annual report

2019

poštová banka

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Obsah

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1. Address by the Managing Director

Dear Shareholders, Business Partners, and Colleagues,

For us, the year 2019 was a period of strengthening the bank's position. The bank played an important role in the field of lending when it offered its clients the Pôžička s 0 % úrokom product [Loan with a zero-interest rate] in the spring and autumn. Thanks to the campaign, we recorded the largest market share of new business in consumer credit in April. In the autumn, we introduced new interest rates on mortgages, starting from 1 per cent for all types of fixation.

At the beginning of last year, we confirmed that we are a modern financial institution that makes life easier for its clients when, in addition to the Google Pay payment application, they were also given the opportunity to pay with a smartwatch. As the first bank in Slovakia, we introduced the possibility of paying with Garmin Pay and Fitbit Pay. In the summer, we were among the first to enable payments via Apple Pay. We thus became the only bank in Slovakia that had all the smart payment options available on the market in its portfolio at that time. Voice biometrics was another useful technical upgrade. Its introduction allows our clients to pay even during calls. We also launched an upgraded Peniaze s5 application with new partners, of whom there were 70 during this period. The end of the year also brought the option of contactless money withdrawal from all our ATMs or other transactions via ATM.

Another important step was the removal of the dress code at the bank's headquarters in order to improve internal relations, which turned out to be a very good idea. Thanks to this we were able to launch our CSR project #dobrosanosi, including a collection of our employees' business clothes, following which the proceeds from their sale at the NOSENE second hand market were donated to a talented student. We received seven awards for communicating the dress code and #dobrosanosi, two of which were international.

As part of our CSR activities, we also launched a pilot project Na každej škole záleží [Every school matters]. In cooperation with the Comenius Institute, Poštová banka organised workshops for teachers in various regions. We started in the region of Banská Bystrica, where we noticed enormous interest from teachers. Following the success of the pilot, we are continuing with the second round of the project. Workshops for teachers in the region of Nitra began in November.

Established as the first "mobile first" bank in Slovakia and operating under the license of Poštová banka, our 365.bank was also successful as well. In January, it launched its first media campaign, thanks to which it became known to the general public, and after the first quarter it was the most preferred digital bank in its target group. During the year, it extended its product portfolio by, for example, general-purpose consumer credit and the possibility of paying with Garmin Pay and Fitbit Pay, as well as Apple Pay mobile payments. The bank was also active in the field of CSR, focusing mainly on the fight against disinformation, hoaxes and conspiracies, and it will continue in this pursuit. The bank had almost 30 thousand clients at the end of the year.

The year 2019 was also significant from the point of view of subsidiaries. Prvá penzijná's funds were among the most successful on the market. Prvá penzijná ranked first three times in various categories in the Top Fond Slovakia 2018 competition. From the perspective of the whole year, May was the best month for the sale of mutual funds in the last 2 years.

Poštová poisťovňa was also successful, ranking third in the TREND TOP poisťovňa roka competition.

Thus, we can consider 2019 a successful year. We have to thank our employees for all of this; without them the new modern Poštová banka would remain only on paper. We also must thank our shareholders, who fully supported us throughout the year.

However, the beginning of the cooling of the economy, as well as the extension and increase of the special bank levy will pose a challenge in 2020. In 2020, banks were supposed to pay it for the last time. Instead, we must prepare for an indefinite levy of 0.4 per cent on select assets. We therefore filed a lawsuit.

On top of this, we have all been affected by the coronavirus pandemic that has stopped both social and economic life, and the recovery will be slow and very costly. Despite the fact that we have to pay millions more euros to the state, we have decided to help entrepreneurs as well as households. We offered companies with a turnover of up to one million euros interest-free loans of up to EUR 10 thousand with postponed payments for as long as six months. We have set aside EUR 10 million for households, which we will provide in the form of Pôžička s 0 % úrokom [Loan with a zero-interest rate] and postponed instalments for up to 9 months.

Our shareholder went even further and decided not to pay dividends before the regulatory authority requested it. And it also donated face masks worth four million euros to the Slovak Republic.

2020 seems to be one of the most difficult years in recent history. Despite this complicated situation, I firmly believe that we will be able to bring many quality and innovative services to the market, which will benefit both our clients and the bank.

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 Scope of activities:

a) ursuant 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 pur suant to the Act on Securities, to the extent referred to in Section (b) of this point, and investment into 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) precious metal coins, commemorative bank notes and commemorative coins, bank notes sheets, and sets of coins in circulation;
6. Administration of clients' receivables in their accounts, including related consulting;
7. Financial leasing;
8. Provision of guarantees, opening and certification of letters of credit;
9. Provision of consulting services in the area of business activities;
10. Issuance of securities, participation in the 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 fi nancial 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 saving;
20. Performance of financial intermediation according to a special regulation as an independent financial agent in the sector of provision of loans, housing loans and consumer credit.

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

1. Acceptance and forwarding of client's instruction 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 a client's instruction 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 secu rities, 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 secu rities, 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 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 without 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 a client's account, including custodianship and related services, particularly 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 they are connected with the provision of investment services;
10. Execution of investment survey and financial analysis, or another form of general recommendation concerning trading in financial instruments;
11. Services related to the subscription of financial instruments.

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 technologies. In 2011, he became a member of the Board of Directors of J&T BANKA, a.s. (Czech Republic). Starting November 2012, he held the position of Director and head of J&T BANKA, a.s., branch office in the Slovak Republic – J&T BANKA, a.s., pobočka zahraničnej banky.

Since 12 August 2015, his term of office as Chairman of the Board of Directors of Poštová banka, a. s., has run continuously and, at the same time, he holds the position of CEO 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 has been active in the banking sector, working for Všeobecná úverová banka, a.s. between 1997 and 2000, after which he held several positions at Tatra banka, a.s. from 2000 to 2015, lastly as Director of a regional branch where he was responsible for the management of the branch network in the Bratislava-West and Nitra regions in the area of sales, servicing, and service quality for retail clients. He joined Poštová banka, a.s., in October 2015, assuming the position of Director of the Retail Banking Division.

Since 3 December 2015, his term of office as member of the Board of Directors of Poštová banka, a. s., has run continuously.

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. From 1995 to 2009, she worked for Citibank (Slovakia), a.s., where she held several management positions in audit, independent control and risk management. She was a member of the Board of Directors of UniCredit Bank Slovakia, a.s., from 2010 to 2013 and member of the Board of Directors of Sberbank Slovakia from 2013 to 2016. As a member of the Board of Directors in both companies, she was responsible for all risk management issues, including credit, market, and operational risks. On 20 June 2017, she became a member of the Board of Directors of Poštová banka, a. s.

Supervisory Board

Ing. Jozef Tkáč // Chairman of the Supervisory Board – since: 30 November 2018
Ing. Vladimír Ohlídal, CSc. // Member of the Supervisory Board – since 15 June 2015
Ing. Jan Kotek // Member of the Supervisory Board – since 4 May 2018
Bc. Jozef Kiss, MA // Member of the Supervisory Board – since 17 April 2019

As of 31 December 2019, the bank had shares in the following subsidiaries, joint ventures and affiliates:

Company name	Activity	Share in %
Subsidiaries		
Prvá penzijná správcovská spoločnosť Poštovej banky, správ. spol., a. s.	Asset management	100
Poštová poisťovňa, a. s.	Insurance services	80
Dôchodková správcovská spoločnosť Poštovej banky, d. s. s., a. s.	Pension fund management	100
Amico Finance, a. s.	Provision of consumer credit	95
PB Servis, a. s.	Real estate management	100
PB Finančné služby, a. s.	Operating and financial lease, and factoring	100
PB PARTNER, a. s. v likvidácii	Financial intermediation	100
365.fintech, a. s.	Support for start-ups	100
365.world, o. p. f.	Investment services	100
Nadácia Poštovej banky	Charity	X
Joint ventures		
SPPS, a. s.	Payment services	40
Affiliates		
ART FOND – Stredoeurópsky fond súčasného umenia, a. s.	Commerce and art	37,13

In accordance with IFRS 10, the bank includes the 365.world, o. p. f., mutual fund in the consolidated financial statements and, therefore, it is reported as its subsidiary.

Company name	Number of shares owned by Poštová banka	Share of Poštová banka in share capital in %	Share of Poštová banka in share capital in EUR
365.fintech, a. s.	1 000	100	1 000 000,00
PRVÁ PENZIJNÁ SPRÁVCOVSKÁ SPOLOČNOSŤ POŠTOVEJ BANKY, správ. spol., a. s.	50 000	100	1 700 000,00
Poštová poisťovňa, a. s.	278 640	80	9 248 061,60
Dôchodková správcovská spoločnosť Poštovej banky, d. s. s., a. s.	36	100	11 949 810,48
PB Servis, a. s.	120	100	600 000,00
PB PARTNER, a. s.	46 000	100	4 600 000,00
PB Finančné služby, a. s.	3	100	99 582,00
SPPS, a. s.	24	40	140 000,00
Amico Finance, a. s.	600	95	570 000, 00

poštová
banka

prvá
penzijná
ČLEN SKUPINY POŠTOVEJ BANKY

dôchodková
správcovská
ČLEN SKUPINY POŠTOVEJ BANKY

poštová
poisťovňa
ČLEN SKUPINY POŠTOVEJ BANKY

pb
finančné služby
ČLEN SKUPINY POŠTOVEJ BANKY

pb
servis
ČLEN SKUPINY POŠTOVEJ BANKY

amico
finance
ČLEN SKUPINY POŠTOVEJ BANKY

nadácia
poštovej banky

4. Main events

January

Most successful month in our history in terms of the sale of savings products
In January, our network managed to achieve its historically most successful sale of as many as 5,011 savings products.

Pilot project Na každej škole záleží [Every school matters] launched
In cooperation with the Comenius Institute, we organised workshops for teachers in different regions. We started in the region of Banská Bystrica, where we noticed enormous interest from teachers.

Launch kampaň značky 365.bank
In January, 365.bank launched its first communication campaign. Its main objective was the fight against disinformation, conspiracies and hoaxes. Through the campaign, the bank made its free-of-charge account known, as well as how it can be opened via mobile phone, and the smart display feature for the account balance and savings. Owing to the campaign, 365.bank became the most preferred and best-known digital bank in the target client group after the first three months.

February

Prvá penzijná's funds among the most successful on the market
Prvá penzijná ranked first three times in various categories in the Top Fond Slovakia 2018 competition.

Loan for taxes for entrepreneurs
We became the first bank in Slovakia to introduce a loan for taxes for entrepreneurs. In terms of communication, this campaign was a great success, but this product was rejected by clients.

Term deposit with interest rates of up to 2 per cent introduced
We launched a campaign for a term deposit with an interest rate of up to 2 per cent p. a., owing to which we implemented 102 per cent of the annual plan as regards the volume of primary resources. The campaign also brought us new clients with an active Užitočný účet [Useful Account].

365.bank actively involved in the fight against fake news
The bank began to actively address the current issue of disinformation, hoaxes and conspiracies as part of its year-round CSR activities. It established partnerships and organised debates and discussions with experts in order to raise awareness of this topic.

April

Dress code removed at headquarters
As part of improving internal relations in the bank, we encouraged our colleagues' idea and removed the bank's dress code at headquarters, which proved to be a very good step. Our employees donated their unnecessary business clothes to a good cause.

Campaign for Pôžička s úrokom 0 % [Loan with a zero-interest rate] launched
Through the campaign, we managed to reach the highest number of new clients in the last two years, which helped us increase the share of new business in consumer credit.

PPSS spring campaign launched
We kicked off a successful sale of funds during the spring campaign of Prvá penzijná správcovská spoločnosť.

365.bank launched Garmin Pay and Fitbit Pay
As the first bank on the Slovak market, 365.bank introduced the possibility of paying with Garmin Pay and Fitbit Pay

May

Poštová banka introduced Garmin and Fitbit Pay
Immediately after 365.bank, Garmin Pay and Fitbit Pay were also introduced by Poštová banka, which was also the first of the five largest banks to enable its clients to pay with a watch.

Best month for PPSS
For Prvá penzijná správcovská spoločnosť, May was the best month in terms of the sale of mutual funds in the last two years.

365.bank introduced credit
In May, 365.bank extended its product portfolio by general-purpose consumer credit ranging between EUR 300 and 6,000. The whole process is completely paperless. Clients file their applications directly in the mobile application and after their application is approved, within a few minutes their account is credited with the money.

July

Apple Pay launched
In July, Poštová banka launched Apple Pay together with 365.bank, while both banks were the only ones in Slovakia that offered Apple Pay, Google Pay, Fitbit and Garmin Pay at that time.

Peniaze s5 application upgraded
We launched an upgraded Peniaze s5 application with new partners, of whom there were 70 during this period.

August

Summer campaign for Účet pre mladých [Account for the young]
Young people under 27 have a free-of-charge account and, during the summer months, they could get a bonus of up to EUR 30 for contactless payments.

New feature in voice biometrics
Owing to the additional feature in voice biometrics, our clients can already make payments during calls.

Change in mortgage interest rates
At the end of the summer, we introduced new interest rates on mortgages, starting from 1 per cent with regard to all fixation types.

September

CSR project #dobrosanosi launched
The CSR project #dobrosanosi also entails the dress code removal, where the proceeds from the sale of our employees' business clothes were donated to a talented student.

365.bank kicked off the Najlepšia banka na sporenie [Best bank to save money] campaign
In September, 365. bank launched a communication campaign and made Syslenie's [Squirreling Away] automatic savings features more attractive by cancelling the EUR 1,500 cap. Clients could increase their savings in relation to this type of product with an interest rate of 3.65 per cent above the amount of EUR 1,500 as well.

