955 |
| Retail clients | 11 108 | 918 | - | - | 12 026 |
| Debt securities | 61 | 73 | - | - | 134 |
| **Impairment allowances for financial assets with significant increase in credit risk since initial recognition, but not credit impaired (Stage 2)** | **24 863** | **23 010** | **-** | **-** | **47 873** |
| Banks | - | - | - | - | - |
| Corporate clients | 7 076 | 13 973 | - | - | 21 049 |
| Retail clients | 17 787 | 9 037 | - | - | 26 824 |
| Debt securities | - | - | - | - | - |
| **Specific impairment allowance for individually and collectively assessed items (Stage 3)** | **155 185** | **30 224** | **(28 444)** | **(420)** | **156 545** |
| Banks | 399 | - | - | (399) | - |
| Corporate clients | 57 499 | 5 974 | (12 176) | 76 | 51 373 |
| Retail clients | 97 287 | 24 250 | (16 268) | (97) | 105 172 |
| Debt securities | - | - | - | - | - |
| **Impairment allowances for financial assets impaired on initial recognition (POCI)** | **3 488** | **(1 719)** | **(117)** | **599** | **2 251** |
| Banks | - | - | - | - | - |
| Corporate clients | 868 | (229) | (38) | 595 | 1 196 |
| Retail clients | 2 620 | (1 490) | (79) | 4 | 1 055 |
| Debt securities | - | - | - | - | - |
| **Total** | **201 538** | **50 628** | **(28 561)** | **179** | **223 784** |

** Creation/(release) of the impairment allowances for losses on financial assets measured at amortised cost includes the impact of unwinding in the amount of EUR 255 thousand.*

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

| | *As at 1 January 2019* | *Creation/ (Release)** | *Usage* | *Transfers, FX 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)** | **163 018** | **23 137** | **(30 980)** | **10** | **155 185** |
| Banks | 399 | - | - | - | 399 |
| Corporate clients | 70 272 | 2 529 | (15 310) | 8 | 57 499 |
| Retail clients | 92 347 | 20 608 | (15 670) | 2 | 97 287 |
| Debt securities | - | - | - | - | - |
| | | | | | |
| **Impairment allowances for financial assets impaired on initial recognition (POCI)** | **1 968** | **2 446** | **(926)** | **-** | **3 488** |
| Banks | - | - | - | - | - |
| Corporate clients | 754 | 1 023 | (909) | - | 868 |
| Retail clients | 1 214 | 1 423 | (17) | - | 2 620 |
| Debt securities | - | - | - | - | - |
| | | | | | |
| **Total** | **213 998** | **19 436** | **(31 906)** | **10** | **201 538** |

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

The following table represents the gross carrying amount of transfers between the impairment stages for financial assets at amortised cost and contingent liabilities and other off-balance sheet items at 31 December 2020:

| | *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* | *From Stage 3 to POCI** |
|---|---|---|---|---|---|---|---|
| **Loans and advances to banks** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Loans and advances to customers** | **461 760** | **1 706 587** | **5 963** | **34 349** | **2 101** | **26 652** | **25 442** |
| Corporate clients | 166 183 | 996 262 | 958 | 5 729 | 18 | 3 577 | 25 442 |
| Retail clients | 295 577 | 710 325 | 5 005 | 28 620 | 2 083 | 23 075 | - |
| **Debt securities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Provided commitments and financial guarantees** | **54 199** | **277 862** | **122** | **212** | **141** | **839** | **-** |
| Banks | - | - | - | - | - | - | - |
| Corporate clients | 29 545 | 254 150 | 4 | 68 | - | 644 | - |
| Retail clients | 24 654 | 23 712 | 118 | 144 | 141 | 195 | - |
| **Total** | **515 959** | **1 984 449** | **6 085** | **34 561** | **2 242** | **27 491** | **25 442** |

** In Group, such loans may arise from the purchase of such a loan in its own books (eg a loan purchased at a large discount that presents credit risk) or most often by modifying an existing loan at the client's request, a legal restructuring decision or a standstill between banks when a significant change arrised and the qualitative and quantitative criteria are met.*

The significant transfer of loans and advances from stage 1 to stage 2 was caused by the effect of COVID-19.

The following table presents the transfers (decreases) of the impairment allowance from the stages for financial assets measured at amortized cost and contingent liabilities and other off-balance sheet items as at 31 December 2020:

| | *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* | *From Stage 3 to POCI* |
|---|---|---|---|---|---|---|---|
| **Loans and advances to banks** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Loans and advances to customers** | **(5 482)** | **(4 897)** | **(2 881)** | **(2 105)** | **(852)** | **(389)** | **(22 012)** |
| Corporate clients | (2 145) | (2 316) | (143) | (555) | (9) | (23) | (22 012) |
| Retail clients | (3 337) | (2 581) | (2 738) | (1 549) | (843) | (366) | - |
| **Debt securities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Provided commitments and financial guarantees** | **(218)** | **(338)** | **(80)** | **(2)** | **(72)** | **(1)** | **-** |
| Banks | - | - | - | - | - | - | - |
| Corporate clients | (38) | (304) | - | - | - | - | - |
| Retail clients | (180) | (34) | (80) | (2) | (72) | (1) | - |
| **Total** | **(5 700)** | **(5 235)** | **(2 961)** | **(2 107)** | **(924)** | **(390)** | **(22 012)** |

The following table presents the transfers (increases) of the impairment allowance from the stages for financial assets measured at amortised cost and contingent liabilities and other off-balance sheet items as at 31 December 2020:

| | *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** | **780** | **24 179** | **267** | **14 866** | **15** | **15 439** |
| Corporate clients | 534 | 13 864 | 80 | 2 395 | - | 1 763 |
| Retail clients | 246 | 10 316 | 187 | 12 471 | 15 | 13 676 |
| **Debt securities** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Provided commitments and financial guarantees** | **47** | **1 097** | **2** | **94** | **-** | **123** |
| Banks | - | - | - | - | - | - |
| Corporate clients | 37 | 904 | - | - | - | - |
| Retail clients | 10 | 193 | 2 | 94 | - | 123 |
| **Total** | **827** | **25 276** | **269** | **14 960** | **15** | **15 562** |

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 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* | *From Stage 3 to POCI* |
|---|---|---|---|---|---|---|---|
| **Loans and advances to banks** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Loans and advances to customers** | **558 468** | **434 333** | **7 510** | **35 664** | **4 758** | **32 050** | **1 654** |
| Corporate clients | 63 013 | 111 094 | 0 | 5 935 | 8 | 8 809 | 1 549 |
| Retail clients | 495 455 | 323 239 | 7 510 | 29 729 | 4 750 | 23 241 | 105 |
| **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 | 0 | 187 | - |
| Retail clients | 20 513 | 23 628 | 137 | 183 | 214 | 345 | - |
| **Total** | **673 431** | **531 032** | **10 364** | **36 108** | **4 972** | **32 582** | **1 654** |

The following table presents the transfers (decreases) of the impairment allowance from the stages for financial assets measured 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* | *From Stage 3 to POCI* |
|---|---|---|---|---|---|---|---|
| **Loans and advances to banks** | **(1)** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Loans and advances to customers** | **(10 154)** | **(873)** | **(4 114)** | **(3 318)** | **(3 236)** | **(329)** | **(1 654)** |
| Corporate clients | (2 284) | (439) | (10) | (903) | (3) | (22) | (1 549) |
| Retail clients | (7 871) | (435) | (4 104) | (2 415) | (3 233) | (306) | (105) |
| **Debt securities** | **(1)** | **(12)** | **-** | **-** | **-** | **-** | **-** |
| **Provided commitments and financial guarantees** | **(389)** | **(118)** | **(103)** | **(3)** | **(155)** | **(1)** | **-** |
| Banks | - | - | - | - | - | - | - |
| Corporate clients | (140) | (99) | - | - | - | - | - |
| Retail clients | (249) | (19) | (103) | (3) | (155) | (1) | - |
| **Total** | **(10 545)** | **(1 003)** | **(4 217)** | **(3 321)** | **(3 391)** | **(330)** | **(1 654)** |

The following table presents the transfers (increases) of the impairment allowance from the stages for financial assets measured 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** | **955** | **6 458** | **342** | **22 133** | **35** | **17 647** |
| Corporate clients | 413 | 2 750 | - | 5 108 | - | 4 783 |
| Retail clients | 542 | 3 708 | 342 | 17 025 | 35 | 12 864 |
| **Debt securities** | **-** | **252** | **-** | **-** | **-** | **-** |
| **Provided commitments and financial guarantees** | **102** | **525** | **3** | **131** | **1** | **253** |
| Banks | - | - | - | - | - | - |
| Corporate clients | 90 | 392 | - | - | - | - |
| Retail clients | 12 | 133 | 3 | 131 | 1 | 253 |
| **Total** | **1 057** | **7 235** | **345** | **22 264** | **36** | **17 900** |

Balance of financial lease assets as at 31 December 2020 and as at 31 December 2019:

| | 2020 | 2019 |
|---|---|---|
| **Gross investment** | **268 092** | **268 183** |
| Less than 3 months | 25 482 | 27 299 |
| 3 months to 1 year | 61 077 | 62 196 |
| 1 to 5 years | 147 032 | 154 485 |
| More than 5 years | 34 501 | 24 203 |
| **Unrealised financial income** | **17 514** | **16 468** |
| Less than 3 months | 1 630 | 1 670 |
| 3 months to 1 year | 4 104 | 4 236 |
| 1 to 5 years | 9 232 | 8 589 |
| More than 5 years | 2 548 | 1 973 |
| **Net investment** | **250 578** | **251 715** |
| Less than 3 months | 23 852 | 25 629 |
| 3 months to 1 year | 56 973 | 57 960 |
| 1 to 5 years | 137 800 | 145 896 |
| More than 5 years | 31 953 | 22 230 |

Assets leased under finance lease contracts:

| | 2020 | 2019 |
|---|---|---|
| Vehicle leasing | 113 803 | 116 308 |
| Real estate leasing | 84 182 | 88 441 |
| Movable assets leasing | 52 593 | 46 966 |
| **Total** | **250 578** | **251 715** |

## 23. Hedging derivative financial assets

| | 2020 | 2019 |
|---|---|---|
| **Positive fair value of financial derivatives for fair value hedging** | **14 191** | **4 993** |
| Interest–rate contracts | 14 191 | 4 993 |
| **Positive fair value of financial derivatives for cash flow hedging** | **-** | **963** |
| Interest–rate contracts | - | 963 |
| **Total** | **14 191** | **5 956** |

**Fair value hedging of 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 set off, 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 2020 the Group recognised a net profit in the amount of EUR 4 819 thousand. With respect to the hedging instruments, the Group recognised a net profit of EUR 2 958 thousand as at 31 December 2019. Net loss from hedged items that related to the hedged risk amounted to EUR 7 345 thousand as at 31 December 2020. As at 31 December 2019, the Group recognised a net loss of EUR 3 779 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 efficient during the respective period.

As at 31 December 2020, in relation to the hedging instruments, the Group recognised a net loss in the amount of EUR 962 thousand, which is recognised in Other comprehensive income under „*Cash flow hedges*" (As at 31 December 2019 a net profit of EUR 22 thousand).

