Consolidated financial statements for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards as adopted by the European Union and Independent Auditors‘ Report

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Translation of the Auditors' Report originally prepared in Slovak language

Independent Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Tatra banka, a. s. ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 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.

Obchodný register Okresného súdu Bratislava I, oddiel Sro, vložka č. 4864/B
Commercial register of district court Bratislava I, section Sro, file No. 4864/B

IČO/Registration number: 31 348 238
Evidenčné číslo licencie audítora: 96
Licence number of statutory auditor: 96

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. Impairment allowances for all performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy) and retail non-performing exposures (Stage 3) (together "collective impairment allowance") are determined by modelling techniques. Historical experience, identification of exposures with a significant deterioration in credit quality, forward-looking information and management judgment are incorporated into the model assumptions. For individually assessed exposures, the impairment assessment is based on the 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: • 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; • 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; • Making relevant inquiries of the Group's risk management and information technology (IT) personnel in order to

collateral. Related impairment allowances are determined on an individual basis by means of a discounted cash flows valuation.

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;

- 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;

- 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);

- 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;

For collective impairment allowance:

- 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.

- 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.

- 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.

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

TATRA BANKA

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**
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**

The accompanying Notes are an integral part of these financial statements.
This is an English language translation of the original Slovak language document.

TATRA BANKA

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**

TATRA BANKA

Separate 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"

TATRA BANKA

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**

The accompanying Notes are an integral part of these financial statements.
This is an English language translation of the original Slovak language document.

TATRA BANKA

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)
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)**

TATRA BANKA

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 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)*

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 in %*	*Share of the Group in %*	*Indirect share through consolidated companies*	*Company ID No.*	*Principal activities*	*Consolidation method*	*Seat*
Tatra Residence, a. s.	100%	100%	n/a	35 730 561	Business services	Full consolidation	Bratislava
Tatra Asset Management, správ. spol., a.s.	100%	100%	n/a	35 742 968	Asset management	Full consolidation	Bratislava
Doplnková dôchodková spoločnosť Tatra banky, a.s.	100%	100%	n/a	36 291 111	Supplementary pension Savings	Full consolidation	Bratislava
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. in liquidation	-	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

AT1 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 incease 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)	Reclassification	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 BusinessÚverTB Expres, BusinessÚverTB Hypo and BusinessÚverTB Variant, company credit cards (VISA Standard/Gold) and other products.

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

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

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

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

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

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

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

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

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

	Corporate customers	***Financial institutions and public sector***	***Retail customers***	***Investment banking and treasury***	***Total reportable segments***	***Equity investments and other***	***Total***
Net interest income and dividend income	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 institutions and public sector***	***Retail customers***	***Investment banking and treasury***	***Total reportable segments***	***Equity investments and other***	***Total***
Net interest income and dividend income	70 001	983	208 745	7 036	**286 765**	6 488	**293 253**
Net fee and commission income	24 406	7 913	94 845	(392)	**126 772**	(2 984)	**123 788**
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*	*Temporary 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 the statement of 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***	***Start of loan drawing***	***Interest rate***	***Contractual maturity***	***2020***	***2019***
Loans received from banks:							
- national bank	EUR	Long-term	June 2018	-0.4%	June 2020	-	54 424
- national bank	EUR	Long-term	June 2020	-0.5%	June 2023	443 131	-
- national bank	EUR	Long-term	December 2020	-0.5%	December 2023	443 132	-
- commercial bank	EUR	Long-term	July 2018	0.58%	May 2021	1 504	3 510
- commercial bank	EUR	Long-term	March 2011	2.86%	May 2021	2 508	6 807
- commercial bank	EUR	Long-term	November 2017	1.09%	September 2022	24 443	49 125
- bank for reconstruction and development	EUR	Long-term	March 2011	3.46%	May 2025	73 680	95 015
Subordinated debt from banks:							
- commercial banks	EUR	Long-term	November 2019	3M EURIBOR + 2.4 %	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**	**1 106 297**

