annual report 2020

poštová banka

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1. Address by the Managing Director

Respected Shareholders, Business Partners and Colleagues,

2020 will go down in history as having caused everyone to change their current thinking, practices, priorities, and plans. Even at the beginning of the year, the economy was beginning to cool down. This was further affected by the coronavirus pandemic, which slowed down, and in some cases even stopped, life as we had known it so far. We will feel the consequences of the still-present pandemic crisis for a long time. On the other hand, last year also brought positives, such as accelerating the digitization of services and processes.

Despite these circumstances, we have been able to bring our clients many new innovative projects and products. Although the banking sector was hit negatively by the pandemic, we created products to make life easier for both residents and businesses.

In February we launched the Ideal mortgage campaign with the best interest rate on the market, from 0.5% per year for up to five years. The whole year was in the spirit of #tusmedoma #tupomahame for us. We brought a consumer loan to small businesses with 0% interest p. a. and deferred payments for up to half a year. We offered residents a loan with an interest rate of 0% p. a. and immediate deferral of instalments. Following the lex corona law, we immediately extended it to nine months without a negative entry in the credit register. In September the postponement of payments for clients who had unfavourable life situations was made possible, even after the first expiry of the deferral, for a further six months. From the beginning a request for deferral of payments electronically was available without the need for a personal visit to the branch. In the first half of the year, we introduced a reduction in interest rates on all consumer loans, from 4 % p. a.

With instalment postponement at a distance and other innovations, we continue the trend of a modern institution with maximum use of technological innovations. In February, we brought more convenience to the 365.bank application, making certain payments easier. Through a "split payment" and "ask for money" function, clients can easily and conveniently settle with their friends for a shared expense.

We were the first in the Slovak banking market to bring a fully digital payment card by introducing the Account plus with extended functionalities. An in-app option to set a card PIN, plus a new way of confirming payments online via the mobile application or PIN was added. Clients using the Bank's mobile application began to receive immediate reports on account movements through push notifications. At the end of the year, we introduced second-factor authorisation for 3D Secure card online payments for clients of 365.bank and Poštová banka.

We continue our successful CSR activities, and 365.bank continues to engage in the promotion of critical thinking. Throughout the year it focused on projects aimed at combating the spread of misinformation, hoaxes, and conspiracies. At Poštová banka we started the next phase of the project Every School Matters, this time in the region of Prešov. Its importance was also felt during the corona crisis, when we showed teachers how to teach online in more interesting ways.

A marketing challenge, to shoot an advertisement in the living rooms and gardens of ordinary people, was successful for 365.bank, much as the #dobrosanosi campaign for the cancellation of the dress code at Poštová banka was in 2020. At the same time, we supported the socially responsible idea of staying at home. 365.bank won the Zlatý klinec competition for this spring's campaign in the category 'Creativity in the time of corona'. This idea also resonated in the Zlatý středník competition, winning first place in the Financial Services category, plus second place in the Web Services category. We received the award for the first online campaign called Slovak today, in which we personified a representative of a modern "mobile first" banking client.

Even in a pandemic and crisis, we tried not to let our clients feel its effects, or at least to feel them in a more favourable way. From the point of view of our subsidiaries, I can say that we did well. Prvá penzijná správcovská spoločnosť achieved second place in terms of net fund assets. We thus overtook EURIZON, upon which we gradually gained all year. The sale of mutual funds through the bank made a significant contribution to this. Our savers also earned money in DSS Poštová banka. Growth in actively managed equity and guaranteed bond funds were the most successful on the market, leaving the competition far behind. In the equity fund, savers achieved double-digit appreciation.

One of the most important events of 2020 was the announcement of a change in the strategy of the Poštová banka group, which will finish in 2021, when 365.bank becomes the main bank and takes over Poštová banka's branches. Our future main bank – 365.bank also scored successes above those already mentioned. The year-on-year increase in its number of clients reached 84%, to reach a level of approximately 55,000. At the same time, the Bank maintains its position as the most recognised digital bank in Slovakia.

I can conclude that 2020 was a difficult year for the banking sector, as it was for the whole economy and society. Nevertheless, we were able to come through it with honour, and we were able to introduce many important products and some positive news. The banking sector managed to agree with the government on the cancellation of the bank levy. The cancellation was not free, but we are glad that with the help of the banking sector, we can maintain a healthy economy.

We believe that the year 2021 will also confirm the important position of Slovak banks on the market, and that we will be able to successfully overcome the unfavourable situation of the coronavirus pandemic.

Ing. Andrej Zaťko

2. General information about the Company

Business name: **Poštová banka, a. s.**
Registered office: **Dvořákovo nábrežie 4, 811 02 Bratislava**
Identification number: **31 340 890**
Date of incorporation: **31 December 1992**
Legal form: **Joint stock company**

company Scope of activities:

a) Pursuant to Article 2 (1) and (2) of the Act on Banks:

1. acceptance of deposits,
2. provision of loans,
3. provision of payment services and clearing,
4. provision of investment services, investment activities and ancillary services pursuant to the act on securities, to the extent referred to in section (b) of this point, and investment in securities on own account
5. trading on own account in
   a) financial money market instruments in euros and foreign currency, including exchange activities,
   b) financial capital market instruments in euros and foreign currency,
   c) the markets of precious metal coins, commemorative bank notes and commemorative coins, bank note sheets, and sets of coins in circulation,
6. administration of clients' receivables in their accounts, including related consultancy,
7. financial leasing,
8. provision of guarantees, opening and certification of letters of credit,
9. provision of consulting services in entrepreneurship,
10. issuance of securities, participation in issuance of securities, and provision of related services,
11. financial intermediation,
12. safe custody of assets,
13. renting of safe deposit boxes,
14. provision of bank information,
15. activities as a depository,
16. handling of banknotes, coins, commemorative banknotes and commemorative coins,
17. issuance and administration of electronic money,
18. financial intermediation according to special legislation as an independent financial agent in the sector of insurance and reinsurance,
19. Financial intermediation according to special legislation as an independent financial agent in the sector of old-age pension savings,
20. Financial intermediation according to special legislation as an independent financial agent in the sector of provision of loans, mortgages and consumer loans.

b) Pursuant to Article 79a (1) in conjunction with Article 6 (1) and (2) of the Act on Securities:

1. acceptance and forwarding of clients' instructions concerning one or several financial instruments in relation to the following financial instruments:
   a) negotiable securities,
   b) money market instruments,
   c) securities and ownership interests of entities of collective investment,
   d) options, futures, swaps, forwards, and other derivatives connected with securities, currencies, interest rates or revenues, which may be settled by delivery or in cash,
2. execution of clients' instructions on their account in relation to the following financial instruments:
   a) negotiable securities,
   b) money market instruments,
   c) securities and ownership interests of entities of collective investment,
   d) options, futures, swaps, forwards, and other derivatives connected with securities, currencies, interest rates or revenues, which may be settled by delivery or in cash,
3. trading on own account in relation to the following financial instruments:
   a) negotiable securities,
   b) money market instruments,
   c) securities and ownership interests of entities of collective investment,
   d) options, futures, swaps, forwards, and other derivatives connected with securities, currencies, interest rates or revenues, which may be settled by delivery or in cash,
4. investment consulting in relation to the following financial instruments:
   a) negotiable securities,
   b) money market instruments,
   c) securities and ownership interests of entities of collective investment,
   d) options, futures, swaps, forwards, and other derivatives connected with securities, currencies, interest rates or revenues, which may be settled by delivery or in cash,
5. subscription and placement of financial instruments on the basis of fixed commitment in relation to the following financial instruments:
   a) negotiable securities,
   b) securities and ownership interests of entities of collective investment,
6. placement of financial instruments with fixed commitment in relation to the following financial instruments:
   a) negotiable securities,
   b) securities and ownership interests of entities of collective investment,
7. custody and administration of financial instruments on the client's account, including custodianship and related services, in particular administration of cash and financial collateral, in relation to the following financial instruments:
   a) negotiable securities,
   b) money market instruments,
   c) securities and ownership interests of entities of collective investment,
8. provision of loans and borrowings to investors to facilitate the realisation of transactions involving one or several financial instruments, in cases where the lender is involved in such transactions,
9. realisation of transactions in foreign exchange assets if these are connected with the provision of investment services,
10. execution of an investment survey and financial analysis, or another form of general recommendation concerning trading in financial instruments.
11. financial instrument underwriting services.

Share capital: € 366 305 193
Paid-up share capital: € 366 305 193

3. Company structure

Board of Directors

Ing. Andrej Zaťko

Chairman of the Board of Directors and CEO

Chairman of the Board of Directors
Graduated from the Department of Economic Informatics at the University of Economics in Bratislava, where he specialized in information technology. From 2011, he was a member of the Board of Directors of J & T BANKA, a. s. (Czech Republic). From November 2012, he held the position of Director and Head of the organisational unit in J & T BANKA, a. s. in the Slovak Republic - J & T BANKA, a. s., branch of a foreign bank. On 12 August 2015, he became Chairman of the Board of Directors of Poštová banka, a. s. He also holds the position of Managing Director of Poštová banka, a. s.

Ing. Peter Hajko

Member of the Board of Directors

Member of the Board of Directors
Graduated from the Department of Economic Informatics at the University of Economics in Bratislava. He was active in the banking sector in 1997–2000, working for Všeobecná úverová banka, a. s. and then in several positions at Tatra banka, a. s. in 2000-2015, latterly as director of a regional branch, where he was responsible for management of the branch network in the regions of Bratislava-West and Nitra, in the areas of sales, servicing, and service quality for retail clients. He joined Poštová banka a. s. in 2015 as Director of the Retail Banking Division. Since 3 December 2015 he has been a member of the Board of Directors of the Poštová banka, a. s.

RNDr. Zuzana Žemlová

Member of the Board of Directors

Member of the Board of Directors
Graduated from the Comenius University Department of Mathematics and Physics in Bratislava. She has been active in the banking sector since 1995. In 1995-2009, she worked for Citibank (Slovakia) a. s. where she held several management positions in the area of audit, independent control and management of risks. She was a member of the Board of Directors of UniCredit Bank Slovakia, a. s. from 2010 to 2013, and a member of the Board of Directors of Sberbank Slovakia from 2013 to 2016. As a member of the Board of Directors in both institutions, she was responsible for all risk management areas, including credit, market, and operational risks. Since 20 June 2017, she has been a Member of the Board of Directors of Poštová banka a. s.

Supervisory Board

Ing. Jozef Tkáč // Chairman of the Supervisory Board – in office since 30 November 2018
Ing. Vladimír Ohlídal, CSc. // Member of the Supervisory Board – in office since 16 June 2020
Ing. Jan Kotek // Member of the Supervisory Board – in office since 4 May 2018
Bc. Jozef Kiss, MA // Member of the Supervisory Board – termination of office on 19 October 2020

As at 31 December 2020, the Bank had an interest in the following subsidiaries, joint ventures and associates:

Name of the company	Activity	Share in %
Subsidiaries		
Prvá penzijná správcovská spoločnosť Poštovej banky, správ. Spol., a. s.	Asset management	100.00 %
Poštová poisťovňa, a. s.	Insurance services	80.00 %
Dôchodková správcovská spoločnosť Poštovej banky, d. s. s., a. s.	Pension funds management	100.00 %
Amico Finance, a. s.	Provision of consumer loans	95.00 %
PB Servis, a. s.	Real estate	100.00 %
PB Finančné služby, a. s.	Operational, financial leasing and factoring	100.00 %
PB PARTNER, a. s., v likvidácii	Financial intermediation	100.00 %
365.fintech, a. s.	Start-up support	100.00 %
Cards&Co, a. s.	Investment services	100.00 %
365.nadácia*	Charity	X
Joint ventures		
SPPS, a. s.	Payment system services	40.00 %
Associates		
ART FOND – Stredoeurópsky fond súčasného umenia, a. s	Trade and art	37.13 %

*Nadácia Poštovej banky changed its name on 15 October 2020 to 365.nadácia.

4. Main events

January

365.bank regulates the proposition of the client loan
At the beginning of the year, 365.bank increased the upper limit of the loan for clients to EUR 10 thousand. It is a fully digital consumer loan with an interest rate of 5 % p. a., which the client draws through the mobile application.

365.bank continued to engage in the promotion of critical thinking
The Bank continued its activities from the previous year and supported projects aimed at combating the spread of misinformation, hoaxes, and conspiracies throughout the year. Promoting critical thinking continued to be an important pillar of its CSR activities.

February

Launching of Ideal mortgage media campaign
We launched the campaign for a mortgage with the most advantageous interest rate on the market: 0.5 % p. a. up to 5 years.

365.bank adds new functionality to its mobile application
The February update of the 365.bank application brought a new feature which makes payments easier. Using the "split payment" and "ask for money" functions, clients can easily and conveniently settle with their friends for a shared expense. It can also be used to make payments to another bank's account.

March

The beginning of the COVID pandemic
We gave a helping hand to small businesses through a loan of up to EUR 10,000 with 0% interest and deferred payments of up to 6 months.

Instalment deferral at a distance
We brought solutions to clients affected by a loss or reduction of income, in the event of inability to repay loans due to the pandemic, and we introduced requests for deferred payments without the need for a personal visit to the branch.

JUNIOR account from 15 years without a legal representative
From March the JUNIOR useful account became available to young people from the age of 15 without the obligation to have a legal representative.

Home office and support for employees
Protecting the health of our employees is paramount for us. Therefore, we immediately responded to the corona crisis and implemented home office. Every fifth employee worked from home. Those who could not work from home due to the nature of their work were reimbursed in full through funds for household member care.

April

Responding to a deteriorating situation – additional help for clients
We launched Pôžička with an interest rate of 0% and immediate deferral of repayments. Subsequently, the lex corona law came into force, which introduced a moratorium for clients up to 9 months without a negative entry in the register. We immediately introduced this option for an interest-free loan.

Increasing the contactless limit on cards
We increased the limit for contactless payments from 20 euros to 50 euros. We responded to government financial measures, enabling clients to pay more securely and minimizing the risk of coronavirus spread.

Launch of mortgage media campaign
We launched a media campaign to sell mortgages during the COVID-19 pandemic with the hashtags #tusmedoma #tupomahame.

365.bank launches the Advertisements from a living room campaign
As part of its marketing communication, and with respect to the situation at the beginning of the coronavirus pandemic, 365.bank proposed an unconventional challenge. It allowed the public to shoot its latest spots. The best commercials, which were created in the living rooms or gardens of ordinary people, were broadcast on television. The Bank also supported the socially responsible idea of staying at home.

June

Reduction of interest rates on all consumer loans – from 4 % p. a.
We responded to the needs of our clients and introduced a consumer loan with interest from 4 % p. a.

365.bank exceeded 40 thousand clients.

September

Re-postponement of instalments for clients with unfavourable life situations
We allowed clients whose lex corona deferral period was terminated to resubmit a deferral request for up to 6 months.

Launch of Secure payments mobile application
To increase the security of online card payments, we introduced extra security features through the Secure payments application.

Notification on changes in the group
We officially announced the transformation of the Poštová banka group in 2021, when 365.bank will become the main bank and take over branches of Poštová banka.

Zlatý klinec for 365.bank
365.bank won in the category of Creativity in the time of corona for its spring campaign Advertisements from a living room in the Zlatý klinec competition.

365.bank also succeeded in the Zlatý středník competition
In September, 365.bank won first place in the Financial Services category and second place in the Web Services category. The Bank was awarded for its first online campaign called Slovak today, in which we personified a representative of a modern "mobile-first" banking client. The competition evaluates the best communication projects in the Czech Republic and Slovakia.

October

Consumer credit campaign
In the pre-Christmas period, we introduced a loan without fees with an interest rate of 4 % p. a. for our clients.

Third year of Every school matters
We successfully initiated the third year of this CSR project, this time in the Prešov region, under the 365.bank brand.

365.bank launches the Word makes a bank campaign
In its autumn campaign, 365.bank launched a current account with no hidden conditions, and completely free of charge. The campaign also points out the importance of transparency.

November

e-PIN implementation
We introduced second-factor authorisation for 3D Secure card online payments for clients of both 365.bank and Poštová banka.

365.bank has almost 55 thousand clients
365.bank closes the year with approximately 55,000 clients. This is a year-on-year increase of 84%. At the same time, the bank maintained its leading position as the most recognised digital bank in Slovakia.

December

e-PIN implementation
We introduced the second factor in 3D Secure card online payments, for clients of both 365.bank and Poštová banka.

365.bank has almost 55 thousand clients
365.bank closes the year with approximately 55 000 clients. This is a year-on-year increase of 84%. At the same time, the bank maintained its leading position as the most recognised digital bank in Slovakia.

Prvá Penzijná achieved second place in the market
Prvá penzijná správcovská spoločnosť achieved second place in terms of net fund assets. We thus overtook EURIZON, upon which we gradually gained all year.

The best performing funds in Dôchodková správcovská spoločnosť
Fund growth in actively managed equity and guaranteed bond funds were the most successful on the market, leaving the competition far behind. In the equity fund, savers even saw double-digit appreciation.

Outlook for 2021

In 2021, we will focus mainly on the announced change in the banking group, where 365.bank will become the main bank. We will also continue to develop the activities of Poštová banka at post offices. For clients of 365.bank preferring personal contact at the bank's point of sale, we will establish branches. For those who are more comfortable with smart solutions and mobile banking, we will introduce new functionalities in the application. Customer experience and activities aimed at improving its quality continue to be the main objectives of the entire banking group.

In the retail segment, we want to continue the modern banking trend and propose products and services appealing to a wide range of clients. In 2021 a rebranding is planned for the Bank which will bring a new look to the branches, while the original Poštová banka brand will remain at post offices. Rebranding will mean better targeting of clients' needs in branches with a new brand, products, and digital processes. We will focus largely on the digitization of processes so that clients can meet their daily banking needs from the comfort of home without the need to visit a branch. At branches, the client will be able to solve more complex problems, while we will also focus on the digitization of branch processes to make them more efficient and cost-effective. At post offices, the original products of Poštová banka will be available, intended especially for clients where a physical sale and physical availability is important to them.

We want to continue to increase the customer experience, which is an important tool in the differentiation of banking services. We can achieve this by adding new branches, increasing the quality of sales service and its digitization, and the development of electronic banking and call centres to become full-fledged sales and service points.

In retail strategy, we would like to focus primarily on increasing the number of active clients who use a comprehensive product portfolio. We would like to continue at the current pace to focus mainly on the growth in volume of personal accounts to become the primary bank. We will also focus on several savings, investments, and credit products where the bank wants to grow, especially in mortgage products.

In our digital strategy, the most important planned activities are the growth of 365.bank accounts held by ordinary customers, and the launch of loans through the digital channel of 365.bank. Digitalization will also play an important role as part of everyday banking and in the client's choice of us as their primary bank. The reason for the implementation of this strategy is, among other things, readiness for new digital banking trends, as well as our wish to bring the client a higher level of user and customer experience. Offering online products and services for the "branch" client, and thus harmonizing the virtual and physical world into an omnichannel experience will be the biggest challenge.

The Bank will continue with active marketing communication to maximize its market share through the quality of services and products offered. We plan to strengthen our competitiveness by improving service and expanding our product portfolio and availability through online channels, as well as the ability to better serve the client's financial needs in each situation of his or her life.

Poštová banka is facing legislative changes to banking in the Slovak Republic and the European Union, as well as credit covenants on the market with persistently low interest rates. This situation was adversely affected by the corona crisis and the resulting loss of revenue and impact on impairment allowances for loans.

In the corporate area, we will primarily focus on maintaining the quality of the portfolio for 2021, especially with regard to the economic impact of the pandemic on companies. We assume that the total volume of the portfolio principal will be maintained, with a possible slight decrease. Active products, classic products (bank loans, bank guarantees), and the provision of structured transactions, syndicated loans, and participations will be still available.

We plan to continue with the defined segment strategy and allocate resources primarily to the client portfolio which we currently service. In the SME segment, we will gradually pay off the portfolio.

5. Corporate social responsibility

2020 was specific for our foundation in several ways. As with the activities of many other organizations, ours were affected by the COVID-19 pandemic. Even though we couldn't perform some activities this year according to our original plans, we tried to target our help where it was most needed. In 2020 our projects were not dominated by grant schemes but by assistance to large families and socially disadvantaged groups, affected by the crisis caused by the spreading virus. We also helped them thanks to the support of our colleagues and employees through internal activities, such as the purchase of school supplies and Christmas gifts. Poštová banka also ran a voluntary fundraiser throughout the year, the entire proceeds of which went to help families in need. However, we did not forget to support community projects through the Idea for 3 Generations grant program. We are aware that more than ever it is necessary to support the activities of civic associations, non-profit organizations, and active individuals at the community level to enable the implementation of quality projects even in these times.

Idea for 3 Generations grant program

Idea for 3 Generations is our most successful grant program, through which we receive many applications each year, including 2020. This program was created to support activities in which children, adults, and seniors can participate together – i.e. groups of people with different views and attitudes. The project unites them for a good cause – a meaningful project for the benefit of the community. We feel that intergenerational relations and support are important today. Once upon a time, several generations lived together – whether in one house, village, or town. Nowadays, it is no longer so common as in the past. Therefore, our intention is to reunite people from different generations to spend time together and exchange their experiences and knowledge; young people learning from the elderly and vice versa. The number of accepted and supported projects only confirm our feelings. Every year we set aside an amount of EUR 30,000 to support community projects within the grant program. This year the funds were distributed among the 18 best projects in art, culture, sports, and education support.

Employee grant program 10 Good Deeds

Every year, the grant scheme of our foundation also includes an internal grant for our colleagues and employees. The objective is to provide the group's staff with funds covering projects they volunteer for outside of working hours. They can also apply for funds to help someone in need. It can be a family member, acquaintance or neighbour. In 2020 we set aside EUR 10,000 to support employee projects. In total we supported 13 of them, mainly concerning health care, social assistance, and support for sports and the arts. We supported families in need of rehabilitation for their children and we supported OZ Onkológia in Banská Bystrica, which will use the funds to buy an ultrasonograph. Funds were also provided to the Archery Club in Stupava to support their activities and to OZ Naša Dedovizeň to revitalize a well.

Hooray to School with 365.nadácia

The Hooray to school project has been an integral part of the summer period in our Bank for several years now. Every year we involve dozens of children from socially disadvantaged families in this project. This year was no different. More than 30 children received all the necessary school supplies before the start of the school year, and we believe that thanks to this, they went into the classroom on the first day of school with a smile on their faces. The purchase of school supplies is a significant item in the budgets of socially disadvantaged families. Our goal is to make this financially demanding period easier for them.