The following tables represent overview of Hedging derivative financial assets and liabilities as at 31 December 2020:

The table below displays the periods when cash flow hedges are expected:

| | Up to 3 Months | More than 3 months, up to 1 year | More than 1 year, up to 5 years | More than 5 years |
|---|---|---|---|---|
| Fair value hedges | - | - | 102 471 | 539 000 |
| **Interest based transactions** | **-** | **-** | **102 471** | **539 000** |

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

| | Nominal value of the hedging instrument | Assets – Fair value of the hedging instrument | Liabilities – Fair value of the hedging instrument | Changes in fair value used for calculating hedge ineffectiveness |
|---|---|---|---|---|
| Interest rate risk | 490 471 | 12 198 | 3 322 | 4 650 |
| **Micro cash flow hedges** | **490 471** | **12 198** | **3 322** | **4 650** |
| Interest rate risk | 151 000 | 1 993 | - | 2 178 |
| **Portfolio fair value hedges** | **151 000** | **1 993** | **-** | **2 178** |

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

| | Assets - Carrying amount of the hedged item | Liabilities - Carrying amount of the hedged item | Carrying amount of the hedge | Accumulated amount of fair value hedge adjustments included in the carrying amount | Changes in fair value used for calculating hedge ineffectiveness |
|---|---|---|---|---|---|
| Debt securities | 114 724 | - | 428 000 | (461) | 2 855 |
| Deposits from customers | - | 151 000 | 151 000 | 1 990 | (2 009) |
| Debt securities issued | - | 389 722 | 62 471 | 12 203 | (7 345) |
| **Fair value hedges** | **114 724** | **540 722** | **641 471** | **13 732** | **(6 499)** |

Cash flow hedges - 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 | (962) | - |
| **Interest rate risk** | **(962)** | **-** |

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

The amount and timing 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 – information regarding hedging instruments:

| | *Nominal value of the hedging instrument* | *Assets – Fair value of the hedging instrument* | *Liabilities – Fair value 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 - information regarding hedging instruments:

| | *Assets - Carrying amount of the hedged item* | *Liabilities - Carrying amount of the hedged item* | *Carrying amount of the hedge* | *Accumulated amount of fair value hedge adjustments included in the carrying amount* | *Changes in fair value used for calculating hedge ineffectiveness* |
|---|---|---|---|---|---|
| Debt securities | 34 424 | - | 378 000 | (1 253) | 557 |
| Debt securities issued | - | 382 148 | 72 671 | 4 857 | (3 779) |
| **Fair value hedges** | **34 424** | **382 148** | **450 671** | **3 604** | **(3 222)** |

Cash flow hedges - 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** | **-** |

## 24. Change in fair value of hedged items in hedging of interest rate risk

| | 2020 | 2019 |
|---|---|---|
| **Positive change in fair value of hedged items in hedging of interest rate risk** | **-** | **18** |
| Interest rate contracts | - | 18 |
| **Total** | **-** | **18** |

## 25. Non-current tangible and intangible assets and investment property

Movements in the non-current tangible assets for own use as at 31 December 2020:

| | *Land and Buildings - operating lease* | *Land and Buildings - Right-of-use of assets* | *Land and buildings* | *Machinery & equipment* | *Other non-current assets* | *Vehicles* | *Assets in progress* | *Total* |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| **1 January 2020** | **3 536** | **63 150** | **83 663** | **63 904** | **20 119** | **4 917** | **1 919** | **241 208** |
| Additions | - | - | - | - | - | - | 25 037 | 25 037 |
| Disposals | (3 536) | (1 831) | (7 343) | (4 815) | (3 295) | (286) | - | (21 106) |
| Transfer from own use to non - current assets held for sale* | - | - | (8 496) | - | - | - | - | (8 496) |
| Transfer from tangible assets in progress | - | 7 891 | 2 157 | 6 415 | 1 456 | 144 | (18 063) | - |
| **31 December 2020** | **-** | **69 210** | **69 981** | **65 504** | **18 280** | **4 775** | **8 893** | **236 643** |
| **Accumulated depreciation and provisions** | | | | | | | | |
| **1 January 2020** | **(2 261)** | **(9 965)** | **(49 653)** | **(50 208)** | **(12 736)** | **(1 911)** | **-** | **(126 734)** |
| Charge for the year | - | (10 250) | (2 628) | (5 320) | (1 607) | (561) | - | (20 366) |
| Disposals | 2 619 | 868 | 6 920 | 4 785 | 3 203 | 234 | - | 18 629 |
| Transfer to non-current assets held for sale* | - | - | 4 206 | - | - | - | - | 4 206 |
| Impairment allowance | (358) | - | (2 149) | - | - | - | - | (2 507) |
| **31 December 2020** | **-** | **(19 347)** | **(43 304)** | **(50 743)** | **(11 140)** | **(2 238)** | **-** | **(126 772)** |
| **Carrying amount as at 1 January 2020** | **1 275** | **53 185** | **34 010** | **13 696** | **7 383** | **3 006** | **1 919** | **114 474** |
| **Carrying amount as at 31 December 2020** | **-** | **49 863** | **26 677** | **14 761** | **7 140** | **2 537** | **8 893** | **109 871** |

** See Note 29 Non-current assets held for sale*

Movements in the non-current tangible assets for own use as at 31 December 2019

| | *Land and Buildings - operating lease* | *Land and Buildings - Right-of-use of assets* | *Land and buildings* | *Machinery & equipment* | *Other non-current assets* | *Vehicles* | *Assets in progress* | *Total* |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| **31 December 2018** | **3 536** | **-** | **78 209** | **59 836** | **18 019** | **5 135** | **5 583** | **170 318** |
| Impact of IFRS 16 | - | 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 |
| Adjustments for consolidation purposes | - | - | - | - | - | - | - | - |
| 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)** |
| Charge for the year | (238) | (9 965) | (4 611) | (4 964) | (1 495) | (566) | - | (21 839) |
| Adjustments for consolidation purposes | - | - | - | - | - | - | - | - |
| Disposals | - | - | 760 | 4 486 | 582 | 1 465 | - | 7 293 |
| Impairment allowance | - | - | (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** |

Movements in the investment property as at 31 December 2020:

| | *Land and buildings* | *Assets in progress* | *Total* |
|---|---|---|---|
| **Cost** | | | |
| **1 January 2020** | **5** | **-** | **5** |
| Additions | - | - | - |
| Disposals | - | - | - |
| **31 December 2020** | **5** | **-** | **5** |
| | | | |
| **Accumulated depreciation and provisions** | | | |
| **1 January 2020** | **(4)** | **-** | **(4)** |
| Charge for the year | - | - | - |
| Disposals | - | - | - |
| **31 December 2020** | **(4)** | **-** | **(4)** |
| | | | |
| **Carrying amount as at 1 January 2020** | **1** | **-** | **1** |
| **Carrying amount as at 31 December 2020** | **1** | **-** | **1** |

Movements in the investment property as at 31 December 2019:

| | *Land and buildings* | *Assets in progress* | *Total* |
|---|---|---|---|
| **Cost** | | | |
| **1 January 2019** | **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)** |
| Charge for the year | (962) | - | (962) |
| Disposals | 15 189 | - | 15 189 |
| Impairment allowance | 306 | - | 306 |
| Transfer from investment property to non-current assets held for sale | 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 2019, 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 15 "*Net profit/(loss) on non-current assets held for sale*".

During 2019, 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*".

**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 73 597 thousand, operational-commercial facilities up to EUR 19 377 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 ATMs and cash dispensers (cashomats) are covered up to EUR 4 359 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. Means of transport are insured up to a maximum risk for EUR 4 695 thousand.

Movements in the intangible assets as at 31 December 2020

| | *Software* | *Goodwill* | *Other intangible assets* | *Intangible assets in progress* | *Total* |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **1 January 2020** | **158 783** | **44 120** | **3 372** | **5 534** | **211 809** |
| Additions | - | - | - | 13 819 | 13 819 |
| Disposals | (5 268) | (31 900) | - | - | (37 168) |
| Transfer from intangible assets in progress | 14 357 | - | - | (14 357) | - |
| **31 December 2020** | **167 872** | **12 220** | **3 372** | **4 996** | **188 460** |
| | | | | | |
| **Accumulated depreciation** | | | | | |
| **1 January 2020** | **(123 897)** | **(31 900)** | **(2 219)** | **-** | **(158 016)** |
| Charge for the year | (8 468) | - | (843) | - | (9 311) |
| Disposals | 5 119 | 31 900 | - | - | 37 019 |
| Impairment allowance | (887) | - | - | - | (887) |
| **31 December 2020** | **(128 133)** | **-** | **(3 062)** | **-** | **(131 195)** |
| | | | | | |
| **Carrying amount as at 1 January 2020** | **34 886** | **12 220** | **1 153** | **5 534** | **53 793** |
| **Carrying amount as at 31 December 2020** | **39 739** | **12 220** | **310** | **4 996** | **57 265** |

Movements in the 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 |
| Adjustments for consolidation purposes | 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** | | | | | |
| **1 January 2019** | **(117 023)** | **(31 900)** | **(1 376)** | **-** | **(150 299)** |
| Charge for the year | (6 870) | - | (843) | - | (7 713) |
| Adjustments for consolidation purposes | (9) | - | - | - | (9) |
| Disposals | 5 | - | - | - | 5 |
| Impairment allowance | - | - | - | - | - |
| **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 goodwill in the following periods:

| | ***2020*** | ***2019*** |
|---|---|---|
| As at 1 January | 12 220 | 12 220 |
| Additions | - | - |
| Impairment | - | - |
| **Carrying amount** | **12 220** | **12 220** |

Goodwill of EUR 9 021 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 Group 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 Group 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. In testing Doplnková dôchodková spoločnosť Tatra banky, a.s., a discount rate of 10% was used and in testing Tatra-Leasing s.r.o., a discount rate of 12 % was used.

## 26. Current tax asset

| | 2020 | 2019 |
|---|---|---|
| Tax asset – current | 34 | 147 |
| **Total** | **34** | **147** |

## 27. Deferred tax asset

| | 2020 | 2019 |
|---|---|---|
| Tax asset – deferred | 36 266 | 28 860 |
| **Total** | **36 266** | **28 860** |

Net deferred income tax asset resulted mainly from temporary deductible differences described in Note 16 „*Income tax*“.

## 28. Other assets

| | 2020 | 2019 |
|---|---|---|
| Prepayments and other deferrals | 16 255 | 16 915 |
| Receivables from a service company | 40 365 | 39 828 |
| Inventories | 1 266 | 1 168 |
| Assets held for development and construction | 465 | 524 |
| Lease-related prepayments | 4 645 | 6 528 |
| Other assets | 775 | 8 967 |
| **Total** | **63 771** | **73 930** |

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.

## 29. Non-current assets held for sale

| | 2020 | 2019 |
|---|---|---|
| Non-current assets held for sale | 4 290 | - |
| **Total** | **4 290** | **-** |

During 2020, the Group reclassified portion of its real estate from its own use to non-current assets held for sale in the amount of EUR 4 290 thousand.

## 30. Financial liabilities held for trading

| | 2020 | 2019 |
|---|---|---|
| **Negative fair value of financial derivatives held for trading** | **47 922** | **25 086** |
| Interest rate contracts | 29 207 | 20 762 |
| Currency contracts | 18 715 | 4 324 |
| | | |
| **Liabilities from debt securities held for trading*** | **36 355** | **13 066** |
| | | |
| **Total** | **84 277** | **38 152** |

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

## 31. Financial liabilities at amortised cost

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

| | 2020 | 2019 |
|---|---|---|
| **Deposits from banks** | **1 129 176** | **362 324** |
| Current accounts and interbank settlement | 4 985 | 15 901 |
| Money-market business | 419 | 2 130 |
| Loans received | 988 398 | 208 881 |
| Subordinated debt | 135 374 | 135 412 |
| | | |
| **Deposits from customers** | **12 270 445** | **11 903 452** |
| Current accounts and settlement | 11 455 488 | 10 523 008 |
| Term deposits | 699 607 | 1 240 700 |
| Savings deposits | 113 995 | 136 229 |
| Loans received | 1 355 | 3 515 |
| | | |
| **Liabilities from debt securities** | **628 830** | **787 512** |
| Issued debt securities – mortgage bonds | 505 856 | 778 493 |
| Issued debt securities – other bonds | 122 974 | 9 019 |
| | | |
| **Other financial liabilities** | **60 609** | **63 928** |
| *Out of which: Lease liabilities* | *51 376* | *53 261* |
| | | |
| **Total** | **14 089 060** | **13 117 216** |

Deposits measured at amortised cost by customer segment as at 31 December 2020 and as at 31 December 2019:

| | ***2020*** | ***2019*** |
|---|---|---|
| Banks | 1 129 176 | 362 324 |
| Public sector | 46 542 | 99 175 |
| Corporate clients | 3 752 521 | 4 034 708 |
| Retail clients | 8 471 382 | 7 769 569 |
| **Total** | **13 399 621** | **12 265 776** |

Within the TLTRO programme (targeted longer-term refinancing operations), the Parent company received two REPO loans from the National Bank of Slovakia in the amount of EUR 900 000 thousand. As collateral for the received repo deals, the Parent company provided  purchased securities and issued covered bond collaterised by provided mortgage loans, residential mortgage loans and non-purpose loans pledged by a real estate in the total amount of EUR 1 146 624 thousand.

As at 31 December 2020, outstanding borrowings included in the balance sheet under the third series of the targeted longer-term refinancing operations (TLTRO-III) program of the European Central Bank (ECB) the amount to EUR 900 000 thousand.

Based on the terms of this program, the Parent company concluded that TLTRO-III contains a significant benefit in comparison to market pricing for other similarly-collateralised borrowings available to the Parent company: this benefit represents the potential discount compared to market refinancing rates at drawdown (which the Parent company considered to approximate the main refinancing rate of the ECB of 0%). The Parent company concluded that the benefit should be accounted for as a government grant under IAS 20 because the ECB is viewed as a government agency or similar body and the benefit is conditional on compliance with certain conditions relating to the Parent company's operating activities.

The Parent company has analysed as of 31 December 2020 whether it expects to meet the lending targets based on its current lending volumes and projections and believes that it has reasonable assurance that it will meet these targets.