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*	*Up to 1 year*	*From 1 to 5 years*	*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***
	13 066	**25 086**	**-**	**38 152**
Financial liabilities held for trading	-	25 086	-	25 086
Negative fair value of financial derivative instruments for trading	13 066	-	-	13 066
Debt securities and other fixed income securities				
	-	**741**	**-**	**741**
Hedging derivative financial liabilities	-	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 unobservable inputs*	*Range of unobservable inputs*	*Positive sensitivity**	*Positive 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	-	-	-	-	-	-
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	**1 779**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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
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	-	-	-	-
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 losses – stage 1	*Impairment allowances for expected 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 Xj. The final ECL is calculated via a scenario-weighted average: $\sum_{j=1}^{s} w_j \cdot ECL(X_j)$ where wj is the weight of respective scenario Xj 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

The Group is exposed to market risks. Market risks result from open positions of transactions with interest rate, cross-currency, and equity products that are subject to general and specific market changes. To assess the approximate level of market risk associated with the Group's positions, and the expected maximum amount of potential losses, the Group uses internal reports and models for individual types of risk faced by the Group. The Group uses a system of limits, the aim of which is to ensure that the level of risks the Group is exposed to at any time does not exceed the level of risks the Group is willing and able to accept. These limits are monitored on a daily basis.

For risk management purposes, market risk is regarded as the risk of potential losses the Group may incur due to unfavourable developments in market rates and prices. To manage market risk, the Group uses a system of limits imposed on individual positions and portfolios.

As to the structure of trades, the Group primarily faces the following market risks:
- Currency risk and
- Interest rate risk.

Market risks to which the Group faces insignificant exposure (nominal value does not exceed 0.1% of the Group's balance):
- Equity price risk and
- Commodity risk.

Currency risk

Currency risk represents the potential of loss resulting from unfavourable movements in foreign currency exchange rates. The Group controls this risk by determining and monitoring open position limits.

Open currency positions are subject to real-time monitoring through the information system. The currency position of the Group is monitored separately for each currency, as well as the Group limit for specific currencies if monitoring is necessary, e.g. in case of market turbulences. Limits for these positions are set in line with the RBI Group standards. Data on the Group's currency positions and on the compliance with the limits set by RBI are reported on a weekly basis.

In addition to the limit on an open currency position, the Group also sets *gamma* and *vega* limits on an option position for each currency match subject to trading. 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 included***	***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 interest 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 included*	*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 in 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 in 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*	*Unspeci-fied*	*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**
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*	*Unspeci-fied*	*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**
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**
Podsúvahová pozícia, netto [2)]	**(2 776 103)**	**(150)**	**(408 994)**	**(3 282 519)**
Kumulatívna súvahová a podsúvahová pozícia	**(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 years incl.***	***Over 5 years incl.***
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 years incl.***	***Over 5 years incl.***
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 years incl.***	***Over 5 years incl.***
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 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 years incl.***	***Over 5 years incl.***
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 years incl.***	***Over 5 years incl.***
Non-derivative financial liabilities:						
Financial liabilities held for trading	13 066	13 066	13 066	-	-	-
Financial liabilities at amortised cost	13 117 216	13 202 736	11 404 284	977 279	468 816	352 357
Of which Deposits	*12 265 776*	*12 338 777*	*11 362 258*	*679 120*	*294 352*	*3 047*
Of which Liabilities from debt securities	*787 512*	*800 031*	*29 340*	*291 200*	*148 770*	*330 721*
Of which Other financial liabilities	*63 928*	*63 928*	*12 686*	*6 959*	*25 694*	*18 589*
Provisions	84 178	84 178	84 178	-	-	-
Other liabilities	29 033	29 033	29 033	-	-	-
Hedging derivative financial liabilities:						
Negative fair value of financial derivatives held for trading	25 086	604 035	340 015	178 819	70 862	14 339
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 years incl.***	***Over 5 years incl.***
Contingent liabilities and other off-balance sheet items:						
Contingent liabilities from guarantees	475 247	475 247	475 247	-	-	-
Contingent liabilities from letters of credit	3 194	3 194	3 194	-	-	-
From irrevocable loan commitments	1 182 107	1 182 107	1 182 107	-	-	-

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