October

Pôžička s 0 % úrokom [Loan with a zero-interest rate] available again
After a successful spring campaign, we repeated the Pôžička s 0 % úrokom [Loan with a zero-interest rate] with the possibility of borrowing EUR 600, 800 or 1,000 with a 20-month maturity and added favourable consumer credit with interest rates starting from 4.9 per cent and a 100 per cent discount on the fee for providing the credit.

365.bank launched a campaign for inviting new clients for a reward
In the autumn, 365.bank kicked off a campaign in which current clients could invite their friends and relatives to the bank. Owing to this, the daily increase in the number of the bank's clients increased five times.

November

Second stage of the project Na každej škole záleží [Every school matters]
After a successful pilot project in the region of Banská Bystrica, we launched a project for teachers in the region of Nitra.

Trend Top Poisťovňa
Poštová poisťovňa ranked third in the TREND TOP poisťovňa roka [TREND TOP insurance company of the year] competition.

We won many awards
We received 7 awards for communicating the dress code and #dobrosanosi, 2 of which were international.

First birthday of 365.bank
In November, 365.bank celebrated its first birthday since it began official operation.

December

Contactless ATMs launched
At the end of the year, together with 365.bank, Poštová banka introduced a contactless service for all its ATMs owing to which both clients and non-clients can withdraw funds or check their account balances by tapping their phone or watch.

Outlook for 2020

In 2020, we will continue the digitisation of the bank and work to become a paperless financial company for all – for those who need personal contact with the bank at its points of sale, as well as for clients who are more comfortable with smart solutions and a mobile bank. Customer experience and activities aimed at improving its quality continue to be key for our bank.

The World Health Organization declared a global pandemic in connection with the spread of the coronavirus on 11 March 2020 and the Slovak government declared a state of emergency on 16 March 2020. When limiting the effects of operational risk, the bank adheres to and observes the rules of business continuity, because the health of our employees and clients is our top priority. When preparing the financial statements, it is not possible to assess all the effects on the bank's activities. The bank will regularly report on possible significant effects when they can be assessed and if they are significant.

Risks related to business operations and business results:

- Given the many macroeconomic forecasts, a slowdown in economic growth and negative impact on new business is probable,
- Given the increased occurrence of loss events, an impact on the quality of the loan portfolio can be expected,
- Given the restriction of opening hours and / or the complete closure of certain business premises, the volume of new business may be affected, as well as the renewal of existing business relationships,

- The bank is monitoring the measures adopted and proposed by the government and analysing their impact on the bank,

- The bank is considering certain steps regarding operating costs should coronavirus-related measures be extended to several months.

Impact on liquidity and capital:

- Although a decrease in the quality of the portfolio is reasonably possible, the bank currently expects a temporary deterioration in the collection of receivables, due mostly to the postponement of instalments, but the bank has created sufficient liquidity reserves for this situation. In the time horizon of up to one year, the bank expects the collection of receivables to return to a level close to the current one,
- The bank has long reported sufficient liquidity, even a surplus, and is therefore sufficiently prepared to meet its obligations as they fall due, even if the current state of emergency declared by the government in the Slovak Republic is of long-term duration,
- The bank's capital position is strong and the bank also met all the capital requirements expected by the regulatory authority at the end of the year.

Operational risks:

- To manage operational risk, the bank adheres to and observes protocols to ensure business continuity. The bank continues to operate through remote access and takes measures to protect the health of its employees working on the bank's premises and at its points of sale and business venues.

The bank analysed all risks and significant, but plausible, scenarios and assessed that there was no significant uncertainty about the continuity of operations.

5. Corporate social responsibility

Poštová banka, Poštová banka Foundation as well as 365.bank take corporate social responsibility seriously and approach the activities associated with it seriously as well. The year 2019 brought many interesting projects aimed at various target groups. Through our Foundation, we supported several community service projects and provided several foundation grants focused on communities, education and traditional culture. At Poštová banka, we launched two major projects – #dobrosanosí and Na každej škole záleží [Every school matters]. 365.bank started to participate in activities against the spread of hoaxes, disinformation and conspiracies through several projects and collaborations. At the same time, it kicked off 365.labb, a project of a community-coworking centre in Banská Bystrica. In addition to supporting various projects, Poštová banka took a responsible approach to environmental policy issues, respect for human rights and the fight against corruption and money laundering.

In 2019, we further promoted our long-term partnership with the Radošinské naivné divadlo theatre [Naive Theatre of Radošina] and the Jednota dôchodcov Slovenska association [Association of Pensioners in Slovakia]. Poštová banka has been a general partner of the iconic Radošinské naivné divadlo theatre, which performed in several regions in Slovakia last year, since 2013.

At the Poštová banka Foundation, we focused primarily on supporting three areas – education, folklore and traditional culture, but also on activities aimed at helping communities. We opened 3 grant programmes for the public, owing to which we enabled the implementation of several dozen projects throughout Slovakia. Besides grants, we also helped through our internal activities, in which the bank's employees participate to a large extent.

Nápad pre 3 generácie [Idea for 3 Generations] grant programme
In 2019, we decided to reopen our most successful grant programme, Nápad pre 3 generácie [Idea for 3 Generations]. The programme is intended for children, young people, active people and seniors who like the idea of volunteering. Through the grant, we have been trying for several years to support community projects aimed at interconnecting and cooperation among three generations. We are pleased that this year we have supported a number of projects important for communities, municipalities and cities throughout Slovakia. In total, we have redistributed the amount of EUR 30,000 under this grant.

Nápad pre folklór [Idea for Folklore] grant programme
The Poštová banka Foundation is aware that folklore is an important and integral part of our culture and our heritage, and if we preserve it, it will also be a gift for future generations. Therefore, we decided to open the Nápad pre folklór [Idea for Folklore] grant again this year and to help individuals or civic associations in carrying out their activities aimed at preserving and developing folklore and traditional culture. In 2019, we supported a total of 20 project applications with a total of EUR 30,000.

Nápad pre školy [Idea for Schools] grant programme
Thanks to the Nápad pre školy [Idea for Schools\ grant programme, we are teaching children in primary schools how to use money. This project aimed to make the study itself more attractive and accessible, but above all to make it more usable in their further "adult" life. We want Slovaks to able to make adequate decisions on how to deal with their money, to be financially educated and have better lives. Under this grant, we supported projects focused on financial literacy with almost EUR 50,000. Owing to these funds, 8 financial literacy projects were implemented at 4 primary and 4 secondary schools.

Hurá do školy s Nadáciou Poštovej banky [Let's Go to School with the Poštová banka Foundation]
The Hurá do školy s Nadáciou Poštovej banky [Let's Go to School with the Poštová banka Foundation] project was implemented this year as well. During its third year, we helped procure school supplies for more than 30 socially disadvantaged children. Our employees bought everything necessary for the children so that they could go to school after the holidays with a smile and new school supplies.

Stromček splnených prianí [Tree of Fulfilled Wishes]
We did not miss one of our most popular activities, namely the Christmas Tree of Fulfilled Wishes even in 2019. For several years now, we have been fulfilling Christmas dreams through this project for socially disadvantaged children. This year, we involved more than 60 children and their families in the project. Our employees have once again proved that they are no strangers to helping others and bought the children Christmas gifts based on their wishes. Each family also received a financial contribution from the Poštová banka Foundation for the purchase of food for the holidays.

10 dobrých skutkov [10 Good Deeds] employee grant programme
Owing to this employee grant, Poštová banka Group's employees had the opportunity this year to obtain financial support for community service projects in which they act as volunteers in their free time or for projects they wanted to support financially. In 2019, we supported 10 meaningful employee projects with EUR 10,000.

#dobrosanosí
At the end of April 2019, we removed the dress code at the bank's headquarters. Employees were thus given the opportunity to dress freely, save money and the environment. Fewer clothes in the closet also means less waste. Unnecessary business clothes could be brought by employees to a collection organised by the bank. The #dobrosanosí clothing collection was thus created and put up for sale in the NOSENE second hand market in mid-September. The entire proceeds from the sale went to a talented university student whose family found themselves in a difficult financial situation. By selling the #dobrosanosí clothes, we did a few good things at once. We gave our clothes a second chance, minimised further waste and allowed student Nicolas to study without worries. We want to continue doing good because it is timeless. As part of this idea, Poštová banka will continue to focus on ECO topics, as well as other CSR activities under the #dobrosanosí brand.

Na každej škole záleží [Every school matters]
The quality of education in primary and secondary schools does not depend only on their equipment. Excellent schools are created mainly by excellent teachers. In cooperation with the Comenius Institute, Poštová banka launched a unique programme for regions called Na každej škole záleží [Every school matters]. Owing to it, teachers receive professional development, students receive teachers with an innovative approach and schools receive a financial contribution for the implementation of their projects. We are aware that if we want to change students' thinking, teachers must first and foremost undergo reforms, even in the smallest

municipalities and schools. We launched the pilot project in the region of Banská Bystrica and continued in the region of Nitra.

Environmental responsibility

We consider the protection of the environment to be very important at Poštová banka and therefore take it seriously. We strive not only to comply with our legal obligations, but also to mitigate the environmental impact of our business. In 2019, we focused our environmental activities mainly on internal activities and on educating our employees in the field of disproportionate waste generation. Under the #dobrosanosí project, we educated our employees in the field of fashion, recycling, upcycling and taught them how to make attractive clothes from unnecessary clothing. We also organised an internal swap, where employees could bring their clothes and take others. In this way, too, we raised awareness about sustainability. However, we are still looking for new ways to further improve the bank's approach to the environment.

Respect for human rights and the fight against corruption

Poštová banka maintains a principle of zero tolerance for corruption and fraud. All employees are informed about the bank's position on this topic, as well as about the consequences of non-compliance with these principles. In the fight against money laundering and terrorist financing, Poštová banka acts in accordance with Slovak as well as European legislation and ensures the protection of its clients as well as the bank itself.

Poštová banka, as well as its subsidiaries, recognize the basic principle enshrined in the Universal Declaration of Human Rights and the United Nations General Principles on Business and Human Rights. The Group thus clearly declares its attitude and principles in relation to employees, clients and suppliers.

Together against the spread of hoaxes, conspiracies and disinformation

Throughout the year, 365.bank engaged in several activities aimed at revealing "fake news". With its support, editorials were created that reflected current events in the area of disinformation, especially in the field of hoaxes and conspiracies, in order to contribute to better information and increased awareness of today's problem. The bank also initiated several thematic discussions with experts, publicists and bloggers. The activities also included a special project on social networks, which revealed in a funny way nonsensical statements, hoaxes and unsubstantiated scientific claims spread online.

365.labb

Under 365.bank, 365.labb, a community-coworking centre, was established in Banská Bystrica. Its goal is to support and connect local communities, create a platform for their development, implementation and inspiration, taking into account the course and DNA of the 365 brand. The main idea for permanent members is the fact that they "pay" for their use of space with their know-how. Thus, they do not have to finance the renting of the space, but instead prepare and create content, organise meetings, events or exhibitions. The concept of "zero waste" is also unique at 365. labb, owing to which all its members and the project itself work on an eco-friendly and zero-waste basis.

2019 was dominated by meaningful projects and activities, with a view to helping where necessary. Thanks to our supporters, well-wishers and colleagues, we were able to carry out all of the aforementioned activities and grants. Thank you for helping together with us.

6. Personnel policy

As of 31 December 2019, the number of employees was 1,277. Poštová banka is an organisation with an average employee age of 38, employing generations of all age categories with various needs and expectations. We are aware of this fact and our personnel policy is based thereon.

Our main 2019 achievement in personal policy is the "Company with the Most Effective Human Capital Management in Banking in 2019" award.

At the end of the first and the beginning of the second quarter of 2019, a survey of Poštová banka employees' satisfaction and commitment was carried out. We communicated the results of the survey to the management and employees of Poštová banka. Subsequently, discussions and workshops took place within divisions, departments and with the natural owners of the areas concerned, and action plans were generated to improve and change the risk areas of working life.

In 2019, we kicked off another year of the Talent programme for business networks. The programme focuses on preparing Talents for managerial positions. We currently have eight Talents, three of whom already hold managerial positions. The Talent programme is based on practical application tasks and training in managerial competencies. The Talent development guides are their immediate superiors and mentors from senior management. The Talents work on their final team task, which they will present to the bank's management at the end of the programme.

In 2019, we rolled out the Leadership Academy's managerial development programme for top management to middle and lower management. Our colleagues received training in the area of basic managerial skills and personal development, related to effective communication and motivation. Almost 200 managers completed a total of 4,920 man-hours of managerial development training.

Furthermore, in 2019 we kicked off another year of the Ahoj [Hello] programme under the new name Agile Lab, in which three project teams were created – Eco-Bank, Information Flow and Internal Regulations. Our human resources department also focused on incorporating an agile management method into projects focused on supporting and developing human capital.

In order to promote the possibilities of development and training in our bank, as well as to present development projects to colleagues in which they can participate, we organised the historically first Training Day. Our colleagues had the opportunity to get acquainted with projects such as Agile Lab, focused on agile work, internal inter-department rotation or how to analyse their development needs and set goals.

We invested considerable effort in skills development in sales networks, where we completed 35,365 man-hours of training. The key factors that influenced learning in 2019 were changes in systems and products. We also completed an extensive training session focused on business skills, which was attended by 273 participants.