From the moment when the Parent company has obtained a reasonable assurance to qualify for such government grant, it recognises the government grant systematically in the statement of profit or loss over the periods in which it recognises as expenses the costs which the grant is intended to compensate for. Based on the terms and conditions of TLTRO-III and the statements of the ECB, the Parent company considers that the grant is intended to compensate the Parent company for funding costs over the term of each TLTRO-III borrowing and should be allocated to individual periods based on the accrual of the benefit in accordance with those terms and conditions.

The government grant recognised in profit or loss in each period is accordingly presented in interest expenses. The government grant element recognised under the TLTRO-III program as compensation of interest expenses in profit or loss in 2020 amounted to EUR 2 738 thousand.

Loans received and subordinated debts by type of counterparty is as follows:

| *Type of loan* | *Currency* | *Type of loan by maturity* | *Interest rate* | *Start of loan drawing* | *Contractual maturity* | *2020* | *2019* |
|---|---|---|---|---|---|---|---|
| Loans received from banks: | | | | | | | |
| - national bank | EUR | Long-term | - 0.4 % | June 2018 | June 2020 | - | 54 424 |
| - national bank | EUR | Long-term | - 0.5 % | June 2020 | June 2023 | 443 131 | - |
| - national bank | EUR | Long-term | - 0.5 % | December 2020 | December 2023 | 443 132 | - |
| - commercial bank | EUR | Long-term | 0.58 % | July 2018 | May 2021 | 1 504 | 3 510 |
| - commercial bank | EUR | Long-term | 2.86 % | March 2011 | May 2021 | 2 508 | 6 807 |
| - commercial bank | EUR | Long-term | 1.09 % | November 2017 | September 2022 | 24 443 | 49 125 |
| - bank for reconstruction and development | EUR | Long-term | 3.46 % | March 2011 | May 2025 | 73 680 | 95 015 |
| Subordinated debt from banks: | | | | | | | |
| - commercial banks | EUR | Long-term | 3M EURIBOR + 2.4 % | November 2019 | November 2029 | 135 374 | 135 412 |
| **Total** | | | | | | **1 123 772** | **344 412** |

The Group issued covered mortgage bonds with the following conditions:

| *Name* | *Interest rate* | *Currency* | *Number of bonds issued* | *Face value of 1 unit in currency* | *Issue date* | *Maturity date* | *Coupon payment* | *2020* | *2019* |
|---|---|---|---|---|---|---|---|---|---|
| ***Covered bonds*** | | | | | | | | | |
| HZL 068 | 5.00% | EUR | 1 000 | 10 000 | 14.10.2011 | 14.10.2031 | annually | 10 026 | 10 020 |
| HZL 079 - paid | 0.50% | EUR | - | 100 000 | 7.10.2014 | 7.4.2020 | annually | - | 30 098 |
| HZL 083 | 1.110% | EUR | 500 | 100 000 | 29.4.2015 | 29.4.2025 | annually | 52 277 | 51 701 |
| HZL 084 - paid | 6M EURIBOR + 0.50% | EUR | - | 100 000 | 19.8.2015 | 19.8.2020 | semi-annually | - | 250 212 |
| HZL 086 | 0.75% | EUR | 600 | 100 000 | 15.2.2016 | 15.2.2023 | annually | 60 269 | 60 209 |
| HZL 087 | 0.50% | EUR | 458 | 100 000 | 21.3.2016 | 21.9.2021 | annually | 45 840 | 45 806 |
| HZL 088 | 1.00% | EUR | 500 | 100 000 | 16.11.2016 | 16.11.2026 | annually | 52 894 | 51 866 |
| HZL 089 | 0.90% | EUR | 280 | 100 000 | 10.2.2017 | 10.2.2024 | annually | 29 100 | 28 996 |
| TATSK FVHDG | 0.13% | EUR | 2 500 | 100 000 | 1.7.2019 | 1.7.2026 | annually | 255 450 | 249 585 |
| ***Uncovered bonds*** | | | | | | | | | |
| TB FLOAT1 | 6M EUR EURIBOR | EUR | 1 000 | 100 000 | 26.10.2020 | 26.10.2027 | semi-annually | 103 928 | - |
| TB FIX1 | 0.50% | EUR | 100 | 100 000 | 26.10.2020 | 26.10.2027 | annually | 10 027 | - |
| Dlhopis Tatra-Leasing 10 Fix | 0.55% | EUR | 9 000 | 1 000 | 13.8.2019 | 13.8.2021 | annually | 9 019 | 9 019 |
| **Total issued bonds** | | | | | | | | **628 830** | **787 512** |

In addition to the above-mentioned covered bonds, the Parent company issued a covered bond (nominal value of EUR 500 000 thousand, book value of EUR 518 237 thousand) which was not sold but pledged as collateral within the TLTRO programme.

The Parent company issues covered bonds as one of the financing sources on the capital markets. For the purpose of meeting the requirement for eligible liabilities, the Parent company also issued unsecured non-subordinated bonds.

The rights arising from bonds are governed by generally binding legal regulations and relevant documentation (securities prospectus, issue or final terms), which the issuer publishes on its website.

All bonds issued by the Parent company are book-entry, bearer and freely transferable. They are traded on the Bratislava Stock Exchange.

## 32. Hedging derivative financial liabilities

| | *2020* | *2019* |
|---|---|---|
| **Negative fair value of financial derivatives for fair value hedging** | **3 322** | **741** |
| Interest rate contracts | 3 322 | 741 |
| | | |
| **Total** | **3 322** | **741** |

## 33. Change in fair value of hedged items in hedging of interest rate risk

| | *2020* | *2019* |
|---|---|---|
| **Negative change in fair value of hedged items in hedging of interest rate risk** | **1 991** | **-** |
| Interest rate contracts | 1 991 | - |
| | | |
| **Total** | **1 991** | **-** |

## 34. Provisions

Movements in provisions for contingent liabilities as at 31 December 2020:

| | ***As at 1 January 2020*** | ***Creation/ (Release)*** | ***Usage*** | ***As at 31 December 2020*** |
|---|---|---|---|---|
| Provision for guarantees and loan commitments without significant increase in credit risk since initial recognition (Stage 1) | 2 926 | 152 | - | 3 078 |
| Provision for guarantees and loan commitments with significant increase in credit risk since initial recognition (Stage 2) | 1 636 | 1 508 | - | 3 144 |
| Specific impairment allowances for guarantees and loan commitments to individually and collectively measured items(Stage 3) | 727 | 55 | - | 782 |
| Litigations (Note 45) | 49 491 | (16 184) | (1 072) | 32 235 |
| Provisions for employee benefits | 3 947 | 1 415 | - | 5 362 |
| Employee provisions | 20 469 | 7 221 | (8 457) | 19 233 |
| Other provisions | 4 982 | 1 923 | - | 6 905 |
| **Total** | **84 178** | **(3 910)** | **(9 529)** | **70 739** |

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

| | ***As at 1 January 2019*** | ***Creation/ (Release)*** | ***Usage*** | ***As at 31 December 2019*** |
|---|---|---|---|---|
| Provision for guarantees and loan commitments without significant increase in credit risk since initial recognition (Stage 1) | 3 037 | (111) | - | 2 926 |
| Provision for guarantees and loan commitments with significant increase in credit risk since initial recognition (Stage 2) | 1 655 | (19) | - | 1 636 |
| Specific impairment allowances for guarantees and loan commitments to individually and collectively measured items(Stage 3) | 1 202 | (475) | - | 727 |
| Litigations (Note 45) | 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** |

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

| | |
|---|---|
| Real annual discount rate | 0.45 % |
| Annual future real rate of salary increases | 0.50 % |
| Annual employee turnover | 3.3 % – 9.5 % |
| Retirement age | According to the applicable 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 the 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.

## 35. Current tax liability

| | ***2020*** | ***2019*** |
|---|---|---|
| Current tax liability | 4 028 | 358 |
| **Total** | **4 028** | **358** |

## 36. Other liabilities

| | ***2020*** | ***2019*** |
|---|---|---|
| Outstanding and other liabilities* | 32 875 | 21 578 |
| Other liabilities to the state budget | 27 | 67 |
| Social fund – liabilities | 1 038 | 1 172 |
| Liabilities to employees | 5 375 | 4 187 |
| Other liabilities | 2 753 | 2 029 |
| **Total** | **42 068** | **29 033** |

** The item includes deferred income related to the TLTRO program in the amount of EUR 12 444 thousand.*

## 37. Equity

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

| | *2020* | *2019* |
|---|---|---|
| Share capital – ordinary shares | 56 873 | 56 873 |
| Share capital – preference shares | 7 453 | 7 453 |
| Treasury shares | (1 408) | (4 945) |
| Share premium | 298 095 | 297 596 |
| Reserve and other funds | 15 343 | 15 767 |
| Cash flow hedging reserve from revaluation | - | 760 |
| Revaluation reserve for financial instruments at fair value through other comprehensive income | 4 690 | 20 443 |
| Retained earnings (excluding current year net profit after tax) | 758 493 | 612 350 |
| AT1 capital | 100 000 | 100 000 |
| **Total** | **1 239 539** | **1 106 29** |

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 | Form | Form | Registered |
| Nature | Nature | Nature | Non-certified |
| Number | 60 616 units | 2 095 units | 1 863 357 units |
| Par value 1 pc | 800 EUR | 4 000 EUR | 4 EUR |
| ISIN | SK1110001502 | SK1110015510 | SK1110007186 |
| | series 01-05 | | 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, mainly:

- 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 2019, the parent Company issued subordinated AT1 capital investment certificates in the amount of EUR 100 000 thousand with the interest rate of 12M EURIBOR + 6.50% 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.

## 38. Values in custody and management

| | 2020 | 2019 |
|---|---|---|
| **Values in custody** | **14 371** | **16 270** |
| Merchandise and warehouse trust receipts | 13 272 | 14 978 |
| Gold | 1 099 | 1 292 |
| **Total** | **14 371** | **16 270** |

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 2020 the Group reported deposited securities in custody of the TAM mutual funds in the amount of EUR 1 603 513 thousand EUR (as at 31 December 2019: EUR 1 388 877 thousand). Simultaneously, the Group manages 26 open funds of Tatra Asset Management, správ. spol., a. s. with net value in the amount of EUR  2 324 222 thousand (2019: EUR 2 252 353 thousand) in TAM, and 6 supplementary pension funds in Doplnková dôchodková spoločnosť Tatra banky, a.s. with net value in the amount of EUR 838 248 thousand (2019: EUR 727 784 thousand).

## 39. Sale and repurchase agreements

As at 31 December 2020 and as at 31 December 2019 the following repurchase agreements were concluded:

| | 2020 | 2019 |
|---|---|---|
| Repo deals (debtor) | | |
| Deposits from banks | - | 54 424 |
| **Total** | **-** | **54 424** |

| | 2020 | 2019 |
|---|---|---|
| Reverse repo deals (creditor) | | |
| Loans and advances to banks | 99 034 | 173 181 |
| **Total** | **99 034** | **173 181** |

As part of the reverse repo deals, the Group received government debt securities as collateral with a fair value of EUR 97 448 thousand.

## 40. Assets pledged as collateral

Liabilities secured by the Group's assets:

| | 2020 | 2019 |
|---|---|---|
| Deposits to banks at amortised cost – received loans - repo transactions with National Bank of Slovakia | 886 263 | 54 424 |
| Debt securities liabilities | 505 856 | 778 493 |
| Financial liabilities held for trading – negative fair value of financial derivatives held for trading | 34 703 | 21 139 |
| Borrowed securities liabilities | 36 353 | 15 243 |
| **Total** | **1 463 175** | **869 299** |

The pledge attributable to the aforementioned liabilities comprised the following assets recognised in the statement of financial position:

| | 2020 | 2019 |
|---|---|---|
| Other demand deposits | 8 474 | 3 338 |
| Loans and advances to customers at amortised cost | 1 524 425 | 1 148 775 |
| Debt securities at fair value through other comprehensive income | 51 962 | - |
| Debt securities at amortised cost | 314 991 | 46 782 |
| **Total** | **1 899 852** | **1 198 895** |

Other pledged assets without a liability:

| | 2020 | 2019 |
|---|---|---|
| Loans and advances to customers | - | 132 903 |
| Debt securities at amortised cost | 769 671 | 409 243 |
| **Total** | **769 671** | **542 146** |

At the end of 2020, the Parent company determined the volume of mortgage loans usable as collateral for future issues of covered bonds in the amount of EUR 2 086 283 thousand (31 December 2019: EUR 2 006 299 thousand).