Christmas tree of wishes come true

This Christmas activity is one of our most beautiful and popular projects. Dozens of bank employees participate every year with the goal of making children from socially disadvantaged families happy at Christmas and bringing them their dream gifts under the Christmas tree. This year 50 children and their families were involved in the project. Based on the children's wishes, our employees bought gifts and the foundation delivered them to the families before Christmas. We also provided a financial gift for a generous Christmas time.

Ecological responsibility

At Poštová banka we consider environmental protection to be very important and we address it with seriousness. We strive not only to comply with legal obligations, but also to mitigate the negative environmental impacts of our Bank. In 2020 we mainly focused our environmental activities on the internal environment, and on educating our employees about excessive waste production. We are always looking for new directions in the bank's approach to the environment.

Respect for human rights and the fight against corruption

Poštová banka maintains the principle of zero tolerance for corruption and fraud. All employees are informed about the Bank's approach to this issue, as well as the consequences of non-compliance with this principle. In the fight against money laundering and terrorist financing, Poštová banka proceeds in accordance with Slovak and European legislation and ensures the protection of its clients as well as the Bank itself.

Poštová banka and its subsidiaries understand the fundamental principles of the Universal Declaration of Human Rights and the UN General Principles on Business and Human Rights. The Group clearly declares its attitude and principles in relation to employees, clients, and suppliers.

At the end of 2020, a big change took place in our foundation. Our foundation, Nadácia Poštovej banky, was renamed 365.nadácia. Under this new name, we will continue to provide assistance where it makes sense. We plan to focus on supporting education, ecology, and helping communities do something positive for their surroundings.

6. Personnel policy

As at 31 December 2020, the number of employees was 1,179. The Poštová banka organisation has an average employee age of 39, employing generations with different needs and expectations. We take this into account in our personnel policies.

In 2020 we launched another year of the Talent Program for Business Networks. The program focuses on preparing talented individuals for managerial positions. It currently has thirteen individuals, of which three already hold managerial positions. The talent program is based on practical task application and training in managerial competencies. Talent development leaders are direct supervisors and senior management act as mentors. In addition, talents are regularly involved in projects and tasks across the Bank directly as advisors in practice.

We successfully continued the Leadership Academy Core program for lower and middle management development. The main theme in 2020 was change management. Our colleagues spent a total of 1,000 man-hours, mostly online, covering topics devoted to basic skills in change management, through self-knowledge and awareness of the importance of their attitude in a time of change in creating successful teams.

We were proud to launch the Internal University in 2020, in which our colleagues could complete both traditional topics of personal or managerial development, as well as new and interesting topics devoted to professional and technological development as well as ecology. We have introduced Development Fridays or Development Canopies as new formats for development and inspiration. Through our colleagues from professional departments, so-called Gurus, we brought Coaching as a development form to all colleagues, and we have created 14 e-learning courses on soft skill topics. The Talent and Leadership Academy Core programs are also part of the Internal University. We recorded participation at the level of 1,568 engagements in the activities of the Internal University. In addition to these activities, we have developed another 96 e-courses in our Learning Management System focusing on internal processes, products, and effective adaptation, with a total of 13,552 completions. Colleagues in the sales networks flexibly switched to online education and spent a total of 19,500 man-hours on adaptation and product training with our lecturers.

We paid equal attention to mental health and work-life balance. We combined all activities under one program called Be Balanced. We have opened a balance room for our colleagues, a space where they can switch off and recharge their batteries during demanding periods. We regularly publish articles and promote lectures from professionals and we prepare short calls to draw attention to mental health. Topics of mental health, emotions, and the importance of working within one's energy have also entered the Leadership Academy Core development program. Finally, we became proud members of the League for Mental Health Coalition at the end of the year.

Activities focused on the values, strategy, and vision of the Bank were also implemented this year. We continued our intensive work with management candidates, with up to 10.9% of new employees coming through our internal referral system WORK-NET. For 2020 we consider WORK-NET the most reliable source of candidates.

When hiring employees, we introduced the use of simulated diagnostic games examining work managerial profiles and a chatbot focused on the candidates' fit in team and corporate culture.

We work with universities to prepare young people for job fairs and interviews in the form of a job interview simulator. This year we met and presented in front of almost 100 students, both in groups and individually, to support their development and improve their job search opportunities.

As part of building a corporate culture, we also care about the continuous improvement of cooperation across the Bank through individual departments. In the second half of the year, we introduced a new format for measuring interdisciplinary cooperation through a company-wide survey, repeated on a quarterly basis. The outputs of the survey help to identify the most frequently cooperating departments. Subsequently, with the help of survey outputs, we can take steps to further improve their cooperation.

Because we care about the future of our common community and country, in 2020 we continued the Day for the Future program, through which employees of Poštová banka and its subsidiaries have the opportunity to carry out manual or professional volunteer activities for non-profit organizations once a month during the working day. Due to the pandemic situation, the activities in this program had to be limited for part of the year.

In 2020, as a result of increasing costs caused by external influences with significant economic impacts on profit or loss, Poštová banka took several measures to optimise costs.

In an effort to constantly improve and streamline the benefits provided to employees, a new concept of benefits was introduced at the end of the first quarter of 2020 which brought an extra 10 days of paid leave for rest and regeneration to the number of days stipulated by the Labour Code.

As the year 2020 was associated with the outbreak of the COVID-19 pandemic, Poštová banka also provided other above-standard health protecting benefits for its employees. To help overcome the situation, employees were allowed to work from home as much as possible. In the workplace, disinfectants, temperature measurements, fresh fruit to increase vitamin intake, and face masks were provided, as well as the opportunity to be tested for coronavirus with PCR tests.

To support sports activities for our employees, we continued to provide the MultiSport card benefit package. This card was actively used by 158 employees during eight months where the pandemic situation allowed.

The statutory benefit in the form of a recreational voucher was used by 22% of those employees who met the legal entitlement.

Health benefits are the most used category in the Cafeteria online employee benefit system. Employees are offered above-standard medical examinations, various forms of preventive health care, health exercises and rehabilitation, or a contribution for pharmacy purchases.

7. Description of the macroeconomic and competitive environment

2020 brought a deterioration in economic development to Slovakia due to the pandemic, which dragged our economy into recession. The negative development in the economy was also reflected in our labour market, with the registered unemployment rate rising to 7.57% in December and wage growth slowing. Consumer prices also grew at a slower pace, by 1.9% throughout 2020.

According to the Statistical Office of the Slovak Republic, GDP growth year-on-year contracted to -5.2%, which dragged the Slovak economy into recession. Our economy dropped by 3.6% in the first quarter, and by 12.1% in the second quarter. The first wave of the pandemic hit the Slovak economy most noticeably in the second quarter, when strict anti-pandemic measures were introduced and shops, shopping centres, and services were closed. In the third quarter, the economy improved due to partial reopening during the summer, allowing our lives to almost return to normal. The decline in GDP thus reached "only" -2.4%. However, in the final quarter of last year, we were hit by a second wave of the pandemic which led to the re-closure of fitness centres, restaurants, shops, and services. Anti-pandemic measures manifested more in December, so the decline in our economy was not so sharp in the fourth quarter (it reached -2.7%).

Over the past year we have witnessed a gradual slowdown in the price growth of goods and services in our stores. According to the National Consumer Price Index (CPI), consumer prices for the whole of 2020 increased year-on-year by an average of 1.9%. At the beginning of the year, inflation was around 3%, but with the onset of the pandemic it began to slow down, with the lowest levels in August and September (1.4%). In the last month of last year, consumer price inflation reached 1.6%. From a year-on-year perspective, the most significant increase of 4.1% was recorded in various goods and services, and in education. Inflation was also driven upwards by higher prices for housing and energy, which rose by an average of 2.6% year-on-year for the whole of 2020. Prices in healthcare, hotels, and restaurants grew at the same rate. Food prices increased by 2.5% year-on-year. Due to lower prices in oil, transport costs decreased by 3.4%. A slowdown in price growth during the year was recorded for several items in the consumer basket, most significantly in food, whose year-on-year growth slowed from 4.4% in January to 0.6% in December. The slowdown of inflation over the past year was due to the pandemic, which increased unemployment, slowed wage growth, and thus reduced the buying power of the population.

The numbers of the unemployed at Labour Offices expanded during 2020 as the corona crisis led to higher unemployment. The registered unemployment rate increased from 4.98% in January to 7.57% in December, which corresponded to more than 207 thousand unemployed at the end of the year, able to start work immediately.

Last year the state economy was affected by the pandemic, which put pressure on public finances. The state budget for 2020 reached a deficit of almost EUR -7.8 billion. Compared to 2019 the deficit has deepened significantly. It was 3.5 times higher year-on-year. Compared to 2019, budget revenue decreased only slightly (by -0.5%), but budget expenditures increased significantly, by as much as 30.4%. This caused a deepening year-on-year state budget deficit.

Apart from Slovakia, the entire Eurozone coped with the coronavirus pandemic in 2020, which brought economic recession and rising unemployment. The European Central Bank (ECB) kept its key interest rate unchanged at zero percent throughout the year, which was not enough to combat the corona crisis. As a result of unfavourable economic development and rising inflation, the ECB introduced currency policy measures. One of the most important measures was the launch of a pandemic asset purchase program, in the amount of EUR 1,850 billion, to support lending activity in the eurozone. Under this program the ECB buys bonds directly from banks, which then have more funds to provide loans, or buys bonds from companies which obtain funding. This program complements the asset purchase programs established since 2014.

The exchange rate of the euro against the dollar during 2020 was most significantly affected by the pandemic crisis. At the beginning of the year, the Eurodollar rate fluctuated around EURUSD 1.11 to 1.2. The euro currency weakened at the onset of the first wave of the pandemic, and in March it reached its minimum of EURUSD 1.0688. During the summer the currency gradually began to increase in value, due to pandemic remission and the release of quarantine measures across the Eurozone. The common European currency was not significantly devalued by the second wave of the pandemic. With the end of the year approaching, the European currency exceeded the level of EURUSD 1.20 and reached its maximum on 30 December 2020 of EURUSD 1.2298. The appreciation of the euro is due to ongoing vaccination of the European population, which could help our lives to return to normal.

As at 31 December 2020, there were twelve banks based in the Slovak Republic (of which two banks have no foreign financial involvement, and ten are foreign-owned banks), fifteen branches of foreign banks, and one central bank. As at the end of 2020, the total number of banks remained unchanged compared to 2019. During the year the number of branches and lower organisational units in the banking sector decreased by -66 to 1,074. At the end of 2020, the Slovak banking sector employed 19,702 employees, which is -3.9% lower compared to the end of 2019. Last year the banking sector reached a total asset value of EUR 91.6 billion according to preliminary results. As at the end of 2020, the volume of household deposits was reported in the amount of EUR 40.7 billion. This represents a year-on-year increase of 8%. Compared to 2019, loans to households increased by 6.4% to EUR 40.7 billion. According to preliminary data, net profit of the banking sector was more than EUR 465 million.

8. Report on business activity and financial position

In 2020 the Bank's net profit amounted to EUR 44.4 million, which is EUR 1.4 million (3%) lower than 2019.

This decline in net profit was mainly due to lower interest income from constantly declining interest rates, which are reaching historic lows. Interest income decreased by more than EUR 18 million (10.8%).

The coronavirus pandemic has had a significant effect on the creation of impairment allowances and reserves. Compared to the previous year, they increased by almost a third to EUR 42.6 million.

In contrast, the Bank's results were positively affected by more efficient operations, which resulted in a year-on-year decrease in administrative costs of EUR 14.7 million. Efficient operation is one of the key factors in the profitability of Banks within an environment of low interest rates.

Subsidiaries also had a positive impact on the Bank's finances, paying dividends of almost EUR 16 million to their parent company in 2020, which is EUR 4 million more than the previous year.

Poštová banka has also extensively invested in innovations and better services for its clients in 2020. At 365.bank, we were the first in the Slovak banking market to launch a fully digital payment card. Furthermore, we have launched a feature in the 365.bank application through which clients can easily settle with their friends for a shared expense. The option to set a PIN for a card and many other functions have also been added. These investments in innovation have been reflected in rising depreciation costs and the value of intangible assets.

Poštová banka recorded a growth in total assets last year to EUR 4,438 million, which represents a year-on-year increase of almost EUR 68 million.

The volume of loans to clients increased, with the net value increasing by more than EUR 335 million, to reach a total amount of EUR 2,767 million. The increase was largely due to corporate receivables, whose net value after impairment allowances increased by EUR 209 million. Loans to households increased by EUR 126 million, and due to the coronavirus pandemic, this growth was smaller than the Bank had planned for the year.

In 2020 the Bank's deposits from retail clients, including clients of 365.bank, increased in volume. The number of clients of the digital 365.bank increased by 84% year-on-year, to approximately 55,000.

The state economy was affected by the coronavirus pandemic last year, which put pressure on public finances. Capital adequacy increased year-on-year from 16.81% to 17.63%, and still significantly exceeds the level of minimum required capital. Capital adequacy increased mainly due to the fact that no dividends were paid to shareholders in 2020, and the entire profit for 2019 was retained in the Bank's equity.

Research and development activities

Poštová banka continues to introduce new products and innovative technologies. The development of existing or new IT systems included new requirements arising from legislation.

The Bank funded improvements to customer applications and the development of several innovative products. Their goal is to simplify everyday contact with finances for customers and to increase the number of products provided (activated) electronically. For example, the Bank developed the application of its "mobile-first" 365.bank. Clients were provided with a new type of paid account, the first fully digital card in Slovakia, and completely paperless banking. In addition to electronic contracts, the Bank introduced activation and PIN setting for payment cards directly in the application. It also focused on the implementation of push notifications as an alternative to SMS services, which directly contributed to savings in the cost of sending information to clients.

An important innovation by the Bank was a change in the personalization of cards, which in addition to a shorter card delivery process and new payment card design, also enabled the saving of transaction costs.

As part of its electronic and mobile banking channels, the Bank also developed and implemented a system for safer online payments – 3D secure 2.0. This has contributed to a simpler and faster payment authorization process, and to the next phase of compliance with the legislative requirements of EU PSD2 (Payment Service Directive).

Retained earnings distribution proposal

The Board of Directors proposed the following distribution of profit for the current accounting period:

thousands of EUR	
Profit after tax	**44 358**
Contribution to retained earnings	39 922
Contribution to legal reserve fund	4 436

Poštová banka, a. s.

Separate financial statements
Prepared in accordance with
International Financial Reporting Standards
as adopted by the European Union
(English Translation)

for the year ended 31 December 2020.

poštová
banka

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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 Poštová banka, a. s.

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Poštová banka, a. s. ("the Bank"), which comprise the separate statement of financial position as at 31 December 2020, separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Bank 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"). and 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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section. We are independent of the Bank 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 separate 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate 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

We have determined the following key audit matters:

Impairment of loans and advances to customers

The carrying amount of loans and advances to customers as at 31 December 2020: € 2 767 063 thousand; impairment loss recognised in 2020: € 39 010 thousand; total impairment loss as at 31 December 2020: € 216 284 thousand.

Refer to Note 2 (Significant accounting policies), Note 8 (Financial assets at amortised cost: Loans and advances) and Note 28 (Impairment losses and provisions: Financial assets at amortised cost - Loans and advances).

Key audit matter	Our response
Impairment allowances represent the Management Board's best estimate of the expected credit losses ("ECLs") within financial assets at amortized cost 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 most performing exposures (Stage 1 and Stage 2 in the IFRS 9 hierarchy) and non-performing exposures (Stage 3) below € 300 thousand individually (together "collective impairment allowance") are determined by modelling techniques. Historical experience, forward-looking information, identification of exposures with a significant deterioration in credit quality and management judgment are incorporated into the model assumptions. For non-performing exposures exceeding € 300 thousand individually, the impairment assessment is based on the Bank's knowledge of each individual borrower and often on estimation of the realizable amount of the related collateral. Related impairment allowances are determined on an individual basis by means of a discounted cash flows valuation.	Our audit procedures in this area included, among others: • Updating our understanding of the Bank's ECL impairment 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 the methodology's sophistication is appropriate based on our assessment of the entity-level and portfolio-level factors; • Making relevant inquiries of the Bank's risk management, internal audit and information technology (IT) personnel in order to update our understanding of the provisioning process, IT applications used therein, key data sources and assumptions used in the ECL model. Also, assessing and testing the Bank's IT control environment for data security and access, assisted by our own IT specialists;

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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.

- Testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of loans and advances, 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, calculation of days past due, collateral valuations and the overall ECL estimate;
- Assessing whether the definition of default and the financial instruments standard's staging criteria were consistently applied. Also assessing whether the definition of default applied for each segment/portfolio is appropriate based on the requirements of the Standard (e.g. taking into account the 90-day presumption);
- Evaluating whether in its loan staging and ECL measurement the Bank appropriately considered the effects of the market disruption resulting from the COVID-19 pandemic;
- Challenging LGD and PD parameters used by the Bank, by reference to historical defaults and realized losses on those defaults, and also considering any required adjustments to reflect expected changes in circumstances.
- Obtaining the Bank's forward-looking information used in the Bank's ECL assessment. Assessing the information by means of comparison to publicly available information and corroborating inquiries of the Management Board;
- 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 3 as at 31 December 2020;

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- For the exposures with triggers for classification in Stage 3, challenging key assumptions applied in the Management Board's estimates of future cash flows used in the impairment calculation, such as collateral values by reference to own marker search and also performing respective independent estimations, where relevant.

For loans and advances exposures in totality:

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

Measurement of securities held at fair value

The carrying amount of securities held at fair value as at 31 December 2020: € 746 577 thousand; change in fair value recognized in profit or loss for the year ended 31 December 2020: € 2 711 thousand; positive change in fair value recognized in other comprehensive income for the year ended 31 December 2020: € 2 477 thousand.

Refer to Note 2 (Significant accounting policies), Note 6 (Non-trading financial assets mandatorily at fair value through profit or loss), Note 7 (Financial assets at fair value through other comprehensive income) and Note 24 (Net gains/(losses) from financial transactions) to the separate financial statements.

Key audit matter	Our response
Securities held at fair value include primarily debt and equity securities within the portfolios of non-trading financial assets mandatorily at fair value through profit or loss and financial assets at fair value through other comprehensive income.	Our audit procedures, performed, where applicable, with the assistance from our own valuation specialists, included, among others: • Updating our understanding of the Bank's fair value measurement methodology and assessing its compliance with the requirements of relevant financial reporting standards. As part of the above, we identified the relevant methods, assumptions and sources of data, and assessed, whether such methods, assumptions, data and their

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For both security types, the Bank determines their respective fair values based on either quoted prices of identical or similar instruments, or valuation techniques, such as discounted cash flows, using market observable and unobservable inputs, such as credit spread or liquidity premium.

Due to the magnitude of the amounts involved, as well as the complexity involved and judgment required in measuring the fair value of certain of these instruments, their valuation was a key area of focus during our audit.

application are appropriate in the context of said requirements.

- Independently assessing the Bank's assignment of financial instruments into fair value hierarchy levels, considering underlying market activity, including volume traded and number of executable quotes, and assessment of bid-ask spread of those quotes;
- Testing the Bank's market-based valuations of financial instruments by comparing these amounts to independently sourced publicly available quoted prices;
- On a sample of valuations based on inputs other than quoted prices, performing an independent estimate of the fair value of the said financial instruments outstanding as at 31 December 2020, using market observable inputs derived from external market providers, and comparing our estimate to the carrying amount in the Bank's financial statements; and
- Evaluating the overall reasonableness of the Bank's valuations by examining gains and losses on disposals and other events and transactions which could provide corroborating evidence about the accuracy of the past valuations.
- Assessing the appropriateness of the fair value – related disclosures in the separate financial statements, including the disclosures in respect of the methods and inputs used in the Bank's determination of the fair values, in light of the requirements of applicable financial reporting framework.

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

The Management Board is responsible for the preparation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the separate financial statements, the Management Board is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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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, 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 separate 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 Annual Report

The Management Board is responsible for the other information. The other information comprises the information included in the 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 separate financial statements and our auditors' report thereon. Our opinion on the separate financial statements does not cover the other information in the Annual Report.

In connection with our audit of the separate financial statements, our responsibility is to read the other information in the 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 separate financial statements or our knowledge obtained in the audit of the separate 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 Annual Report was not available to us as of the date of this auditors' report on the audit of the separate financial statements.

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

- the other information given in the Annual Report for the year 2020 is consistent with the separate financial statements prepared for the same financial year; and
- the 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 Annual Report in light of the knowledge and understanding of the Company and its environment that we have acquired during the course of the audit of the separate financial statements.

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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 Bank 29 September 2020 on the basis of approval by the General Meeting of the Bank on 18 June 2020. 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 eighteen 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.

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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 Bank in conducting the audit.

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

10 March 2021
Bratislava, Slovak Republic

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

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

Responsible auditor:
Ing. Martin Kršjak
License UDVA No. 990

A. Separate statement of financial position

	Notes	31. 12. 2020 EUR '000	31. 12. 2019 EUR '000
Assets			
Cash, cash balances at central banks and other demand deposits	4	293 661	354 016
Financial assets held for trading	5	2 648	1 021
Non-trading financial assets mandatorily at fair value through profit or loss	6	309 513	268 996
Financial assets at fair value through other comprehensive income	7	437 064	540 886
Financial assets at amortised cost	8	3 177 481	3 014 771
Debt securities	8	364 764	519 330
Loans and advances	8	2 780 170	2 447 410
thereof: Loans and advances to financial institutions	8	13 107	15 511
thereof: Loans and advances to customers	8	2 767 063	2 431 899
Other financial assets	8	32 547	48 031
Fair value changes of the hedged items in portfolio hedge of interest rate risk	9	2 276	1 965
Investments in subsidiaries, joint ventures and associates	10	78 579	69 122
Tangible assets	11	58 134	46 173
Intangible assets	12	35 348	31 067
Current tax assets		-	1 427
Deferred tax assets	13	24 688	18 457
Other assets	14	18 514	22 189
Total assets		**4 437 906**	**4 370 090**

	Notes	31. 12. 2020 EUR '000	31. 12. 2019 EUR '000
Liabilities			
Financial liabilities held for trading	5	746	3 968
Financial liabilities at amortised cost	15	3 723 793	3 695 363
Deposits	15	3 671 084	3 652 224
Other financial liabilities	15	52 709	43 139
Derivatives – Hedge accounting	9	10 318	9 420
Provisions	16	2 594	3 321
Current tax liabilities		1 552	-
Other liabilities	17	11 552	15 319
Total liabilities		**3 750 555**	**3 727 391**
Total equity	**18**	**687 351**	**642 699**
Total equity and liabilities		**4 437 906**	**4 370 090**

These separate financial statements, which include the notes on pages 53 - 131, were approved by the Board of Directors on 10 March 2021.