Besides processing requests for standard learning activities and conferences in an external environment, we set and offered several dates for open soft-skills training concerning effective communication and personality typology led by our internal lecturers in the second half of the year. We welcomed the great interest demonstrated by the sessions filling up shortly after registration was opened. These courses were attended by 70 participants.
We successfully implemented a new system for e-learning and the management of requirements for learning activities, which enabled us to optimise, clarify and especially digitise the learning process. In the new system, we launched 85 e-learning courses, which were seen by a total of 12,535 participants.

This year, too, we implemented activities focused on the values, strategy and vision of the bank. We continued to work intensively with candidates through personalised management, while our internal referral system JOBOTE was rebranded to WORK-NET. The communication campaign effectively increased awareness among employees and extended the use of candidates for the bank's headquarters. In 2019, we evaluated WORK-NET as the most successful source of candidates.

Based on the bank's strategy, we also focused on promoting financial literacy.
As part of the project Každá škola [Every School], which is implemented by the Živica centre and the Comenius Institute with the support of Poštová banka, we organised a financial literacy workshop for teachers from the region of Banská Bystrica. We continued our cooperation with Staromestská knižnica [Old Town Library] from previous years and again participated in the Ostrov pokladov [Treasure Island] project. As part of it, we carried out learning activities directly at the library's branches.

We organised and carried out lectures and workshops for schools that applied for support from the Nápad pre školy [Idea for Schools] grant programme of the Poštová banka Foundation.

Because we care about the future of our community and country, we created the Deň pre budúcnosť [Day for the Future] programme in 2019, through which Poštová banka employees and subsidiaries have the opportunity to carry out manual or expert volunteer activities for registered non-profit organisations once a month during a working day. The purpose of the programme is to give our colleagues space in the field of helping others and to feel that volunteering is enriching on both sides. The volunteering programme is open to individuals as well as entire teams who improve the team atmosphere and relationships in the workplace by doing GOOD.

In order to expand our offer of benefit packages, we introduced the possibility of ordering a MultiSport card to support the sports activities of Poštová banka's employees in 2019. The card is actively used by 170 employees. In 2019, we also extended our range of benefits by a statutory benefit in the form of a recreational voucher. This benefit was used by 29 per cent of employees who fulfilled the statutory conditions for entitlement to such a benefit. Employees can use their employee benefits through the Cafeteria online benefit system, where employees placed orders in total of EUR 249 thousand. "Health" was the most popular benefit category. Here, employees can find above-standard medical check-ups, various forms of preventative health care, health training and rehabilitation.

7. Description of the macroeconomic and competitive environment

2019 was a year marked by the deterioration of economic development in Slovakia. The annual GDP growth was significantly slower than in 2018, despite a slight recovery in the last quarter of 2019. Despite the slowdown in economic growth, the situation on the labour market improved over the past year, as the registered unemployment rate fell to 4.92 per cent in Slovakia in December and wages in nominal and real terms increased. However, consumer prices in shops grew by 2.7 per cent on average.

For the entire year of 2019, according to the Statistical Office of the Slovak Republic, GDP growth was at 2.3 per cent. This represents a significant slowdown compared to 2018, when our economy grew at a rate of 4.0 per cent year-on-year. The slowdown in our economy was considerable throughout last year, as our economy grew by 3.8 per cent in the first quarter and by only 1.3 per cent in the third quarter. The final quarter of last year, however, saw a slight recovery in our economy, as year-on-year GDP growth reached 2.0 per cent. Slovakia is a small, open and export-oriented economy, which means that the cooling of foreign demand over the past year led to a decrease in industrial production, and thus to a decline in our exports. This has also reduced the growth of our economy. Last year, our economy grew thanks to household consumption, which was solid owing to the ongoing relatively good situation on our labour market.

Over the past year, we saw a more dynamic growth in the prices of goods and services in our shops compared to the previous year. Throughout 2019, consumer prices went up by 2.7 per cent on average [by 2.5 per cent in 2018] according to the national consumer price index [CPI] and by 2.8 per cent according to the harmonized consumer price index [HCPI]. According to the national CPI index, the largest price hike, by 4 per cent, was reported in the food sector. This was mostly due to the development of prices of agricultural commodities on the global market, statutory additional payments for work at night and on weekends and rising wages, i.e. a stronger purchasing power of the population. Inflation was also driven upward by higher prices of housing and utilities, which rose by 3.9 per cent on average throughout 2019, like food. Foodstuffs and housing represent the highest cost items on families' budgets in Slovak households. Last year, only one item of the consumer basket became cheaper, namely transport prices. On average over the past year, prices fell by -0.6 per cent, which was due to declining oil prices.

The lines of the unemployed at labour offices became shorter during 2019 and unemployment declined during the year. The registered unemployment rate decreased from 5.26 per cent in January to 4.92 per cent in December, which translated at the end of the year into slightly more than 135,000 unemployed people ready to immediately take up a job. In the past year, state financial management was worse than planned, and the annual

deficit of the state budget was higher by around 8 per cent than had been planned when the budget was drawn up. The state budget closed the year of 2019 with a deficit of up to EUR -2.2 billion. The budget deficit increased considerably – by 86 per cent year-on-year. State budget expenditures increased by less than 9 per cent, but income grew only 2.9 per cent.

Not only Slovakia, but also the entire eurozone, saw growing prices of goods and services in shops during 2019. Overall, however, price growth in the currency block was much slower than in Slovakia. The European Central Bank [ECB] kept its prime interest rate unchanged at zero throughout last year. In connection with the favourable economic development and growing inflation, the ECB ended its asset purchase programme in December 2018. However, in September 2019, the ECB again launched a new asset purchase programme in the amount of EUR 20 billion per month. The European central banks decided to do so due to a slowdown in the global economy, the threat of a trade war between Washington and Beijing, and uncertainty about Brexit.

During 2019, the euro gradually weakened against the dollar, fluctuating within a range of approximately EUR 1.09/USD and EUR 1.16/USD. Early in the year, the EUR/USD exchange rate was at around EUR 1.14/USD. Our currency culminated early in the year, reporting its last year's peak against the dollar at EUR 1.1543/USD. However, with the approaching summer, our currency started to gradually depreciate, reaching last year's low of EUR 1.0899/USD in September. In the autumn, the euro recovered slightly against the dollar and was again above EUR 1.10/USD. The depreciation of the European currency against its US counterpart during 2019 resulted from the different monetary policies of the central banks as the prime interest rate of the ECB is at zero and the U.S. Fed rate ranges between 1.50 – 1.75 per cent. The risk of a trade war escalating between the US and China did not favour the European currency either. Other major risks to our currency mostly included the slowdown of growth of the global economy, which also affected the eurozone countries. The German economy, which is the largest economy of the monetary union, struggled with industrial recession during the year. Another major risk to EU economic growth was the continued uncertainty concerning Brexit and the conditions under which the UK and the Union will "divorce".

As of 31 December 2019, 12 banks with registered offices in the territory of the Slovak Republic were operating in the Slovak banking sector (including two banks without foreign capital participation and 10 banks with foreign capital participation), 15 branches of foreign banks, and one central bank. At the end of 2019, the total number of banks did not change compared to 2018. The number of branches and organisational sub-units in the banking sector went down by -34 to 1,140 during the year. At the end of 2019, the Slovak banking sector employed 20,502 employees, which was -0.7 per cent less than at the end of 2018. According to preliminary results, total assets in the banking sector amounted to EUR 84.7 billion. Deposits from citizens presented at the end of 2019 amounted to EUR 37.7 billion, rising by 7 per cent year-on-year. Compared to 2018, loans to citizens increased by 8.2 per cent to EUR 38.2 billion. According to preliminary results, the banking sector generated a net profit of more than EUR 643 million.

8. Report on business activity and financial position

The bank's 2019 net profit amounted to EUR 45.7 million, which is nearly five million euros less than in 2018.

The decline in net profit was due to lower interest income arising from the constantly declining interest rates, which are at all-time lows.

Poštová banka invested heavily in better services for its clients. It became the first brick-and-mortar bank to enable its clients to make all forms of smart payments – Apple Pay, Google Pay, Garmin Pay and Fitbit Pay. The bank also invested in the further development of 365.bank, the first "mobile first" bank. These investments in innovation were reflected in increased depreciation costs.

The bank's finances were positively affected by lower creation of provisions, which is a sign of an increasingly solid client portfolio.

In 2019, Poštová banka reported an increase in total assets of EUR 4,370 million, which means a year-on-year increase of up to EUR 102 million.

The repositioning of the bank, launched in the past, was fully reflected in the growth of lending to households. The main drivers of this growth included mainly housing loans, the volume of which, after adjustment for provisions, was at EUR 402 million with a year-on-year increase of almost 37 per cent. The bank also managed to grow in the volume of consumer credit, the net value of which amounted to EUR 805 million at the end of the year.

The volume of investments in subsidiaries also increased. The bank invested primarily in its subsidiary Amico Finance, which was added to the Poštová banka Group's portfolio in the last quarter of 2018. Under the Ahoj [Hello] brand, Amico Finance soon became the market leader in the production of non-bank loans and the market leader in the provision of instalment credit.

The change in orientation towards retail clients was also reflected on the liabilities side. The volume of deposits from households increased by EUR 227 million to EUR 3,138 million. This increase was also driven by deposits collected by 365.bank, which had nearly 30 thousand clients at the end of 2019.

A slight year-on-year decrease was reported by the capital adequacy ratio – Tier I capital, as a percentage of risk-weighted assets, falling from 16.98 per cent to 16.81 per cent. Despite the slight decline, the bank exceeded the level of the minimum required capital considerably.

Research and development activities

During the year, the bank introduced a number of new products and technologies to its clients and implemented requirements arising from legislation. Such development also means the development of existing or new IT systems in the bank's conditions. In 2019, the bank incurred costs in respect to improving customer applications and developing several innovative products in order to make day-to-day contact with finances easier for clients, as well as to increase the number of products provided (activated) electronically. For example, the bank developed the application of 365.bank, its "mobile first" bank, introducing a digital loan and safer "banking" by implementing strong authentication and authorisation of bank transactions. The bank invested in smartwatch payments via Apple Pay, Garmin Pay and Fitbit Pay. The Peniaze s5 application underwent innovation and further development as well. Owing to the additional feature in voice biometrics, our clients can already make payments during calls.

The bank also developed and implemented a system for automated monitoring of electronic and mobile banking transaction channels in order to detect fraud in transaction banking in real time and eliminate fraudulent transactions; to reduce operational risks through fraud prevention, as well as to meet the legislative requirements of the EU Payment Services Directive 2 (PSD2).

Profit distribution proposal

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

€ thousands	
Net profit after tax	**45 728**
Retained earnings	4 573
Contribution to statutory reserve fund	41 155

2019

poštová
banka

Poštová banka, a. s.

Separate financial statements

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

year ended 31 December 2019

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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 Management Board 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 2019, 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 unconsolidated financial position of the Bank as at 31 December 2019, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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.

Impairment of loans and advances to customers

The carrying amount of loans and advances to customers as at 31 December 2019: € 2,431,899 thousand; impairment loss recognised in 2019: € 27,797 thousand; total impairment loss as at 31 December 2019: € 200,396 thousand.

Refer to Note 3 (Significant accounting policies), Note 9 (Financial assets at amortised cost: Loans and advances) and Note 29 (Impairment losses and provisions: Financial assets at amortised cost - Loans and advances) to the separate financial statements.

Key audit matter	Our response
Impairment allowances represent the Management Board's best estimate of the expected credit losses within Financial assets at amortised cost at the reporting date. We focused on this area as the determination of impairment	Our audit procedures in this area included, among others: • Inspecting the Bank's ECL impairment provisioning methodology and challenging the Management Board on whether the level of the

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allowances requires significant judgment from the Management Board over both the timing of recognition and the amount of any such impairment.

Impairment allowances for all 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 are incorporated into the model assumptions and require significant management judgment.

For exposures exceeding € 300 thousand individually, the impairment assessment is based on the knowledge of each individual borrower and often on estimation of the fair value of the related collateral. Related impairment allowances are determined on an individual basis.

For the above reasons, impairment of loans and advances to customers was considered by us to be a significant risk in our audit, which required our increased attention. Accordingly, we considered the area to be a key audit matter.

methodology's sophistication is appropriate based on an 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;
- Assessing and testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of loans, including, but not limited to, the controls relating to the identification of loss events and default, appropriateness of the classification of exposures into performing and non-performing, calculation of days past due, collateral valuations and calculation of the impairment allowances;
- 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);
- Challenging LGD and PD parameters used by the Bank, by reference to historically realized losses on defaults.
- Inspecting the Bank's macroeconomic forecasts and other forward-looking information applied in the ECL calculation by reference to corroborating inquiries of the Management Board and inspecting publicly available information;
- For a sample of individual exposures, critically assessing, by reference to the underlying documentation (loan files) and through discussion with the loan officers and credit risk management personnel, the existence of any triggers for classification to Stage 2 or Stage 3 as at 31 December 2019;
- For those loans where triggers for classification in Stage 3 were identified, challenging key assumptions applied in the Management Board's estimates of future cash flows used in the impairment calculation and collateral values.

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Measurement of securities held at fair value

The carrying amount of securities held at fair value as at 31 December 2019: € 809,882 thousand; change in fair value recognized in profit or loss for the year ended 31 December 2019: € 16,330 thousand; negative change in fair value recognized in other comprehensive income for the year ended 31 December 2019: € (236) thousand.