The Parent company opened margin accounts as a collateral for derivative transactions. The amount of cash deposited by the Parent company 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 317 757 thousand (31 December 2019: EUR 393 693 tis. EUR). thousand). For the pledged securities, the Group can draw an intraday credit in the amount of EUR 200 000 thousand (31 December 2019: EUR 300 000 thousand). As at 31 December 2020, no funds were drawn against the said collateral (31 December 2019: 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:

| | ***2020 Nominal value*** | ***2020 Carrying amount*** |
|---|---|---|
| Government bonds | 1 801 036 | 1 881 347 |
| Bonds issued by other sectors | 231 475 | 240 083 |
| Loans and advances to customers | 130 878 | 130 938 |
| **Total** | **2 163 389** | **2 252 368** |

## 41. 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 2020:

| | ***Asset/Liability in the statement of financial position*** | ***Value not offset in the statement of financial position: Financial instrument*** | ***Net value*** |
|---|---|---|---|
| **Assets:** | | | |
| Positive fair value of financial derivatives available-for-sale | 38 749 | 38 732 | 17 |
| **Total assets** | **38 749** | **38 732** | **17** |
| **Liabilities:** | | | |
| Negative fair value of financial derivatives available-for-sale | 49 572 | 38 764 | 10 808 |
| **Total liabilities** | **49 572** | **38 764** | **10 808** |

The following summary represents the structure of framework agreements for offsetting assets and liabilities as at 31 December 2019:

| | *Asset/Liability in the statement of financial position* | *Value not offset in the statement of financial position: Financial instrument* | *Asset/Liability offset in the statement of financial position* |
|---|---|---|---|
| **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** |

## 42. Derivative financial instruments

The total volume of unsettled derivative financial instruments as at 31 December 2020 is as follows:

| | *Nominal amounts by maturity* | | | | *Fair values* | |
|---|---|---|---|---|---|---|
| | *Up to 1 year* | *From 1 to 5 years* | *More than 5 years* | *Total* | *Positive (Note 19 and Note 23)* | *Negative (Note 30 and Note 32)* |
| **a) Interest rate contracts for hedging** | **-** | **102 471** | **539 000** | **641 471** | **14 191** | **(3 322)** |
| OTC products: | | | | | | |
| Interest rate swaps | - | 102 471 | 539 000 | 641 471 | 14 191 | (3 322) |
| | | | | | | |
| **b) Interest rate contracts for trading** | **489 628** | **845 520** | **346 894** | **1 682 042** | **26 842** | **(29 128)** |
| OTC products: | | | | | | |
| Interest rate swaps | 265 176 | 789 650 | 313 700 | 1 368 526 | 26 842 | (27 675) |
| Interest rate options – bought | 107 452 | 44 484 | 27 494 | 179 430 | - | (1 453) |
| Interest rate options – sold | 105 000 | 11 386 | 5 700 | 122 086 | - | - |
| Stock exchange products: | | | | | | |
| Interest rate futures | 12 000 | - | - | 12 000 | - | - |
| | | | | | | |
| **c) Currency contracts for trading** | **674 765** | **141 824** | **-** | **816 589** | **7 611** | **(18 794)** |
| OTC products: | | | | | | |
| Currency swaps | 518 827 | 41 627 | - | 560 454 | 1 178 | (12 143) |
| Currency-interest rate swaps | 45 187 | 100 197 | - | 145 384 | 5 929 | (5 983) |
| Currency forwards | 73 446 | - | - | 73 446 | 459 | (644) |
| Currency options-bought | 18 284 | - | - | 18 284 | 45 | - |
| Currency options-sold | 19 021 | - | - | 19 021 | - | (24) |
| | | | | | | |
| **Total** | **1 164 393** | **1 089 815** | **885 894** | **3 140 102** | **48 644** | **(51 244)** |

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 19 and Note 23) | Negative (Note 30 and Note 32) |
| **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 – bought | 163 | 146 490 | 38 664 | 185 317 | - | (1 782) |
| Interest rate options – sold | 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-bought | 37 906 | 239 | - | 38 145 | 456 | - |
| Currency options-sold | 32 136 | 239 | - | 32 375 | - | (427) |
| **Total** | **1 505 545** | **1 326 899** | **1 131 984** | **3 964 428** | **32 641** | **(25 827)** |

## 43. 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. Where market prices are available (in this case, in particular, for securities and derivatives traded on a stock exchange and in functioning markets), the fair value estimate is based on market prices. All other financial instruments were valued on the basis of internal valuation models, including present value or option price models, or an external expert opinion was 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 2020:

| *Financial assets at fair value* | *Level 1** | *Level 2*** | *Level 3**** | *Total* |
|---|---|---|---|---|
| **Financial assets held for trading** | **9 629** | **44 920** | **-** | **54 549** |
| Positive fair value of financial derivative instruments for trading | - | 34 453 | - | 34 453 |
| Debt securities | 9 629 | 10 467 | - | 20 096 |
| **Non-trading financial assets mandatorily at fair value through profit or loss** | **-** | **7 433** | **12 458** | **19 891** |
| Debt securities | - | 7 433 | 764 | 8 197 |
| Loans provided to customers | - | - | 11 694 | 11 694 |
| **Financial assets at fair value through other comprehensive income** | **154 223** | **66 902** | **86** | **221 211** |
| Equity instruments | - | - | 86 | 86 |
| Debt securities | 154 223 | 66 902 | - | 221 125 |
| **Hedging derivative financial assets** | **-** | **14 191** | **-** | **14 191** |
| Positive fair value of financial derivative instruments for fair value hedging | - | 14 191 | - | 14 191 |
| **Total** | **163 852** | **133 446** | **12 544** | **309 842** |

| *Financial liabilities at fair value* | *Level 1** | *Level 2*** | *Level 3**** | *Total* |
|---|---|---|---|---|
| **Financial liabilities held for trading** | **36 355** | **47 922** | **-** | **84 277** |
| Negative fair value of financial derivative instruments for trading | - | 47 922 | - | 47 922 |
| Debt securities and other fixed income securities | 36 355 | - | - | 36 355 |
| **Hedging derivative financial liabilities** | **-** | **3 322** | **-** | **3 322** |
| Negative fair value of financial derivative instruments for fair value hedging | - | 3 322 | - | 3 322 |
| **Total** | **36 355** | **51 244** | **-** | **87 599** |

* *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 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-trading financial assets mandatorily at fair value through profit or loss** | **-** | **-** | **1 441** | **1 441** |
| Debt securities | - | - | 717 | 717 |
| Loans provided to clients | - | - | 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 |
| Debt securities | 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).*

### Movements between Level 1 and Level 2

During 2020, there were no movements in bonds at fair value that were 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 2019* | *Increase/ Decrease* | *Revaluation: Profit/loss* | *Revaluation: Other comprehensive income* | *As at 31 December 2020* |
|---|---|---|---|---|---|
| Mutual fund unit certificates | 717 | - | 47 | - | 764 |
| Equity investments | 81 | - | - | 5 | 86 |
| Loans and advances | 724 | 10 905 | 65 | - | 11 694 |
| **Total** | **1 522** | **10 905** | **112** | **5** | **12 544** |

Qualitative information on financial instruments for Level 3 measurements:

| *Financial instrument* | *Valuation method* | *Fair value* | *Significant unobser-vable inputs* | *Range of unobser-vable vstupov* | *Positive sensitivity** | *Negative sensitivity** |
|---|---|---|---|---|---|---|
| Mutual fund unit certificates | Net asset value | 764 | discount | 20 – 50% | 76 | (76) |
| Equity investments | Market value | 86 | - | - | 9 | (9) |
| Loans and advances | | 11 694 | - | - | 1 169 | (585) |
| **Total** | | **12 544** | | | **1 254** | **(670)** |

** 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 transaction.

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 recognised the fair value as net value of respective exposures, which represents the gross amount less any impairment allowances.

Deposits by banks and 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 considered 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 2020* | *Carrying amount as at 2020* | *Difference as at 2020* | *Fair value as at 2019* | *Carrying amount as at 2019* | *Difference as at 2019* |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Financial assets at amortised cost** | **13 954 206** | **13 345 050** | **609 156** | **12 883 763** | **12 508 636** | **375 127** |
| **Loans and advances to banks** | **109 854** | **109 854** | **-** | **201 837** | **201 837** | **-** |
| *of which Level 1* | - | - | - | - | - | - |
| *of which Level 2* | - | - | - | - | - | - |
| *of which Level 3* | *109 854* | *109 854* | - | *201 837* | *201 837* | - |
| **Loans and advances to customers** | **11 788 797** | **11 316 033** | **472 764** | **11 272 991** | **10 957 275** | **315 716** |
| *of which Level 1* | - | - | - | - | - | - |
| *of which Level 2* | - | - | - | - | - | - |
| *of which Level 3* | *11 788 797* | *11 316 033* | *472 764* | *11 272 991* | *10 957 275* | *315 716* |
| **Debt securities** | **2 060 840** | **1 919 163** | **141 677** | **1 408 935** | **1 349 524** | **59 411** |
| *of which Level 1* | *1 689 393* | *1 568 723* | *120 670* | *1 238 311* | *1 180 456* | *57 855* |
| *of which Level 2* | *371 447* | *350 440* | *21 007* | *170 624* | *169 068* | *1 556* |
| *of which Level 3* | - | - | - | - | - | - |

| | *Fair value as at 2020* | *Carrying amount as at 2020* | *Difference as at 2020* | *Fair value as at 2019* | *Carrying amount as at 2019* | *Difference as at 2019* |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| **Financial assets at amortised cost** | **14 099 725** | **14 089 060** | **10 665** | **13 124 696** | **13 117 216** | **7 480** |
| **Deposits from banks** | **1 129 176** | **1 129 176** | **-** | **362 325** | **362 325** | **-** |
| *of which Level 1* | - | - | - | - | - | - |
| *of which Level 2* | - | - | - | - | - | - |
| *of which Level 3* | *1 129 176* | *1 129 176* | - | *362 325* | *362 325* | - |
| **Deposit from customers** | **12 271 252** | **12 270 444** | **808** | **11 904 238** | **11 903 451** | **787** |
| *of which Level 1* | - | - | - | - | - | - |
| *of which Level 2* | - | - | - | - | - | - |
| *of which Level 3* | *12 271 252* | *12 270 444* | *808* | *11 904 238* | *11 903 451* | *787* |
| **Liabilities from debt securities** | **638 687** | **628 830** | **9 857** | **794 205** | **787 512** | **6 693** |
| *of which Level 1* | - | - | - | - | - | - |
| *of which Level 2* | *638 687* | *628 830* | *9 857* | *794 205* | *787 512* | *6 693* |
| *of which Level 3* | - | - | - | - | - | - |
| **Other financial liabilities** | **60 610** | **60 610** | **-** | **63 928** | **63 928** | **-** |
| *of which Level 1* | - | - | - | - | - | - |
| *of which Level 2* | - | - | - | - | - | - |
| *of which Level 3* | *60 610* | *60 610* | - | *63 928* | *63 928* | - |

## 44. 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. In regard to corporate portfolio 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 banks 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 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:

| | 2020 | 2019 |
|---|---|---|
| *Credit risk related to balance sheet assets:* | | |
| Cash and other demand deposits | 142 189 | 161 397 |
| Cash balances at central banks | 1 572 152 | 1 135 155 |
| Financial assets held for trading | 54 549 | 31 233 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 19 891 | 1 441 |
| Financial assets at fair value through other comprehensive income | 221 211 | 396 012 |
| Financial assets at amortised cost | 13 345 050 | 12 508 636 |
| Hedging derivative financial assets | 14 191 | 5 956 |
| Change in fair value of hedged items in interest rate risk hedging | - | 18 |
| Other assets | 56 620 | 56 743 |
| **Total** | **15 425 853** | **14 296 591** |

| | 2020 | 2019 |
|---|---|---|
| *Credit risk related to off-balance sheet items:* | | |
| Contingent commitments from guarantees and letters of credit | 410 033 | 478 441 |
| Irrevocable loan commitments/ “stand-by facility” | 1 117 431 | 1 182 107 |
| Revocable loan commitments/ “stand-by facility” | 1 778 395 | 1 693 287 |
| **Total** | **3 305 859** | **3 353 835** |