Chairman of the Board of Directors
Andrej Zaťko

Member of the Board of Directors
Zuzana Žemlová

B. Separate statement of profit or loss and other comprehensive income

Statement of profit or loss	Notes	2020 EUR '000	2019 EUR '000
Net interest income	21	143 708	160 145
Net fee and commission income	22	35 286	27 683
Dividend income	23	15 758	11 819
Net gains/(losses) from financial transactions	24	434	9 043
Net other operating expenses	25	(7 257)	(7 981)
Administrative expenses	26	(77 337)	(92 077)
Depreciation	27	(20 039)	(18 695)
Operating profit before impairment losses and provisions		**90 553**	**89 937**
Release/(creation) of provisions	28	707	755
Net impairment of financial assets not valued at fair value through profit and loss	28	(38 705)	(33 121)
Net impairment of investments in subsidiaries, joint ventures and associates	28	(4 013)	85
Net impairment on non-financial assets	28	(619)	157
Profit before tax		**47 923**	**57 813**
Income tax	29	(3 565)	(12 085)
Profit after tax		**44 358**	**45 728**

Statement of other comprehensive income	2020 EUR '000	2019 EUR '000
Items that may be reclassified to profit or loss	1 669	(2 251)
Revaluation of debt securities at fair value through other comprehensive income	4 222	(1 092)
Impairment losses for debt securities at fair value through other comprehensive income	(741)	234
Revaluation of hedging instruments	(1 351)	(2 027)
Deferred tax related to items that may be reclassified to profit or loss	(452)	618
Foreign currency translation	(9)	16
Items that may not be reclassified to profit or loss	(1 375)	664
Revaluation of equity instruments at fair value through other comprehensive income	(1 745)	856
Deferred tax related to items that may not be reclassified to profit or loss	370	(192)
Total other comprehensive income	**294**	**(1 587)**
Total comprehensive income for the year	**44 652**	**44 141**

Earnings per share		
Profit after tax	44 358	45 728
Number of issued shares	330 899	330 899
Earnings per share (in EUR)	**134,05**	**138,19**

The notes on pages 53 – 131 are an integral part of these separate financial statements.

C. Separate statement of changes in equity

EUR '000	Share capital	Share premium	Legal re-serve fund	Revaluation of FVOCI - reklas	Revaluation of FVOCI - nereklas	Revaluation of FVOCI financial assets	Foreign currency translation	Retained earnings	Total equity
Opening balance as of 1 January 2020	366 305	738	54 988	4 980	1 384	6 364	7	214 297	642 699
Total comprehensive income	-	-	-	1 678	(1 375)	303	(9)	44 358	44 652
Profit after tax	-	-	-	-	-	-	-	44 358	44 358
Items that may be reclassified to profit or loss	-	-	-	1 678	-	1 678	(9)	-	1 669
Items that may not be reclassi-fied to profit or loss	-	-	-	-	(1 375)	(1 375)	-	-	(1 375)
Other transactions	-	-	4 573	-	-	-	-	(4 573)	-
Transfer to legal reserve fund	-	-	4 573	-	-	-	-	(4 573)	-
Dividends	-	-	-	-	-	-	-	-	-
Closing balance as of 31 December 2020	366 305	738	59 561	6 658	9	6 667	(2)	254 082	687 351

EUR '000	Share capital	Share premium	Legal re-serve fund	Revaluation of FVOCI - reklas	Revaluation of FVOCI - nereklas	Revaluation of FVOCI financial assets	Foreign currency translation	Retained earnings	Total equity
Opening balance as of 1 January 2019	366 305	738	49 949	7 247	720	7 967	(9)	208 884	633 834
Total comprehensive income	-	-	-	(2 267)	664	(1 603)	16	45 728	44 141
Profit after tax	-	-	-	-	-	-	-	45 728	45 728
Items that may be reclassified to profit or loss	-	-	-	(2 267)	-	(2 267)	16	-	(2 251)
Items that may not be reclassified to profit or loss	-	-	-	-	664	664	-	-	664
Other transactions	-	-	5 039	-	-	-	-	(40 315)	(35 276)
Transfer to legal reserve fund	-	-	5 039	-	-	-	-	(5 039)	-
Dividends	-	-	-	-	-	-	-	(35 276)	(35 276)
Closing balance as of 31 December 2019	366 305	738	54 988	4 980	1 384	6 364	7	214 297	642 699

The notes on pages 53 – 131 are an integral part of these separate financial statements.

D. Separate statement of cash-flows

	31. 12. 2020 EUR '000	31. 12. 2019 EUR '000
Profit before tax	**47 923**	**57 813**
Adjustments:		
Net interest income	(143 708)	(160 145)
Dividend income	(15 758)	(11 819)
Depreciation	20 039	18 695
Release/(creation) of provisions	(707)	(755)
Gains/(losses) on derecognition of non-financial assets, net	224	(35)
Net impairment of financial assets not valued at fair value through profit and loss	38 705	33 121
Net impairment of investments in subsidiaries, joint ventures and associates	4 013	(85)
Net impairment on non-financial assets	619	(157)
Cash flows from/(used in) operating activities before changes in working capital	**(48 650)**	**(63 367)**
(Increase)/decrease in operating assets:		
Cash balances at central banks	40 661	(23 653)
Financial assets held for trading	(1 627)	778
Non-trading financial assets mandatorily at fair value through profit or loss	(40 517)	(34 331)
Financial assets at fair value through other comprehensive income	-	-
Financial assets at amortised cost	(352 171)	148 886
Loans and advances	(367 655)	146 666
Other financial assets	15 484	2 220
Other assets	3 674	(2 301)
Increase/(decrease) in operating liabilities:		
Financial liabilities held for trading	(3 222)	3 499
Financial liabilities measured at amortised cost, excluding subordinated debt and lease liabilities	18 428	60 093
Deposits	16 614	55 730
Other financial liabilities	1 814	4 363
Derivatives – Hedge accounting	898	3 813
Other liabilities	(3 767)	3 692
Cash flows from operating activities before interest and income tax	**(386 293)**	**97 109**
Interest received	132 395	166 191
Interest paid	(4 898)	(7 760)
Income tax paid	(6 899)	(16 447)
Net cash flows from/(used in) operating activities	**(265 695)**	**239 093**

The notes on pages 53 – 131 are an integral part of these separate financial statements.

	31. 12. 2020 EUR '000	31. 12. 2019 EUR '000
Cash flows from investing activities		
Financial assets at amortised cost - debt securities		
Purchase	(27 483)	(203 792)
Proceeds from sale and maturity	175 472	91 727
Interest received	14 348	14 484
Financial assets at fair value through other comprehensive income - debt securities		
Purchase	(30 835)	(146 914)
Proceeds from sale and maturity	130 343	100 054
Interest received	13 150	14 663
Investments in subsidiaries, joint ventures and associates		
Purchase	(13 970)	(22 900)
Income from derecognition	-	1 646
Dividends received	15 743	11 627
Tangible and intangible assets		
Purchase	(24 361)	(29 386)
Proceeds from sale	6	42
Loss on acquisition of part of the business, before deferred tax	-	-
Net cash flows from/(used in) investing activities	**252 413**	**(168 749)**
Cash flows from financing activities		
Dividends paid	-	(35 276)
Financial liabilities at amortised cost - subordinated debt		
Interest paid	(481)	(481)
Financial liabilities at amortised cost - lease liabilities		
Lease payments	(5 494)	(6 203)
Interest expense	(448)	(405)
Net cash flows from/(used in) financing activities	**(6 423)**	**(42 365)**
Net increase/(decrease) in cash and cash equivalents	**(19 705)**	**27 979**
Cash and cash equivalents at the beginning of the period	**70 317**	**42 338**
Cash and cash equivalents at the end of the period	**50 612**	**70 317**

The notes on pages 53 – 131 are an integral part of these separate financial statements.

E. Notes to the separate financial statements

1. General information

Poštová banka, a. s. ('the Bank') was incorporated in the Commercial Register on 31 December 1992. The Bank commenced its activities on 1 January 1993. The registered office of the Bank is Dvořákovo nábrežie 4, 811 02 Bratislava. The Bank's identification ('IČO') is 31340890, tax ('DIČ') is 2020294221 and value added tax ('IČ DPH') number is SK7020000680. The Bank is registered as a VAT member of Poštová banka Group.

The principal activities of the Bank are as follows:

- Accepting and providing deposits in euro and in foreign currencies,
- Providing loans and guarantees in euro and foreign currencies,
- Providing banking services to the public,
- Providing services on the capital market.

The Bank operates in the Slovak Republic through a network of branches, and, under a contract with Slovenská Pošta, a.s., the Bank sells its products and services through post offices and financial services compartments located throughout the Slovak Republic.

The Bank extended its activities to the Czech Republic with the establishment of a branch operation in Prague. Poštová banka, a. s. pobočka Česká republika was registered in the Commercial Register of the Czech Republic on 18 November 2009.

Shareholder's structure is as follows:

		31. 12. 2020		31. 12. 2019	
Name of shareholder	**Address**	**Number of shares**	**Owner-ship in %**	**Number of shares**	**Owner-ship in %**
J&T FINANCE GROUP SE	Sokolovská 700/113 a, 186 00 Praha 8, Česká republika	325 794	98,45%	213 288	64,45%
PBI, a. s. (subsidiary of J&T FINANCE GROUP SE)	Sokolovská 700/113 a, 186 00 Praha 8, Česká republika	-	-	112 506	34,00%
Slovenská pošta, a.s.	Partizánska cesta 9, 975 99 Banská Bystrica, Slovensko	4 918	1,49%	4 918	1,49%
Ministerstvo dopravy a výstavby Slovenskej republiky	Námestie slobody 6, 810 05 Bratislava, Slovensko	100	0,03%	100	0,03%
UNIQA Versicherungen AG	Untere Donaustrasse 21, 1029 Viedeň, Rakúsko	87	0,03%	87	0,03%
Total		**330 899**	**100,00%**	**330 899**	**100,00%**

On 1 January 2020, the Bank's shareholder structure changed due to merging of PBI, a.s. with its 100 % parent company J&T FINANCE GROUP SE. Through this merger, J&T FINANCE GROUP SE acquired another 34 % of the shares and voting rights in Poštová banka, increasing its direct share in the Bank's share capital to 98.457 %.

Members of the Board of Directors

Andrej Zaťko	Chairman
Peter Hajko	Board member
Zuzana Žemlová	Board member

Members of the Supervisory Board

Jozef Tkáč	Chairman
Vladimír Ohlídal	Board member
Jan Kotek	Board member

The separate financial statements of the Bank for the year ended 31 December 2019, were approved by the Board of Directors on 11 March 2020.

The Bank's financial statements are included in the consolidated financial statements of J&T FINANCE GROUP SE, Sokolovská 700/113a, Karlín, 186 00 Praha 8, Prague, Czech Republic. The consolidated financial statements are available at the registered office of J&T FINANCE GROUP SE.

2. Accounting policies

2.1 Basis of preparation of the separate financial statements

The separate financial statements have been prepared in accordance with International Financial Reporting Standards('IFRS'), as adopted by the European Union.

These financial statements are prepared as separate financial statements under Section 17 of the Slovak Act on Accounting 431/2002, as amended. Consequently, in these financial statements the Bank's investments in subsidiaries are accounted for at cost, decreased by impairment losses, if any.

The financial statements were prepared using the going concern assumption that the Bank will continue in operation for the foreseeable future.

These financial statements are presented in euro (EUR), which is the Bank's functional currency. Except for otherwise indicated, financial information presented in euro has been rounded to the nearest thousand. The tables in these financial statements may contain rounding differences.

2.2 Subsidiaries, joint ventures and associates

As at 31 December 2020 the Bank held significant number of direct or indirect shares in the following subsidiaries, joint ventures and associates:

Subsidiaries	Activity	Ownership in %
Prvá penzijná správcovská spoločnosť Poštovej banky, správ. spol., a. s.	Asset management	100,00
Poštová poisťovňa, a. s.	Insurance	80,00
Dôchodková správcovská spoločnosť Poštovej banky, d. s. s., a. s.	Management of pension funds	100,00
Amico Finance, a. s.	Consumer loans	95,00
PB Servis, a. s.	Real estate administration	100,00
PB Finančné služby, a. s.	Financial and operational leasing and factoring	100,00
PB PARTNER, a. s. v likvidácii	Financial intermediary	100,00
365.fintech, a. s.	Investment fund	100,00
365.world, o. p. f.	Information technology services industry	100,00
365.nadácia	Charitable foundation	x

Joint ventures	Activity	Ownership in %
SPPS, a. s.	Payment services	40,00

Associates	Activity	Ownership in %
ART FOND – Stredoeurópsky fond súčasného umenia, a. s.	Art and sales	37,13

The Bank also prepares consolidated financial statements for the Poštová banka Group. 365.nadácia is not included in the consolidated financial statements of the Bank.

2.3 Changes in accounting policies

The adoption of the new accounting standards from 1 January 2020 did not have a significant impact on the Bank.

2.4 Significant accounting methods and policies

These separate financial statements do not include segment reporting as the Bank does not fulfil the criteria under IFRS 8 Operating segments for reporting of detailed segment reporting.

(a) Foreign currency

I. Foreign currency transactions

Transactions denominated in foreign currency are translated into euro at the exchange rate valid on the date of the transaction. Financial assets and liabilities in foreign currency are translated at the exchange rate valid on the balance sheet date. All resulting gains and losses are recorded in Net gains/(losses) from financial transactions in profit or loss.

II. Foreign operations

The assets and liabilities of foreign operations are translated to euro at the spot exchange rate on the balance sheet date. The income and expenses of foreign operations are translated to euro at the spot exchange rate on the date of the transaction. Exchange rate differences in the translation of foreign operations are recognised in other comprehensive income as Foreign currency translation.

(b) Interest income and expenses

Interest income and expense are recognised in profit or loss using the effective interest rate („EIR") method. EIR is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. EIR is determined on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of EIR rate does not consider expected credit losses and includes all fees paid or received, transaction costs, and discounts or premiums, that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue, or retirement of a financial asset or liability.

Interest income and expense from financial assets and liabilities at fair value through profit or loss are presented as part of Net interest income, and changes in the fair values of such instruments are presented at fair value in Net gains/(losses) from financial transactions.

(c) Fee and commission income and expenses

Fee and commission income and expense which are an integral part of EIR financial asset or liability are included in the calculation of EIR. Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees, and syndication fees, are recognised when the related services are performed. Loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commissions relate mainly to transaction costs and service fees, which are recognised when the services are received.

(d) Net gains or losses from financial transactions

Net gains or losses from financial transactions comprise the following transactions:

- Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss;
- Gains/(losses) on financial assets and liabilities held for trading;
- Gains/(losses) on non-trading financial assets mandatorily at fair value through profit or loss;
- Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss;
- Gains/(losses) from hedge accounting;
- Exchange differences.

(e) Dividend income

Dividend income is recognised when the right to receive income is established.

(f) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss, except for items recognised directly in equity and in other comprehensive income.

Current tax is the expected tax payable on taxable income for the year, calculated using the tax rate valid at the end of the reporting period, and including any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Deferred tax is calculated using the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(g) Financial assets

I. Initial recognition

The Bank initially recognises loans, advances and other financial assets on the date they are originated. All purchases and sales of securities are recognised on settlement day. Derivative instruments are initially recognised on the trade date, when the Bank becomes a contractual party in relation to the instrument.

Financial assets are measured initially at fair value, plus transaction costs that are directly attributable to their acquisition or issue (for items that are not valued at fair value through profit or loss). Immediately after initiarecognition, an expected credit loss allowance („ECL") is recognised for financial assets measured at amortised cost or FVOCI.

II. Classification and subsequent measurement

The Bank classifies its financial assets into the following measurement categories:

- Amortised cost („AC);
- Fair value through profit or loss („FVPL");
- Fair value through other comprehensive income („FVOCI").

The classification requirements for debt and equity instruments under IFRS 9 are described below.

Debt instruments

Debt instruments are those instruments which meet the definition of financial liability from the issuer's perspective, such as loans, government and corporate bonds, and trade receivables purchased from clients in factoring and other financial assets.

Classification and subsequent measurement of debt instruments depends on:

a. Business model for managing the assets

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets, or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. the financial assets are held for trading purposes), then financial assets are classified as part of the 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

The business model for asset management is evaluated on a portfolio basis. Financial assets are classified accordingly, together with products of the same characteristics, in relation to generated cash flows.

b. Cash flow characteristics of assets

Where the business model is to hold assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement (interest includes only consideration for the time value of money), credit risk, or other basic lending risks plus a profit margin. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are treated as a whole when determining whether their cash flows represent only principal and interest payments.

The Bank reclassifies debt investments only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. It is expected that such changes will not occur, or they will be very infrequent.

Based on the business model and SPPI test, the Bank classifies its debt instruments into one of the following measurement categories:

- Amortised cost

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

Cash and cash balances at central banks comprise cash on hand, unrestricted cash balances at central banks, and other demand deposits at other credit institutions. Collateral accounts at other credit institutions, whose use is restricted, are reported within Financial assets at amortised cost.

(B) Financial assets at amortised cost

Assets that are held for collection of contractual cash flows, where those cash flows represent only solely payments of principal and interest, and that are not designated at FVPL, are measured at amortised cost. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus cumulative amortisation using the effective interest rate method, of any difference between the initial amount recognised and the maturity amount. The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is included in Net interest income using the effective interest rate method.

- Fair value through profit or loss

(A) Financial assets held for trading

These are financial assets that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term or hold as part of a portfolio that is managed to achieve short-term profit or to maintaining position. These assets do not meet the criteria for amortised cost or FVOCI based on Bank's business model, so they are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss, and is not part of a hedging relationship, is recognised in the profit or loss statement within Net gains/(losses) from financial transactions in the period in which it arises.

(B) Non-trading financial assets mandatorily at fair value through profit or loss

Assets whose cash flows do not represent solely payments of principal and interest, and therefore fail the SPPI test, are mandatorily measured at FVPL. Their measurement and subsequent recognition are the same as for financial assets held for trading.

(C) Financial assets designated at fair value through profit or loss

Under IFRS 9 it is permitted to irrevocably designate financial assets at FVPL, if by doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. The Bank did not use the fair value option for any financial assets that meet the criteria for measurement at amortised cost or FVOCI

- Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income

Financial assets that are held both for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are measured through other comprehensive income („OCI"), except for the recognition of impairment gains or losses, interest revenue, and foreign exchange gains and losses on the instrument cost, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in Net gains/(losses) from financial transactions. Interest income from these financial assets is included in Net interest income using the effective interest method.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. When this election is used, fair value gains and losses are recognised in OCI and are never reclassified to profit or loss, including on disposal.

Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established within Dividend income.

Gains and losses on equity investments at FVPL (those designated at FVPL or classified as held for trading) are included within Net gains/(losses) from financial transactions in the statement of profit or loss.

No expected credit losses are recognised for equity instruments.

The Bank concluded that share certificates held in the Bank's portfolio meet the definition of puttable instruments. According to IFRS 9, puttable instruments do not meet the definition of an equity instrument, and therefore, entities cannot make an irrevocable election to present the changes in fair value of such instruments in other comprehensive income. Due to cash flow characteristics of the assets, share certificates fail to meet the solely payments of principal and interest („SPPI") requirement. As a result, these instruments are classified as Non-trading financial assets mandatorily at fair value through profit or loss.

III. Identification and measurement of credit losses

Credit loss is the difference between all contractual cash flows that are attributable to the entity in accordance with the contract, and all cash flows that are expected to be received, discounted at the original effective interest rate. In estimating cash flows, the Bank considers all the terms and conditions of the financial asset during the expected life of that financial asset. Considered cash flows should also include cash flows from sale of collateral, or any other form of credit risk mitigation that is an integral part of the terms and conditions.

The Bank assesses expected credit losses associated with its debt instrument assets carried at amortised cost and FVOCI, and with exposures arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- 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.

Note 33. Credit risk provides more detail of how the expected credit loss allowance is measured.

IV. Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the contractual rights to receive the cash flows from the financial asset, in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets, which is created or retained by the Bank, is recognised as a separate asset or liability.

The Bank enters contracts whereby it transfers assets recognised in its statement of financial position,but retains either all risks or rewards of the transferred assets or a portion of them. If all, or substantially all, risks and rewards are retained, then the

transferred assets are not derecognised from the statement of financial position.

Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

The Bank also derecognises certain assets when it writes off assets deemed to be uncollectible.

V. Modifications of financial assets

If any change in the contractual terms occurs, the Bank evaluates whether there is a significant change in the contractual cash flows. Significant modifications to cash flows result in the derecognition of the original financial asset and the recognition of the new financial asset at fair value.

If the modification does not result in the derecognition of a financial asset, the Bank recalculates the gross carrying amount as the present value of the changed cash flows discounted by the original EIR. The difference between the new and the original value is recognised in the income statement as 'Net profit/(loss) from the modification of financial assets. The impact of the modifications was insignificant during the reported accounting periods.

(h) Derivatives

Derivatives are measured at fair value in the statement of financial position. Changes in fair value depend on their classification:

Hedging derivatives

Under the Bank's strategy, hedging derivatives are designed to hedge and manage selected risks. The Bank has elected to adopt IFRS 9 for hedge accounting purposes.

The main Bank criteria for classification of hedging derivatives are as follows:

- The relationship between hedging instrument and hedged item, in meaning of risk characteristics, function, target and strategy of hedging is formally documented at origination of the hedging transaction, together with the method that is used for assessment of effectiveness of the hedging relationship;
- The relationship between hedging instrument and hedged item is formally documented at the origination of the hedging transaction, and the Bank expects that it will decrease the risk of the hedged item;
- Hedging meets all effectiveness criteria:
  - There is an economic relationship between the hedging instrument and hedged item;
  - The impact of credit risk does not consider changes in value resulting from this economic relationship;
  - The hedge ratio of the hedge is the same as the hedge ratio resulting from the amount of the hedging instrument used by the entity for hedging of the hedged item. However, this indication should not reflect the imbalance between the weighted shares of the hedged item and the hedging instrument that could create hedge ineffectiveness (whether or not recognised), that could also result in a business result inconsistent with the purpose of hedge accounting.