Refer to Note 3 (Significant accounting policies), Note 7 (Non-trading financial assets mandatorily at fair value through profit or loss), Note 8 (Financial assets at fair value through other comprehensive income) and Note 25 (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. For the majority of the securities held, their respective fair values are based on quoted prices of identical or similar instruments, while valuation techniques using market observable and unobservable inputs were applied for the remaining bonds and shares, and for investments in funds. In connection with the said valuations, there is a risk that the underlying markets for the instruments are not sufficiently active or that the transaction prices do not represent the fair value of the financial instruments at the measurement date. Due to the magnitude of the amounts involved, as well as the complexity involved and judgment required in measuring certain of these instruments, their valuation was a key area of focus during our audit.	Our audit procedures included, among others: • Testing the design, implementation and operating effectiveness of selected key controls over the measurement of financial instruments and management's oversight over the valuation process; • 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; • For more judgmental valuations, based on inputs other than quoted prices, evaluating the assumptions, methodologies and models used by the Bank, considering the requirements of the relevant financial reporting standards, and also, for on a sample basis, performing an independent valuation, assisted by our own valuation specialists; 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.

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

The Management Board is responsible for the preparation of 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 skepticism 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.

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

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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 Information in the Separate Annual Report

The Management Board is responsible for the information in the separate annual report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting"). Our opinion on the separate financial statements does not cover other information in the annual report.

In connection with our audit of the separate financial statements, our responsibility is to read the annual report 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, or otherwise appears to be materially misstated.

The annual report was not available to us as of the date of this auditors' report.

When we obtain the annual report of the Bank, we will consider whether it includes the disclosures required by the Act on Accounting and, based on the work undertaken in the course of the audit of the separate financial statements, we will express an opinion as to whether:

- the information given in the annual report for the year 2019 is consistent with the separate financial statements prepared for the same financial year; and
- the annual report contains information according to the Act on Accounting.

In addition, we will report whether we have identified any material misstatement in the annual report in light of the knowledge and understanding of the Bank and its environment that we have acquired during the course of the audit of the separate financial statements.

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

Appointment and approval of an auditor

We have been appointed as statutory auditor by the Management Board of the Bank on 17 July 2019 on the basis of approval by the General Meeting of the Bank on 20 June 2017. 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 seventeen 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 with audit committee functions, 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.

11 March 2020
Bratislava, Slovak Republic

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

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

A. Separate statement of financial position

	Notes	31. 12. 2019 EUR '000	31. 12. 2018 EUR '000
Assets			
Cash, cash balances at central banks and other demand deposits	5	354 016	302 390
Financial assets held for trading	6	1 021	1 799
Non-trading financial assets mandatorily at fair value through profit or loss	7	268 996	234 665
Financial assets at fair value through other comprehensive income	8	540 886	500 518
Financial assets at amortised cost	9	3 014 771	3 105 527
Debt securities	9	519 330	413 507
Loans and advances	9	2 447 410	2 641 769
thereof: Loans and advances to financial institutions	9	15 511	172 948
thereof: Loans and advances to customers	9	2 431 899	2 468 821
Other financial assets	9	48 031	50 251
Fair value changes of the hedged items in portfolio hedge of interest rate risk		1 965	869
Investments in subsidiaries, joint ventures and associates	11	69 122	47 637
Tangible assets	12	46 173	9 614
Intangible assets	13	31 067	27 252
Current tax assets		1 427	462
Deferred tax assets	14	18 457	17 409
Other assets	15	22 189	19 888
Total assets		**4 370 090**	**4 268 030**

	Notes	31. 12. 2019 EUR '000	31. 12. 2018 EUR '000
Liabilities			
Financial liabilities held for trading	6	3 968	469
Financial liabilities at amortised cost	16	3 695 363	3 609 647
Deposits	16	3 652 224	3 595 201
Other financial liabilities	16	43 139	14 446
Derivatives – Hedge accounting	10	9 420	5 607
Provisions	17	3 321	4 071
Current tax liabilities		-	2 775
Other liabilities	18	15 319	11 627
Total liabilities		**3 727 391**	**3 634 196**
Total equity	**19**	**642 699**	**633 834**
Total equity and liabilities		**4 370 090**	**4 268 030**

These separate financial statements, which include the notes on pages 53 - 135, were approved by the Board of Directors on 11 March 2020.

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Chairman of the Board of Directors
Andrej Zaťko

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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	2019 EUR '000	2018 EUR '000
Net interest income	22	160 145	167 015
Net fee and commission income	23	27 683	27 699
Dividend income	24	11 819	10 085
Net gains/(losses) from financial transactions	25	9 043	277
Net other operating expenses	26	(7 981)	(5 433)
Administrative expenses	27	(92 077)	(88 043)
Depreciation	28	(18 695)	(9 795)
Operating profit before impairment losses and provisions		**89 937**	**101 805**
Release/(creation) of provisions	29	755	2 049
Net impairment of financial assets not valued at fair value through profit and loss	29	(33 121)	(36 537)
Net impairment of investments in subsidiaries, joint ventures and associates	29	85	(1 697)
Net impairment on non-financial assets	29	157	75
Profit before tax		**57 813**	**65 695**
Income tax	30	(12 085)	(15 301)
Profit after tax		**45 728**	**50 394**

Statement of other comprehensive income	2019 EUR '000	2018 EUR '000
Items that may be reclassified to profit or loss	(2 251)	(932)
Revaluation of debt securities at fair value through other comprehensive income	(1 092)	(2 504)
Impairment losses for debt securities at fair value through other compre hensive income	234	136
Revaluation of hedging instruments	(2 027)	1 469
Deferred tax related to items that may be reclassified to profit or loss	618	3
Foreign currency translation	16	(36)
Items that may not be reclassified to profit or loss	664	199
Revaluation of equity instruments at fair value through other comprehensive income	856	243
Deferred tax related to items that may not be reclassified to profit or loss	(192)	(44)
Total other comprehensive income	**(1 587)**	**(733)**
Total comprehensive income for the year	**44 141**	**49 661**

Earnings per share		
Profit after tax	45 728	50 394
Number of issued shares	330 899	330 899
Earnings per share (in EUR)	**138,19**	**152,29**

The notes on pages 53 - 135 are an integral part of these separate financial statements.

C. Separate statement of changes in equity

EUR '000	Share capital	Share premium	Legal reserve fund	Revaluation of FVOCI financial assets	Foreign currency translation	Retained earnings	Total equity
Opening balance as of 1 January 2019	366 305	738	49 949	7 967	(9)	208 884	633 834
Total comprehensive income	–	–	–	(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)	16	–	(2 251)
Items that may not be reclassified to profit or loss	–	–	–	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	6 364	7	214 297	642 699

EUR '000	Share capital	Share premium	Legal reserve fund	Revaluation of FVOCI financial assets	Foreign currency translation	Retained earnings	Total equity
Opening balance as of 1 January 2018	366 305	738	45 159	12 618	27	217 887	642 734
Changes on initial application of IFRS 9	–	–	–	(3 954)	–	(28 982)	(32 936)
Excpected credit losses	–	–	–	848	–	(33 784)	(32 936)
Reclasification	–	–	–	(4 802)	–	4 802	–
Restated opening balance as of 1 January 2018	366 305	738	45 159	8 664	27	188 905	609 798
Total comprehensive income	–	–	–	(697)	(36)	50 394	49 661
Profit after tax	–	–	–	–	–	50 394	50 394
Items that may be reclassified to profit or loss	–	–	–	(896)	(36)	–	(932)
Items that may not be reclassified to profit or loss	–	–	–	199	–	–	199
Other transactions	–	–	4 790	–	–	(30 415)	(25 625)
Transfer to legal reserve fund	–	–	4 790	–	–	(4 790)	–
Dividends	–	–	–	–	–	(23 943)	(23 943)
Acquisition of part of the business	–	–	–	–	–	(1 682)	–
Closing balance as of 31 December 2018	366 305	738	49 949	7 967	(9)	208 884	633 834

The notes on pages 53 - 135 are an integral part of these separate financial statements.

D. Separate statement of cash-flows

	31. 12. 2019 EUR '000	31. 12. 2018 EUR '000
Profit before tax	**57 813**	**65 695**
Adjustments:		
Net interest income	(160 145)	(167 015)
Dividend income	(11 819)	(10 085)
Depreciation	18 695	9 795
Release/(creation) of provisions	(755)	(2 049)
Gains/(losses) on derecognition of non-financial assets, net	(35)	4
Net impairment of financial assets not valued at fair value through profit and loss	33 121	36 537
Net impairment of investments in subsidiaries, joint ventures and associates	(85)	1 697
Net impairment on non-financial assets	(157)	(75)
Cash flows from/(used in) operating activities before changes in working capital	**(63 367)**	**(65 496)**

	31. 12. 2019 EUR '000	31. 12. 2018 EUR '000
(Increase)/decrease in operating assets:		
Cash balances at central banks	(23 653)	(239 170)
Financial assets held for trading	778	(616)
Non-trading financial assets mandatorily at fair value through profit or loss	(34 331)	(55 385)
Financial assets at fair value through other comprehensive income	(46 860)	95 623
Financial assets at amortised cost	148 886	201 480
Loans and advances	146 666	191 719
Other financial assets	2 220	9 761
Other assets	(2 301)	(1 136)
Increase/(decrease) in operating liabilities:		
Financial liabilities held for trading		(5 377)
Financial liabilities measured at amortised cost, excluding subordinated debt and lease liabilities		(15 207)
Deposits		(5 778)
Other financial liabilities		(9 429)
Derivatives – Hedge accounting		1 869
Other liabilities		(3 687)
Cash flows from operating activities before interest and income tax		**(87 102)**
Interest received		167 731
Interest paid		(24 688)
Income tax paid		(11 414)
Net cash flows from/(used in) operating activities	**206 896**	**44 527**

The notes on pages 53 - 135 are an integral part of these separate financial statements.

	31. 12. 2019 EUR '000	31. 12. 2018 EUR '000
Cash flows from investing activities		
Financial assets at amortised cost - debt securities		
Purchase	(203 792)	(51 080)
Proceeds from sale and maturity	91 727	26 958
Interest received	14 484	16 721
Investments in subsidiaries, joint ventures and associates		
Purchase	(22 900)	(7 760)
Income from derecognition	1 646	-
Dividends received	11 627	10 078
Tangible and intangible assets		
Purchase	(29 386)	(13 291)
Proceeds from sale	42	19
Loss on acquisition of part of the business, before deferred tax	-	(2 129)
Net cash flows from/(used in) investing activities	**(136 552)**	**(20 484)**
Cash flows from financing activities		
Dividends paid	(35 276)	(23 937)
Financial liabilities at amortised cost - subordinated debt		
Interest paid	(481)	(427)
Financial liabilities at amortised cost - lease liabilities		
Lease payments	(6 203)	x
Interest expense	(405)	x
Net cash flows from/(used in) financing activities	**(42 365)**	**(24 364)**
Net increase/(decrease) in cash and cash equivalents	**27 979**	**(321)**
Cash and cash equivalents at the beginning of the period	**42 338**	**42 659**
Cash and cash equivalents at the end of the period	**70 317**	**42 338**

The notes on pages 53 - 135 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 ('the Branch') was registered in the Commercial Register of the Czech Republic on 18 November 2009. The Branch commenced its activities on 1 March 2010.

On 6 June 2017, 365.bank was incorporated in the Commercial Register of the Slovak Republic.

Shareholder's structure is as follows:

		31. 12. 2019		31. 12. 2018	
Name of shareholder	Address	Number of shares	Ownership in %	Number of shares	Ownership in %
J&T FINANCE GROUP SE	Pobřežní 297/14, 186 00 Praha 8, Česká republika	213 288	64,45	213 288	64,45
PBI, a. s. (dcérska spoločnosť J&T FINANCE GROUP SE)	Sokolovská 394/17, 186 00 Praha 8, Česká republika	112 506	34,00	112 506	34,00
Slovenská pošta, a. s.	Partizánska cesta 9, 975 99 Banská Bystrica	4 918	1,49	4 918	1,49
Ministerstvo dopravy, výstavbya regionálneho rozvoja SR	Námestie slobody 6, 810 05 Bratislava	100	0,03	100	0,03
UNIQA Versicherungen AG	Untere Donaustrasse 21, 1029 Wien, Rakúsko	87	0,03	87	0,03
Total		330 899	100,00	330 899	100,00

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
Jozef Kiss	Board member

The separate financial statements of the Bank for the year ended 31 December 2018 were approved by the Board of Directors on 13 March 2019.

The Bank's financial statements are included in the consolidated financial statements of J&T FINANCE GROUP SE, Pobřežní 297/14, 186 00 Prague, Czech Republic. The consolidated financial statements are available at the registered office of J&T FINANCE GROUP SE.

2. Basis of preparation of the separate financial statements

(a) Statement of compliance

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

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.

(b) Basis of preparation of the financial statements

These separate financial statements have been prepared on the historical cost basis, except for the following financial assets and liabilities, which are measured at fair value:

- Financial assets and liabilities held for trading
- Non-trading financial assets mandatorily at fair value through profit or loss ('FVPL')
- Financial assets and liabilities designated at FVPL
- Financial assets at fair value through other comprehensive income ('FVOCI')
- Hedging derivatives

(c) Going concern assumption

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

(d) Functional and presentation currencies

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.

(e) Subsidiaries, joint ventures and associates

As at 31 December 2019 the Bank held shares in the following subsidiaries, joint ventures and associates:

Company name	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.	Investment services	100,00
NADÁCIA POŠTOVEJ BANKY	Charitable foundation	

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

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. NADÁCIA POŠTOVEJ BANKY is not included in the consolidated financial statements of the Bank.