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 2020:

| | *Total carrying amount* | *Gross carrying amount – Stage 1 ** | *Gross carrying amount – Stage 2 *** | *Gross carrying amount – Stage 3 **** | *Gross carrying amount – POCI ***** | *Allowances for expected credit losses – Stage 1* | *Allowances for expected credit losses – Stage 2* | *Allowances for expected credit losses – Stage 3* | *Allowances – POCI* | *Net carrying amount* |
|---|---|---|---|---|---|---|---|---|---|---|
| **Financial assets at amortised cost** | **13 570 613** | **10 028 711** | **3 308 191** | **226 195** | **7 516** | **17 115** | **47 873** | **156 545** | **2 251** | **13 346 829** |
| Loans and advances to banks | 111 633 | 111 633 | - | - | - | - | - | - | - | 111 633 |
| Loans and advances to customers | 11 539 683 | 7 997 781 | 3 308 191 | 226 195 | 7 516 | 16 981 | 47 873 | 156 545 | 2 251 | 11 316 033 |
| *Public sector* | *5 023* | *4 281* | *742* | - | - | *2* | - | - | - | *5 021* |
| *Corporate clients* | *4 590 286* | *3 106 003* | *1 401 889* | *77 554* | *4 840* | *4 953* | *21 049* | *51 373* | *1 196* | *4 511 715* |
| *Retail clients* | *6 944 374* | *4 887 497* | *1 905 560* | *148 641* | *2 676* | *12 026* | *26 824* | *105 172* | *1 055* | *6 799 297* |
| Debt securities | 1 919 297 | 1 919 297 | - | - | - | 134 | - | - | - | 1 919 163 |
| *Banks* | *77 261* | *77 261* | - | - | - | *6* | - | - | - | *77 255* |
| *Public sector* | *1 824 755* | *1 824 755* | - | - | - | *105* | - | - | - | *1 824 650* |
| *Corporate clients* | *17 281* | *17 281* | - | - | - | *23* | - | - | - | *17 258* |
| **Financial assets at fair value through other comprehensive income** | **221 484** | **196 952** | **24 532** | **-** | **-** | **30** | **329** | **-** | **-** | **221 125** |
| Debt securities | 221 484 | 196 952 | 24 532 | - | - | 30 | 329 | - | - | 221 125 |
| *Banks* | *106 449* | *106 449* | - | - | - | *12* | - | - | - | *106 437* |
| *Public sector* | *46 300* | *46 300* | - | - | - | *3* | - | - | - | *46 297* |
| *Corporate clients* | *68 735* | *44 203* | *24 532* | - | - | *15* | *329* | - | - | *68 391* |
| **Contingent liabilities and other off-balance sheet items** | **3 305 859** | **2 747 473** | **540 593** | **17 793** | **-** | **3 078** | **3 144** | **782** | **-** | **3 298 855** |

* *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*
**** *POCI – recognised as impaired on initial recognition*

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* | *Gross carrying amount – Stage 1 ** | *Gross carrying amount – Stage 2 *** | *Gross carrying amount – Stage 3 **** | *Gross carrying amount – POCI ***** | *Allowances for expected credit losses – Stage 1* | *Allowances for expected credit losses – Stage 2* | *Allowances for expected credit losses – Stage 3* | *Allowances – POCI* | *Net carrying amount* |
|---|---|---|---|---|---|---|---|---|---|---|
| **Financial assets at amortised cost** | **12 710 174** | **10 715 667** | **1 765 394** | **224 073** | **5 040** | **18 002** | **24 863** | **155 185** | **3 488** | **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 | 223 674 | 5 040 | 17 941 | 24 863 | 154 786 | 3 488 | 10 957 275 |
| *Public sector* | *6 530* | *5 698* | *832* | *-* | *-* | *3* | *1* | *-* | *-* | *6 526* |
| *Corporate clients* | *4 570 704* | *4 156 467* | *327 152* | *85 440* | *1 645* | *6 830* | *7 075* | *57 499* | *868* | *4 498 432* |
| *Retail clients* | *6 581 119* | *5 002 080* | *1 437 410* | *138 234* | *3 395* | *11 108* | *17 787* | *97 287* | *2 620* | *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*
**** *POCI – recognised as impaired on initial recognition*

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 2020:

| | *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* | *POCI ≤ 30 days* | *POCI > 30 days ≤ 90 days* | *POCI > 90 days* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Loans and advances to banks** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Loans and advances to customers** | **66 807** | **174** | **306** | **85 462** | **7 837** | **559** | **7 011** | **6 575** | **25 823** | **663** | **164** | **396** |
| Public sector | - | - | - | - | - | - | - | - | - | - | - | - |
| Corporate clients | 22 867 | 18 | 1 | 27 539 | 2 224 | 93 | 1 491 | 573 | 7 817 | 564 | 84 | 298 |
| Retail clients | 43 940 | 156 | 305 | 57 923 | 5 613 | 466 | 5 520 | 6 002 | 18 006 | 99 | 80 | 98 |
| **Debt securities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Banks | - | - | - | - | - | - | - | - | - | - | - | - |
| Public sector | - | - | - | - | - | - | - | - | - | - | - | - |
| Corporate clients | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **66 807** | **174** | **306** | **85 462** | **7 837** | **559** | **7 011** | **6 575** | **25 823** | **663** | **164** | **396** |

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* | *POCI ≤ 30 days* | *POCI > 30 days ≤ 90 days* | *POCI > 90 days* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Loans and advances to banks** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Loans and advances to customers** | **94 728** | **-** | **-** | **18 145** | **11 443** | **-** | **3 477** | **3 835** | **27 122** | **87** | **1** | **480** |
| Public sector | - | - | - | - | - | - | - | - | - | - | - | - |
| Corporate clients | 67 642 | - | - | 9 759 | 5 855 | - | 229 | 863 | 6 063 | 27 | - | 437 |
| Retail clients | 27 086 | - | - | 8 386 | 5 588 | - | 3 248 | 2 972 | 21 059 | 60 | 1 | 43 |
| **Debt securities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Banks | - | - | - | - | - | - | - | - | - | - | - | - |
| Public sector | - | - | - | - | - | - | - | - | - | - | - | - |
| Corporate clients | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **94 728** | **-** | **-** | **18 145** | **11 443** | **-** | **3 477** | **3 835** | **27 122** | **87** | **1** | **480** |

The following summary represents an analysis of the impaired portfolio of financial assets and portfolio of purchased or originated credit-impaired assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as at 31 December 2020:

| | *Gross carrying amount (stage 3)* | *Impairment allowances (stage 3)* | *Recoverable value of received collateral* |
|---|---|---|---|
| Banks | - | - | - |
| Corporate clients | 82 393 | 52 569 | 19 271 |
| Retail clients | 151 318 | 106 227 | 52 754 |
| **Total** | **233 711** | **158 796** | **72 025** |

The following summary represents an analysis of the impaired portfolio of financial assets recognised as impaired on initial recongition 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 summary of individual types of received collateral for financial assets at recoverable value is provided as follows:

| | *2020* | *2019* |
|---|---|---|
| **Collateralisation of provided loans** | | |
| Cash and cash equivalents | 30 598 | 40 788 |
| Guarantees | 182 511 | 184 976 |
| Securities | 123 840 | 253 822 |
| Real estate | 5 862 961 | 5 696 334 |
| Movables | 262 481 | 282 668 |
| Receivables and other collaterals | 157 696 | 179 620 |
| **Total** | **6 620 087** | **6 638 208** |

The summary of individual types of received collateral for contingent liabilities and other off-balance sheet liabilities at recoverable value is provided as follows:

| | *2020* | *2019* |
|---|---|---|
| **To cover contingent liabilities and other off-balance sheet liabilities** | | |
| Cash and cash equivalents | 41 237 | 63 511 |
| Guarantees | 24 057 | 81 854 |
| Securities | 43 727 | 61 181 |
| Real estate | 171 537 | 183 741 |
| Movables | 3 480 | 2 925 |
| Receivables and other collaterals | 142 642 | 161 082 |
| **Total** | **426 680** | **554 294** |

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:

| | *2020* | | *2019* | |
|---|---|---|---|---|
| | ***Stage 1*** | ***Stage 2*** | ***Stage 1*** | ***Stage 2*** |
| **Loans and advances to banks** | **111 633** | **-** | **201 837** | **-** |
| Minimum risk | - | - | - | - |
| Excellent credit rating | 109 854 | - | 201 837 | - |
| Very good credit rating | 1 779 | - | - | - |
| Good credit rating | - | - | - | - |
| Standard credit rating | - | - | - | - |
| Ordinary credit rating | - | - | - | - |
| Sub-standard credit rating | - | - | - | - |
| Significantly sub-standard credit rating | - | - | - | - |
| Doubtful/high risk of default | - | - | - | - |
| Defaulted | - | - | - | - |
| With no assigned rating | - | - | - | - |
| **Loans and advances to customers** | **7 935 751** | **3 218 554** | **9 083 349** | **1 742 823** |
| ***of which Public sector:*** | ***4 281*** | ***742*** | ***5 698*** | ***832*** |
| Minimum risk | - | - | - | - |
| Excellent credit rating | - | 2 | - | - |
| Very good credit rating | 877 | 1 | 178 | 7 |
| Good credit rating | 1 938 | 471 | 2 665 | 825 |
| Standard credit rating | 1 198 | 268 | 2 356 | - |
| Ordinary credit rating | 229 | - | 457 | - |
| Sub-standard credit rating | 39 | - | 42 | - |
| Significantly sub-standard credit rating | - | - | - | - |
| Doubtful/high risk of default | - | - | - | - |
| Defaulted | - | - | - | - |
| With no assigned rating | - | - | - | - |
| ***of which corporate clients without project financing:*** | ***2 356 955*** | ***981 382*** | ***3 198 774*** | ***179 188*** |
| Minimum risk | 194 574 | 1 379 | 127 015 | 44 |
| Excellent credit rating | 112 245 | 5 523 | 103 438 | 349 |
| Very good credit rating | 435 001 | 40 251 | 257 879 | 4 474 |
| Good credit rating | 467 066 | 169 671 | 761 802 | 14 407 |
| Standard credit rating | 574 048 | 214 036 | 826 920 | 31 360 |
| Ordinary credit rating | 445 380 | 374 112 | 821 715 | 56 382 |
| Sub-standard credit rating | 115 172 | 86 977 | 276 459 | 19 716 |

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 1** | **Stage 2** |
| Significantly sub-standard credit rating | 12 276 | 68 010 | 22 851 | 39 492 |
| Doubtful/high risk of default | 1 193 | 21 353 | 675 | 12 931 |
| Defaulted | - | - | 1 | 11 |
| With no assigned rating | - | 70 | 19 | 22 |
| ***of which corporate clients - project financing:*** | ***727 386*** | ***397 451*** | ***897 243*** | ***138 664*** |
| Excellent project financing profile rating | 600 695 | 284 010 | 712 917 | 79 825 |
| Good project financing profile rating | 126 054 | 93 800 | 172 529 | 47 736 |
| Acceptable project financing profile rating | 637 | 11 281 | 11 797 | 2 739 |
| Weak project financing profile rating | - | 8 360 | - | 8 364 |
| Defaulted | - | - | - | - |
| ***of which retail clients*** | ***4 847 129*** | ***1 838 979*** | ***4 981 634*** | ***1 424 139*** |
| Excellent credit rating | 2 695 176 | 551 415 | 2 485 214 | 340 361 |
| Very good credit rating | 923 930 | 425 277 | 905 899 | 372 572 |
| Good credit rating | 643 734 | 304 335 | 740 704 | 239 504- |
| Ordinary credit rating | 402 951 | 423 607 | 606 591 | 322 822 |
| Sub-standard credit rating | 25 808 | 115 621 | 49 267 | 123 708 |
| Defaulted | - | - | - | - |
| With no assigned rating | 155 530 | 18 724 | 193 959 | 25 172 |
| **Debt securities** | **1 919 297** | **-** | **1 349 585** | **-** |
| Minimum risk | - | - | - | - |
| Excellent credit rating | 115 567 | - | 174 291 | - |
| Very good credit rating | 1 724 031 | - | 1 107 898 | - |
| Good credit rating | 15 008 | - | - | - |
| Standard credit rating | 64 691 | - | 67 396 | - |
| 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** | **9 966 681** | **3 218 554** | **10 634 771** | **1 742 823** |

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) in accordance with the internal rating:

| | ***2020*** | | ***2019*** | |
|---|---|---|---|---|
| | ***Stage 1*** | ***Stage 2*** | ***Stage 1*** | ***Stage 2*** |
| **Contingent liabilities and other off-balance sheet items to banks** | **77 723** | **700** | **78 896** | **-** |
| Minimum risk | - | - | 270 | - |
| Excellent credit rating | 44 357 | - | 72 366 | - |
| Very good credit rating | 31 741 | 700 | 6 134 | - |
| Good credit rating | 1 625 | - | 126 | - |
| Standard credit rating | - | - | - | - |
| Ordinary credit rating | - | - | - | - |
| 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** | **2 669 749** | **539 894** | **2 948 337** | **309 177** |
| ***of which public sector:*** | ***2 930*** | ***213*** | ***3 048*** | ***209*** |
| Minimum risk | - | - | - | - |
| Excellent credit rating | 445 | 67 | - | 17 |
| Very good credit rating | 2 465 | 146 | 3 028 | 192 |
| Good credit rating | 20 | - | 20 | - |
| Standard credit rating | - | - | - | - |
| Ordinary credit rating | - | - | - | - |
| Sub-standard credit rating | - | - | - | - |
| Significantly sub-standard credit rating | - | - | - | - |
| Doubtful/high risk of default | - | - | - | - |
| Defaulted | - | - | - | - |
| With no assigned rating | - | - | - | - |