I. Fair value hedge

The Bank uses financial derivatives to manage the level of risk in relation to interest rate risk. The Bank uses hedging derivatives to hedge the fair value of recognised assets. In the case of micro-hedging the Bank hedges the fair value of bonds with fixed coupon. In the case of macro-hedging the Bank hedges the fixed interest rate loan and advances portfolio. As the purchase of bonds with fixed coupon and origination of loans and advances with fixed interest rate increases the interest rate risk of the Bank, the Bank enters into interest rate swaps to hedge the changes in fair value, caused by changes in risk-free interest rates, and pays a fixed and receives a floating rate. The notional and fair values of the aforementioned hedging derivatives are described in Note 9. Hedging derivatives.

Changes in fair value without interest component (clean price) of hedging instruments are recognised in a separate profit and loss statement line as Net gains/(losses) from financial transactions. For micro-hedging, changes in fair value without the interest component of the hedged items attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss as Net gains/(losses) from financial transactions. For macro-hedging, changes in fair value without the interest component of the hedged items are presented separately as the Fair value changes of the hedged items in portfolio hedge of interest rate risk, and in profit and loss are also included in Net gains/(losses) from financial transactions.

Interest expense and interest income from hedging instruments are presented, together with interest income and expense from hedged items, in the profit and loss statement under Net interest income. The positive value of hedging instruments is recognised in the statement of financial position as an asset in Derivatives – Hedge accounting. The negative value of hedging instruments is recognised as a liability in Derivatives – Hedge accounting. A summary of hedging derivatives is presented in Note 9. Hedging derivatives.

If the derivative expires or is sold, terminated, exercised or no longer meets the criteria for hedge accounting, then hedge accounting is discontinued. Any adjustment up to that point, to a hedged item for which the effective interest method is used, is amortised in profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

II. Cash flow hedge

When a derivative is designated as a hedge of the variability in cash flows, attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period, as hedged cash flows affect profit or loss under the same profit and loss statement line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

Amounts accumulated in equity are recycled to the statement of profit or loss in periods when the hedged item affects profit or loss. These are recorded in the income or expense lines, in which the revenue or expense associated with the related hedged item is reported.

If the derivative expires or is sold, terminated, exercised or no longer meets the criteria for hedge accounting, then hedge accounting is discontinued. The amount previously recognised in other comprehensive income remains until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then hedge accounting is discontinued and the balance in other comprehensive income is recognised immediately in profit or loss.

Other non-trading derivatives

When a derivative is not held for trading and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss

as a component of Net gains/(losses) from financial transactions.

Embedded derivatives

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Bank assesses the entire contract as a financial asset and applies classification and measurement accounting principles according to IFRS 9.

Otherwise, the embedded derivatives are treated as separate derivatives when:

- Their economic characteristics and risks are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative;
- The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss, unless the Bank chooses to designate the hybrid contracts at fair value through profit or loss.

(i) Investments in subsidiaries, join ventures and associates

Subsidiaries are entities controlled by the Bank. The Bank controls an entity when it is exposed, 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.

If the Bank loses control, it derecognises the assets and liabilities of its subsidiary, and any related non-controlling interests and other component of equity. Any resulting gain or loss is recognised in profit or loss. Any non-controlling interest retained in the former subsidiary is measured at fair value when control is lost.

Associates are those entities in which the Bank has significant influence, but with no 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.

These financial statements are prepared as separate financial statements under Section 17 of the Slovak Act on Accounting 431/2002, as amended. Consequently, in these financial statements, the Bank's investments in subsidiaries are accounted for at cost decreased by impairment losses, if any.

An impairment represents the difference between the carrying amount of investment, and the present value of expected future cash-flows, discounted by the actual market rate of return of similar financial assets. The value adjustments on investments in subsidiaries are recognised in the separate statement of profit or loss and other comprehensive income as Net impairment losses for investments in subsidiaries, joint ventures and associates.

The Bank conducts an impairment test annually, based on the financing and sales budgets of subsidiaries prepared for the subsequent 5 years. The present value of cash-flows is calculated as discounted cash-flows at an interest rate resulting from the Capital Assets Pricing Model valuation. Cash-flows are calculated as a present value of perpetuity, with a particular expected growth after termination of the 5-year period. The discount rate derives from the long-term risk-free interest rate, adjusted by the risk of sale and country. The model is mainly sensitive to the change of discount rate and profitability growth.

(j) Tangible and intangible assets

I. Recognition and measurement

Items of tangible and intangible assets are measured at cost, less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of related equipment is capitalised as part of the cost of that asset. When separate parts of a particular asset have different useful lives, they are accounted for as separate items (major components) or assets.

II. Subsequent costs

The cost of replacing part of an item of tangible asset is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part of asset will flow to the Bank, and its cost can be reliably measured. The costs of day-to-day maintenance of tangible assets are recognised in profit or loss as incurred.

III. Depreciation

Depreciation and amortisation are recognised in profit or loss on a straight-line basis, over the estimated useful lives of each item of tangible and intangible assets. Land is not depreciated. Depreciation of tangible and intangible assets commences as soon as they are put into use.

The estimated useful lives for the current and comparative periods are as follows:

Type of asset	Period	Method
Buildings	40 years	straight line
Hardware	4-8 years	straight line
Fittings and other equipment	4-15 years	straight line
Software	individually	straight line
Other intangible assets	individually	straight line

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(k) Right-of-use assets and lease liabilities

The Bank assesses whether the contract is a lease or contains a lease, according to IFRS 16, at the inception of the contract. The contract is a lease, or contains a lease, when it conveys a right to use the underlying asset for a period of time in exchange for consideration. In cases where the contract is a lease, or contains a lease, the Bank accounts for each lease component relating to the contract separately from the non-lease components of the contract.

The Bank as a lessee recognises initially the right-of-use asset and the lease liability. The right-of-use asset is measured at cost, which equals the initial measurement of the lease liability. On the commencement day, the Bank recognises the lease liability as a present value of minimum lease payments over the lease term, which were not paid until the commencement day. The lease term is a non-cancellable period of a lease, together with periods covered by an option to extend the lease – if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease – if the lessee is reasonably certain not to exercise that option.

Lease payments are discounted using the interest rate implicit in the lease in relation to the operating lease of cars and using the incremental borrowing rate in relation to other leasing contracts, or leasing contracts containing a lease.

Right-of-use assets are depreciated evenly over the shorter of either the lease term or the useful life.

The Bank uses a practical guide and portfolio approach for contracts with similar characteristics, when accounting for the lease.

Right-of-use assets are represented mainly by the lease of headquarter and branch premises, office space in post offices, IT lease contracts, lease of cars, and lease of other devices. The Bank applies exemptions related to short term leases, i.e. lease contracts or contracts containing a lease with a lease term of 12 months or less, and to low value leases. Lease payments are recognised evenly as an expense over the lease term.

Right-of-use assets are presented in Note 11. Tangible assets, and lease liabilities are presented in Note 15. Financial liabilities at amortised cost. Interest expenses relating to lease liabilities are presented separately from depreciation relating to right-of-use assets.

(l) Impairment losses on non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows which are largely independent from other assets and groups.

Impairment losses are recognised directly in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use, or its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Financial liabilities

I. Initial recognition

The Bank initially recognises deposits by banks and customers, loans received, and other financial liabilities on the date they are originated. Derivative instruments are initially recognised on the trade date, when the Bank becomes the contractual party in relation to the instrument.

Financial liabilities are measured initially at fair value, including transaction costs which are directly attributable to their acquisition or issue (for items that are not valued at fair value through profit or loss).

II. Classification and subsequent measurement

In both the current and prior periods, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking), and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities, designated at fair value through profit or loss, are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk), and partially profit or loss (the remaining amount of change in the fair value of the liability). It only applies when presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Bank recognises any expense incurred on the financial liability;
- Financial guarantee contracts and loan commitments.

III. Derecognition

The Bank derecognises a financial liability when its contractual obligations are fulfilled, cancelled or expire.

(n) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Provisions for off-balance sheet exposures arising from provided loan and other commitments and from provided guarantees are calculated in accordance with IFRS 9 based on the same principles as the ECL for financial assets.

(o) Employee benefits

I. Termination benefits

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

II. Short-term employee benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus, or profit-sharing plans, if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably

estimated.

(p) Offsetting

In general, financial assets and liabilities are not offset. They are presented net in the statement of financial position only when the Bank has a legal right to offset the amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The right to offset financial assets and financial liabilities is applicable only if it is not contingent on a future event and is enforceable by all counterparties in the normal course of business, as well as in the event of insolvency and bankruptcy. Compensation mainly concerns supplier-customer relations, and it is booked based on offsetting supporting evidence.

Income and expenses are presented on a net basis only when permitted by the reporting standards, or for gains and losses arising from a group of similar transactions, such as in the Bank's trading activity.

(q) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments were not effective for the reporting period ending 31 December 2020 and were not applied in these financial statements:

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 Bank applied the Phase 2 amendments retrospectively. However, in line with the exceptions set out in the Phase 2 amendments, the Bank 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.

Phase 2 amendments provide practical relief from certain standards requirements. These concessions relate to the 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 the 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 Bank actively monitors the development of benchmark regulation (IBOR) and guidelines by the European institutions. As part of this change in regulation, the Bank takes an active approach to the analysis of products and IT solutions. An identification of specific impacts on products and IT solutions and the time schedule for the implementation of this regulation during 2021 represent part of the analysis.

The following are other new standards, interpretations and amendments that are not yet effective for the accounting period ending 31 December 2020 and have not been applied in the preparation of the financial statements:

- Amendments to IAS 1 Presentation of financial statements classification of liabilities as current or non-current;
- Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions;
- Amendments to IAS 37 Provisions, contingent liabilities and contingent assets onerous contracts – cost of fulfilling a contract;
- 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 Bank does not expect that the new standards and amendments will have a significant impact on the financial statements when initially applied.

3. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and in any future periods affected.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes.

Expected credit losses

The measurement of ECL allowance for debt financial assets, measured at amortised cost and FVOCI, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

Number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

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

Further information about determining ECL is included in Note 33. Credit risk.

Determining fair values

The determination of fair value for financial assets and liabilities, for which there is no observable market price, requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions, and other risks affecting the specific instrument. Determining fair value of such instruments is also influenced by the assessment of credit risk from the counterparty.

Further information about the amounts of financial instruments at fair value, analysed according to the valuation methodology (broken down into individual valuation levels), are included in Note 31. Fair values of financial assets and liabilities.

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

The compulsory minimum reserve account is reported within cash balances at central banks and is held at the National Bank of Slovakia (' NBS'). The account contains funds from the payment system, as well as funds that the Bank is obliged to maintain at an average level set by requirement of the NBS.

The amount of set reserve depends on the amount of received deposits, and is calculated by multiplying particular items, using the valid rate defined for calculation of the compulsory minimum reserve. The account balance of compulsory minimum reserve may significantly vary depending on the amount of incoming and outgoing payments. During the reporting period, the Bank fulfilled the set amount of compulsory minimum reserves.

EUR '000	31. 12. 2020	31. 12. 2019
Cash on hand	25 875	27 791
Cash balances at central banks	243 049	283 699
Other demand deposits	24 737	42 526
Total	**293 661**	**354 016**

The above-mentioned financial assets are not restricted.

Cash and cash equivalents comprise cash on hand and other deposits repayable on demand. The Bank does not recognise compulsory minimum reserves as part of cash equivalents due to the obligation to maintain them at the average amount stipulated by the NBS measure. The balance of cash and cash equivalents is as follows:

EUR '000	31. 12. 2020	31. 12. 2019	31. 12. 2018
Cash on hand	25 875	27 791	26 022
Other demand deposits	24 737	42 526	16 316
Total	**50 612**	**70 317**	**42 338**

5. Financial assets and liabilities held for trading

EUR '000	31. 12. 2020	31. 12. 2019
Financial assets held for trading		
Derivatives	2 648	1 021
Foreign exchange and gold	2 648	1 021
Total	**2 648**	**1 021**
Financial liabilities held for trading		
Derivatives	746	3 968
Foreign exchange and gold	746	3 968
Total	**746**	**3 968**

The table below summarises the notional amount and fair value of derivatives held for trading.

EUR '000	31. 12. 2020			31. 12. 2019		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives held for trading						
Foreign exchange and gold	214 006	2 648	746	342 052	1 021	3 968
Total	**214 006**	**2 648**	**746**	**342 052**	**1 021**	**3 968**

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

EUR '000	31. 12. 2020	31. 12. 2019
Equity instruments	**309 513**	**268 996**
Shares	2 980	-
Share certificates	306 533	268 996
Total	**309 513**	**268 996**

7. Financial assets at fair value through other comprehensive income

EUR '000	31. 12. 2020	31. 12. 2019
Equity instruments	65	2 892
Shares	65	2 892
Debt securities	436 999	537 994
General governments	295 664	330 130
Credit institutions	48 816	48 295
Other financial corporations	19 784	50 943
Non-financial corporations	72 735	108 626
Total	**437 064**	**540 886**
Impairment allowances to debt securities in OCI	(477)	(1 218)

The movements in impairment allowances for financial assets at fair value through other comprehensive income are as follows:

EUR '000	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2020	**(1 218)**	**-**	**-**	**-**	**(1 218)**
Increases due to origination and acquisition	(51)	-	-	-	(51)
Decreases due to derecognition	301	-	-	-	301
Changes due to change in credit risk (net)	490	-	-	-	490
Transfers:	-	-	-	-	-
to/(from) Stage 1	x	-	-	-	-
to/(from) Stage 2	-	x	-	-	-
to/(from) Stage 3	-	-	x	-	-
Changes due to movements in FX rates	1	-	-	-	1
As of 31 December 2020	**(477)**	**-**	**-**	**-**	**(477)**

EUR '000	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2019	**(984)**	**-**	**-**	**-**	**(984)**
Increases due to origination and acquisition	(122)	-	-	-	(122)
Decreases due to derecognition	62	-	-	-	62
Changes due to change in credit risk (net)	(169)	-	-	-	(169)
Transfers:	-	-	-	-	-
to/(from) Stage 1	x	-	-	-	-
to/(from) Stage 2	-	x	-	-	-
to/(from) Stage 3	-	-	x	-	-
Changes due to movements in FX rates	(5)	-	-	-	(5)
As of 31 December 2019	**(1 218)**	**-**	**-**	**-**	**(1 218)**

8. Financial assets at amortised cost

EUR '000	Gross value		Impairment allowances		Amortized costs	
	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019
Debt securities	**372 485**	**526 860**	**(7 721)**	**(7 530)**	**364 764**	**519 330**
Central banks	-	-	-	-	-	-
General governments	284 612	427 647	(90)	(132)	284 522	427 515
Credit institutions	30 986	30 983	(5)	(13)	30 981	30 970
Other financial corporations	1 486	1 548	-	-	1 486	1 548
Non-financial corporations	55 401	66 682	(7 626)	(7 385)	47 775	59 297
Loans and advances	**2 996 470**	**2 647 812**	**(216 300)**	**(200 402)**	**2 780 170**	**2 447 410**
Central banks	-	409	-	-	-	409
General governments	-	-	-	-	-	-
Credit institutions	13 123	15 108	(16)	(6)	13 107	15 102
Other financial corporations	455 783	325 255	(11 471)	(13 690)	444 312	311 565
Non-financial corporations	1 071 900	978 345	(86 405)	(69 259)	985 495	909 086
Households	1 455 664	1 328 695	(118 408)	(117 447)	1 337 256	1 211 248
Other financial assets	**32 698**	**48 202**	**(151)**	**(171)**	**32 547**	**48 031**
Total	**3 401 653**	**3 222 874**	**(224 172)**	**(208 103)**	**3 177 481**	**3 014 771**

Other financial assets comprise the following:

EUR '000	31. 12. 2020	31. 12. 2019
Other financial assets, gross	**32 698**	**48 202**
Clearing and settlement items	3 478	5 243
Cash collateral	6 235	6 805
Tax receivables	16	-
Trade receivables	5 775	2 262
Other	17 194	33 892
Impairment allowances	**(151)**	**(171)**
Total	**32 547**	**48 031**

The following table shows the gross value and impairment allowances by the impairment stage:

31. 12. 2020	Gross value				Impairment allowances			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	**317 084**	**55 401**	**-**	**-**	**(95)**	**(7 626)**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-
General governments	284 612	-	-	-	(90)	-	-	-
Credit institutions	30 986	-	-	-	(5)	-	-	-
Other financial corporations	1 486	-	-	-	-	-	-	-
Non-financial corporations	-	55 401	-	-	-	(7 626)	-	-
Loans and advances	**2 355 189**	**441 163**	**169 417**	**30 701**	**(22 766)**	**(39 696)**	**(142 971)**	**(10 867)**
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	13 123	-	-	-	(16)	-	-	-
Other financial corporations	441 702	137	28	13 916	(2 369)	(28)	(26)	(9 048)
Non-financial corporations	812 854	186 547	55 766	16 733	(14 483)	(17 997)	(52 129)	(1 796)
Households	1 087 510	254 479	113 623	52	(5 898)	(21 671)	(90 816)	(23)
Other financial assets	-	32 698	**-**	**-**	-	(151)	-	**-**
Total	**2 672 273**	**529 262**	**169 417**	**30 701**	**(22 861)**	**(47 473)**	**(142 971)**	**(10 867)**

31. 12. 2019	Gross value				Impairment allowances			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Debt securities	**460 178**	66 682	-	-	(145)	(7 385)	-	-
Central banks	-	-	-	-	-	-	-	-
General governments	427 647	-	-	-	(132)	-	-	-
Credit institutions	30 983	-	-	-	(13)	-	-	-
Other financial corporations	1 548	-	-	-	-	-	-	-
Non-financial corporations	-	66 682	-	-	-	(7 385)	-	-
Loans and advances	**2 278 261**	**169 521**	**162 621**	**37 409**	**(26 507)**	**(21 456)**	**(134 853)**	**(17 586)**
Central banks	409	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	15 108	-	-	-	(6)	-	-	-
Other financial corporations	309 928	678	76	14 573	(1 764)	-	(21)	(11 905)
Non-financial corporations	839 190	66 381	49 962	22 812	(14 419)	(3 717)	(45 454)	(5 669)
Households	1 113 626	102 462	112 583	24	(10 318)	(17 739)	(89 378)	(12)
Other financial assets	-	48 202	**-**	**-**	-	(171)	-	**-**
Total	**2 738 439**	**284 405**	**162 621**	**37 409**	**(26 652)**	**(29 012)**	**(134 853)**	**(17 586)**

The movements in ECL for debt securities, and loans and advances, at amortised cost are as follows:

EUR '000	Debt securities				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2020	**(145)**	**(7 385)**	**-**	**-**	**(7 530)**
Increases due to origination and acquisition	(15)	-	-	-	(15)
Decreases due to derecognition	22	-	-	-	22
Changes due to change in credit risk (net)	43	(241)	-	-	(198)
Transfers:	-	-	-	-	-
to/(from) Stage 1	x	-	-	-	-
to/(from) Stage 2	-	x	-	-	-
to/(from) Stage 3	-	-	x	-	-
Changes due to movements in FX rates	-	-	-	-	-
As of 31 December 2020	**(95)**	**(7 626)**	**-**	**-**	**(7 721)**

EUR '000	Debt securities				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2019	**(2 406)**	**-**	**-**	**-**	**(2 406)**
Increases due to origination and acquisition	(51)	-	-	-	(51)
Decreases due to derecognition	64	-	-	-	64
Changes due to change in credit risk (net)	(453)	(4 684)	-	-	(5 137)
Transfers:	2 701	(2 701)	-	-	-
to/(from) Stage 1	x	(2 701)	-	-	(2 701)
to/(from) Stage 2	2 701	x	-	-	2 701
to/(from) Stage 3	-	-	x	-	-
Changes due to movements in FX rates	-	-	-	-	-
As of 31 December 2019	**(145)**	**(7 385)**	**-**	**-**	**(7 530)**

EUR '000	Loans and advances				
	Stage 1	Stage 2	Stage 3	POCI	Total
Increases due to origination and acquisition	**(26 507)**	**(21 456)**	**(134 853)**	**(17 586)**	**(200 402)**
Decreases due to derecognition	(6 836)	-	-	-	(6 836)
Changes due to change in credit risk (net)	2 463	1 158	27 682	4	31 307
Transfers:	12 268	(38 564)	(20 835)	6 214	(40 917)
to/(from) Stage 1	(4 208)	19 166	(14 958)	-	-
to/(from) Stage 2	x	3 758	450	-	4 208
to/(from) Stage 3	(3 758)	x	(15 408)	-	(19 166)
Changes due to movements in FX rates	(450)	15 408	x	-	14 958
As of 31 December 2020	54	-	(7)	501	548
Stav k 31. decembru 2020	**(22 766)**	**(39 696)**	**(142 971)**	**(10 867)**	**(216 300)**

EUR '000	Loans and advances				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2019	**(23 723)**	**(26 723)**	**(146 884)**	**-**	**(197 330)**
Increases due to origination and acquisition	(9 252)	-	-	(20 624)	(29 876)
Decreases due to derecognition	4 891	2 212	46 136	-	53 239
Changes due to change in credit risk (net)	12 526	(21 589)	(20 291)	3 066	(26 288)
Transfers:	(10 932)	24 644	(13 712)	-	-
to/(from) Stage 1	x	10 589	343	-	10 932
to/(from) Stage 2	(10 589)	x	(14 055)	-	(24 644)
to/(from) Stage 3	(343)	14 055	x	-	13 712
Changes due to movements in FX rates	(17)	-	(102)	(28)	(147)
As of 31 December 2019	**(26 507)**	**(21 456)**	**(134 853)**	**(17 586)**	**(200 402)**

9. Hedging derivatives

The Bank uses fair value hedges. For micro-hedging, the hedged items are selected, fixed-coupon debt securities from the portfolio of Financial assets at FVOCI. For macro-hedging, the hedged items are selected, fixed-interest rate loans and advances to customers. In both cases, interest rate swaps are used as hedging instruments, for which the Bank pays fixed interest rate and receives floating interest rate. The hedges were effective in hedging the fair value exposure to interest rate movements during the entire hedge relationship. Changes in the fair value of these interest rate swaps, due to changes in interest rates, substantially offset changes in the fair value of the hedged items caused by changes in interest rates.

The table below summarises notional amounts and fair value of hedging derivatives. The notional amounts represent the volume of unpaid transactions at a certain point in time. They do not represent potential gain or loss associated with the market risk or credit risk of these transactions.