The Bank includes the capital fund 365.world, o.p.f. into the consolidated financial statement, in accordance with IFRS 10, and therefore the fund is presented as a subsidiary.

3. Accounting policies

3.1 Changes in accounting policies

On 1 January 2019, the Bank adopted IFRS 16 which supersedes IAS 17 Leases and related interpretations. The new standard eliminates the current dual accounting model for lessees. Instead, companies show most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases. Under IFRS 16, the lessee recognises a right-of-use asset, which conveys the right to control the use of an identified asset, and a lease liability, that represents an obligation to make lease payments. The standard introduces limited scope exceptions for short-term leases, and leases with a low value of the underlying asset.

In addition, the nature of expenses related to lease contracts will change, because IFRS 16 replaces linear expenses from operating lease contracts with depreciation charge for right-of-use assets, and an interest expense on the lease liabilities. The adoption of a new standard does not have a material impact on the lessor`s accounting. The distinction between a finance and operating lease will be retained by the lessor.

The Bank initially applied IFRS 16 using the modified retrospective approach, which requires the cumulative impact of applying IFRS 16 to be accounted for as an adjustment to equity without restatement of comparative periods. However, the Bank initially adopted a simplified approach and accounted the right-of-use assets in the same amount as lease liability, i.e. with no impact on equity. As the Bank applied the modified retrospective approach, the comparative data are not restated and are recognised in line with IAS 17 and IFRIC 4.

The table below summarises the impact of IFRS 16 as of 1 January 2019:

IFRS 16	tis. eur
Righ of use assets	32 865
Lease liabilities	32 865

The application of other accounting standards since 1 January 2019 had no significant impact on the financial statements of the Bank.

3.2 Significant accounting 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 expense

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) Lease payments (IAS 17 until 31 December 2018)

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term, so as to produce a constant periodic rate of interest on the remaining balance of the liability. Off-balance sheet lease liabilities are accounted for by revising the minimum lease payments over the remaining lease term, when the lease adjustment is confirmed.

(g) 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.

(h) 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 initial recognition, 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 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. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. 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. Impairment losses (or reversal of impairment losses) are not reported separately from other changes in fair value. 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.

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.

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.

(i) 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 take into account 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 10. 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 10. Hedging derivatives.

If the derivative expires or is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, 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, is sold, terminated, exercised, no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, 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.

(j) 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 not control or joint control, over the financial and operating policies.

A joint venture is an arrangement in which the Bank has joint control, whereby the Bank has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.
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.

(k) 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	Metóda
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.

(l) Assets acquired based on finance lease contracts (IAS 17 until 31 December 2018)

Leases under which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of either its fair value, or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are operating leases, and the assets are not recognised on the Bank's statement of financial position.

(m) Right-of-use assets and lease liabilities (IFRS 16 since 1 January 2019)

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 12. Tangible assets, and lease liabilities are presented in Note 16. Financial liabilities at amortised cost. Interest expenses relating to lease liabilities are presented separately from depreciation relating to right-of-use assets.

(n) 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.

(o) 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). This is unless such a 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.

(p) 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.

The same principles as for measurement of expected credit losses for financial assets, are also applied for measurement of provisions for off-balance sheet exposures, arising from loans and other commitments and guarantees given.

(q) 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.

(r) 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.

(s) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments were not effective for the reporting period ending 31 December 2019 and were not applied in these financial statements:

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

The amendments address the issues affecting financial reporting in the period leading up to IBOR reform. They are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.

All companies with hedges affected by IBOR reform are required to:

- Assume that the interest rate benchmark, on which hedged cash flows are based, is not altered as a result of IBOR reform, when assessing whether the future cash flows are highly probable. Also, for discontinued hedging relationships, the same assumption is applied for determining whether the hedged future cash flows are expected to occur
- Assess whether the economic relationship between the hedged item and the hedging instrument exists, based on the assumptions that the interest rate benchmark, on which the hedged item and the hedging instrument are based, is not altered as a result of IBOR reform
- Not discontinue a hedging relationship during the period of uncertainty arising from IBOR reform, solely because the actual results of the hedge are outside the range of 80-125 %
- Apply the separately identifiable requirement only at the inception of the hedging relationship. A similar exception is also provided for redesignation of hedged items in hedges where dedesignation and redesignation take place frequently – e.g. macro-hedges

The following interpretations and amended standards, not yet effective for the accounting period ended on 31 December 2019, were not applied in the financial statements:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IFRS 3 Business Combinations;
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

New standards and interpretations are not expected to have a significant impact on the financial statements when initially applied.

4. 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).

A 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 34. 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 32. Fair values of financial assets and liabilities.

5. 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. 2019	31. 12. 2018
Cash on hand	27 791	26 022
Cash balances at central banks	283 699	260 052
Other demand deposits	42 526	16 316
Total	**354 016**	**302 390**

The above mentioned financial assets are not restricted.

Cash and cash equivalents are as follows:

EUR '000	31. 12. 2019	31. 12. 2018	31. 12. 2017
Cash on hand	27 791	26 022	25 114
Other demand deposits	42 526	16 316	17 545
Total	**70 317**	**42 338**	**42 659**

6. Financial assets and liabilities held for trading

EUR '000	31. 12. 2019	31. 12. 2018
Financial assets held for trading		
Derivatives	1 021	1 799
Foreign exchange and gold	1 021	1 799
Total	**1 021**	**1 799**
Financial liabilities held for trading		
Derivatives	3 968	469
Foreign exchange and gold	3 968	469
Total	**3 968**	**469**

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

EUR '000	31. 12. 2019			31. 12. 2018		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives held for trading						
Foreign exchange and gold	342 052	1 021	3 968	224 544	1 799	469
Spolu	**342 052**	**1 021**	**3 968**	**224 544**	**1 799**	**469**

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

EUR '000	31. 12. 2019	31. 12. 2018
Nástroje vlastného imania	**268 996**	**234 665**
Podielové listy	268 996	234 665
Spolu	**268 996**	**234 665**

8. Financial assets at fair value through other comprehensive income

EUR '000	31. 12. 2019	31. 12. 2018
Equity instruments	2 892	1 999
Shares	2 892	1 999
Debt securities	537 994	498 519
General governments	330 130	280 682
Credit institutions	48 295	63 692
Other financial corporations	50 943	41 443
Non-financial corporations	108 626	112 702
Total	**540 886**	**500 518**
Impairment allowances to debt securities in OCI	(1 218)	(984)

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 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)**

EUR '000	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2018	**(848)**	**-**	**-**	**-**	**(848)**
Increases due to origination and acquisition	(264)	-	-	-	(264)
Decreases due to derecognition	111	-	-	-	111
Changes due to change in credit risk (net)	31	-	-	-	31
Transfers:	-	-	-	-	-
to/(from) Stage 1	x	-	-	-	-
to/(from) Stage 2	-	x	-	-	-
to/(from) Stage 3	-	-	x	-	-
Changes due to movements in FX rates	(14)	-	-	-	(14)
As of 31 December 2018	**(984)**	**-**	**-**	**-**	**(984)**

9. Financial assets at amortised cost

EUR '000	Gross value		Impairment allowances		Amortized costs	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Debt securities	**526 860**	**415 913**	**(7 530)**	**(2 406)**	**519 330**	**413 507**
Central banks	-	-	-	-	-	-
General governments	427 647	290 309	(132)	(78)	427 515	290 231
Credit institutions	30 983	6 002	(13)	-	30 970	6 002
Other financial corporations	1 548	-	-	-	1 548	-
Non-financial corporations	66 682	119 602	(7 385)	(2 328)	59 297	117 274
Loans and advances	**2 647 812**	**2 839 099**	**(200 402)**	**(197 330)**	**2 447 410**	**2 641 769**
Central banks	409	165 726	-	-	409	165 726
General governments	-	-	-	-	-	-
Credit institutions	15 108	7 242	(6)	(20)	15 102	7 222
Other financial corporations	325 255	282 519	(13 690)	(8 557)	311 565	273 962
Non-financial corporations	978 345	1 196 401	(69 259)	(81 018)	909 086	1 115 383
Households	1 328 695	1 187 211	(117 447)	(107 735)	1 211 248	1 079 476
Other financial assets	**48 202**	**50 460**	**(171)**	**(209)**	**48 031**	**50 251**
Total	**3 222 874**	**3 305 472**	**(208 103)**	**(199 945)**	**3 014 771**	**3 105 527**

Other financial assets comprise the following:

EUR '000	31. 12. 2019	31. 12. 2018
Other financial assets, gross	**48 202**	**50 460**
Clearing and settlement items	5 243	7 468
Cash collateral	6 805	6 678
Trade receivables	2 262	1 493
Other	33 892	34 821
Impairment allowances	**(171)**	**(209)**
Total	**48 031**	**50 251**

Impairment allowances comprise the following:

EUR '000	Stage 1		Stage 2		Stage 3		POCI	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Debt securities	**(145)**	(2 406)	(7 385)	–	–	–	–	–
Central banks	–	–	–	–	–	–	–	–
General governments	(132)	(78)	–	–	–	–	–	–
Credit institutions	(13)	–	–	–	–	–	–	–
Other financial corporations	–	–	–	–	–	–	–	–
Non-financial corporations	–	(2 328)	(7 385)	–	–	–	–	–
Loans and advances	**(26 507)**	**(23 723)**	**(21 456)**	**(26 723)**	**(134 853)**	**(146 884)**	**(17 586)**	–
Central banks	–	–	–	–	–	–	–	–
General governments	–	–	–	–	–	–	–	–
Credit institutions	(6)	(10)	–	(10)	–	–	–	–
Other financial corporations	(1 764)	(1 790)	–	–	(21)	(6 767)	(11 905)	–
Non-financial corporations	(14 419)	(9 612)	(3 717)	(4 989)	(45 454)	(66 417)	(5 669)	–
Households	(10 318)	(12 311)	(17 739)	(21 724)	(89 378)	(73 700)	(12)	–
Other financial assets	–	–	**(171)**	**(209)**	–	–	–	–
Total	**(26 652)**	**(26 129)**	**(29 012)**	**(26 932)**	**(134 853)**	**(146 884)**	**(17 586)**	–

The movements in impairment allowances 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 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	Debt securities				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2018	**(1 328)**	**-**	**-**	**-**	**(1 328)**
Increases due to origination and acquisition	(130)	(2)	-	-	(132)
Decreases due to derecognition	65	7	-	-	72
Changes due to change in credit risk (net)	(1 013)	(5)	-	-	(1 018)
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 2018	**(2 406)**	**-**	**-**	**-**	**(2 406)**

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)**

EUR '000	Loans and advances				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2018	**(34 610)**	**(16 374)**	**(149 566)**	**-**	**(200 550)**
Increases due to origination and acquisition	(12 613)	(1 958)	(12 702)	-	(27 273)
Decreases due to derecognition	8 595	2 529	47 710	-	58 834
Changes due to change in credit risk (net)	10 356	(16 622)	(21 955)	-	(28 221)
Transfers:	4 561	5 702	(10 263)	-	-
to/(from) Stage 1	x	(5 342)	781	-	(4 561)
to/(from) Stage 2	5 342	x	(11 044)	-	(5 702)
to/(from) Stage 3	(781)	11 044	x	-	10 263
Changes due to movements in FX rates	(12)	-	(108)	-	(120)
As of 31 December 2018	**(23 723)**	**(26 723)**	**(146 884)**	**-**	**(197 330)**

10. 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. 2019			31. 12. 2018		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives - Hedge accounting	**253 976**	**-**	**7 183**	**211 610**	**-**	**4 656**
Interest rate	253 976	-	7 183	211 610	-	4 656
Portfolio fair value hedges of interest rate risk	93 400	-	2 237	93 400	-	951
Total	**347 376**	**-**	**9 420**	**305 010**	**-**	**5 607**

EUR '000	2019	2018
Fair value changes of the hedging instrument	(3 074)	(1 761)
Fair value changes of the hedged item attributable to the hedged risk	3 123	1 761
Total	49	-

11. Investments in subsidiaries, joint ventures and associates

EUR '000	31. 12. 2019	31. 12. 2018
Cost	**74 273**	**52 873**
Subsidiaries	73 659	52 259
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.	28 477	6 477
PB Servis, a.s.	605	605
PB Finančné služby, a.s.	4 615	4 615
PB Partner, a.s.	4 603	4 603
365.fintech, a.s.	2 000	1 100
365.world, o.p.f.	500	2 000
Joint ventures	140	140
SPPS, a.s.	140	140
Associates	474	474
ART FOND – Stredoeurópsky fond súčasného umenia, a.s.	474	474
Impairment	**(5 151)**	**(5 236)**
Total	**69 122**	**47 637**

The company PB Partner, a.s. went into liquidation on 8 April 2019.

The Bank increased other capital funds in its subsidiaries, Amico Finance and 365.fintech, during the year 2019.

In addition, some of the 365.world equity securities were re-deemed. As a result, total equity securities issued by the investment fund decreased, while the Bank retained control over the fund.

The following changes to investments in subsidiaries, jointly controlled entities, associate jointly controlled entities, and associates occurred during 2018:

- The Bank acquired part of PB Partner, a.s. Recognition of this business combination involving entities under common control was implemented by the pooling of interests method. The difference between the acquisition cost and net assets value was recognised in the Bank's equity.
- The Company 365.fintech, a.s. was incorporated in the Commercial Register.
- The liquidation of subsidiary PB IT, a.s. was completed.
- The Bank obtained control in Amico Finance, a.s.