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | ***Stage 1*** | ***Stage 2*** | ***Stage 1*** | ***Stage 2*** |
| ***of which corporate clients without project financing:*** | ***1 749 302*** | ***304 812*** | ***2 047 499*** | ***64 285*** |
| Minimum risk | 141 412 | 1 317 | 182 341 | 718 |
| Excellent credit rating | 96 139 | 6 446 | 155 793 | 2 409 |
| Very good credit rating | 497 519 | 21 427 | 397 263 | 7 375 |
| Good credit rating | 467 894 | 58 939 | 485 570 | 7 036 |
| Standard credit rating | 338 848 | 87 937 | 501 151 | 6 564 |
| Ordinary credit rating | 163 728 | 82 551 | 214 514 | 26 050 |
| Sub-standard credit rating | 38 238 | 20 192 | 98 083 | 4 232 |
| Significantly sub-standard credit rating | 5 086 | 22 356 | 12 488 | 4 626 |
| Doubtful/high risk of default | 401 | 3 553 | 296 | 5 195 |
| Defaulted | 25 | - | - | - |
| With no assigned rating | 12 | 94 | - | 80 |
| ***of which corporate clients – project financing*** | ***183 259*** | ***38 757*** | ***145 076*** | ***40 837*** |
| Excellent project financing profile rating | 170 191 | 32 255 | 121 145 | 34 681 |
| Good project financing profile rating | 13 068 | 5 524 | 23 931 | 6 124 |
| Acceptable project financing profile rating | - | 968 | - | - |
| Weak project financing profile rating | - | 10 | - | 32 |
| Defaulted | - | - | - | - |
| ***of which retail clients:*** | ***734 258*** | ***196 112*** | ***752 714*** | ***203 846*** |
| Excellent credit rating | 431 607 | 126 511 | 417 675 | 125 539 |
| Very good credit rating | 71 452 | 20 888 | 77 362 | 26 341 |
| Good credit rating | 42 538 | 13 850 | 50 066 | 14 470 |
| Standard credit rating | 20 854 | 14 704 | 24 361 | 19 995 |
| Sub-standard credit rating | 1 209 | 2 623 | 1 556 | 2 428 |
| Defaulted | - | - | - | - |
| With no assigned rating | 166 598 | 17 536 | 181 694 | 15 073 |
| **Contingent liabilities and other off-balance sheet items** | **2 747 472** | **540 594** | **3 027 233** | **309 177** |

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:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | ***Stage 1*** | ***Stage 2*** | ***Stage 1*** | ***Stage 2*** |
| **Debt securities** | **196 952** | **24 532** | **343 288** | **25 491** |
| Minimum risk | - | - | 30 752 | - |
| Excellent credit rating | 21 819 | - | 179 133 | - |
| Very good credit rating | 122 784 | - | 91 929 | - |
| Good credit rating | 52 349 | - | 25 990 | - |
| Standard credit rating | - | - | 15 484 | 25 491 |
| Ordinary credit rating | - | 24 532 | - | - |
| 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** | **196 952** | **24 532** | **343 288** | **25 491** |

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** | | | **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:

| | *2020* | *2019* |
|---|---|---|
| A. Agriculture, forestry and fisheries | 211 455 | 201 901 |
| B. Mining and quarrying | 4 919 | 18 100 |
| C. Industrial production | 835 133 | 813 176 |
| D. Supply of electricity, gas, steam and air-conditioning | 437 719 | 466 027 |
| E. Water supply | 48 774 | 106 989 |
| F. Construction | 350 941 | 335 892 |
| G. Wholesale and retail trade | 816 141 | 797 743 |
| H. Transport and storage | 401 148 | 351 536 |
| I. Accommodation and catering services | 50 902 | 50 469 |
| J. Information and Communication | 179 889 | 208 220 |
| K. Financial and insurance activities | 227 775 | 304 153 |
| L. Real estate activities | 900 077 | 904 246 |
| M. Professional, scientific and technical activities | 220 672 | 132 478 |
| N. Administrative and support services | 163 291 | 158 650 |
| O. Public administration and defence, compulsory social security | 10 794 | 13 349 |
| P. Education | 19 570 | 16 488 |
| Q. Health and social assistance | 105 614 | 100 224 |
| R. Arts, entertainment and recreation | 45 764 | 47 090 |
| S. Other service activities | 72 360 | 45 251 |
| T. Activities of households, private households with domestic staff | 6 324 728 | 6 087 130 |
| **Total** | **11 427 666** | **11 159 112** |

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:

| | *2020* | *2019* |
|---|---|---|
| Government bonds with no coupon | 29 690 | 29 583 |
| Loans and advances and current accounts to banks | 1 572 152 | 1 135 155 |
| Loans and advances to customers | 314 467 | 334 876 |
| Debt securities | 1 704 861 | 1 116 337 |
| **Total** | **3 621 170** | **2 615 951** |

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 2020:

| | *Impairment allowances for expected credit losses – stage 1* | *Impairment allowances for expected credit losses – stage 2* | *Impairment allowances for expected credit losses – stage 3* | *Impairment allowances - POCI* | *Total* |
|---|---|---|---|---|---|
| **As at 1 January 2020** | **17 941** | **24 863** | **155 185** | **3 488** | **201 477** |
| Net changes due to credit risk | (12 424) | 29 041 | 55 765 | (2 132) | 70 250 |
| Increase due to origin or acquisition | 14 901 | 4 252 | 154 | 918 | 20 225 |
| Decrease due to derecognition | (3 437) | (10 283) | (25 695) | (505) | (39 920) |
| Write-off | - | - | (28 444) | (117) | (28 561) |
| Unwinding | - | - | (374) | 599 | 225 |
| Foreign exchange differences | - | - | (46) | - | (46) |
| **As at 31 December 2020** | **16 981** | **47 873** | **156 545** | **2 251** | **223 650** |

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 credit losses – stage 1* | *Impairment allowances for expected credit losses – stage 2* | *Impairment allowances for expected credit losses – stage 3* | *Impairment allowances - POCI* | *Total* |
|---|---|---|---|---|---|
| **As at 1 January 2019** | **16 805** | **32 161** | **163 041** | **1 945** | **213 952** |
| Net changes due to credit risk | (11 514) | (6 172) | 32 477 | 1 427 | 16 219 |
| Increase due to origin or acquisition | 16 912 | 6 194 | 8 912 | 1 391 | 33 409 |
| Decrease due to derecognition | (4 116) | (8 476) | (19 416) | (355) | (32 363) |
| Write-off | - | - | (30 980) | (926) | (31 906) |
| Unwinding | - | - | 396 | 6 | 402 |
| Change in methodology* | (146) | 1 156 | 745 | - | 1 755 |
| Foreign exchange differences | - | - | 10 | - | 10 |
| **As at 31 December 2019** | **17 941** | **24 863** | **155 185** | **3 488** | **201 477** |

** Change due to new default definition.*

**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 the EBA (European Bank Authority). Non-performing exposures include both defaulted and non-defaulted exposures.

Based on changes (implementation of IFRS 9), 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 the share of non-performing exposures, resulting in decrease of the indicator.

The table below represents the summary of non-performing exposures as at 31 December 2020:

| | *Gross carrying amount* | *Share of non-performing exposures* | *% coverage of non-performing exposures* |
|---|---|---|---|
| **Loans and advances to banks** | **-** | **-** | **-** |
| **Loans and advances to customers** | **234 256** | **2.03%** | **67.79%** |
| Public sector | - | - | - |
| Corporate clients | 82 369 | 1.79% | 63.82% |
| Retail clients | 151 887 | 2.19% | 6.94% |
| **Debt securities** | **-** | **-** | **-** |
| **Total** | **234 256** | **1.77%** | **67.79%** |

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** | **229 120** | **2.05%** | **69.02%** |
| Public sector | - | - | - |
| Corporate clients | 87 028 | 1.90% | 67.00% |
| Retail clients | 142 092 | 2.16% | 70.25% |
| **Debt securities** | **-** | **-** | **-** |
| **Total** | **229 519** | **1.83%** | **69.07%** |

**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 Group Authority).

A key aspect when deciding whether a loan is forborne, is in the business sector 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. Such monitoring is performed over a two-year period after the loan is no longer considered to be defaulted. 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, where 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 2020:

| | *Gross carrying amount* | *Allowances for expected credit losses* | *Net book value* |
|---|---|---|---|
| **Loans and advances to banks** | **-** | **-** | **-** |
| | | | |
| **Loans and advances to customers** | **54 936** | **(32 959)** | **21 977** |
| Public sector | - | - | - |
| Corporate clients | 27 982 | (18 149) | 9 833 |
| Retail clients | 26 954 | (14 810) | 12 144 |
| | | | |
| **Total** | **54 936** | **(32 959)** | **21 977** |

The summary below represents the analysis of forborne exposures as at 31 December 2019:

| | *Gross carrying amount* | *Allowances for expected credit losses* | *Net book value* |
|---|---|---|---|
| **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** |

**Default loan portfolio (NPL)**

There is no definition of default loans in the methodology of International Financial Reporting Standards. The Group also uses impaired loans as the equivalent for non-performing loans.

To determine the client's default, the Group mainly uses the following indicators, also 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 immediate 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 from the client resulting in a loss or an anticipated loss from a deal. In the retail portfolio, the Group applies a limit set at an absolute materiality threshold of EUR 100 and a relative materiality threshold of 1% of the gross carrying amount of all client credit exposures that the receivable must exceed. In the corporate portfolio, the Group 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 gross carrying value, in restructuring the limit of change in net present value is set 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 irrevocable loan commitments) as at 31 December 2020:

| | *Defaulted loans (Gross book value)* | *Impairment allowances for default loans* | *Impaired loans (Net book value)* | *Recoverable value of received collateral for default loans* |
|---|---|---|---|---|
| **Loans and advances** | **233 500** | **158 793** | **74 707** | **71 932** |
| Banks | - | - | - | - |
| Corporate clients | 82 383 | 52 568 | 29 815 | 19 265 |
| Retail clients | 151 117 | 106 225 | 44 892 | 52 667 |
| **Contingent liabilities and other off-balance sheet items** | **17 818** | **783** | **17 035** | **130** |
| Corporate clients | 16 778 | - | 16 778 | 9 |
| Retail clients | 1 040 | 783 | 257 | 121 |
| **Total** | **251 318** | **159 576** | **91 742** | **72 062** |

The summary below represents analysis of the default loan portfolio (balance sheet items) and impairment off-balance sheet portfolio analysis (guarantees and irrevocable loan commitments) as at 31 December 2019:

| | *Defaulted loans (Gross book value)* | *Impairment allowances for default loans* | *Impaired loans (Net book value)* | *Recoverable value of received collateral for default loans* |
|---|---|---|---|---|
| **Loans 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** | **17 425** | **728** | **16 697** | **1 705** |
| Corporate clients | 16 459 | - | 16 459 | 1 655 |
| Retail clients | 966 | 728 | 238 | 50 |
| **Total** | **246 536** | **159 398** | **87 138** | **72 423** |

### Sensitivity analysis of impairment allowances

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 default (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 -9.8%.

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%.

Calculation of expected credit losses in the Group considers IFRS 9 standards. It is based on several input factors and assumptions. Current increased uncertainty stemming out of COVID-19 pandemic outbreak could have influence on these factors and assumptions. Macroeconomic environment could serve as an example of quite complex input into the calculation of expected credit losses. To address potential deviation from expected macroeconomic development, calculation methodology is based on three different scenarios of how macroeconomic situation could evolve. Baseline scenario represents the expected macro development, optimistic scenario reflects possibility that macro development could be better than expected while pessimistic scenario is projected as materialization of negative assumptions and thus worse than expected development of macroeconomic indicators.

According to the currently valid methodology, calculation of expected credit loss (ECL) depends via the input parameters on the macroeconomic scenario $X_j$. The final ECL is calculated via a scenario-weighted average:

$$\sum_{j=1}^{S} w_j \cdot ECL\,(X_j)$$

where $w_j$ is the weight of respective scenario $X_j$ or weight of ECL calculated within this scenario.

The Group is using the macro-economic forecast scenarios from Raiffeisen Research. Those are based on all available information and expertise. The weightings assigned to each scenario at the end of the reporting year end are as follows: 25 per cent optimistic, 50 per cent base and 25 per cent pessimistic scenarios.