EUR '000	31. 12. 2020			31. 12. 2019		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Fair value hedges	**174 476**	**-**	**7 792**	**253 976**	**-**	**7 183**
Interest rate	174 476	-	7 792	253 976	-	7 183
Portfolio fair value hedges of interest rate risk	93 400	-	2 526	93 400	-	2 237
Total	**267 876**	**-**	**10 318**	**347 376**	**-**	**9 420**

The following table provides the carrying amount of the hedges, the hedge adjustment due to hedging and the statement of financial position in which the hedged item is recognised.

EUR '000	Carrying amount		Amount of fair value hedge adjustments		Line item in the statement of financial position in which the hedged item is included
	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	
Fair value hedges					
Interest rate	197 635	184 064	2 276	1 965	Fin. aktíva oceňované v amort. hodnote
Portfolio hedge of interest rate risk	191 489	277 130	(5 739)	(4 388)	Precenenie FVOCI finančných nástrojov

The impact of hedge accounting on profit or loss is as follows:

EUR '000	2020	2019
Fair value changes of the hedging instrument	(1 625)	(3 074)
Fair value changes of the hedged item attributable to the hedged risk	1 662	3 123
Total	37	49

10. Investments in subsidiaries, joint ventures and associates

EUR '000	31. 12. 2020	31. 12. 2019
Cost	**87 743**	**74 273**
Subsidiaries	87 129	73 659
Prvá penzijná správcovská spoločnosť Poštovej banky, správ. spol., a. s.	9 230	9 230
Poštová poisťovňa, a.s.	9 129	9 129
DSS Poštovej banky, d. s. s., a. s.	14 500	14 500
Amico Finance, a.s.	36 477	28 477
PB Servis, a.s.	605	605
PB Finančné služby, a.s.	7 115	4 615
PB Partner, a.s.	4 603	4 603
365.fintech, a.s.	3 000	2 000
365.world, o.p.f.	-	500
Cards&Co, a.s.	2 470	-
Joint ventures	140	140
SPPS, a.s.	140	140
Associates	474	474
ART FOND – Stredoeurópsky fond súčasného umenia, a.s.	474	474
Impairment	**(9 164)**	**(5 151)**
Total	**78 579**	**69 122**

During November 2020, the Bank acquired a 100% stake and control in Cards&Co.

During 2020, the Bank replenished other capital funds in the subsidiaries Amico Finance, PB Finančné služby and 365.fintech.

Recognition of the investment in unit certificates of the 365.world fund as the Bank's subsidiary was terminated due to its insignificance.

During 2019, the following significant changes occurred in investments:

- PB Partner, a.s. entered into liquidation;
- The Bank increased its exposure to Amico Finance by increasing other capital funds.

11. Tangible assets

EUR '000	31. 12. 2020	31. 12. 2019
Tangible assets owned	26 409	22 012
Property, plant and equipment	26 409	22 012
Right of use assets	31 725	24 161
Total	58 134	46 173

	Tangible assets owned				
EUR '000	Land and buildings	Hardware	Fittings and other equip-ment	Assets not yet in use	Total
Cost					
As of 1 January 2020	17 667	10 511	14 985	207	43 370
Additions	-	-	-	10 246	10 246
Transfers	1 420	1 707	5 957	(9 084)	-
Disposals	(469)	(555)	(1 426)	(82)	(2 532)
As of 31 December 2020	18 618	11 663	19 516	1 287	51 084
Accumulated depreciation					
As of 1 January 2020	(4 389)	(7 406)	(8 917)	-	(20 712)
Depreciation for the year	(1 573)	(1 654)	(2 046)	-	(5 273)
Disposals	327	558	1 366	-	2 251
As of 31 December 2020	**(5 635)**	**(8 502)**	**(9 597)**	**-**	**(23 734)**
Impairment losses	**(413)**	**-**	**(527)**	**-**	**(940)**
Carrying amount as at 31. 12. 2020	**12 570**	**3 161**	**9 391**	**1 287**	**26 409**

EUR '000	Tangible assets owned				
	Land and buildings	Hardware	Fittings and other equip-ment	Assets not yet in use	Total
Cost					
As of 1 January 2019	7 263	9 156	12 813	695	29 927
Additions	-	-	-	16 461	16 461
Transfers	10 710	1 726	4 440	(16 876)	-
Disposals	(306)	(371)	(2 268)	(73)	(3 018)
As of 31 December 2019	17 667	10 511	14 985	207	43 370
Accumulated depreciation					
As of 1 January 2019	(3 766)	(6 328)	(9 416)	-	(19 510)
Depreciation for the year	(805)	(1 448)	(1 900)	-	(4 153)
Disposals	182	370	2 399	-	2 951
As of 31 December 2019	**(4 389)**	**(7 406)**	**(8 917)**	**-**	**(20 712)**
Impairment losses	**(593)**	**-**	**(53)**	**-**	**(646)**
Carrying amount as at 31. 12. 2019	**12 685**	**3 105**	**6 015**	**207**	**22 012**

EUR '000	Right of use assets			
	Land and buildings	Hardware	Fittings and other equipment	Total
Cost				
As of 1 January 2020	25 291	211	4 044	29 546
Additions	2 316	-	71	2 387
Remeasurements	10 868	-	-	10 868
Disposals	(459)	-	-	(459)
As of 31 December 2020	**38 016**	**211**	**4 115**	**42 342**
Accumulated depreciation				
As of 1 January 2020	(4 688)	(53)	(644)	(5 385)
Depreciation for the year	(4 761)	(53)	(680)	(5 494)
Remeasurements	-	-	-	-
Disposals	262	-	-	262
As of 31 December 2020	**(9 187)**	**(105)**	**(1 324)**	**(10 616)**
Impairment losses	**-**	**-**	**-**	**-**
Carrying amount as at 31. 12. 2020	**28 829**	**105**	**2 791**	**31 725**

EUR '000	Right of use assets			
	Land and buildings	Hardware	Fittings and other equipment	Total
Cost				
As of 1 January 2019	28 884	211	3 771	32 866
Additions	225	-	221	446
Remeasurements	(3 761)	-	52	(3 709)
Disposals	(57)	-	-	(57)
As of 31 December 2019	**25 291**	**211**	**4 044**	**29 546**
Accumulated depreciation				
As of 1 January 2019	-	-	-	-
Depreciation for the year	(5 506)	(53)	(644)	(6 203)
Remeasurements	788	-	-	788
Disposals	30	-	-	30
As of 31 December 2019	**(4 688)**	**(53)**	**(644)**	**(5 385)**
Impairment losses	**-**	**-**	**-**	**-**
Carrying amount as at 31.12.2019	**20 603**	**158**	**3 400**	**24 161**

Movements in impairment allowances for tangible assets are as follows:

EUR '000	31. 12. 2020	31. 12. 2019
Opening balance as at 1 January	(646)	(803)
Net creation/(release) of impairment losses	(294)	157
Closing balance	(940)	(646)

The Bank used fully depreciated tangible assets with an acquisition cost as follows:

EUR '000	31. 12. 2020	31. 12. 2019
Costs of fully depreciated tangible assets in use	9 780	9 246

Tangible assets are insured against natural disasters, malicious damage, theft and robbery. Motor vehicles are insured through motor third party liability and casco insurance. The Bank's tangible assets are not pledged.

EUR '000	31. 12. 2020	31. 12. 2019
Insurance amount of fixed assets	49 500	43 204

12. Intangible assets

EUR '000	Software	Other intangible assets	Assets not yet in use	Total
Cost				
As of 1 January 2020	67 981	88	2 041	70 110
Additions	-		14 115	14 115
Transfers	10 947		(10 947)	-
Disposals	(4 191)	-	(127)	(4 318)
As of 31 December 2020	**74 737**	**88**	**5 082**	**79 907**
Accumulated amortisation				
As of 1 January 2020	(38 968)	(75)	-	(39 043)
Amortisation for the year	(9 260)	(12)	-	(9 272)
Disposals	4 079	-	-	4 079
As of 31 December 2020	**(44 149)**	**(87)**	**-**	**(44 236)**
Impairment losses	**(325)**	**-**	**-**	**(325)**
Carrying amount as at 31.12.2020	**30 264**	**2**	**5 082**	**35 348**

EUR '000	Software	Other intangible assets	Assets not yet in use	Total
Cost				
As of 1 January 2019	55 442	83	2 429	57 954
Additions	-		12 704	12 704
Transfers	12 539	5	(12 544)	-
Disposals	-	-	(548)	(548)
As of 31 December 2019	**67 981**	**88**	**2 041**	**70 110**
Accumulated amortisation				
As of 1 January 2019	(30 650)	(52)	-	(30 702)
Amortisation for the year	(8 316)	(23)	-	(8 339)
Disposals	(2)	-	-	(2)
As of 31 December 2019	**(38 968)**	**(75)**	**-**	**(39 043)**
Impairment losses	**-**	**-**	**-**	**-**
Carrying amount as at 31. 12. 2019	**29 013**	**13**	**2 041**	**31 067**

The Bank used fully depreciated intangible assets with an acquisition cost as follows:

EUR '000	31. 12. 2020	31. 12. 2019
Costs of fully amortized intangible assets in use	8 842	10 388

13. Deferred tax assets and liabilities

The deferred tax asset and deferred tax liabilities are calculated using the following tax rates:

	31. 12. 2020	31. 12. 2019
Companies in SR	21 %	21 %
Companies in CR	19 %	19 %

EUR '000	31. 12. 2020	31. 12. 2019
SR		
Impairment on financial assets at AC	22 782	16 015
Provisions for off-balance sheet exposures	183	468
Revaluation of financial assets at FVOCI	(1 770)	(1 692)
Tangible assets	111	(103)
Other	3 251	3 644
Total	**24 557**	**18 332**
CR		
Provisions for off-balance sheet exposures	117	106
Tangible assets	(1)	(1)
Other	15	20
Total	**131**	**125**
Total deferred tax assets	**24 688**	**18 457**

Movements in deferred tax were as follows:

EUR '000	Note	31. 12. 2020	31. 12. 2019
Opening balance as at 1 January		18 457	17 409
Through profit or loss	29	6 313	622
Through other comprehensive income		(82)	426
Through retained earnings		-	-
Closing balance		**24 688**	**18 457**

14. Other assets

EUR '000	31. 12. 2020	31. 12. 2019
Deferred expenses	9 878	10 829
Accrued income	2 394	804
Inventories	333	437
Prepayments	5 909	10 119
Total	**18 514**	**22 189**

15. Financial liabilities measured at amortised cost

EUR '000	31. 12. 2020	31. 12. 2019
Deposits	**3 671 084**	**3 652 224**
General governments	3 390	3 409
Current accounts / overnight deposits	2 383	2 294
Deposits with agreed maturity	1 007	1 115
Credit institutions	26 024	14 033
Current accounts / overnight deposits	4 519	6 019
Deposits with agreed maturity	21 505	8 014
Other financial corporations	202 578	161 120
Current accounts / overnight deposits	179 345	100 365
Deposits with agreed maturity	23 233	60 755
Non-financial corporations	163 629	335 849
Current accounts / overnight deposits	157 690	286 142
Deposits with agreed maturity	5 939	49 707
Households	3 275 463	3 137 813
Current accounts / overnight deposits	1 771 166	1 543 925
Deposits with agreed maturity	1 355 720	1 419 359
Deposits redeemable at notice	148 577	174 529
Other financial liabilities	**52 709**	**43 139**
Clearing and settlement items	11 796	10 680
Liabilities to employees	4 044	4 349
Liabilities from social and health insurance and social fund	1 423	1 549
Tax liabilities	847	1 021
Received prepayments	2	-
Liabilities from dividends	28	28
Lease liabilities	32 086	24 330
Other creditors	2 483	1 182
Total	**3 723 793**	**3 695 363**

The table below summarises loans received, classified under financial liabilities and measured at amortised cost:

EUR '000	31. 12. 2020	31. 12. 2019
Subordinated debt	8 014	8 014

In the event of bankruptcy or liquidation of the Bank, subordinated debt will be subordinated to the claims of all other creditors of the Bank.

Creditor	Debtor	Carrying amount	Interest rate	Maturity
Subordinated debt				
J&T BANKA, a. s.	Poštová banka, a. s.	8 014	3M EURIBOR + 6 %	31. 12. 2026

The reconciliation of movements of liabilities to the cash flows from financing activities is as follows:

EUR '000	Subordinated debt	
	31. 12. 2020	31. 12. 2019
Opening balance as at 1 January	8 014	8 013
Interest expenses	481	482
Interest paid	(481)	(481)
Closing balance	**8 014**	**8 014**

16. Provisions

EUR '000	31. 12. 2020	31. 12. 2019
Commitments and guarantees given	1 488	2 787
Loan commitments	799	2 037
Guarantees given	689	750
Other provisions	1 106	534
Total	**2 594**	**3 321**

The movements in provisions for commitments and guarantees provided were as follows:

EUR '000	Commitments and guarantees given				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2020	**1 598**	**695**	**494**	**-**	**2 787**
Increases due to origination and acquisition	2 716	-	-	-	2 716
Decreases due to derecognition	(2 695)	(789)	(511)	-	(3 995)
Changes due to change in credit risk (net)	(1 165)	511	637		(17)
Transfers:	(22)	22	-	-	-
(to)/from Stage 1	x	22	-	-	22
(to)/from Stage 2	(22)	x	-	-	(22)
(to)/from Stage 3	-	-	x	-	-
Changes due to movements in FX rates	(3)	-	-	-	(3)
As of 31 December 2020	**429**	**439**	**620**	**-**	**1 488**

EUR '000	Commitments and guarantees given				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2019	**1 238**	**801**	**1 501**	**-**	**3 540**
Increases due to origination and acquisition	1 069	-	-	-	1 069
Decreases due to derecognition	(934)	(336)	(389)	-	(1 659)
Changes due to change in credit risk (net)	195	259	(618)		(164)
Transfers:	29	(29)	-	-	-
(to)/from Stage 1	x	(29)	-	-	(29)
(to)/from Stage 2	29	x	-	-	29
(to)/from Stage 3	-	-	x	-	-
Changes due to movements in FX rates	1	-	-	-	1
As of 31 December 2019	**1 598**	**695**	**494**	**-**	**2 787**

17. Other liabilities

EUR '000	31. 12. 2020	31. 12. 2019
Estimated payables (PEREX, OPEX)	11 406	15 129
Deferred income	146	190
Total	**11 552**	**15 319**

18. Equity

a) Share capital

	31. 12. 2020	31. 12. 2019
Nominal value per share in EUR	1 107	1 107
Number of shares	330 899	330 899
Total share capital in EUR '000	**366 305**	**366 305**

All shares of the Bank are ordinary registered shares.

b) Legal reserve fund

Under the Slovak Commercial Code, all companies are required to create a legal reserve fund to cover losses. The Bank is obliged to contribute an amount of at least 10% of the profit for reporting period, until the aggregate amount reaches a level equal to 20% of the issued share capital. The legal reserve fund is not readily distributable to shareholders.

c) Revaluation of financial instruments measured through other comprehensive income

This item includes the revaluation of FVOCI of financial assets and related hedging derivatives, which represents a net cumulative change in the fair value of FVOCI financial assets, including the effect of hedging derivatives, and taking deferred tax into account.

d) Translation reserve

The translation reserve comprises all foreign exchange rate differences arising from the translation of financial statements of foreign operations.

e) Distribution of profit in the previous period

The General Meeting of shareholders decided to distribute the profit for the previous period as follows:

EUR '000	
Profit for the year	**45 728**
Dividends	-
Transfer to retained earnings	41 155
Transfer to legal reserve fund	4 573

f) Proposal of distribution of profit for current period

Profit distribution for the current period is subject to the approval of the Shareholders' meeting. The Bank`s Board of Directors proposed the following profit distribution for the year 2020:

EUR '000	
Profit for the year	**44 358**
Dividends	-
Transfer to retained earnings	39 922
Transfer to legal reserve fund	4 436

19. Off-balance sheet items

a) Loan commitments, financial guarantees and other commitments given

EUR '000	31. 12. 2020	31. 12. 2019
Loan commitments given	243 612	329 783
Financial guarantees given	18 236	37 210
Total	**261 848**	**366 993**

b) Assets involved in the services provided

EUR '000	31. 12. 2020	31. 12. 2019
Asset management	976 727	917 202
Custody assets	100 592	159 609
Total	**1 077 319**	**1 076 811**

c) Securities provided as collateral

The Bank has pledged debt securities at carrying amount as summarised in the table below. The pledge was provided against transactions with central bank and credit institutions. These debt securities have not been derecognised from the Bank's statement of financial position.

EUR '000	31. 12. 2020	31. 12. 2019
Financial assets at fair value through other comprehensive income	42 291	37 424
Financial assets at amortised cost	298 644	187 260
Total	**340 935**	**224 684**

d) Transferred financial assets

As at the end of the reporting periods, the Bank did not report transferred financial assets which are not derecognised in the statement of financial position.

20. Offsetting of financial assets and liabilities

The following table shows the financial assets and financial liabilities that could be offset under 'master netting agreements' or similar agreements (legally enforceable):

31. 12. 2020	Values, gross	Offset values, gross	Presented values, net	Possible effect of master offsetting agreements			Net values after possible offsetting
				Financial instru-ments	Cash collateral	Non-cash financial collateral	
Financial assets							
Derivatives	2 648	-	2 648	746	1 881	-	21
Hedging derivatives	-	-	-	-	-	-	-
Total assets	**2 648**	**-**	**2 648**	**746**	**1 881**	**-**	**21**
Financial liabilities							
Derivatives	746	-	746	746	-	-	-
Hedging derivatives	10 318	-	10 318	-	6 472	-	3 846
Total liabilities	**11 064**	**-**	**11 064**	**746**	**6 472**	**-**	**3 846**

31. 12. 2019	Values, gross	Offset values, gross	Presented values, net	Possible effect of master offsetting agreements			Net values after possible offsetting
				Financial instru-ments	Cash collateral	Non-cash financial collateral	
Financial assets							
Derivatives	1 021	-	1 021	1 021	-	-	-
Hedging derivatives	-	-	-	-	-	-	-
Total assets	**1 021**	**-**	**1 021**	**1 021**	**-**	**-**	**-**
Financial liabilities							
Derivatives	3 968	-	3 968	1 021	2 699	-	248
Hedging derivatives	9 420	-	9 420	-	9 420	-	-
Total liabilities	**13 388**	**-**	**13 388**	**1 021**	**12 119**	**-**	**248**

21. Net interest income

EUR '000	2020	2019
Interest income		
Financial assets at fair value through other comprehensive income	6 679	8 407
Financial assets at amortised cost	147 317	163 742
Debt securities	8 227	14 105
Loans and advances	139 090	149 637
Derivatives - Hedge accounting, interest rate risk	(2 324)	(2 189)
Other assets	109	122
Cash balances at central banks	2	10
Other	107	112
Total interest income	**151 781**	**170 082**
Interest expenses		
Financial liabilities measured at amortised cost	(8 064)	(9 926)
thereof: lease liabilities	(448)	(405)
Other liabilities	(9)	(11)
Total interest expense	**(8 073)**	**(9 937)**
Net interest income	**143 708**	**160 145**

EUR '000	2020	2019
Interest income calculated on an EIR	151 781	170 082
Total interest income	**151 781**	**170 082**

22. Net fee and commission income

EUR '000	2020	2019
Fee and commission income		
Securities	84	57
Clearing and settlement	15 567	15 174
Custody	2 903	2 450
Payment services	31 584	26 404
Loan servicing activities	2 769	2 309
Loan commitments given	901	876
Financial guarantees given	353	323
Other	7 403	5 092
Total fee and commission income	**61 564**	**52 685**
Thereof: Revenue recognis ed under IFRS 15: Recognition of revenue from customers contracts	60 310	51 486
Fee and commission expenses		
Clearing and settlement	(20 929)	(18 862)
Custody	(418)	(265)
Loan servicing activities	(2 264)	(1 588)
Other	(2 667)	(4 287)
Total fee and commission expenses	**(26 278)**	**(25 002)**
Net fee and commission income	**35 286**	**27 683**

23. Dividend income

EUR '000	2020	2019
Non-trading financial assets mandatorily at fair value through profit or loss	-	175
Financial assets at fair value through other comprehensive income	15	17
Investments in subsidiaries, joint ventures and associates	15 743	11 627
Total	**15 758**	**11 819**

24. Net gains/(losses) from financial transactions

EUR '000	2020	2019
Gains/(losses) on derecognition of financial assets and liabilities not at FVPL	**551**	**142**
Financial assets at fair value through other comprehensive income	551	(4)
Equity instruments	9	(4)
Debt securities	542	-
thereof: reclassified from other comprehensive income	1 086	-
Other	-	146
Gains/(losses) on financial assets and liabilities held for trading, net	**12 763**	**(9 743)**
Derivatives	12 763	(9 743)
Gains/(losses) on non-trading financial assets mandatorily at FVPL, net	2 711	16 330
Revaluation gains/(losses)	2 711	16 330
Gains/(losses) from hedge accounting, net	**37**	**49**
Fair value changes of the hedging instrument	(1 625)	(3 074)
Fair value changes of the hedged item attributable to the hedged risk	1 662	3 123
Exchange differences, net	**(15 628)**	**2 265**
Total	434	9 043

25. Net other operating expenses

EUR '000	2020	2019
Bank specific fees	**(8 131)**	**(7 918)**
Special levy for banking institutions	(7 453)	(7 330)
Resolution fund	(341)	(288)
Deposit protection fund	(337)	(300)
Other income/(expense)	**874**	**(63)**
Gains/(losses) on derecognition of non-financial assets, net	(224)	35
Other	1 098	(98)
Total net other operating expense	**(7 257)**	**(7 981)**

26. Administrative expenses

EUR '000	2020	2019
Staff expenses	**(41 238)**	**(50 150)**
Wages and salaries (including bonuses)	(29 588)	(36 071)
Social expenses	(11 650)	(14 079)
Other administrative expenses	**(36 099)**	**(41 927)**
Rental expenses	(1 391)	(1 942)
Short-term lease contracts	(971)	(1 432)
Leases of low-value assets	-	-
Variable lease payments not included in the lease liabilities	(258)	(350)
Other	(162)	(160)
Real estate expenses	(2 592)	(2 948)
IT expenses	(6 829)	(7 207)
IT outsourcing	(9)	(36)
IT expenses other than IT outsourcing expenses	(6 820)	(7 171)
Marketing and advertisement	(7 893)	(10 305)
Legal and consulting services	(2 142)	(3 122)
Post and telecommunication	(3 878)	(3 562)
Material consumption	(987)	(1 355)
Repair and maintenance	(3 359)	(2 893)
Other admininstrative expenses - Rest	(7 028)	(8 593)
Taxes and duties (other)	(476)	(705)
Expenses related to credit risk	(1 018)	(1 077)
Litigation expenses not covered by provisions	(880)	(986)
Other administrative expenses	(4 654)	(5 825)
Total	**(77 337)**	**(92 077)**

	2020	2019
Number of employees as of balance sheet date	1 178	1 303
Average number of employees for the period	1 170	1 327
thereof, key management	20	20

The cost of services provided by the statutory auditor were as follows:

EUR '000	2020	2019
Audit of the financial statements	(183)	(203)
Non-audit services required by EU legislation	(57)	(62)
Other assurance services	-	-
Total	**(240)**	**(265)**

27. Depreciation

EUR '000	2020	2019
Property, plant and equipment	**(5 273)**	**(4 153)**
Buildings	(1 573)	(805)
Hardware	(1 654)	(1 448)
Fittings and other equipment	(2 046)	(1 900)
Right of use assets	**(5 494)**	**(6 203)**
Buildings	(4 761)	(5 506)
Hardware	(53)	(53)
Fittings and other equipment	(680)	(644)
Intangible assets	**(9 272)**	**(8 339)**
Software	(9 260)	(8 316)
Other intangible assets	(12)	(23)
Total	**(20 039)**	**(18 695)**

28. Impairment losses and provisions

EUR '000	2020	2019
Net impairment of financial assets not valued at fair value through profit or loss	**(38 705)**	**(33 121)**
Financial assets at fair value through other comprehensive income	741	(234)
Debt securities	741	(234)
Financial assets at amortised cost	(39 446)	(32 887)
Debt securities	(191)	(5 124)
Loans and advances	(39 010)	(27 797)
Other financial assets	(245)	34
Net impairment of investments in subsidiaries, joint ventures and associates	(4 013)	85
Subsidiaries	(4 013)	85
Release/(creation) of provisions	**707**	**755**
Net impairment on non-financial assets	**(619)**	**157**
Total	**(42 630)**	**(32 124)**

29. Income tax

EUR '000	2020	2019
Current income tax	**(9 878)**	**(12 707)**
Current year	(9 542)	(13 854)
Correction of prior period	(336)	1 182
Withholding tax	-	(35)
Deferred tax	**6 313**	**622**
Total	**(3 565)**	**(12 085)**

Reconciliation of the effective tax rate:

EUR '000	2020	2019
Profit before tax	47 923	57 813
Income tax rate	21%	21%
Theoretical income tax	**(10 064)**	**(12 141)**
Non - tax expenses	(2 995)	(4 345)
Impairment allowances	(539)	(2 793)
Other	(2 456)	(1 552)
Non - taxable income	4 663	2 632
Dividends	3 309	2 482
Other	1 354	150
Deferred tax	5 114	622
Correction of prior period	(336)	1 182
Withholding tax	-	(35)
Other	53	-
Total	**(3 565)**	**(12 085)**
Effective tax rate	**7,44 %**	**20,90 %**

Given that many parts of the Slovak tax legislation remain untested, there is uncertainty about how the tax authorities will apply them. The effect of this uncertainty cannot be quantified and will only be resolved once legislative precedents are set, or when official interpretations of the authorities are available.