12. Tangible assets

EUR '000	31. 12. 2019	31. 12. 2018
Tangible assets owned	22 012	9 614
Property, plant and equipment	22 012	9 614
Right of use assets	24 161	x
Total	46 173	9 614

	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 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	Tangible assets owned Land and buildings	Hardware	Fittings and other equip-ment	Assets not yet in use	Total
Cost					
As of 1 January 2018	7 507	7 460	12 520	1 072	28 559
Additions from business combinations	-	-	-	2 597	2 597
Additions from acquisition of the business	-	-	-	205	205
Transfers	39	1 834	1 306	(3 179)	-
Disposals	(283)	(138)	(1 013)	-	(1 434)
As of 31 December 2018	**7 263**	**9 156**	**12 813**	**695**	**29 927**
Accumulated depreciation					
As of 1 January 2018	(3 644)	(5 262)	(9 032)	-	(17 938)
Depreciation for the year	(182)	(1 201)	(1 603)	-	(2 986)
Disposals	60	135	1 219	-	1 414
As of 31 December 2018	**(3 766)**	**(6 328)**	**(9 416)**	**-**	**(19 510)**
Impairment losses	**(791)**	**-**	**(12)**	**-**	**(803)**
Carrying amount as at 31.12.2018	**2 706**	**2 828**	**3 385**	**695**	**9 614**

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 losses were as follows:

EUR '000	31. 12. 2019	31. 12. 2018
Opening balance as at 1 January	(803)	(878)
Net creation/(release) of impairment losses	157	75
Closing balance	(646)	(803)

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

EUR '000	31. 12. 2019	31. 12. 2018
Costs of fully depreciated tangible assets in use	9 246	9 620

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. 2019	31. 12. 2018
Insurance amount of fixed assets	43 204	9 600

13. Intangible assets

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**

EUR '000	Software	Other intangible assets	Assets not yet in use	Total
Cost				
As of 1 January 2018	43 410	64	4 606	48 080
Additions	-	-	10 388	10 388
Additions from acquisition of the business	-	-	101	101
Transfers	12 334	19	(12 353)	-
Disposals	(302)	-	(313)	(615)
As of 31 December 2018	**55 442**	**83**	**2 429**	**57 954**
Accumulated amortisation				
As of 1 January 2018	(24 164)	(31)	-	(24 195)
Amortisation for the year	(6 788)	(21)	-	(6 809)
Disposals	302	-	-	302
As of 31 December 2018	**(30 650)**	**(52)**	**-**	**(30 702)**
Impairment losses	**-**	**-**	**-**	**-**
Carrying amount as at 31.12.2018	**24 792**	**31**	**2 429**	**27 252**

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

EUR '000	31. 12. 2019	31. 12. 2018
Costs of fully amortized intangible assets in use	10 388	8 148

14. Deferred tax assets and liabilities

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

	31. 12. 2019	31. 12. 2018
Companies in SR	21 %	21 %
Companies in CR	19 %	19 %

EUR '000	31. 12. 2019	31. 12. 2018
SR		
Impairment on financial assets at AC	16 015	15 822
Impairment on financial assets at FVOCI	-	512
Provisions for off-balance sheet exposures	468	627
Revaluation of financial assets at FVOCI	(1 692)	(2 118)
Tangible assets	(103)	(300)
Other	3 644	2 739
Total	**18 332**	**17 282**
CR		
Provisions for off-balance sheet exposures	106	105
Tangible assets	(1)	(1)
Other	20	23
Total	**125**	**127**
Total deferred tax assets	**18 457**	**17 409**

Movements in deferred tax were as follows:

EUR '000	Note	31. 12. 2019	31. 12. 2018
Opening balance as at 1 January		17 409	11 693
Through profit or loss	30	622	778
Through other comprehensive income		426	(41)
Through retained earnings		-	4 979
Closing balance		**18 457**	**17 409**

15. Iné aktíva

EUR '000	31. 12. 2019	31. 12. 2018
Deferred expenses	10 829	12 202
Accrued income	804	1 008
Inventories	437	631
Prepayments	10 119	6 047
Total	**22 189**	**19 888**

16. Financial liabilities measured at amortised cost

EUR '000	31. 12. 2019	31. 12. 2018
Deposits	**3 652 224**	**3 595 201**
General governments	3 409	5 187
Current accounts / overnight deposits	2 294	2 124
Deposits with agreed maturity	1 115	3 063
Credit institutions	14 033	112 384
Current accounts / overnight deposits	6 019	4 661
Deposits with agreed maturity	8 014	8 013
Repurchase agreements	-	99 710
Other financial corporations	161 120	192 683
Current accounts / overnight deposits	100 365	151 350
Deposits with agreed maturity	60 755	41 333
Non-financial corporations	335 849	373 708
Current accounts / overnight deposits	286 142	273 293
Deposits with agreed maturity	49 707	100 415
Households	3 137 813	2 911 239
Current accounts / overnight deposits	1 543 925	1 435 237
Deposits with agreed maturity	1 419 359	1 278 543
Deposits redeemable at notice	174 529	197 459
Other financial liabilities	**43 139**	**14 446**
Clearing and settlement items	10 680	7 088
Liabilities to employees	4 349	4 136
Liabilities from social and health insurance and social fund	1 549	1 425
Tax liabilities	1 021	939
Liabilities from dividends	28	28
Lease liabilities	24 330	x
Other creditors	1 182	830
Spolu	**3 695 363**	**3 609 647**

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

EUR '000	31. 12. 2019	31. 12. 2018
Subordinated debt	8 014	8 013

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. 2019	31. 12. 2018
Opening balance as at 1 January	8 013	8 013
Interest expenses	482	427
Interest paid	(481)	(427)
Closing balance	**8 014**	**8 013**

17. Provisions

EUR '000	31. 12. 2019	31. 12. 2018
Commitments and guarantees given	2 787	3 540
Loan commitments	2 037	2 892
Guarantees given	750	648
Other provisions	534	531
Total	**3 321**	**4 071**

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

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**

EUR '000	Commitments and guarantees given				
	Stage 1	Stage 2	Stage 3	POCI	Total
As of 1 January 2018	**1 711**	**2 243**	**2 167**	**-**	**6 121**
Increases due to origination and acquisition	1 899	1 535	48	-	3 482
Decreases due to derecognition	(1 178)	(1 632)	(1 030)	-	(3 840)
Changes due to change in credit risk (net)	(1 575)	(964)	316		(2 223)
Transfers:	381	(381)	-	-	-
(to)/from Stage 1	x	(381)	-	-	(381)
(to)/from Stage 2	381	x	-	-	381
(to)/from Stage 3	-	-	x	-	-
Changes due to movements in FX rates	-	-	-	-	-
As of 31 December 2018	**1 238**	**801**	**1 501**	**-**	**3 540**

18. Other liabilities

EUR '000	31. 12. 2019	31. 12. 2018
Estimated payables (PEREX, OPEX)	15 129	11 320
Deferred income	190	307
Total	**15 319**	**11 627**

19. Equity

a) Share capital

EUR '000	31. 12. 2019	31. 12. 2018
Nominal value per share	1 107	1 107
Number of shares	330 899	330 899
Total share capital	**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 its annual net profit each year, 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	**50 394**
Dividends	35 276
Transfer to retained earnings	10 079
Transfer to legal reserve fund	5 039

f) Proposal of distribution of profit for current period

Profit distribution for the current period is subject to the approval of the Shareholders' meeting.

20. Off-balance sheet items

a) Loan commitments, financial guarantees and other commitments given

EUR '000	31. 12. 2019	31. 12. 2018
Loan commitments given	329 783	307 164
Financial guarantees given	37 210	36 369
Total	**366 993**	**343 533**

b) Assets involved in the services provided

EUR '000	31. 12. 2019	31. 12. 2018
Asset management	917 202	468 586
Custody assets	159 609	154 409
Total	**1 076 811**	**622 995**

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. 2019	31. 12. 2018
Financial assets at fair value through other comprehensive income	37 424	118 508
Financial assets at amortised cost	187 260	168 525
Total	**224 684**	**287 033**

d) Transferred financial assets

The table below summarises the carrying amount of transferred financial assets, which are not derecognised by the Bank in their entirety, and the carrying amount of associated liabilities (repo agreement).

EUR '000	Carrying amount of transferred assets		Carrying amount of associated liabilities	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Debt securities	-	106 662	-	99 710
Collateral given in repurchase agreements	**-**	**106 662**	**-**	**99 710**

21. 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. 2019	Values, gross	Presented values, net	Vykázané hodnoty, netto	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**

31. 12. 2018	Values, gross	Presented values, net	Vykázané hodnoty, netto	Possible effect of master offsetting agreements			Net values after possible offsetting
				Financial instru-ments	Cash collateral	Non-cash financial collateral	
Financial assets							
Derivatives	1 799	-	1 799	108	212	-	1 479
Hedging derivatives	-	-	-	-	-	-	-
Total assets	**1 799**	**-**	**1 799**	**108**	**212**	**-**	**1 479**
Financial liabilities							
Derivatives	469	-	469	108	-	-	361
Hedging derivatives	5 607	-	5 607	-	4 860	-	747
Total liabilities	**6 076**	**-**	**6 076**	**108**	**4 860**	**-**	**1 108**

22. Net interest income

EUR '000	2019	2018
Interest income		
Financial assets at fair value through other comprehensive income	8 407	8 908
Financial assets at amortised cost	163 742	168 072
Debt securities	14 105	17 579
Loans and advances	149 637	150 493
Derivatives - Hedge accounting, interest rate risk	(2 189)	(1 272)
Other assets	122	49
Cash balances at central banks	10	11
Other	112	38
Total interest income	**170 082**	**175 757**
Interest expenses		
Financial liabilities measured at amortised cost	(9 926)	(8 730)
thereof: lease liabilities	(405)	x
Other liabilities	(11)	(12)
Total interest expense	**(9 937)**	**(8 742)**
Net interest income	**160 145**	**167 015**

EUR '000	2019	2018
Interest income calculated on an EIR	172 271	177 029
Other interest income	(2 189)	(1 272)
Total interest income	**170 082**	**175 757**

23. Net fee and commission income

EUR '000	2019	2018
Fee and commission income		
Securities	57	4
Clearing and settlement	15 174	8 615
Custody	2 450	2 032
Payment services	2 890	1 702
Loan servicing activities	2 309	2 767
Current accounts servicing activities	23 514	23 022
Loan commitments given	876	381
Financial guarantees given	323	403
Other	5 092	5 118
Total fee and commission income	**52 685**	**44 044**
Fee and commission expenses		
Clearing and settlement	(18 862)	(11 535)
Custody	(265)	(209)
Loan servicing activities	(1 588)	(1 778)
Other	(4 287)	(2 823)
Total fee and commission expenses	**(25 002)**	**(16 345)**
Net fee and commission income	**27 683**	**27 699**

24. Dividend income

EUR '000	2019	2018
Non-trading financial assets mandatorily at fair value through profit or loss	175	-
Financial assets at fair value through other comprehensive income	17	7
Investments in subsidiaries, joint ventures and associates	11 627	10 078
Total	**11 819**	**10 085**

25. Net gains/(losses) from financial transactions

EUR '000	2019	2018
Gains/(losses) on derecognition of financial assets and liabilities not at FVPL	**142**	**278**
Financial assets at fair value through other comprehensive income	(4)	344
Equity instruments	(4)	341
Debt securities	-	3
thereof: reclassified from other comprehensive income	-	(14)
Other	146	(66)
Gains/(losses) on financial assets and liabilities held for trading, net	**(9 743)**	**(1 976)**
Derivatives	(9 743)	(2 271)
Equity instruments	-	294
Debt securities	-	1
Gains/(losses) on non-trading financial assets mandatorily at FVPL, net	**16 330**	**3 187**
Revaluation gains/(losses)	16 330	2 728
Trading gains/(losses)	-	459
Gains/(losses) from hedge accounting, net	**49**	**-**
Fair value changes of the hedging instrument	(3 074)	(1 761)
Fair value changes of the hedged item attributable to the hedged risk	3 123	1 761
Exchange differences, net	**2 265**	**(1 212)**
Total	**9 043**	**277**

26. Net other operating expenses

EUR '000	2019	2018
Bank specific fees	**(7 918)**	**(7 834)**
Special levy for banking institutions	(7 330)	(7 202)
Resolution fund	(288)	(310)
Deposit protection fund	(300)	(322)
Other income/(expense)	**(63)**	**2 401**
Gains/(losses) on derecognition of non-financial assets, net	35	(4)
Other	(98)	2 405
Total net other operating expense	**(7 981)**	**(5 433)**

27. Administrative expenses

EUR '000	2019	2018
Staff expenses	**(50 149)**	**(43 802)**
Wages and salaries (including bonuses)	(36 071)	(30 823)
Social expenses	(14 078)	(12 979)
Other administrative expenses	**(41 928)**	**(44 241)**
Rent, energies, facility services and maintenance	(4 633)	(11 466)
Short-term lease contracts	(1 195)	x
Leases of low-value assets	-	x
Variable lease payments not included in the lease liabilities	(330)	x
Other	(3 108)	x
IT expenses	(7 460)	(6 116)
Marketing and advertisement	(10 063)	(8 092)
Legal and consulting services	(2 739)	(2 101)
Post and telecommunication	(3 562)	(3 136)
Material consumption	(1 355)	(1 298)
Other administrative expenses	(12 116)	(12 032)
Total	**(92 077)**	**(88 043)**

	2019	2018
Number of employees as of balance sheet date	1 274	1 344
Average number of employees for the period	1 317	1 363
thereof, key management	21	18