To assess the potential impact of volatile external environment and its influence on the provisioning level (volume of ECL), the Group has performed a sensitivity analysis focusing mainly on how changes in macroeconomic situation (represented by relevant indicators used in macro scenarios set up) could influence the volume of ECL as of December 2020. The idea is to present the extent to which volume of ECL could increase, should the negative macroeconomic development, represented by pessimistic scenario, turn to be true.

For this purpose, standard weights of macroeconomic scenarios used in ECL calculation have been altered - pessimistic scenario is considered with 100% weight, baseline and optimistic scenarios are thus set to zero weight (i.e. pessimistic scenario is the only one relevant in the calculation). This approach has been applied on the bank level (meaning for retail as well as for non-retail portfolio).

The following table shows impact of macroeconomic scenarios on ECL volume.

| | impact on ECL | |
|---|---|---|
| | Stage 1,2 | Stage 1,2,3 |
| Total portfolio | +15% | +5% |
| Retail portfolio | +12% | +3% |
| Non-retail portfolio | +20% | +7% |

On total portfolio level, increase of ECL volume (compared to the original calculation as of 12/2020) by +15% (considering Stage 1 and Stage 2) resp. +5% (considering Stage 1, Stage 2 and Stage 3) is observed.

**Concentration risk by geographic regions**

Structure of assets and liabilities related to entities outside the Slovak Republic:

| | *2020* | *2019* |
|---|---|---|
| **Assets** | **851 913** | **1 138 434** |
| *Of which Austria* | *180 857* | *175 733* |
| *Of which Czech Republic* | *219 571* | *342 936* |
| *Of which United States of America* | *9 204* | *133 487* |
| *Of which Poland* | *177 084* | *165 035* |
| *Of which Netherlands* | *17 322* | *30 962* |
| *Of which Great Britain* | *33 144* | *33 079* |
| *Of which Romania* | *4 889* | *41 623* |
| *Of which Spain* | *28 261* | *33 430* |
| *Of which Belgium* | *55 443* | *37 511* |
| *Of which other countries (mainly EU countries)* | *126 138* | *144 638* |
| | | |
| **Liabilities** | **1 099 203** | **1 324 731** |
| *Of which Austria* | *527 430* | *515 989* |
| *Of which Hungary* | *56 707* | *250 703* |
| *Of which Luxembourg* | *73 846* | *97 774* |
| *Of which Czech Republic* | *90 614* | *102 520* |
| *Of which Germany* | *54 689* | *52 475* |
| *Of which Ukraine* | *44 388* | *42 305* |
| *Of which other countries (mainly EU countries)* | *251 529* | *262 965* |

**Market risk**

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. The gamma limit sets the maximum allowable rate of change in the foreign exchange position from option contracts due to a change in the underlying exchange rate. The Vega limit sets the maximum allowable rate of change in the value of options due to a change in the volatility of the underlying currency pair.

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 the following assets and liabilities denominated in foreign currencies:

| | ***2020*** | ***2019*** |
|---|---|---|
| **Assets** | **252 787** | **386 509** |
| *Of which: USD* | *52 034* | *132 392* |
| *Of which: CZK* | *125 684* | *215 622* |
| *Of which: other currencies (PLN, HUF, GBP and other)* | *75 069* | *38 495* |
| | | |
| **Liabilities** | **428 534** | **528 301** |
| *Of which: USD* | *258 357* | *296 571* |
| *Of which: CZK* | *84 875* | *115 558* |
| *Of which: other currencies (PLN, HUF, GBP and other)* | *85 302* | *116 172* |

The Group's net foreign exchange (FX) position of assets, liabilities as at 31 December 2020 and as at 31 December 2019 was as follows:

| | ***Net FX position as at 31 December 2020*** | ***Net FX position as at 31 December 2019*** |
|---|---|---|
| USD | (206 323) | (164 179) |
| CZK | 40 809 | 100 064 |
| Other (GBP, CHF, PLN, HUF and other) | (10 233) | (77 677) |
| **Total net FX balance sheet position** | **(175 747)** | **(141 792)** |
| | | |
| USD | 204 416 | 154 522 |
| CZK | (52 690) | (101 101) |
| Other (GBP, CHF, PLN, HUF and other) | 13 657 | 78 515 |
| **Total net FX off-balance sheet position** | **165 383** | **131 936** |
| | | |
| **Total net FX position** | **(10 364)** | **(9 856)** |

### 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 interest rate risk in the Banking book in terms of change in the Group's income is monitored and evaluated monthly, always as at the end of the month. Interest rate risk in the Banking book is monitored and evaluated on a daily basis in terms of changes in economic value.

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 2020:

| | ***Up to 3 months included*** | ***From 3 months to 1 year included*** | ***From 1 to 5 years included*** | ***Over 5 years*** | ***Unspecified*** | ***Total*** |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and Oher demand deposits | 26 225 | - | - | - | 115 964 | 142 189 |
| Cash balances at central banks | 1 572 152 | - | - | - | - | 1 572 152 |
| Financial assets held for trading | 1 | 57 | - | 20 038 | 34 453 | 54 549 |
| Financial assets at fair value through other comprehensive income | 2 622 | 22 215 | 113 765 | 82 523 | 86 | 221 211 |
| Financial assets at amortised cost | 3 888 734 | 1 828 149 | 6 111 787 | 1 423 905 | 92 475 | 13 345 050 |
| Hedging derivative financial assets | - | - | - | - | 14 191 | 14 191 |
| Other assets | - | - | - | - | 63 771 | 63 771 |
| **Interest rate position for financial assets as at 31 December 2020** | **5 489 734** | **1 850 421** | **6 225 552** | **1 526 466** | **320 940** | **15 413 113** |
| **Liabilities** | | | | | | |
| Financial liabilities held for trading | - | - | - | - | 84 277 | 84 277 |
| Financial liabilities at amortised cost* | 5 117 722 | 1 482 953 | 5 108 755 | 2 269 535 | 110 095 | 14 089 060 |
| Hedging derivative financial liabilities | - | - | - | - | 3 322 | 3 322 |
| Change in fair value of hedged items in i nterest rate risk hedging | - | - | - | - | 1 991 | 1 991 |
| Provisions | - | - | - | - | 70 739 | 70 739 |
| Other liabilities | - | - | - | - | 42 068 | 42 068 |
| **Interest rate position for financial liabilities as at 31 December 2020** | **5 117 722** | **1 482 953** | **5 108 755** | **2 269 535** | **312 492** | **14 291 457** |
| **Net interest rate position as at 31 December 2020** | **372 012** | **367 468** | **1 116 797** | **(743 069)** | **8 448** | **1 121 656** |

** The Group uses its own model to categorize the non-term deposits according to interest rate sensitivity, whereas these deposits are categorised for up to 10 years.*

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* | *Unspecified* | *Total* |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and Oher demand deposits | 25 745 | - | - | - | 135 652 | 161 397 |
| Cash balances at central banks | 1 135 155 | - | - | - | - | 1 135 155 |
| 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 | 3 558 707 | 1 853 950 | 6 077 716 | 876 285 | 141 978 | 12 508 636 |
| Hedging derivative financial assets | - | - | - | - | 5 956 | 5 956 |
| Change in fair value of hedged items in interest rate risk hedging | - | - | - | - | 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 |
| Hedging 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.*

### 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 2020 (in thousands of EUR):

| | *Present value of exchange rate* | *Exchange rate in sensitivity scenario* | *Group's position on the respective currency* | *Economic loss of the Group for a given scenario with an impact on equity* |
|---|---|---|---|---|
| CZK | 26.2420 | 24.9299 | (11 881) | (594) |
| PLN | 4.5597 | 4.7877 | 1 334 | (67) |
| USD | 1.2271 | 1.1657 | (277) | (14) |
| NOK | 10.4703 | 10.9938 | 138 | (7) |
| JPY | 126.4900 | 120.1655 | (128) | (6) |
| **Total** | | | **(10 814)** | **(688)** |

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 on the respective currency* | *Economic loss of the Group 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)** |

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 2020 (in thousands of EUR):

| | *Yield curve shift* | *Group's loss from yield curve shift* |
|---|---|---|
| EUR | -100 BPV | (65 714) |
| USD | +100 BPV | (1 527) |
| **Total** | | **(67 241)** |

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)** |

As at 31 December 2020, the Group's exposure position in the Trading book to equity price risk is nil, as at 31 December 2019 it was also nil. The Group, therefore, does not recognise this exposure position to equity price risk.

As at 31 December 2020, the Group's net exposure position to commodities in the Trading book is insignificant; as at 31 December 2019 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 Risk Management department 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. Treasury department informs ALCO about new investments in securities on a regular basis.

The Group monitors short-term, 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 2020:

| | ***Up to 12 months*** | ***Over 12 months*** | ***Unspecified*** | ***Total*** |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Other demand deposits | 142 189 | - | - | 142 189 |
| Cash balances at central banks | 1 572 152 | - | - | 1 572 152 |
| Financial assets held for trading | 59 | 20 037 | 34 453 | 54 549 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 172 | 11 522 | 8 197 | 19 891 |
| Financial assets at fair value through other comprehensive income | 24 837 | 196 288 | 86 | 221 211 |
| Financial assets at amortised cost | 2 758 086 | 10 318 780 | 268 184 | 13 345 050 |
| Hedging derivative financial assets[3] | - | - | 14 191 | 14 191 |
| Non-current tangible assets | - | - | 109 871 | 109 871 |
| Investment property | - | - | 1 | 1 |
| Non-current intangible assets | - | - | 57 265 | 57 265 |
| Current tax asset | - | - | 34 | 34 |
| Deferred tax asset | - | - | 36 266 | 36 266 |
| Other assets | - | - | 63 771 | 63 771 |
| Non-current assets and assets for disposal classified as held for sale | | | 4 290 | 4 290 |
| **Total assets** | **4 497 495** | **10 546 627** | **596 609** | **15 640 731** |

| | *Up to 12 months* | *Over 12 months* | *Unspecified* | *Total* |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Financial liabilities held for trading[3) ] | - | - | 84 277 | 84 277 |
| Financial liabilities at amortised cost[1)] | 1 772 664 | 12 263 656 | 52 740 | 14 089 060 |
| Hedging derivative financial liabilities[3)] | - | - | 3 322 | 3 322 |
| Change in fair value of hedged items in interest rate risk hedging | - | - | 1 991 | 1 991 |
| Provisions | - | - | 70 739 | 70 739 |
| Current tax liability | - | - | 4 028 | 4 028 |
| Other liabilities | - | - | 42 068 | 42 068 |
| **Total liabilities** | **1 772 664** | **12 263 656** | **259 165** | **14 295 485** |
| **Net balance sheet position** | **2 724 831** | **(1 717 029)** | **337 444** | **1 345 246** |
| **Net off-balance sheet position[2)]** | **(2 776 103)** | **(150)** | **(408 994)** | **(3 305 688)** |
| **Cumulative balance sheet and off-balance sheet position** | **(51 272)** | **(1 717 179)** | **(71 539)** | **(1 960 442)** |

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 2019:

| | *Up to 12 months* | *Over 12 months* | *Unspecified* | *Total* |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Other demand deposits | 161 397 | - | - | 161 397 |
| Cash balances at central banks | 1 135 155 | - | - | 1 135 155 |
| Financial assets held for trading[3] | 92 | 4 456 | 26 685 | 31 233 |
| Non-trading financial assets mandatorily at fair value through profit or loss | - | 724 | 717 | 1 441 |
| Financial assets at fair value through other comprehensive income | 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[3] | - | - | 5 956 | 5 956 |
| Change in fair value of hedged items in interest rate risk hedging | - | - | 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** |

| | *Up to 12 months* | *Over 12 months* | *Unspecified* | *Total* |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Financial liabilities held for trading[3)] | - | - | 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[3)] | - | - | 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** |
| | | | | |
| **Net balance sheet position** | **1 396 535** | **(560 241)** | **405 081** | **1 241 375** |
| | | | | |
| **Net off-balance sheet position[2)]** | **(2 776 103)** | **(150)** | **(408 994)** | **(3 282 519)** |
| | | | | |
| **Cumulative balance sheet and off-balance sheet position** | **(1 379 568)** | **(560 391)** | **(3 913)** | **(2 041 144)** |