30. Related party transactions

Parties are considered to be related if one party has the ability to control the other party, or it has, through its financial and operational decisions, significant influence over the other party.

The following persons or companies meet the definition of related parties:

(a) Companies that directly or indirectly, through one or more intermediaries, control or are controlled, have significant influence, or are under joint control of the reporting company;

(b) Affiliated companies in which the parent company has significant influence, and which are not a subsidiary, nor a joint venture;

(c) Individuals owning, directly or indirectly, shares in the voting right of the Bank that gives them significant influence over the Bank, and any other individual who may be expected to influence, or be influenced by that person in their dealings with the Bank;

(d) Key management personnel, i.e. individuals having authority and responsibility for planning, managing and controlling the activities of the Bank, including directors and managing employees of the Bank, and individuals related to them;

(e) Companies in which a significant share of voting rights is owned, directly or indirectly, by any person described in points (a), (c) or (d) above, or over which such party may have a significant influence. This includes companies owned by directors or major shareholders of the Bank.

31. 12. 2020	Share-holders	Members of J&T FINANCE GROUP SE	Subsidiar-ies	Joint ventures	Associates	Key manage-ment and related parties	Others
Assets	**14 980**	**176 359**	**89 547**	**705**	**-**	**1 071**	**34 081**
Other demand deposits	-	186	-	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-	-
Non-trading financial assets mandatorily at FVPL	-	137 567	-	-	-	-	-
Financial assets designated at FVPL	-	-	-	-	-	-	-
Financial assets at FVOCI	-	-	-	-	-	-	-
Financial assets at amortised cost	14 980	38 606	89 547	705	-	1 071	34 081
Debt securities	-	-	-	-	-	-	-
Loans and advances	14 980	38 481	86 679	-	-	1 071	34 081
Other financial assets	-	125	2 868	705	-	-	-
Liabilities	**-**	**18 754**	**13 333**	**4 392**	**-**	**1 452**	**1 608**
Financial liabilities held for trading	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	-	18 754	13 333	4 392	-	1 452	1 608
Deposits	-	18 733	12 885	4 392	-	1 452	1 589
Other financial liabilities	-	21	449	-	-	-	19
Derivatives – Hedge accounting	-	-	-	-	-	-	-
2020							
Income/expenses							
Net interest income	500	(478)	948	-	-	10	888
Net fee and commission income	(12)	344	6 291	7 898	-	1	68
Net gains/(losses) from financial transactions	-	(1 815)	-	-	-	-	-
Net other operating expenses	-	-	189	78	-	-	-
Administrative expenses	-	(83)	(6 450)	-	10	-	(123)

31. 12. 2019	Share-holders	Members of J&T FINANCE GROUP SE	Subsidiar-ies	Joint ventures	Associates	Key manage-ment and related parties	Others
Assets	**-**	**143 594**	**52 085**	**634**	**-**	**1 049**	**31 332**
Other demand deposits	-	205	-	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-	-
Non-trading financial assets mandatorily at FVPL	-	143 326	-	-	-	-	-
Financial assets designated at FVPL	-	-	-	-	-	-	-
Financial assets at FVOCI	-	-	-	-	-	-	-
Financial assets at amortised cost	-	63	52 085	634	-	1 049	31 332
Debt securities	-	-	-	-	-	-	-
Loans and advances	-	14	50 237	-	-	1049	31 332
Other financial assets	-	49	1 848	634	-	-	-
Liabilities	**4**	**21 165**	**13 698**	**2 845**	**-**	**713**	**1 661**
Financial liabilities held for trading	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	4	21 165	13 698	2 845	-	713	1 661
Deposits	4	21 161	12 586	2 845	-	713	1 654
Other financial liabilities	-	4	1 112	-	-	-	7
Derivatives – Hedge accounting	-	-	-	-	-	-	-
2019							
Income/expenses							
Net interest income	-	(473)	570	-	-	8	610
Net fee and commission income	(276)	75	4 164	7 105	-	1	55
Net gains/(losses) from financial transactions	-	2 110	-	-	-	-	-
Net other operating expenses	-	61	263	80	-	-	-
Administrative expenses	-	(31)	(11 014)	-	-	-	(207)

Remuneration of key management personnel is as follows:

EUR '000	2020	2019
Short-term employee benefits	(1 544)	(1 743)

31. Fair value of financial assets and liabilities

According to IFRS 13, fair value is the price that would be received when selling an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The Bank measures fair values using the following fair value level hierarchy:

- **Level 1:** Quoted market price in an active market for an identical instrument.
- **Level 2:** : Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data, and where the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The determination of fair values for financial assets and financial liabilities is based on quoted market prices. Shares in funds are measured at prices obtained from an asset management company. The funds are not listed, however they are audited on an annual basis. Fund prices are determined using NAV, with valuation techniques corresponding to the above-mentioned fair value hierarchies.

For all other financial instruments, fair value is determined by using valuation techniques. These valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads, and other premiums used in estimating discount rates. The objective of valuation techniques is to arrive at a fair value determination, that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and the uncomplicated financial instruments, like interest rate and currency swaps, that use only observable market data, and require little management judgement or estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple over-the-counter derivatives. The availability of observable market prices and model inputs reduces the need for management judgement and estimation, and also reduces the uncertainty associated with determination of fair values. The availability of observable market prices and inputs varies depending on products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For fair value measurement of debt financial instruments, the Bank uses models based on net present value. The key estimation parameter is the discount interest rate. Determination of the discount interest rate is based on the risk-free market rate, which corresponds to the incremental maturity of particular financial instruments,

plus a risk premium. The risk premium is determined to be consistent with regular market practice.

For more complex instruments, the Bank uses proprietary valuation models, which are usually developed based on recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices and rates, or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain over-the-counter structured derivatives, certain loans, and securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows from the financial instrument being valued, determination of the probability of counterparty default or prepayments, and selection of appropriate discount rates.

Basic parameters entering into the valuation model to determine the fair value of equity financial instruments are forecast economic results and equity of the company, market multiples, and indicators such as EBITDA, sales etc. for comparable companies, all of which are published by reputable companies for different sectors.

Even though these valuation techniques are considered to be appropriate and in compliance with market practice, the estimations in discount interest rates, and changes of basic assumptions in future cash flows, may lead to different fair value of financial instruments.

Transfers of financial instruments between particular levels can occur only if market activity has changed.

The Bank has an established control framework with respect to the measurement of fair values. This framework includes a control function, performed by the Market Risks department, which is independent from front office management. Specific controls include: verification of observable pricing inputs and reperformance of model valuations; review and approval processes for new models and changes to models; calibration and back-testing of models against observed market transactions; analysis and investigation of significant daily valuation movements; and review of significant unobservable inputs and valuation adjustments.

The reported fair values of financial instruments analysed according to fair value levels are as follows:

EUR '000	Level 1		Level 2		Level 3		Total	
	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019
Assets								
Financial assets held for trading	**-**	**-**	**2 648**	**1 021**	**-**	**-**	**2 648**	**1 021**
Derivatives	-	-	2 648	1 021	-	-	2 648	1 021
Non-trading financial assets mandatorily at FVPL	**-**	**-**	**309 513**	**268 996**	**-**	**-**	**309 513**	**268 996**
Equity instruments	-	-	309 513	268 996	-	-	309 513	268 996
Financial assets at FVOCI	**349 425**	**429 368**	**78 973**	**2 827**	**8 666**	**108 691**	**437 064**	**540 886**
Equity instruments	-	-	-	2 827	65	65	65	2 892
Debt securities	349 425	429 368	78 973	-	8 601	108 626	436 999	537 994
Total assets	**349 425**	**429 368**	**391 134**	**272 844**	**8 666**	**108 691**	**749 225**	**810 903**

EUR '000	Level 1		Level 2		Level 3		Total	
	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019
Liabilities								
Financial liabilities held for trading	**-**	**-**	**746**	**3 968**	**-**	**-**	**746**	**3 968**
Derivatives	-	-	746	3 968	-	-	746	3 968
Derivatives – Hedge accounting	**-**	**-**	**10 318**	**9 420**	**-**	**-**	**10 318**	**9 420**
Total liabilities	**-**	**-**	**11 064**	**13 388**	**-**	**-**	**11 064**	**13 388**

Changes in unobservable inputs (liquidity and/or credit risk margin) by +200 bp would reduce the fair value of financial instruments by EUR -174 thousand and at -200 bp would increase the fair value by EUR 182 thousand.

The following table shows a reconciliation of the opening balance to the closing balance of fair values in Level 3:

EUR '000	1. 1. 2020	Gains / losses in PL	Gains / losses in OCI	Purcha-ses	Maturities and sales	Transfers into Level 3	Transfers out Level 3	31. 12. 2020
Financial assets at fair value through OCI	108 691	(3 763)	(195)		(13 576)	-	(82 491)	8 666
Total	**108 691**	**(3 763)**	**(195)**	**-**	**(13 576)**	**-**	**(82 491)**	**8 666**

The following table shows information regarding the movements of investments between all categories of valuation methods during the period:

EUR '000	31 December 2020			31 December 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Financial assets at fair value through OCI						
Transfers into the category	23 000	76 942	-	35 096	-	-
Transfers out of the category	(37 825)	-	(62 117)	-	(35 096)	-
Total assets	**(14 825)**	**76 942**	**(62 117)**	**35 096**	**(35 096)**	**-**

The estimated fair values of the Bank's financial assets and liabilities that are not measured at fair value were as follows:

31 December 2020	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash, cash balances at central banks and other demand deposits	**293 661**	**293 661**	**-**	**293 661**	**-**
Financial assets at amortised cost	**3 177 481**	**3 287 915**	**339 652**	**66 085**	**2 882 178**
Debt securities	364 764	387 594	339 652	-	47 942
Loans and advances	2 780 170	2 867 774	-	33 538	2 834 236
Other financial assets	32 547	32 547	-	32 547	-
Financial liabilities					
Financial liabilities measured at amortised cost	**3 723 793**	**3 739 644**	**-**	**3 739 644**	**-**
Deposits	3 671 084	3 686 935	-	3 686 935	-
Debt securities issued	-	-	-	-	-
Other financial liabilities	52 709	52 709	-	52 709	-

31 December 2019	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Cash, cash balances at central banks and other demand deposits	**354 016**	**354 016**	**-**	**354 016**	**-**
Financial assets at amortised cost	**3 014 771**	**3 167 293**	**474 906**	**62 956**	**2 629 431**
Debt securities	519 330	534 206	474 906	-	59 300
Loans and advances	2 447 410	2 585 056	-	14 925	2 570 131
Other financial assets	48 031	48 031	-	48 031	-
Financial liabilities					
Financial liabilities measured at amortised cost	**3 695 363**	**3 714 156**	**-**	**3 714 156**	**-**
Deposits	3 652 224	3 671 017	-	3 671 017	-
Other financial liabilities	43 139	43 139	-	43 139	-

32. Risk management

The ultimate body responsible for risk management is the Board of Directors. The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. Some responsibilities are delegated to special advisory bodies (committees).

The Bank's risk management policies are based on the Risk Management Strategy, as a primary document for risk management, which is further described in the Risk Appetite document. These documents are regularly reassessed, updated and approved by the Board of Directors. The risk management process is a dynamic and continuous process of identification, measurement, monitoring, control, and reporting of risks within the Bank. For management of the risks faced by the Bank, there are defined appropriate limits, and controls for risk monitoring and adherence to those limits.

Evaluation of key performance limits defined in the Bank's risk profile is presented to the Board of Directors on a monthly basis. Risk management policies and systems are reviewed and amended regularly to reflect changes in legislation, market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The rights and responsibilities of the Bank's Audit Committee are assigned to the Supervisory Board, who are responsible for monitoring the effectiveness of internal control and risk management systems. Its activities also cover review of the external auditor's independence, and evaluation of the findings from audit of the financial statements, made by the external auditor. They also monitor the Bank's compliance with financial accounting standards. The Audit Committee is assisted in these functions by the Department of Internal control and audit.

The Bank has exposure to the following main risks::

- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk;
- Settlement risk.

Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement/clearing agent, to ensure that a trade is settled only when both parties have fulfilled their contractual obligations.

Settlement limits form part of the credit approval/limit monitoring process. Acceptance of settlement risk on free settlement trades requires transaction-specific or counterparty-specific approval by ALCO.

33. Credit risk

Credit risk is the risk of financial loss to the Bank if a debtor, or counterparty to a financial instrument, fails to meet its contractual obligations, and arises from the Bank's financial assets – primarily from loans and advances, debt securities, and off-balance sheet exposures. For risk management reporting purposes, the Bank considers and consolidates all elements of its credit risk exposure (such as individual obligor default risk, management failure, country, sector or concentration risk).

Credit risk management within the Bank is the responsibility of the Risk Management division. The Board of Directors has delegated responsibility for the oversight of credit risk in compliance with a formal competence order.

Credit risk management includes:

- Examination of the clients' creditworthiness,
- Assessing limits for clients and economically connected parties, including monitoring portfolio concentration,
- Assessing limits for counterparties, industries, countries, and banks,
- Mitigation of risk by various forms of collateral,
- Continuous monitoring of loan portfolio development, and prompt decision-making to minimise possible losses.

In order to mitigate credit risk, the Bank assesses the creditworthiness of the client deal using a rating tool with parameters specific to each client segment, when initially providing the loan, as well as during the life of the credit loan trade. The Bank has various rating models depending on the type of business.

When analysing client deals the Bank uses:
- Client rating,
- Project assessment tools,
- Scoring for retail loans.

The approval process of active bank transactions includes a review of the individual applicant of the transactions, credit limit of the counterparty, and collateral in order to mitigate credit risk. The Bank monitors the development of the portfolio of active bank transactions yearly, or more often as necessary, to ensure that prompt action can be taken to minimise potential risks.

Credit risk limits are generally determined on the basis of economic analysis of the client, sector, region or country. The procedure of determining individual limits is part of the Bank's internal guidelines.

To mitigate credit risk, the Bank uses the following types of limits:
- Financial involvement limits of the client or economically connected entities (clients),
- Country limits,
- Limits on banks,
- Industry limits.

The Bank continuously monitors and evaluates compliance with the limits and translates these into its activities.

The tables below provide sector and geographical summaries of financial assets at amortised cost, financial assets at fair value through other comprehensive income, and off-balance sheet exposures (in gross amounts):

EUR '000	Financial assets at amortised cost				FVOCI		OFF Balance sheet			
	Debt securities		Loans and advances		Debt securities		Loan commitments given		Financial guarantees given	
	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019
Central banks	**-**	**-**	**-**	**409**	**-**	**-**	**-**	**-**	**-**	**-**
General governments	**284 612**	**427 647**	**-**	**-**	**295 664**	**330 130**	**-**	**-**	**-**	**-**
Credit institutions	**30 986**	**30 983**	**13 123**	**15 108**	**48 816**	**48 295**	**-**	**-**	**-**	**-**
Other financial corporations	**1 486**	**1 548**	**455 783**	**325 255**	**19 784**	**50 943**	**61**	**52**	**4 953**	**5 117**
Non-financial corporations	**55 401**	**66 682**	**1 071 900**	**978 345**	**72 735**	**108 626**	**113 801**	**200 116**	**13 283**	**32 093**
A Agriculture, forestry and fishing	-	-	-	-	-	-	-	-	-	-
B Mining and quarrying	-	-	-	-	-	-	-	-	-	-
C Manufacturing	-	-	57 070	71 337	3 138	3 020	1 561	1 653	79	68
D Electricity, gas, steam and air conditioning supply	-	-	198 740	125 929	-	-	74 531	50 003	-	-
E Water supply	-	-	-	14	-	-	-	-	-	-
F Construction	-	-	106 141	57 466	-	-	2 413	24 189	3 458	9 244
G Wholesale and retail trade	-	-	31 518	78 270	-	-	592	3 735	2 079	4 213
H Transport and storage	-	-	288	1 265	-	-	21	11 074	247	1 184
I Accommodation and food service activities	-	-	54 954	47 591	37 950	53 111	197	165	-	-
J Information and communication	-	-	16 899	13 745	-	-	4 227	4 088	-	-
K Financial and insurance activities	-	-	-	-	8 601	12 415	23 678	68 777	-	10 000
L Real estate activities	55 401	66 682	326 503	320 599	-	-	5 898	34 123	-	-
M Professional, scientific and technical activities	-	-	96 040	145 545	-	-	77	1 723	7 420	7 359
N Administrative and support service activities	-	-	87 742	94 767	-	-	605	581	-	-
O Public administration and defence, compulsory social security	-	-	-	-	-	-	-	-	-	-
P Education	-	-	25	22	-	-	-	-	-	-
Q Human health services and social work activities	-	-	19 508	21 557	-	-	-	-		25
R Arts, entertainment and recreation	-	-	76 315	92	23 046	40 080	-	-	-	-
S Other services	-	-	157	146	-	-	1	5	-	-
Households	**-**	**-**	**1 455 664**	**1 328 695**	**-**	**-**	**129 750**	**129 615**	**-**	**-**
Total	**372 485**	**526 860**	**2 996 470**	**2 647 812**	**436 999**	**537 994**	**243 612**	**329 783**	**18 236**	**37 210**

EUR '000	Financial assets at amortised cost				FVOCI		OFF Balance sheet			
	Debt securities		Loans and advances		Debt securities		Loan commitments given		Financial guarantees given	
	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019
Slovak Republic	290 779	444 544	2 173 211	1 979 688	245 587	225 697	166 756	171 971	4 408	20 849
Czech Republic	-	-	319 087	288 178	80 288	87 009	76 807	142 794	1 454	3 886
Cyprus	-	-	274 392	166 599	-	-	37	15 002	-	-
Luxemburg	1 486	1 548	115 421	95 744	12 374	43 162	-	-	-	-
Poland	15 127	15 253	1	11	14 654	56 217	2	2	-	-
France	-	-	1 845	3 284	52 914	59 571	1	1	-	-
Switzerland	-	-	76 295	62 531	-	-	1	6	-	-
Great Britain	-	-	5 400	5 948	-	13 721	-	-	-	-
Netherlands	20 001	20 001	30 437	34 944	-	-	-	-	4 954	5 116
Ireland	11 056	11 174	1	9 999	-	-	-	-	-	-
Latvia	2 208	2 234	-	-	17 707	17 629	-	-	-	-
Lithuania	10 174	10 238	-	-	13 475	13 294	-	-	-	-
Romania	10 548	10 635	15	22	-	-	-	-	-	-
Other countries	11 106	11 233	365	864	-	21 694	8	7	7 420	7 359
Total	**372 485**	**526 860**	**2 996 470**	**2 647 812**	**436 999**	**537 994**	**243 612**	**329 783**	**18 236**	**37 210**

Rating system

The Bank uses a rating system to evaluate the financial performance of companies. The rating system evaluates quantitative and qualitative indicators of economic activities (e.g. liquidity ratio, profitability, gearing etc.), and compares them with the subjective assessment of the client by the Bank. The Bank categorises clients into rating levels from best to worst, the worst level representing the highest probability of default. The Bank has established processes for creation of ratings, their regular update, and control for assigning the ratings, and these are defined in the Bank's internal guidelines.

The Bank uses internal credit risk ratings which reflect the probability of default by individual counterparties. The Bank uses internal rating models tailored to the various categories of counterparty. Information regarding borrower and loan, collected at the time of application (such as disposable income, level of collateral for retail exposures, or turnover and industry type for corporate exposures) is entered into this rating model. This is supplemented with external data, such as credit bureau scoring information on retail customers. In addition, the models enable expert judgement to be included in the final internal credit rating for each exposure. In addition to this, the system also allows inclusion of an expert judgement, which is information that may not be captured from other data inputs.