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

EUR '000	31. 12. 2019	31. 12. 2018
Audit of the financial statements	(203)	(203)
Non-audit services required by EU legislation	(62)	(62)
Other assurance services	-	-
Total	**(265)**	**(265)**

28. Depreciation

EUR '000	2019	2018
Property, plant and equipment	**(4 153)**	**(2 986)**
Buildings	(805)	(182)
Hardware	(1 448)	(1 201)
Fittings and other equipment	(1 900)	(1 603)
Right of use assets	**(6 203)**	**x**
Buildings	(5 506)	x
Hardware	(53)	x
Fittings and other equipment	(644)	x
Intangible assets	**(8 339)**	**(6 809)**
Software	(8 316)	(6 788)
Other intangible assets	(23)	(21)
Total	**(18 695)**	**(9 795)**

29. Impairment losses and provisions

EUR '000	2019	2018
Net impairment of financial assets not valued at fair value through profit or loss	**(33 121)**	**(36 537)**
Financial assets at fair value through other comprehensive income	(234)	(127)
Debt securities	(234)	(127)
Financial assets at amortised cost	(32 887)	(36 410)
Debt securities	(5 124)	(1 072)
Loans and advances	(27 797)	(35 663)
Other financial assets	34	325
Net impairment of investments in subsidiaries, joint ventures and associates	85	(1 697)
Subsidiaries	85	(1 697)
Release/(creation) of provisions	**755**	**2 049**
Net impairment on non-financial assets	**157**	**75**
Total	**(32 124)**	**(36 110)**

30. Income tax

EUR '000	2019	2018
Current income tax	**(12 707)**	**(16 079)**
Current year	(13 854)	(16 153)
Correction of prior period	1 182	677
Withholding tax	(35)	(603)
Deferred tax	**622**	**778**
Total	**(12 085)**	**(15 301)**

Reconciliation of the effective tax rate:

EUR '000	2019		2018	
	Daňový základ	Daň 21 %	Daňový základ	Daň 21 %
Profit before tax	57 813	12 141	65 695	13 796
Tax non-deductible items	(34 032)	(7 147)	(42 711)	(8 969)
Tax deductible items	42 190	8 860	53 935	11 326
Income tax expense before utilizing tax losses	x	13 854	x	16 153
Use of losses carried forward	x	-	x	-
Offset of tax paid abroad	x	(203)	x	(456)
Withholding tax	x	35	x	603
Tax paid abroad	x	203	x	456
Correction of previous period	x	(1 182)	x	(677)
Deferred tax	x	(622)	x	(778)
Total	**x**	**12 085**	**x**	**15 301**
Effective tax rate		**20,90 %**		**23,29 %**

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.

31. Related parties 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. persons having authority and responsibility for planning, managing and controlling the activities of the Bank, including directors and managing employees of the Bank, and persons 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. 2019	Share-holders	Members of J&T FINANCE GROUP SE	Subsidiar-ies	Joint ventures	Associates	Key manage-ment nd 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	-	-	1 049	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)

31. 12. 2018	Share-holders	Members of J&T FINANCE GROUP SE	Subsidiar-ies	Joint ventures	Associates	Key manage-ment nd related parties	Others
Assets	**-**	**250**	**23 652**	**94**	**-**	**950**	**46 186**
Other demand deposits	-	209	-	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-	-
Non-trading financial assets mandatorily at FVPL	-	-	-	-	-	-	-
Financial assets designated at FVPL	-	-	-	-	-	-	-
Financial assets at FVOCI	-	-	-	-	-	-	-
Financial assets at amortised cost	-	41	23 652	94	-	950	46 186
Debt securities	-	-	-	-	-	-	-
Loans and advances	-	-	21 584	-	-	950	46 186
Other financial assets	-	41	2 068	94	-	-	-
Liabilities	**4**	**15 492**	**24 263**	**2 177**	**-**	**600**	**1 624**
Financial liabilities held for trading	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost	4	15 492	24 263	2 177	-	600	1 624
Deposits	4	15 489	22 593	2 177	-	600	1 624
Other financial liabilities	-	3	1 670	-	-	-	-
Derivatives – Hedge accounting	-	-	-	-	-	-	-
2018							
Income/expenses							
Net interest income	-	177	897	-	-	9	1 254
Net fee and commission income	(79)	4	4 075	1 408	-	2	13
Net gains/(losses) from financial transactions	-	(1 696)	-	-	-	-	-
Net other operating expenses	-	14	(2 061)	93	-	-	-
Administrative expenses	-	(16)	(8 300)	-	-	(1 885)	(126)

32. 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.

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. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
ASSETS								
Financial assets held for trading	**-**	**-**	**1 021**	**1 799**	**-**	**-**	**1 021**	**1 799**
Derivatives	-	-	1 021	1 799	-	-	1 021	1 799
Non-trading financial assets mandatorily at FVPL	**-**	**-**	**268 996**	**234 665**	**-**	**-**	**268 996**	**234 665**
Equity instruments	-	-	268 996	234 665	-	-	268 996	234 665
Financial assets at FVOCI	**429 368**	**322 125**	**2 827**	**65 625**	**108 691**	**112 768**	**540 886**	**500 518**
Equity instruments	-	-	2 827	1 934	65	65	2 892	1 999
Debt securities	429 368	322 125	-	63 691	108 626	112 703	537 994	498 519
Total assets	**429 368**	**322 125**	**272 844**	**302 089**	**108 691**	**112 768**	**810 903**	**736 982**

EUR '000	Level 1		Level 2		Level 3		Total	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
LIABILITIES								
Financial liabilities held for trading	**-**	**-**	**3 968**	**469**	**-**	**-**	**3 968**	**469**
Derivatives	-	-	3 968	469	-	-	3 968	469
Derivatives – Hedge accounting	**-**	**-**	**9 420**	**5 607**	**-**	**-**	**9 420**	**5 607**
Total liabilities	**-**	**-**	**13 388**	**6 076**	**-**	**-**	**13 388**	**6 076**

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

EUR '000	1. 1. 2019	Gains / losses in PL	Gains / losses in OCI	Purchases	Maturities and sales	Transfers into Level 3	Transfers out Level 3	31. 12. 2019
Financial assets at fair value through OCI	112 768	399	(2 922)		(1 554)	-	-	108 691
Total	**112 768**	**399**	**(2 922)**	**-**	**(1 554)**	**-**	**-**	**108 691**

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

EUR '000	31 December 2019			31 December 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Financial assets at fair value through OCI						
Transfers into the category	35 096	-	-	-	-	-
Transfers out of the category	-	(35 096)	-	-	-	-
Total assets	**35 096**	**(35 096)**	**-**	**-**	**-**	**-**

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

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	-

31 December 2018	Carrying amount	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS					
Cash, cash balances at central banks and other demand deposits	**302 390**	**302 390**	**-**	**302 390**	**-**
Financial assets at amortised cost	**3 105 527**	**3 315 321**	**319 298**	**228 696**	**2 767 327**
Debt securities	413 507	430 425	319 298	5 992	105 135
Loans and advances	2 641 769	2 834 645	-	172 453	2 662 192
Other financial assets	50 251	50 251	-	50 251	-
FINANCIAL LIABILITIES					
Financial liabilities measured at amortised cost	**3 609 647**	**3 613 051**	**-**	**3 613 051**	**-**
Deposits	3 595 201	3 598 605	-	3 598 605	-
Other financial liabilities	14 446	14 446	-	14 446	-

33. 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.

34. 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. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Central banks	**-**	**-**	**409**	**165 726**	**-**	**-**	**-**	**-**	**-**	**-**
General governments	**427 647**	**290 309**	**-**	**-**	**330 130**	**280 682**	**-**	**-**	**-**	**-**
Credit institutions	**30 983**	**6 002**	**15 108**	**7 242**	**48 295**	**63 692**	**-**	**-**	**-**	**-**
Other financial corporations	**1 548**	**-**	**325 255**	**282 519**	**50 943**	**41 443**	**52**	**27 008**	**5 117**	**5 054**
Non-financial corporations	**66 682**	**119 602**	**978 345**	**1 196 401**	**108 626**	**112 702**	**200 116**	**150 769**	**32 093**	**31 315**
A Agriculture, forestry and fishing	-	-	-	-	-	-	-	-	-	-
B Mining and quarrying	-	-	-	-	-	-	-	-	-	-
C Manufacturing	-	-	71 337	133 436	3 020	3 015	1 653	6 755	68	39
D Electricity, gas, steam and air conditioning supply	-	41 811	125 929	139 843	-	-	50 003	50 064	-	-
E Water supply	-	-	14	41	-	-	-	-	-	-
F Construction	-	-	57 466	40 700	-	-	24 189	3 195	9 244	5 068
G Wholesale and retail trade	-	-	78 270	113 968	-	-	3 735	27 799	4 213	3 789
H Transport and storage	-	-	1 265	21 312	-	-	11 074	8 709	1 184	1 170
I Accommodation and food service activities	-	-	47 591	87 395	53 111	52 402	165	2 215	-	-
J Information and communication	-	-	13 745	13 201	-	-	4 088	3 050	-	4 000
K Financial and insurance activities	-	10 357	-	-	12 415	13 848	68 777	24 314	10 000	10 000
L Real estate activities	66 682	67 434	320 599	314 669	-	-	34 123	21 189	-	-
M Professional, scientific and technical activities	-	-	145 545	167 346	-	-	1 723	2 216	7 359	7 224
N Administrative and support service activities	-	-	94 767	129 753	-	-	581	868	-	-
O Public administration and defence, compulsory social security	-	-	-	-	-	-	-	-	-	-
P Education	-	-	22	44	-	-	-	-	-	-
Q Human health services and social work activities	-	-	21 557	22 548	-	-	-	51	25	25
R Arts, entertainment and recreation	-	-	92	12 027	40 080	43 437	-	333	-	-
S Other services	-	-	146	118	-	-	5	11	-	-
Households	**-**	**-**	**1 328 695**	**1 187 211**	**-**	**-**	**129 615**	**129 387**	**-**	**-**
Total	**526 860**	**415 913**	**2 647 812**	**2 839 099**	**537 994**	**498 519**	**329 783**	**307 164**	**37 210**	**36 369**

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. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Slovak Republic	444 544	353 687	1 979 688	1 961 426	225 697	177 894	171 971	244 859	20 849	20 254
Czech Republic	-	41 811	288 178	488 052	87 009	82 606	142 794	56 874	3 886	3 838
Cyprus	-	-	166 599	204 509	-	-	15 002	2	-	-
Luxemburg	1 548	-	95 744	105 374	43 162	41 443	-	-	-	-
Poland	15 253	15 379	11	2	56 217	80 842	2	3	-	-
France	-	-	3 284	3 100	59 571	65 550	1	1	-	-
Germany	-	-	615	42 918	-	-	1	1	-	-
Switzerland	-	-	62 531	1	-	-	6	5	-	-
Great Britain	-	-	5 948	582	13 721	13 462	-	-	-	-
Netherlands	20 001	-	34 944	2 008	-	-	-	-	5 116	5 054
Italy	-	5 036	1	3	10 467	5 066	-	1	-	-
Ireland	11 174	-	9 999	1	-	15 776	-	-	-	-
Latvia	2 234	-	-	-	17 629	-	-	-	-	-
Lithuania	10 238	-	-		13 294	-	-	-	-	-
Romania	10 635	-	22	16	-	5 244	-	-	-	-
Other countries	11 233	-	248	31 107	11 227	10 636	6	5 418	7 359	7 223
Total	**526 860**	**415 913**	**2 647 812**	**2 839 099**	**537 994**	**498 519**	**329 783**	**307 164**	**37 210**	**36 369**

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 2018: EUR 300 thousand). Financial assets with exposure equal or higher than EUR 300 thousand (31 December 2018: 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.

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
- 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 taken into account when modelling expected cash flows.

II. Portfolio-based exposures

In assessing the amount of expected loss of portfolio exposures, the Bank takes into account 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

Calculation of ECL

The bank calculates ECL on an individual or portfolio basis. Individual basis is 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.