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 summary below represents an analysis of the earliest possible contractual maturity of financial assets, in the worst-case scenario, as at 31 December 2020 (in non-discounted amounts):

| | | | Remaining 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 year incl.* | *Over 5 years* |
| **Non-derivative financial assets:** | | | | | | |
| Cash in hand | 115 964 | 115 964 | 115 964 | - | - | - |
| Balances at central banks | 1 572 152 | 1 572 152 | 1 572 152 | - | - | - |
| Other deposits payable on demand | 26 225 | 26 225 | 26 225 | - | - | - |
| Loans and advances | 11 437 581 | 12 585 892 | 1 995 813 | 1 734 251 | 4 063 183 | 4 792 645 |
| Debt securities | 2 168 581 | 2 250 202 | 315 081 | 89 270 | 749 983 | 1 095 868 |
| **Derivative financial assets:** | | | | | | |
| Positive fair value of financial derivatives held for trading | 34 453 | 678 477 | 3 488 | 566 932 | 89 759 | 18 298 |
| Hedging derivative financial assets | 14 191 | 17 409 | 522 | 2 328 | 12 274 | 2 285 |

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):

| | | | Remaining 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 year incl.* | *Over 5 years* |
| **Non-derivative financial assets:** | | | | | | |
| 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 held for trading | 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 liabilities, in the worst-case scenario, as at 31 December 2020 (in non-discounted amounts):

| | | | | | Remaining 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 year incl.*** | ***Over 5 years*** |
| **Non-derivative financial liabilities:** | | | | | | |
| Financial liabilities held for trading | 47 922 | 47 922 | 47 922 | - | - | - |
| Financial liabilities at amortised cost | 14 089 060 | 14 167 018 | 12 014 690 | 402 742 | 1 295 348 | 455 968 |
| *Of which Deposits* | *13 399 621* | *13 470 941* | *12 001 563* | *346 116* | *977 075* | *146 187* |
| *Of which Liabilities from debt securities* | *628 830* | *637 468* | *1 452* | *49 984* | *292 092* | *293 940* |
| *Of which Other financial liabilities* | *60 609* | *60 609* | *11 945* | *6 642* | *26 181* | *15 841* |
| Provisions | 70 739 | 70 739 | 70 739 | - | - | - |
| Other liabilities | 42 068 | 42 068 | 42 068 | - | - | - |
| **Derivative financial liabilities:** | | | | | | |
| Negative fair value of financial derivatives held for trading | 36 355 | 688 640 | 3 635 | 575 345 | 91 379 | 18 281 |
| Derivative financial liabilities | 3 322 | 5 438 | 285 | 646 | 2 901 | 1 606 |

The summary below represents an analysis of the earliest possible contractual maturity of financial liabilities, in the worst-case scenario, as at 31 December 2020 (in non-discounted amounts):

| | | | | | Remaining 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 year incl.*** | ***Over 5 years*** |
| **Contingent liabilities and other off-balance sheet items:** | | | | | | |
| Contingent liabilities from guarantees | 408 994 | 408 994 | 408 994 | - | - | - |
| Contingent liabilities from letters of credit | 1 039 | 1 039 | 1 039 | - | - | - |
| From irrevocable loan commitments | 1 117 431 | 1 117 431 | 1 117 431 | - | - | - |

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):

| | | | Remaining 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 year incl.*** | ***Over 5 years*** |
| **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 |
| Hedging derivative financial liabilities | 741 | 2 251 | 291 | 305 | 1 400 | 255 |

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):

| | | | Remaining 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 year incl.*** | ***Over 5 years*** |
| **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 | - | - | - |

**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 banks, 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

## 45. Contingent liabilities and other off-balance sheet items

The Group reports the following contingent liabilities and other off-balance sheet items::

| | *2020* | *2019* |
|---|---|---|
| **Contingent liabilities:** | **410 033** | **478 441** |
| from guarantees | 408 994 | 475 247 |
| from letters of credit | 1 039 | 3 194 |
| | | |
| **Commitments:** | **2 895 826** | **2 875 394** |
| from irrevocable loan commitments: | 1 117 430 | 1 182 107 |
| *up to 1 year* | *655 648* | *655 485* |
| *more than 1 year* | *461 782* | *526 622* |
| from revocable loan commitments: | 1 778 396 | 1 693 287 |
| *up to 1 year* | *1 317 065* | *1 288 404* |
| *more than 1 year* | *461 331* | *404 883* |
| **Total** | **3 305 859** | **3 353 835** |

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, considering the financial position and activities of the entity to which the Group issued the guarantee, and considering the collateral obtained. As at 31 December 2020, the Group created reserves for these risks amounting to 7 004 thousand (as at 31 December 2019: EUR 5 289 thousand), Note 34 „*Provisions*“.

An overview of the quality of contingent liabilities and other off-balance sheet items is stated in Note 44 „*Risk report*“.

**Litigations and claims**

In the sound 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 2020, 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 Group‘s view, both actions are speculative.

As at 31 December 2020, 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 32 235 thousand (31 December 2019: EUR 49 491 thousand), Note 31 „*Provisions*“. To determine the amount of provisions, the Group uses professional judgement and relies on advice from legal counsel, considering 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.

## 46. 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 non-current tangible assets in „*Right-of-use the asset*".

Depreciation of the right-of-use is included in the general administrative expenses under „*Depreciation and amortisation of non-current tangible and intangible 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:

| | ***2020*** | ***2019*** |
|---|---:|---:|
| **Lease costs:** | **(860)** | **(814)** |
| Short-term lease | (13) | (11) |
| Low-value tangible assets leases | (847) | (803) |

The following table provides an analysis of the maturity of contractual undiscounted cash flows from lease liability:

| | ***2020*** | ***2019*** |
|---|---:|---:|
| **Contractual undiscounted cash flows:** | **54 676** | **56 102** |
| Less than 1 year | 10 452 | 9 999 |
| 1 to 5 years | 31 746 | 31 383 |
| More than 5 years | 12 478 | 14 720 |

## 47. 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 Group 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 2020:

| *Related parties** | *RBI* | *RBI Group* | *Statutory bodies and Supervisory Board*** | *Other related parties* | *Total* |
|---|---|---|---|---|---|
| Loans, advances and current accounts to banks and customers | 22 886 | 100 062 | 1 627 | 3 386 | **127 961** |
| Receivables from financial derivative transactions | 38 305 | 27 | - | - | **38 332** |
| Other assets | 312 | 399 | - | - | **711** |
| Deposits and current accounts from banks and customers | 2 838 | 442 | 2 097 | 2 732 | **8 109** |
| Liabilities from financial derivative transactions | 49 900 | - | - | - | **49 900** |
| Subordinated debts | 135 374 | - | - | - | **135 374** |
| Other liabilities | 2 003 | 978 | - | - | **2 981** |
| Guarantees issued | 4 968 | 2 074 | - | - | **7 042** |
| Loan commitments | 37 000 | 4 023 | 145 | 1 113 | **42 281** |

* *Groups of related parties under the IAS 24 definition*
** *Including members of RBI Boards of Directors*

Assets, liabilities, commitments, issued and received guarantees of related parties as at 31 December 2019:

| *Related parties** | *RBI* | *RBI Group* | *Statutory bodies and Supervisory Board*** | *Other related parties* | *Total* |
|---|---|---|---|---|---|
| Loans, advances and current accounts 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 and current accounts 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** |
| Loan 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*

Revenue and expenses of related parties as at 31 December 2020:

| *Related parties** | *RBI* | *RBI Group* | *Statutory bodies and Supervisory Board* | *Other related parties* | *Total* |
|---|---|---|---|---|---|
| Interest and dividend income | 7 384 | 1 723 | 14 | 56 | **9 177** |
| Fee and commission income | 765 | 853 | - | - | **1 618** |
| Unrealised gain / (loss) on financial derivative transactions | (11 829) | 156 | - | - | **(11 673)** |
| Operating revenue | 749 | 533 | - | - | **1 282** |
| Interest expenses | (9 811) | (53) | - | (1) | **(9 865)** |
| Fee and commission expenses | (647) | (8 439) | - | - | **(9 086)** |
| General administrative expenses | (7 971) | (81) | (4 972)** | - | **(13 024)** |
| **Total** | **(21 360)** | **(5 308)** | **(4 958)** | **55** | **(31 571)** |

* *Groups of related parties under the IAS 24 definition*
** *Wages and bonuses to the Board of Directors' members, Supervisory board members and authorised signatories*

Revenue 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 similar 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 revenue | 1 122 | 635 | - | - | **1 757** |
| Interest expense and similar expenses | (16 247) | (468) | (1) | (4) | **(16 720)** |
| Fee and commission expenses | (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*

During 2020 and 2019, the following remuneration was paid to the members of the Bank's Statutory body:

| | ***2020*** | ***2019*** |
|---|---|---|
| Short-term employee benefits | 3 056 | 3 341 |
| Post-employment benefits | - | - |
| Other long-term benefits | - | - |
| Termination benefits | - | - |
| Share-based payment benefits | - | - |
| **Total** | **3 056** | **3 341** |

The members of Statutory body own preference shares of Tatra Banka. Conditions of the preference shares are described in Note 37 *Equity*.

## 48. Average number of employees

The average number of Group's employees was as follows:

| | *2020* | *2019* |
|---|---|---|
| Bank employees | 3 688 | 3 868 |
| *Of which: Members of the Board of Directors* | *7* | *7* |
| **Total** | **3 688** | **3 868** |

## 49. 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, referred to as own funds, consists of Tier 1 equity, additional Tier 1 capital and Tier 2 capital. Regulatory capital is used to cover credit risk from Grouping book activities, counterparty risk related to 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, OTC derivative 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 44 "*Risk report*", part "*BASEL III*".

During 2020, the Group complied with the level of capital adequacy 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 2020, 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 and quantifies them. 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:

| | *2020* | *2019* |
|---|---|---|
| **The original own funds (TIER 1)** | **1 139 538** | **1 005 535** |
| Paid-up share capital | 64 326 | 64 326 |
| (-) Treasury shares | (97) | (347) |
| Share premium | 298 094 | 297 596 |
| (-) Share premium- treasury shares | (1 310) | (4 599) |
| Funds from profit and other capital reserves | 15 344 | 15 814 |
| Other specific items of original own funds | 758 490 | 612 302 |
| Other temporary adjustments to Tier 1 capital | 4 691 | 20 443 |
| **The additional own funds (TIER 1) (AT1 equity)** | **100 000** | **100 000** |
| **(-) Items deductible from the original own funds** | **(50 769)** | **(53 792)** |
| (-) Intangible assets | (38 550) | (41 573) |
| (-) Goodwill | (12 219) | (12 219) |
| **Additional own funds (TIER 2)** | **147 454** | **140 882** |
| Subordinated debts | 135 000 | 135 000 |
| Excess of provisions over expected losses eligible | 12 454 | 5 882 |
| **(-) Items deductible from the original and additional own funds** | **(26 905)** | **(11 170)** |
| (-) From the original own funds | (26 905) | (11 170) |
| **Total own funds** | **1 309 318** | **1 181 455** |
| **Adequacy of own funds (%)** | **20.80** | **17.75** |
| **Own funds** | **1 308 820** | **1 181 455** |
| **Risk-weighted assets (RWA)** | **6 295 457** | **6 654 957** |
| RWA from receivables recorded in the Banking book | 5 437 262 | 5 800 593 |
| RWA from positions recorded in the Trading book | 112 558 | 119 446 |
| RWA from operating risk – standardised approach | 745 637 | 734 918 |

## 50. 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.

## 51. Approval of the Consolidated financial statements

The annual consolidated financial statements for the immediately preceding reporting period (as at 31 December 2019) were signed and authorised for issue on 10 March 2020.

The financial statements were signed and authorised for issue on 9 March 2021 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

# Profit for the Year 2020 and Dividend Payment

### Distribution of the Profit for the Year 2020

(in EUR)

| | |
|---|---|
| **Profit after tax for the year 2020** | **106 312 650** |
| Distribution for Investment certificate AT1 | 6 306 389 |
| Allocation to retained earnings | 100 006 261 |

### Distribution of the Retained Earnings

(in EUR)

| | |
|---|---|
| **Retained earnings** | **68 204 435** |
| Dividends - Ordinary shares | 60 285 168 |
| Dividends - Preferred shares | 7 919 267 |

Dividend per ordinary share with the nominal value of EUR 800 is in the amount of EUR 848.
Dividend per ordinary share with the nominal value of EUR 4 000 is in the amount of EUR 4 240.
Dividend per preference share with the nominal value of EUR 4 is in the amount of EUR 4,25.

The payment of proceeds from the AT1 Investment certificate will be carried out in accordance with the instrument‘s emission conditions.

The 2020 Annual report and The profit distribution draft were approved at the General meeting on April 30, 2021.

TATRA BANKA
Member of Raiffeisen Bank International

Tatra banka, a. s.
Hodžovo námestie 3
811 06 Bratislava 1
Slovak Republic

Tel.: +421-2-5919-1111
Fax: +421-2-5919-1110

SWIFT/BIC: TATRSKBX
www.tatrabanka.sk