The rating methods are subject to regular validation and recalibration, so that they reflect the latest projections in the light of all actually observed defaults.

Measurement of expected credit losses

IFRS 9 outlines a three-stage model for impairment, based on changes in credit quality since initial recognition, as summarised below:

- **Stage 1:** : A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Bank. This includes all financial instruments, where no significant increase in credit risk has been identified, from the date of initial recognition,.
- **Stage 2:** If significant increase in credit risk ('SICR') since initial recognition is identified, or if information on initial credit rating is not available, the financial instrument is moved to Stage 2, but is not yet deemed to be credit-impaired,
- **Stage 3:** If the financial instrument is credit-impaired, the financial instrument is moved to Stage 3.

Financial instruments in Stage 1 have their ECL measured, at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. The Bank has a defined remedial period for returning from Stage 3 to Stage 2 and from Stage 2 to Stage 1. Direct movement from Stage 3 to Stage 1 is not allowed.

Purchased or originated credit-impaired financial assets (' POCI') are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime loss basis.

A general concept in measuring ECL is that it should consider forward-looking information.

The Bank sets the level of significance at EUR 300 thousand (31 December 2019: EUR 300 thousand). Financial assets with exposure equal or higher than EUR 300 thousand (31 December 2019: EUR 300 thousand) are assessed individually in the staging process.

The same principles are also applied to measurement of provisions for off-balance sheet exposures, arising from loan and other commitments, and guarantees given.

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below:

Significant increase in credit risk

The Bank 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:

I. Quantitative criteria:

Remaining Lifetime PD at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognised, so that it exceeds the relevant threshold. These thresholds are determined separately for retail and corporate portfolios, by assessing how the Lifetime PD changes prior to an instrument becoming problematic.

The protection criterion applies, and the financial asset is considered to have experienced a significant increase in credit risk, when the borrower is past due with contractual payments for more than 30 days. The Bank does not benefit from the exception of low credit risk for any financial instrument.

The following thresholds apply to retail portfolios:

- deterioration of the internal rating to the worst degree;
- forbearance indicator.

The following thresholds apply to corporate portfolios:

- deterioration of the internal rating to the worst degree

- forbearance indicator
- non-compliance with financial covenants.

II. Qualitative criteria:

The Bank uses the following indicators to assess whether SICR has occurred:

- The debtor violates the financial covenants or contracts;
- Actual or expected significant adverse change in operating results of the borrower;
- Negative information about the borrower from external sources;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates;
- Significant change in collateral value (secured facilities only), which is expected to increase risk of default;
- Actual or expected concession, restructuring or change in the repayment schedule.

The assessment of SICR for individually assessed exposures is carried out at the level of the counterparty on an ongoing basis. The criteria used to identify SICR are monitored and reassessed, in order to assess their suitability, at least once a year.

Definition of default and credit impaired financial assets

The Bank defines a financial asset as defaulted when it fully complies with the definition of credit impairment, or when one or more events occur that have a detrimental effect on the estimated future cash flows of the financial asset.

I. Hard criteria:

- Any significant credit obligation of the borrower towards the Bank, parent company, or any of its subsidiaries is more than 90 days past due, while:
  - the materiality does not apply to real estate portfolios;
  - for corporate portfolios, the materiality is set at EUR 250 or 1% of the amount of the debtor's balance sheet exposure;
- The Borrower has declared bankruptcy or other form of reorganisation;
- The Borrower has asked the Bank for concession due to economic or contractual reasons, related to the borrower's financial difficulties and a significant reduction in the quality of the loan;
- The loan was forfeited;
- Fraud.

If the Bank identifies any of hard criteria, the loan is classified as defaulted immediately.

II. Soft criteria:

- The receivable is overdue (up to 90 days);
- The Bank recognises a specific concession to the loan agreement, resulting from a significant reduction in the quality of the loan;
- Signs of impairment, leading to the assumption that the borrower will not pay its credit obligations to the Bank in full amount and in time, without the Bank taking any actions such as realisation of the collateral;
- Significant impairment of main collateral;
- Failure of the debtor in another financial institution, or failure of another client's loans and advances in the Bank;
- Any other warning signs identified in the client monitoring and engagement process that, according to the Bank's assessment, will result in the debtor not paying his credit commitments to the Bank in full and in time, without the bank taking steps toward loan collateral.

Soft criteria are the subject of a qualified bank assessment as to whether the receivable is in default.

Forward-looking information

Both, the assessment of SICR and the calculation of ECL incorporate forward-looking information ('FLI').

I. Individually assessed exposures

Considering the abundance and high diversity of corporate exposures, the Bank does not identify a reliable correlation between macroeconomic indicators and ECL. Using future-oriented information for individually assessed exposures would lead to unpredictable results, due to a lack of reliable correlation, and the Bank therefore concludes that the use of future-oriented information is not appropriate for individually assessed exposures. Therefore, the Bank assesses the potential impacts of macroeconomic changes at the level of individual loans in their regular monitoring, and any possible impacts are considered when modelling expected cash flows.

II. Portfolio-based exposures

In assessing the amount of expected loss of portfolio exposures, the Bank considers estimated future economic conditions. This is achieved by appropriate PD value modifications via a multiplier. The FLI setting consists of determining the values of two parameters:

- The coefficient of increase of 12-month marginal PD values
- The number of months during which the PD will revert to the original values

As at 31 December 2020, the setting of FLI parameters for portfolio assessed exposures is based on macroeconomic predictions of the NBS, which forecast an increased probability of failure of exposures which have been granted a deferral due to COVID-19.

Calculation of ECL

The Bank calculates ECL on an individual or portfolio basis. Individual basis is defined as an individual estimate of cash flows at the exposure level. In calculating the ECL on a portfolio basis, exposures are classified from common risk characteristics into a homogenous group.

The aggregation of exposures follows a business purpose and also considers the risk perspective. Separate portfolios are created for retail secured and unsecured loans, while the Bank also creates additional portfolios according to the amount of LTV or product type. Corporate exposures are aggregated into instalment loans, overdrafts, guarantees and bonds. Other portfolios mainly represent money-market exposures to financial institutions and government bonds.

I. Individual calculation:

The individual basis for calculating ECL is used for individually assessed exposures in Stage 3:

The ECL calculation is generally based on three scenarios (and at least two scenarios), and each scenario is given a certain probability:

- **Contractual scenario** – scenario based on the expectation of maturity of all contractual cash flows in time and in full amount;
- **Going concern** – scenario based on the expectation of both contractual cash

flows and cash flows from collateral recovery;

- **Gone concern** – the worst scenario based on the expectation of both contractual cash flows and cash flow from collateral recovery. Compared to the Going concern scenario, the Bank expects lower cash flow values.

The ECL is subsequently calculated as the probability-weighted amount of expected cash flows from each scenario, discounted by the original EIR.

II. Portfolio calculation

Portfolio ECL calculation is used for all other cases. Portfolio ECL is calculated using the following formula ECL=PD×EAD×LGD, where:

- PD: The probability of default is the likelihood that the borrower does not meet its financial obligations. PD depends on the rating and the following rules apply:
  - Stage 1: Use of 12-month PD, i.e. probability of default over the next 12 months;
  - Stage 2: PD is used over the lifetime, i.e. probability of default over the entire maturity of the exposure;
  - Stage 3: The PD is equal to 1 because the exposure is already defaulted;
- EAD: Unsecured Exposure at default;
- LGD: Loss given default means the ratio of credit loss in case of default to EAD.

The Bank calculates the ECL on an individual or portfolio basis. An individual basis represents an individual estimate.

ECL sensitivity analysis

The Bank prepares ECL scenarios when changing parameters for retail loan portfolios. One of the recalculation scenarios is the assessment of ECL in case of deteriorated or improved credit quality of clients, which the Bank implements through the adjustment of client ratings. The second scenario is the ECL assessment when changing PD and the third scenario represents a change in LGD parameter.

Changes in the credit quality of clients

Scenario of deterioration of the client's rating by 1 rating for retail loans under the following assumptions:

- PD values are allocated according to PD values ratings calculated as at the end of the period;
- for defaulted exposures and exposures where the rating level could not be assessed, the ECL conversion remains the same as calculated as at the end of the period;
- the deterioration of the client's rating is realised by 1 rating level lower, while clients from the worst rating level remain at the same rating level;
- for clients who reach the lowest rating level after the rating level deteriorates, the ECL is calculated in Stage 2, while the EAD is calculated on a straight-line basis.

Scenario of improving the client's rating by 1 level for retail loans under the following assumptions:

- PD values are allocated according to ratings from PD values calculated as at the end of the period;
- for defaulted exposures and exposures where the rating level could not be assessed, the ECL conversion remains the same as calculated as at the end of the period;
- the improvement of the client's rating is realised by 1 rating level higher, while clients from the worst rating level remain at the same rating level;
- Stage remains unchanged.

ECL scenarios impact compared to the actual ECL value:

31. 12. 2020	Value of ECL	Rating downgrade		Rating improvement	
		EUR '000	in %	EUR '000	in %
Consumer credit	114 498	8 992	7,85 %	(5 334)	-4,66 %
Mortgage loans	959	198	20,65 %	(118)	-12,30 %
Total	**115 457**	**9 190**	**7,96 %**	**(5 452)**	**-4,72 %**

31. 12. 2019	Value of ECL	Rating downgrade		Rating improvement	
		EUR '000	in %	EUR '000	in %
Consumer credit	111 791	8 861	7,93 %	(6 390)	-5,72 %
Mortgage loans	568	140	24,65 %	(53)	-9,33 %
Total	**112 359**	**9 001**	**8,01 %**	**(6 443)**	**-5,73 %**

The corporate portfolio is regularly monitored and assessed on a regular basis. Classification into the relevant rating is also performed on an individual basis according to the specific situation of the clients. The Bank's corporate portfolio does not show signs of a homogeneous portfolio. Therefore, a sensitivity analysis through the change would not provide additional relevant information. In corporate portfolios, the Bank assesses the sensitivity to changes in PD which can be seen below.

PD changes

When changing the PD, the Bank tests the ECL sensitivity to PD changes in 10 % movements upwards and downwards. This analysis does not change the Stage assignment. The effects of stressing PD parameters are as follows:

PD zmena	31 December 2020				31 December 2019			
	10 % increase		10 % decrease		10 % increase		10 % decrease	
	EUR '000	in %	EUR '000	in %	EUR '000	in %	EUR '000	in %
Consumer credit	2 457	2,15%	(2 457)	-2,15%	2 514	2,25%	(2 514)	-2,25%
Mortgage loans	43	4,45%	(43)	-4,45%	18	3,13%	(18)	-3,13%
Corporate loans	2 572	2,41%	(2 572)	-2,41%	2 224	2,37%	(2 224)	-2,37%
Other	38	1,22%	(38)	-1,22%	51	0,95%	(51)	-0,95%
Total	5 110	2,27%	(5 110)	-2,27%	4 805	2,27%	(4 805)	-2,27%

Changes of the LGD parameter

A change of the LGD parameter would result in a change in the impairment allowances as follows:

LGD change	31 December 2020		31 December 2019	
	in %	EUR '000	in %	EUR '000
+5%	3,19 %	7 153	3,36 %	7 025
-5%	-3,19 %	(7 153)	-3,36 %	(7 025)
+10%	6,32 %	14 160	6,67 %	13 927
-10%	-6,39 %	(14 305)	-6,73 %	(14 050)

PD and LGD values are estimated by statistical models. PD values are recalculated and recalibrated on a monthly basis, reflecting the changes to ECL in individual portfolios. LGD values are recalculated and recalibrated at least once a year. Back testing of PD and LGD is performed on an annual basis.

The tables below summarise the classification of financial assets and off-balance sheet exposures (in gross amount) by credit risk ratings:

EUR '000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019
Financial assets at AC - Debt securities										
Low credit risk	317 084	460 178	-	-	-	-	-	-	317 084	460 178
Moderate credit risk	-	-	-	-	-	-	-	-	-	-
High credit risk	-	-	55 401	66 682	-	-	-	-	55 401	66 682
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	**317 084**	**460 178**	**55 401**	**66 682**	**-**	**-**	**-**	**-**	**372 485**	**526 860**
Impairment allowance	(95)	(145)	(7 626)	(7 385)	-	-	-	-	(7 721)	(7 530)
Carrying amount	**316 989**	**460 033**	**47 775**	**59 297**	**-**	**-**	**-**	**-**	**364 764**	**519 330**

EUR '000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019
Financial assets at AC - Loans and advances										
Low credit risk	855 189	778 566	19 804	5 778	-	-	-	-	874 993	784 344
Moderate credit risk	1 304 850	1 174 888	124 811	25 661	-	-	4	-	1 429 665	1 200 549
High credit risk	183 569	310 596	277 326	122 723	-	-	22 066	14	482 961	433 333
Default	-	-	-	-	168 867	162 217	8 630	37 396	177 497	199 613
Not rated	11 581	14 209	19 223	15 360	550	404	-	-	31 354	29 973
Gross amount	**2 355 189**	**2 278 259**	**441 164**	**169 522**	**169 417**	**162 621**	**30 700**	**37 410**	**2 996 470**	**2 647 812**
Impairment allowance	(22 766)	(26 507)	(39 696)	(21 456)	(142 971)	(134 853)	(10 867)	(17 586)	(216 300)	(200 402)
Carrying amount	**2 332 423**	**2 251 752**	**401 468**	**148 066**	**26 446**	**27 768**	**19 833**	**19 824**	**2 780 170**	**2 447 410**

EUR '000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019
Financial assets at FVOCI - Debt securities										
Low credit risk	356 854	421 587	-	-	-	-	-	-	356 854	421 587
Moderate credit risk	77 007	113 387	-	-	-	-	-	-	77 007	113 387
High credit risk	3 138	3 020	-	-	-	-	-	-	3 138	3 020
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	**436 999**	**537 994**	**-**	**-**	**-**	**-**	**-**	**-**	**436 999**	**537 994**
Impairment allowance in OCI	(477)	(1 218)	-	-	-	-	-	-	(477)	(1 218)

EUR '000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019
Loan and other commitments given										
Low credit risk	121 567	133 810	5	4	-	-	-	-	121 572	133 814
Moderate credit risk	103 662	178 284	1	-	-	-	-	-	103 663	178 284
High credit risk	2 133	4 470	974	1 832	-	-	-	-	3 107	6 302
Default	-	-	-	-	44	4	-	-	44	4
Not rated	3 000	3 000	12 226	8 379	-	-	-	-	15 226	11 379
Gross amount	**230 362**	**319 564**	**13 206**	**10 215**	**44**	**4**	**-**	**-**	**243 612**	**329 783**
Provision	**349**	**1 342**	**439**	**695**	**11**	**-**	**-**	**-**	**799**	**2 037**

EUR '000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019	31. 12. 2020	31. 12. 2019
Financial guarantees given										
Low credit risk	2 121	10 896	-	-	-	-	-	-	2 121	10 896
Moderate credit risk	12 973	20 466	-	-	-	-	-	-	12 973	20 466
High credit risk	1 932	3 314	-	-	-	-	-	-	1 932	3 314
Default	-	-	-	-	1 210	2 534	-	-	1 210	2 534
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	**17 026**	**34 676**	**-**	**-**	**1 210**	**2 534**	**-**	**-**	**18 236**	**37 210**
Provision	**80**	**256**	**-**	**-**	**609**	**494**	**-**	**-**	**689**	**750**

Received collateral

The Bank generally requires collateral in order to mitigate its credit risk from exposures on financial assets. The following collateral types are accepted:

- Cash;
- Guarantees issued by banks, governments or reputable third parties;
- Securities;

- Receivables;
- Commercial and residential real estate;
- Tangible assets.

Estimates of fair value are based on the value of collateral, which is assessed before executing the deal, and reassessed on a regular basis. Generally, collateral is not held on exposures against credit institutions, except when securities are held as part of reverse repurchase and securities lending activity.

An estimate of the fair value of received collateral is shown below (including received collateral from reverse repurchase agreements). Received collateral value is disclosed up to the gross carrying amount of the asset:

EUR '000	31. 12. 2020	31. 12. 2019
Guarantees received	-	-
Real-estates	712 835	638 964
Securities	230 593	199 093
Cash	6	9
Other	167 795	126 598
Total	**1 111 229**	**964 664**

Collateral in default loans and advances at amortised cost:

EUR '000	31. 12. 2020	31. 12. 2019
Gross amount	178 047	200 017
Impairment allowance	(151 136)	(152 440)
Carrying amount	26 911	47 577
Collateral	**5 663**	**25 001**

PThe Bank's assessment of the net realisable value of the collateral is based on independent expert appraisals, which are reviewed by the Bank specialists, or internal evaluations prepared by the Bank. The net realisable value of collateral is derived from this value using a correction coefficient, that is the result of the current market situation, and reflects the Bank's ability to realise the collateral in case of involuntary sale, for a price that is possibly lower than the market price. The Bank, at least annually, updates the values of the collateral and the correction coefficient.

Net value of assets acquired by taking possession of the collateral is as follows:

EUR '000	31. 12. 2020	31. 12. 2019
Net value of assets obtained by taking possession of collateral	-	-

Recovery of receivables

The Bank takes the necessary steps in judicial and non-judicial processes to obtain the maximum recovery from defaulted receivables. In the case of defaulted receivables, the activities of taking possession of collateral, representing the Bank in bankruptcy, and restructuring proceedings are realised separately.

In the retail segment, the recovery process for overdue receivables is defined and centrally operated by a workflow system. The system provides complex evidence of problematic receivables, uses a segmented strategy of recovery, and it also processes numerous task flows, automated collection tasks, etc. The Bank also uses outsourced services of collection companies.

Impact of COVID-19 pandemic

Retail portfolios

- From the credit risk point of view, the Bank distinguishes between the provision of deferred payments to deferred payments for retired clients and for non-retired clients, whereas, according to the amount of outstanding exposure as at 31 December 2020, deferred payments to non-retired clients represent 95.5% of provided deferred payments;
- Loans to non-retired clients with deferral of payments during the pandemic are included in Level 2, as the Bank is exposed to increased credit risk due to possible loss of income in the future, the Bank does not expect loss of income in retired clients;
- The FLI multiplier for retail portfolios was set uniformly at 30%, increasing the original value by 5%, with the exception of the Lepšia Splátka product, which decreased from 50%;
- As a result of inclusion in Level 2 and adjustment of the FLI parameter, there was a one-off increase in ECLby EUR 5 006 thousand.

Corporate portfolios

- Corporate clients are monitored and assessed individually on a regular basis during the pandemic
- Categorisation to the relevant Level also takes place on an individual basis according to the specific situation of the clients
- due to individual assessment, the Bank did not adjust the PD values of individual rating classes and the setting of the LGD parameter
- Impacts on ECL due to the pandemic alone cannot be clearly defined.

The following table shows the gross value and impairment allowances of financial assets with deferred payments as a result of COVID-19 measures, whereas this deferral continues as of 31. 12. 2020.

EUR '000 31. 12. 2020	Gross amount			Impairment allowance		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost	67 205	150 059	180	(918)	(10 143)	(136)
Loans and advances	67 205	150 059	180	(918)	(10 143)	(136)
of which: Non-financial corporations	59 642	8 318	82	(763)	(251)	(61)
of which: Households	7 485	141 718	98	(154)	(9 884)	(76)

Remaining period of deferred payments is as follows:

EUR '000 31. 12. 2020	Gross amount	Residual maturity of moratoria				
		≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 12 months
Financial assets at amortised cost	217 444	159 835	18 050	6 580	204	32 775
Loans and advances	217 444	159 835	18 050	6 580	204	32 775
of which: Non-financial corporations	68 042	34 062	1 543	100	-	32 337
of which: Households	149 301	125 672	16 507	6 480	204	438

The deferral of repayments under the COVID-19 measures was provided for 13 324 loans active as of 31 December 2020, of which the deferral continues for 8 213 loans. According to our records 180 remaining loans were granted a deferred payment during the reporting period. We record more than 30 days of delay in repayment of instalments for 326 loans and 4 605 loans are due after the end of the deferral of instalments.

34. Liquidity risk

Liquidity risk arises from financing of the Bank's activities and management of its positions. It includes financing the Bank's assets with instruments of appropriate maturity, and the Bank's ability to dispose of its assets for acceptable prices within acceptable time periods. The Bank promotes a conservative and prudent approach to liquidity risk management.

The Bank has a system of limits and indicators consisting of the following elements:

- Short-term liquidity management is performed by monitoring the liabilities and receivables due, and fulfilling the compulsory minimum reserves;
- Long-term liquidity management is also performed using the method of liquidity gap analysis (the classification of assets and liabilities based on their maturity into different maturity ranges). Liquidity gap analysis uses the Liquidity at Risk deposit stability model, as well as other behavioural assumptions.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The Bank finances its assets mostly from primary sources. In addition, the Bank has open credit lines from several financial institutions and is therefore also able to finance its assets by loans and deposits from other banks. Due to its structure of assets, the Bank has at its disposal sufficient amount of bonds that are, if necessary, acceptable for acquiring additional resources through refinancing operations organised by the European Central Bank.

The Bank monitors the liquidity profile of its financial assets and liabilities, and details about other projected cash flows arising from projected future business. Based on such information, the Bank maintains a portfolio of short-term liquid assets, made up of loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored, and monthly liquidity stress testing is conducted, under a variety of scenarios covering both normal and severe market conditions. The Bank also has a contingency plan and, communication crisis plan, that describes the principles and procedures of management in extraordinary conditions and secures the availability of financial back-up sources. All liquidity policies and procedures are subject to review and approval by the Assets and Liabilities Committee ('ALCO'). A summary report, including any exceptions and remedial actions, is submitted to ALCO at least once a month.

Exposure to liquidity risk

The key measures used by the Bank for managing liquidity risk are:

- Primary liquidity ratio and Liquidity coverage ratio - tracking short-term liquidity under stress scenarios;
- Net stable financing ratio - structural funding monitoring;
- Modified liquidity gap indicator - management of structural medium - to long-term liquidity;
- Analysis of survival time in stress conditions.

Cash flows expected by the Bank for certain assets and liabilities may differ significantly from their contractual flows. For example, for deposits from clients (current accounts, term deposits without notice period) the Bank expects that they will remain in the Bank over a longer period, or more precisely, their value will increase over time as a result of receiving new funds. Receivables from clients may also be prematurely repaid or prolonged.

The liquidity coverage ratio is defined by Regulation of the European Parliament and of the Council no. 575/2013, as the ratio of the sum of the liquid assets to the sum of the net negative cash outflows. The ratio must not fall below 1. The ratio was as follows:

	31. 12. 2020	31. 12. 2019
End of the period	2,15	2,88
Average for the period	1,95	2,65
Maximum for the period	2,15	2,88
Minimum for the period	1,81	2,32

The following table provides an overview of the distribution of assets and liabilities, according to their contractual maturity as current (with a maturity up to 1 year) and non-current (with a maturity over one year).

EUR '000	31. december 2020			31. december 2019		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash, cash balances at central banks and other demand deposits	293 661	-	293 661	354 016	-	354 016
Financial assets held for trading	2 648	-	2 648	1 021	-	1 021
Non-trading financial assets mandatorily at fair value through profit or loss	-	309 513	309 513	-	268 996	268 996
Financial assets at fair value through other comprehensive income	102 694	334 370	437 064	71 860	469 026	540 886
Financial assets at amortised cost	704 050	2 473 431	3 177 481	711 121	2 303 650	3 014 771
Debt securities	15 123	349 641	364 764	168 619	350 711	519 330
Loans and advances	656 380	2 123 790	2 780 170	494 471	1 952 939	2 447 410
Other financial assets	32 547	-	32 547	48 031	-	48 031
Fair value changes of the hedged items in portfolio hedge of interest rate risk	2 276	-	2 276	1 965	-	1 965
Investments in subsidiaries, joint ventures and associates	-	78 579	78 579	-	69 122	69 122
Tangible assets	-	58 134	58 134	-	46 173	46 173
Intangible assets	-	35 348	35 348	-	31 067	31 067
Current tax assets	-	-	-	1 427	-	1 427
Deferred tax assets	-	24 688	24 688	-	18 457	18 457
Other assets	18 514	-	18 514	22 189	-	22 189
Total assets	**1 123 843**	**3 314 063**	**4 437 906**	**1 163 599**	**3 206 491**	**4 370 090**
Liabilities						
Financial liabilities held for trading	746	-	746	3 968	-	3 968
Financial liabilities measured at amortised cost	3 523 062	200 731	3 723 793	3 252 882	442 481	3 695 363
Deposits	3 496 928	174 156	3 671 084	3 228 502	423 722	3 652 224
Other financial liabilities	26 134	26 575	52 709	24 380	18 759	43 139
thereof: lease liabilities	5 511	26 575	32 086	5 571	18 759	24 330
Derivatives – Hedge accounting	916	9 402	10 318	1 081	8 339	9 420
Provisions	2 594	-	2 594	3 321	-	3 321
Current tax liabilities	1 552	-	1 552	-	-	-
Other liabilities	11 552	-	11 552	15 319	-	15 319
Total liabilities	**3 540 422**	**210 133**	**3 750 555**	**3 276 571**	**450 820**	**3 727 391**

The Bank monitors residual maturity based on expected recovery or expected maturity of the individual assets and liabilities. Historical experience shows that short-term liabilities are usually prolonged, or their volume grows over time. The maturity of these liabilities is determined in the range of 1-10 years, based on their volatility and the use of statistical models.

The following tables show the residual maturity of non-derivative and off-balance sheet financial liabilities. Undiscounted cash flows in the table are presented based on their earliest contractual maturities. Expected cash flows may be different from the analysis below.

EUR '000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2020						
Financial liabilities measured at amortised cost	3 266 766	257 389	150 862	63 438	3 738 455	3 723 793
Deposits	3 244 701	253 278	133 317	52 141	3 683 437	3 671 084
Other financial liabilities	22 065	4 111	17 545	11 297	55 018	52 709
thereof: lease liabilities	1 442	4 111	17 545	11 297	34 395	32 086
Total	**3 266 766**	**257 389**	**150 862**	**63 438**	**3 738 455**	**3 723 793**
31 December 2019						
Financial liabilities measured at AC	2 926 891	327 384	399 757	58 220	3 712 252	3 695 363
Deposits	2 906 655	323 195	384 217	54 011	3 668 078	3 652 224
Other financial liabilities	20 236	4 189	15 540	4 209	44 174	43 139
thereof: lease liabilities	1 427	4 189	15 540	4 209	25 365	24 330
Total	**2 926 891**	**327 384**	**399 757**	**58 220**	**3 712 252**	**3 695 363**

EUR '000	Less than 3 months	3 months to 1 year	1-5 years	5 years and more	Contractual cash flow total	Total carrying amount
31 December 2020						
Loan and other commitments given	243 612	-	-	-	243 612	243 612
Financial guarantees given	18 236	-	-	-	18 236	18 236
Total	**261 848**	**-**	**-**	**-**	**261 848**	**261 848**
31 December 2019						
Loan and other commitments given	329 783	-	-	-	329 783	329 783
Financial guarantees given	621	5 177	12 715	18 697	37 210	37 210
Total	**330 404**	**5 177**	**12 715**	**18 697**	**366 993**	**366 993**

35. Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing), will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include proprietary position-taking, together with financial assets and liabilities that are managed on a fair value basis.

Overall authority for market risk is vested in the ALCO. The members of ALCO are responsible for the development of detailed market risk management policies.

Management of market risks

Limits, indicators and methods of equity risk management are defined in accordance with the principles described in the Market Risk Management Strategy. In managing market risk, the Bank uses the following limits, indicators and methods for identifying, measuring and monitoring market risks:

- Open positions in individual financial instruments
- Value at Risk
- Expected shortfall
- Basis point value
- Credit spread point value
- Analysis of interest rate gap
- Capital at Risk / Change of economic value of capital
- Earnings at Risk / Change of net interest income
- Stop loss limits for trading book
- Stress testing
- VaR back-testing

The principal tool used to measure and control market risk exposure within the Bank's trading portfolios is Value at Risk ('VaR'). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period), from an adverse market movement with a specified probability (confidence level). The VaR model used by the Bank is based upon a 99 percent confidence for a one day holding period. The VaR model used is primarily based on historical simulations. Based on market data from previous years, as well as observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A holding period assumes that it is possible to acquire or dispose of positions during that period. This is considered to be a realistic assumption in almost all cases, but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 % confidence level does not reflect losses that may occur beyond this level. Within the model used there is a one percent probability that losses could exceed the VaR. To mitigate this shortage, the Bank uses the ratio expected shortfall, which monitors potential loss beyond the set confidence interval.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature. To mitigate this shortage, the Bank uses the Stressed VaR indicator, which considers historical scenarios with the greatest negative impact.

Daily reports of utilisation of VaR limits are submitted to members of ALCO, and departments responsible for risk position management. Information on market risks development is regularly submitted to ALCO.

A summary of the VaR position:

EUR '000	31. 12. 2020	Average	Maximum	Minimum
VaR trading book	12	6	36	0
VaR banking book	2 516	2 127	2 749	868
VaR total	2 515	2 127	2 731	870
Out of which interest rate risk	1 144	904	2 362	516
Out of which credit spread risk	2 386	2 087	5 273	1 046
Out of which foreign exchange risk	12	6	36	0

EUR '000	31. 12. 2019	Average	Maximum	Minimum
VaR trading book	1	6	85	0
VaR banking book	766	900	1 199	666
VaR total	767	901	1 199	666
Out of which interest rate risk	570	572	843	158
Out of which credit spread risk	908	848	1 244	616
Out of which foreign exchange risk	1	6	85	0

Interest rate risk

The main source of the Bank's interest rate risk results from revaluation risk, which is due to timing differences in maturity dates (fixed rate positions), and in revaluation (variable rate positions) of banking assets and liabilities, and positions in commitments, contingencies and derivative financial instruments.

Other sources of interest rate risk are:

- Yield curve risk – risk of changes in the yield curve, due to the fact that a change in interest rates on the financial market will occur to different extents at different periods of time for interest-sensitive financial instruments,
- Different interest base risk - reference rates, to which active and passive transactions are attached, are dissimilar and do not move simultaneously,
- Risk from provisioning - resulting from the decrease of interest sensitive exposure, with increasing volume of impairment loss allowances. Reducing exposure affects the Bank's interest sensitivity, based on a short or long position,
- Option risk - arising from potential embedded options in financial instruments in the portfolio of the Bank, allowing early withdrawals and repayments by counterparties, and subsequent deviation from their contractual maturities.

On the asset side of the statement of financial position, the Bank manages its interest rate risk by providing a majority of corporate loans with variable rates. The Bank continuously uses asset-liability management in its interest risk management. When purchasing debt securities, the current interest position of the Bank is considered, which then serves as a basis for purchase of fixed or variable debt securities. The Bank uses interest swaps to hedge interest rate debt securities classified within FVOCI financial assets.

The priorities of the Bank for interest rate risk management of liabilities comprise:

- Stability of deposits, especially over longer time periods;
- Fast and flexible reactions to significant changes in inter-bank interest rates, through adjustments to interest rates on deposit products;
- Continuously evaluating interest rate levels offered to clients, compared to competitors, and actual or expected development of interest rates on the local market;
- Managing the structure of liabilities in compliance with the expected development of money market rates, in order to optimise interest revenues and minimise interest rate risk.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in future cash flows, or fair values of financial instruments, because of a change in market interest rates. The ALCO is the monitoring body for compliance with these limits and is assisted by the Risk Management Division in its day-to-day monitoring activities. Setting interest rates for banking products is under the responsibility of ALCO.

Sensitivity of economic value of capital due to movements in interest rates:

	2020	2019
End of the period	(46 642)	(37 550)
Average for the period	(41 975)	(29 911)
Maximum for the period	(46 642)	(50 894)
Minimum for the period	(35 626)	(16 647)

The Bank's Economic Value of capital represents the difference between the fair value of interest rate sensitive assets recorded in the banking book, and the fair value of interest rate sensitive liabilities recorded in the banking book. Interest rate sensitive assets and liabilities are assets and liabilities for which fair value is variable, depending on changes in market interest rates. Particular assets and liabilities are divided into re-pricing gaps, based on their contractual re-pricing period, volatility of interest margins (for selected liability products), or roll forward (for assets and liabilities where it is not possible to use statistical models). In case the asset or the liability does not bear any interest risk, it is assigned a one-day maturity.

Changes in the Bank's economic value reflect the impact of a parallel interest shock on the value of interest sensitive assets and liabilities of the Bank. The scenario of parallel decrease in rates does not consider the decrease of interest rates below 0%, which results in minimal change in economic value of the Bank's capital. It should be emphasised that this measure highlights the effect of a shift in interest curves on the present structure of assets and liabilities and excludes assumptions of future changes in the structure of the balance sheet.

Share price risk

Share price risk is the risk of movements in the prices of equity instruments held in the Bank's portfolio, and financial derivatives derived from these instruments. The main source of the Bank's share price risk is speculative and strategic positions held in shares and share certificates.

When investing in equity instruments, the Bank:

- Follows an investment strategy which is updated on a regular basis;
- Prefers publicly traded stocks;
- Monitors limits to minimise share price risk;
- Performs a risk analysis, which usually includes forecasts of the development of the share price, various models and scenarios for the development of external and internal factors with an impact on the statement of profit or loss, asset concentration, and the adequacy of own resources.

Share price risk is expressed above as part of the VaR ratio.

Foreign exchange risk

The Bank is exposed to foreign exchange risk when trading in foreign currency for its own account, as well as for its clients. The Bank assumes a foreign exchange risk if the assets and liabilities denominated in foreign currencies are not in the same amount, i.e. the bank has unsecured foreign exchange positions. The Bank reduces its foreign exchange risk through limits on its unsecured foreign exchange positions and keeps them at an acceptable level according to its size and business activities. The main currencies in which the Bank holds significant positions are CZK and USD. The amount of foreign exchange risk is shown above through the VaR indicator.

36. Operational risk

Operational risk is the risk of loss, including the damage caused (by its own activities), to the Bank by inappropriate or incorrect procedures, human factor failure, failure of systems used, and by external factors other than credit, market and liquidity risks. A part of the operational risk is legal risk arising from unenforceable contracted receivables, unsuccessful legal cases, verdicts with negative impact on the Bank, and compliance risk. Operational risk arises from all of the Bank's operations and is faced by all business entities.

The Bank continuously aims to improve the implemented process of operational risk identification, usage of key risk indicators, self-evaluation procedures, or planning for unforeseeable events, and aims to secure business continuity and manage operational risk of the Bank on a consolidated basis.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management in each division. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for periodic assessment of operational risks faced, and adequacy of controls and procedures to address the risks identified;
- Requirements for reporting of operational losses and proposed remedial actions;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where it is effective.

Internal audit performs audits and inspections, in accordance with the Statute of internal control and internal audit, and the plan of audit activities for the year, approved by the Supervisory Board. Results of audits and inspections performed by internal audit are discussed with management of the department to which they relate. Reports from audits and controls are then submitted to the Board of Directors and the Supervisory Board (which also carries out activities of the Audit Committee).

Legal risk

Legal risk represents a risk of loss arising mainly from unenforceable contracts, threats of unsuccessful legal cases, or verdicts with negative impact on the Bank. Legal risk management is the responsibility of the Legal Services department.

Compliance risk

The Bank management of compliance risk is mainly focused on:

- Managing the risk of money laundering and terrorist financing;
- Risk of legal sanctions and penalties from regulators;
- Loss of the Bank's reputation, which may be suffered as a result of a failure to comply with the requirements of generally applicable laws, legal standards, guidelines and standards related to banking activities.

Risks related to outsourcing

Outsourcing activities present a separate group of operational risks. Outsourcing involves long-term performance of activities by a third party, which support the Bank's activities and are carried out on a contractual basis, in order to increase the efficiency of the Bank's activities.

Risk management relating to outsourcing is part of overall bank risk management. It is the responsibility of the Board of Directors and includes:

- Managing strategy for risks associated with outsourcing, which is approved by the Board of Directors, as well as other particular internal directives relating to outsourcing, security crisis plans for individual outsourced activities, or plans for the Bank when ceasing outsourced activities;
- Examination of the quality of service providers before and during outsourcing;
- Regular inspections of performance of outsourcing companies by the Department of Internal Control and Internal Audit;
- Minimalization of the risk related to outsourcing when extraordinary events occur.

37. Capital management

In implementing current capital requirements, the Bank is required to maintain a prescribed ratio of total capital to total risk-weighted assets, and a ratio of Tier I capital to total risk-weighted assets.

The Bank uses the standardised approach to credit risk, the standardised method for credit valuation adjustment, the simplified approach to trading book risks, and the standardised approach to operational risk, in accordance with The Regulation of the European Parliament and the EU Council no. 575/2013, as amended (Capital Requirement Regulation or CRR).

Banking operations are categorised to either a banking book or a trading book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and contingent liabilities.

Adequacy of Tier I capital and own Tier I capital is expressed as the ratio between the forms of capital, to total risk-weighted assets of the bank. Tier I capital is the sum of own Tier I capital (CET1) and additional Tier I capital (AT1). Since the Bank does not own AT1 capital, the entire volume of Tier I capital of the Bank consists of only CET1 capital, and therefore there is no difference between Tier I capital adequacy, and own Tier I capital adequacy, respectively.

The Bank has complied with all externally imposed capital requirements throughout the year.

The Bank's position of own funds according to the CRR is displayed in the following table:

EUR '000	31. 12. 2020	31. 12. 2019
Tier I Capital	**630 161**	**593 723**
Share capital and share premium	367 043	367 043
Reserve funds and other funds created from profit	59 561	54 988
Selected components of accumulated other comprehensive income	6 372	6 372
Profit or loss of previous years	209 724	168 569
Intangible assets	(35 348)	(31 067)
Additional valuation adjustments	(840)	(898)
Other transitional adjustments to CET1 Capital	23 649	28 716
Tier II Capital	**8 000**	**8 000**
Subordinated debt	8 000	8 000
Regulatory capital total	**638 161**	**601 723**

The table below summarises requirements on own funds in accordance with CRR:

EUR '000	31. 12. 2020	31. 12. 2019
Capital required to cover:		
Credit risk	261 227	256 539
Credit value adjustment risk	105	141
Risks from debt financial instruments, capital instruments, foreign exchange and commodities	-	-
Operational risk	24 632	25 856
Total capital requirements	**285 964**	**282 536**
Capital ratios		
Total capital level as a percentage of total risk weighted assets	17,85 %	17,04 %
Tier I capital as a percentage of total risk weighted assets	17,63 %	16,81 %
Common Equity Tier I capital as a percentage of total risk weighted assets	17,63 %	16,81 %

Under IFRS 9 transition, the Bank has decided to apply gradual impact reflection to capital adequacy, by layering the initial impact (Article 473a of the CRR with the exception of paragraph 3), the impact of which is presented in the following table:

EUR '000	31. 12. 2020	31. 12. 2019
Available capital (amounts)		
Common Equity Tier 1 (CET1) capital	630 161	593 723
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements were not applied	606 512	565 007
Tier 1 capital	630 161	593 723
Tier 1 capital as if IFRS 9 transitional arrangements were not applied	606 512	565 007
Total capital	638 161	601 723
Total capital as if IFRS 9 transitional arrangements were not applied	614 512	573 007
Risk-weighted assets (amounts)		
Risk-weighted assets	3 574 545	3 531 704
Risk-weighted assets as if IFRS 9 transitional arrangements were not applied	3 549 280	3 499 886
Capital ratio		
Common Equity Tier 1 capital (as a percentage of risk exposure amount)	17,63 %	16,81 %
Common Equity Tier 1 capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	17,09 %	16,14 %
Tier 1 capital (as a percentage of risk exposure amount)	17,63 %	16,81 %
Tier 1 capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	17,09 %	16,14 %
Total capital (as a percentage of risk exposure amount)	17,85 %	17,04 %
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	17,31 %	16,37 %

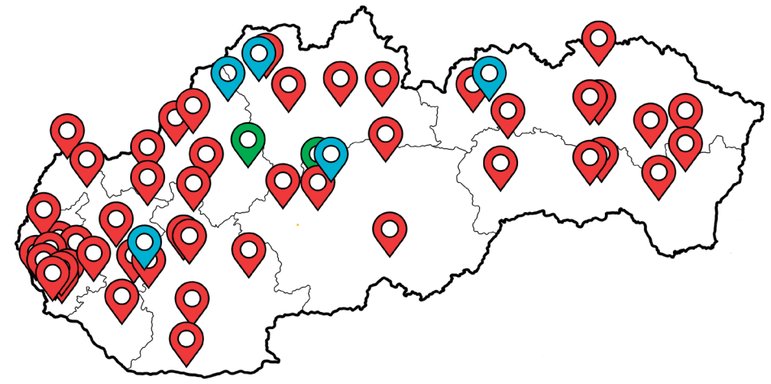
38. Post balance-sheet events

After the date of preparation of the financial statements, no events with a material impact which would require an adjustment or a disclosure in these financial statements occurred.

10. Branch network

no.	Branch	Address	Postal
1	BA – Eurovea	Pribinová č. 8	811 09
2	BA – Karlova Ves	Karloveská 34	842 64
3	BA – VIVO(Polus)	Vajnorská 100	831 04
4	BA – River Park	Dvořákovo nábrežie 10	811 02
5	BA – Saratov	Saratovská 9	841 02
6	BA – Tomášikova	Tomášikova 21	821 01
7	BA – Twin City	Mlynské Nivy 14	821 09
8	BA – Vlast. nám.	Vlastenecké námestie č.4	851 01
9	Bánovce nad Bebravou	Námestie Ľudovíta Štúra 8/8B	957 01
10	Banská Bystrica	Dolná 62	974 01
11	Banská Bystrica 2 – OC Europa	Na Troskách 25	974 01
12	Bardejov	Hviezdoslavova 3	085 01
13	Brezno	Námestie M.R.Štefánika 7	977 01
14	Dubnica nad Váhom	Nám. Matice slovenskej 35	018 41
15	Dunajská Streda	Bacsákova ul.1	929 01
16	Galanta	sídlisko Jas č.5 (OC JASPARK)	924 01
17	Hlohovec	Hollého 1	920 01
18	Humenné	Nám. Slobody 3	066 01
19	Kežmarok	Dr. Alexandra 1377/52	060 01
20	Komárno	Mederčská 4987/4	945 01
21	Košice 1	Toryská 3	040 11
22	Košice 2	Štúrova 1 (OD Dargov)	040 01
23	Levice	P.O. Hviezdoslava 2/A	934 01
24	Liptovský Mikuláš	Ulica 1.mája 41	031 01
25	Lučenec	T.G. Masaryka 19	984 01
26	Malacky	Zámocká 8	901 01
27	Martin	Andreja Kmeťa 5397/23	036 01
28	Michalovce	ul. kpt. Nálepku 26	071 01
29	Nitra 1	Štefánikova trieda 65	949 01
30	Nitra 2	Sládkovičova 1	949 01
31	Nové Mesto nad Váhom	Hviezdoslavova 19	915 01
32	Nové Zámky	M.R.Štefánika 11	940 02
33	Pezinok	Moyzesova 4/B	902 01
34	Piešťany	Andreja Hlinku 46	921 01
35	Poprad	Vajanského 71	058 01
36	Považská Bystrica	Centrum 8	017 01
37	Prešov	Hlavná 54	080 01
38	Prešov 2	Arm. generála Svobodu 25	080 01
39	Prievidza	Gustava Švéniho 3	971 01
40	Rožňava	Janka Kráľa 4	048 01
41	Ružomberok	Podhora 55	034 01
42	Senec	Lichnerova 44	903 01
43	Senica	Námestie oslobodenia 9/21	905 01
44	Skalica	Potočná 20	909 01
45	Spišská Nová Ves	Letná 51	052 01
46	Šaľa	Nám. Sv. Juraja 2244	927 01
47	Topoľčany	Námestie M.R.Štefánika 21	955 01
48	Trebišov	M. R. Štefánika 52	075 01
49	Trenčín	Nám. sv. Anny 23	911 01
50	Trnava	Hlavná ulica 33	917 01
51	Vranov nad Topľou	Námestie Slobody 5	093 01
52	Zvolen	Námestie SNP 19	960 01
53	Žiar nad Hronom	Nám. Matice slovenskej 2820/24	965 01
54	Žilina	Na priekope 19	012 03
55	Žilina 2 – OC Aupark	Veľká Okružná 59A	010 01

List of branches as of 31 December 2020.



Existing branches Branches relocated New branches

Rok 2020

Cancelled branches	Bratislava- SNP
Relocations	Prievidza
Reconstruction	Banská Bystrica
New branches	Bratislava Eurovea Hlohovec Kežmarok Považská Bystrica Banská Bystrica Europa Žilina 2- Aupark

poštová
banka