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

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

LGD change	31 December 2019		31 December 2018	
	in %	EUR '000	in %	EUR '000
+5 %	3,36 %	7 025	3,99 %	7 509
-5 %	-3,36 %	(7 025)	-3,99 %	7 509
+10 %	6,67 %	13 927	7,98 %	15 019
-10 %	-6,73 %	(14 050)	-7,98 %	(15 019)

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. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Financial assets at AC - Debt securities										
Low credit risk	460 178	296 311	-	-	-	-	-	-	460 178	296 311
Moderate credit risk	-	52 168	-	-	-	-	-	-	-	52 168
High credit risk	-	67 434	66 682	-	-	-	-	-	66 682	67 434
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	**460 178**	**415 913**	**66 682**	**-**	**-**	**-**	**-**	**-**	**526 860**	**415 913**
Impairment allowance	(145)	(2 406)	(7 385)	-	-	-	-	-	(7 530)	(2 406)
Carrying amount	**460 033**	**413 507**	**59 297**	**-**	**-**	**-**	**-**	**-**	**519 330**	**413 507**

EUR '000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Financial assets at AC - Loans and advances										
Low credit risk	778 566	750 453	5 778	4 087	-	-	-	-	784 344	754 540
Moderate credit risk	1 174 888	1 471 855	25 661	23 201	-	-	-	-	1 200 549	1 495 056
High credit risk	310 596	256 940	122 723	107 251	-	-	14	-	433 333	364 191
Default	-	-	-	-	162 217	200 807	37 396	-	199 613	200 807
Not rated	14 209	7 242	15 360	15 209	404	2 054	-	-	29 973	24 505
Gross amount	**2 278 259**	**2 486 490**	**169 522**	**149 748**	**162 621**	**202 861**	**37 410**	**-**	**2 647 812**	**2 839 099**
Impairment allowance	(26 507)	(23 723)	(21 456)	(26 723)	(134 853)	(146 884)	(17 586)	-	(200 402)	(197 330)
Carrying amount	**2 251 752**	**2 462 767**	**148 066**	**123 025**	**27 768**	**55 977**	**19 824**	**-**	**2 447 410**	**2 641 769**

EUR '000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Financial assets at FVOCI - Debt securities										
Low credit risk	421 587	399 664	-	-	-	-	-	-	421 587	399 664
Moderate credit risk	113 387	95 840	-	-	-	-	-	-	113 387	95 840
High credit risk	3 020	3 015	-	-	-	-	-	-	3 020	3 015
Default	-	-	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	-	-	-	-
Gross amount	**537 994**	**498 519**	**-**	**-**	**-**	**-**	**-**	**-**	**537 994**	**498 519**
Impairment allowance in OCI	(1 218)	(984)	-	-	-	-	-	-	(1 218)	(984)

EUR '000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Loan and other commitments given										
Low credit risk	133 810	138 056	4	4	-	-	-	-	133 814	138 060
Moderate credit risk	178 284	145 213	-	2	-	-	-	-	178 284	145 215
High credit risk	4 470	9 535	1 832	8 002	-	-	-	-	6 302	17 537
Default	-	-	-	-	4	2 280	-	-	4	2 280
Not rated	3 000	3 000	8 379	1 072	-	-	-	-	11 379	4 072
Gross amount	**319 564**	**295 804**	**10 215**	**9 080**	**4**	**2 280**	**-**	**-**	**329 783**	**307 164**
Provision	**1 342**	**984**	**695**	**801**	**-**	**1 107**	**-**	**-**	**2 037**	**2 892**

EUR '000	Stage 1		Stage 2		Stage 3		POCI		Total	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Financial guarantees given										
Low credit risk	10 896	14 025	-	-	-	-	-	-	10 896	14 025
Moderate credit risk	20 466	13 787	-	-	-	-	-	-	20 466	13 787
High credit risk	3 314	5 852	-	-	-	-	-	-	3 314	5 852
Default	-	-	-	-	2 534	2 262	-	-	2 534	2 262
Not rated		443	-	-	-	-	-	-	-	443
Gross amount	**34 676**	**34 107**	**-**	**-**	**2 534**	**2 262**	**-**	**-**	**37 210**	**36 369**
Provision	**256**	**254**	**-**	**-**	**494**	**394**	**-**	**-**	**750**	**648**

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. 2019	31. 12. 2018
Guarantees received	-	-
Real-estates	638 964	571 217
Securities	199 093	394 439
Cash	9	333
Other	126 598	134 338
Total	**964 664**	**1 100 327**

The 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. 2019	31. 12. 2018
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.

35. 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. 2019	31. 12. 2018
End of the period	2,88	2,28
Average for the period	2,65	2,58
Maximum for the period	2,88	3,27
Minimum for the period	2,32	1,81

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).

31.12.2019	31 December 2019			31 December 2018		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash, cash balances at central banks and other demand deposits	354 016	-	354 016	302 390	-	302 390
Financial assets held for trading	1 021	-	1 021	1 799	-	1 799
Non-trading financial assets mandatorily at fair value through profit or loss	-	268 996	268 996	-	234 665	234 665
Financial assets at fair value through other comprehensive income	71 860	469 026	540 886	101 245	399 273	500 518
Financial assets at amortised cost	711 121	2 303 650	3 014 771	717 361	2 388 166	3 105 527
Debt securities	168 619	350 711	519 330	91 633	321 874	413 507
Loans and advances	494 471	1 952 939	2 447 410	575 477	2 066 292	2 641 769
Other financial assets	48 031	-	48 031	50 251	-	50 251
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1 965	-	1 965	869	-	869
Investments in subsidiaries, joint ventures and associates	-	69 122	69 122	-	47 637	47 637
Tangible assets	-	46 173	46 173	-	9 614	9 614
Intangible assets	-	31 067	31 067	-	27 252	27 252
Current tax assets	710	-	710	462	-	462
Deferred tax assets	-	18 457	18 457	-	17 409	17 409
Other assets	22 189	-	22 189	19 888	-	19 888
Total assets	**1 162 882**	**3 206 491**	**4 369 373**	**1 144 014**	**3 124 016**	**4 268 030**
Liabilities						
Financial liabilities held for trading	3 968	-	3 968	108	361	469
Financial liabilities measured at amortised cost	3 252 882	442 481	3 695 363	3 328 939	280 708	3 609 647
Deposits	3 228 502	423 722	3 652 224	3 314 493	280 708	3 595 201
Other financial liabilities	24 380	18 759	43 139	14 446	-	14 446
thereof: lease liabilities	5 571	18 759	24 330	-	-	-
Derivatives - Hedge accounting	1 081	8 339	9 420	-	5 607	5 607
Provisions	3 321	-	3 321	4 071	-	4 071
Current tax liabilities	(718)	-	-	2 775	-	2 775
Other liabilities	15 320	-	15 319	11 627	-	11 627
Total liabilities	**3 275 854**	**450 820**	**3 726 674**	**3 347 520**	**286 676**	**3 634 196**

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.

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 2019						
Financial liabilities measured at amortised cost	2 926 887	327 343	399 147	57 859	3 711 236	3 695 363
Deposits	2 906 655	323 195	384 217	54 011	3 668 078	3 652 224
Other financial liabilities	20 232	4 148	14 930	3 848	43 158	43 139
thereof: lease liabilities	1 423	4 148	14 930	3 848	24 349	24 330
Total	**2 926 887**	**327 343**	**399 147**	**57 859**	**3 711 236**	**3 695 363**
31 December 2018						
Financial liabilities measured at AC	2 988 804	347 660	242 422	45 112	3 623 998	3 609 647
Deposits	2 974 358	347 660	242 422	45 112	3 609 552	3 595 201
Other financial liabilities	14 446	-	-	-	14 446	14 446
thereof: lease liabilities	-	-	-	-	-	x
Total	**2 988 804**	**347 660**	**242 422**	**45 112**	**3 623 998**	**3 609 647**

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 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**
31 December 2018						
Loan and other commitments given	307 164	-	-	-	307 164	307 164
Financial guarantees given	6 053	7 425	5 254	17 637	36 369	36 369
Total	**313 217**	**7 425**	**5 254**	**17 637**	**343 533**	**343 533**

36. 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 takes into account 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. 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

EUR '000	31. 12. 2018	Average	Maximum	Minimum
VaR trading book	4	12	58	3
VaR banking book	913	1 245	1 507	135
VaR total	913	1 265	1 529	134
Out of which interest rate risk	829	971	1 267	36
Out of which credit spread risk	749	1 113	1 399	749
Out of which foreign exchange risk	7	12	58	3

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 taken into account, 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:

	2019	2018
End of the period	(37 550)	(49 365)
Average for the period	(29 911)	(51 891)
Maximum for the period	(50 894)	(55 548)
Minimum for the period	(16 647)	(45 609)

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 take into account 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
- Has a preference for 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.

37. 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, in the management of compliance risk, is focused mainly 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
- Minimising the risk related to outsourcing when extraordinary events occur

38. 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 ammended (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. 2019	31. 12. 2018
Tier I Capital	**593 723**	**587 491**
Share capital and share premium	367 043	367 043
Reserve funds and other funds created from profit	54 988	49 949
Selected components of accumulated other comprehensive income	6 372	7 957
Profit or loss of previous years	168 569	158 490
Intangible assets	(31 067)	(27 253)
Additional valuation adjustments	(898)	(790)
Other transitional adjustments to CET1 Capital	28 716	32 095
Tier II Capital	**8 000**	**8 000**
Subordinated debt	8 000	8 000
Regulatory capital total	**601 723**	**595 491**

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

EUR '000	31. 12. 2019	31. 12. 2018
Capital required to cover		
Credit risk	256 539	248 670
Credit value adjustment risk	141	111
Risks from debt financial instruments, capital instruments, foreign exchange and commodities	-	1 253
Operational risk	25 856	26 693
Total capital requirements	**282 536**	**276 727**
Capital ratios		
Total capital level as a percentage of total risk weighted assets	17,04 %	17,22 %
Tier I capital as a percentage of total risk weighted assets	16,81 %	16,98 %
Common Equity Tier I capital as a percentage of total risk weighted assets	16,81 %	16,98 %

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. 2019	31. 12. 2018
Available capital (amounts)		
Common Equity Tier 1 (CET1) capital	593 723	587 491
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements were not applied	565 007	555 396
Tier 1 capital	593 723	587 491
Tier 1 capital as if IFRS 9 transitional arrangements were not applied	565 007	555 396
Total capital	601 723	595 491
Total capital as if IFRS 9 transitional arrangements were not applied	573 007	568 798
Risk-weighted assets (amounts)		
Risk-weighted assets	3 531 704	3 459 087
Risk-weighted assets as if IFRS 9 transitional arrangements were not applied	3 499 886	3 421 546
Capital ratio		
Common Equity Tier 1 capital (as a percentage of risk exposure amount)	16,81 %	16,98 %
Common Equity Tier 1 capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	16,14 %	16,23 %
Tier 1 capital (as a percentage of risk exposure amount)	16,81 %	16,98 %
Tier 1 capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	16,14 %	16,23 %
Total capital (as a percentage of risk exposure amount)	17,04 %	17,22 %
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements were not applied	16,37 %	16,62 %

39. Post balance-sheet events

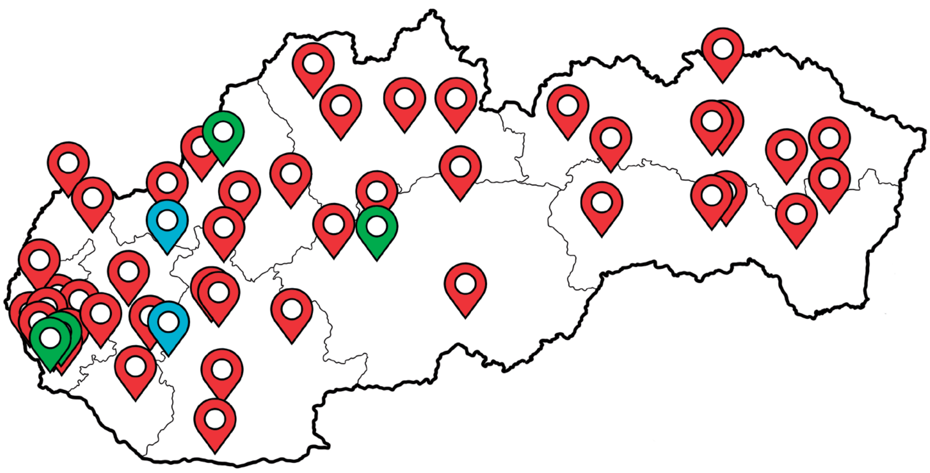
After the date of preparation of the financial statements, no events with a material impact which would require an adjustment or a disclosure in these financial statements occurred.

10. Branch network

no.	Branch	Address	Postal
1	BA – Karlova Ves	Karloveská 34	842 64
2	BA – Nám. SNP	Nám. SNP 35	811 01
3	BA – VIVO	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 4	851 01
9	Bánovce nad Bebravou	Námestie Ľudovíta Štúra 8/8B	957 01
10	Banská Bystrica	Dolná 62	974 01
11	Bardejov	Hviezdoslavova 3	085 01
12	Brezno	Námestie M. R. Štefánika 7	977 01
13	Dubnica nad Váhom	Nám. Matice slovenskej 35	018 41
14	Dunajská Streda	Bacsákova ul.	929 01
15	Galanta	sídlisko Jas 5 (OC JASPARK)	924 01
16	Humenné	Nám. Slobody 3	066 01
17	Komárno	Mederčská 4987/4	945 01
18	Košice 1	Toryská 3	040 11
19	Košice 2	Štúrova 1 (OD Dargov)	040 01
20	Levice	P. O. Hviezdoslava 2/A	934 01
21	Liptovský Mikuláš	Ulica 1. mája 41	031 01
22	Lučenec	T. G. Masaryka 19	984 01
23	Malacky	Zámocká 8	901 01
24	Martin	Andreja Kmeťa 5397/23	036 01
25	Michalovce	Ul. kpt. Nálepku 26	071 01
26	Nitra 1	Štefánikova trieda 65	949 01
27	Nitra 2	Sládkovičova 1	949 01
28	Nové Mesto nad Váhom	Hviezdoslavova 19	915 01
29	Nové Zámky	M. R. Štefánika 11	940 02
30	Pezinok	Moyzesova 4/B	902 01
31	Piešťany	Andreja Hlinku 46	921 01
32	Poprad	Vajanského 71	058 01
33	Prešov	Hlavná 54	080 01

34	Prešov 2	Arm. generála Svobodu 25	080 01
35	Prievidza	Bojnická cesta 15	971 01
36	Rožňava	Janka Kráľa 4	048 01
37	Ružomberok	Podhora 55	034 01
38	Senec	Lichnerova 44	903 01
39	Senica	Námestie oslobodenia 9/21	905 01
40	Skalica	Potočná 20	909 01
41	Spišská Nová Ves	Letná 51	052 01
42	Šaľa	Nám. sv. Juraja 2244	927 01
43	Topoľčany	Námestie M. R. Štefánika 21	955 01
44	Trebišov	M. R. Štefánika 52	075 01
45	Trenčín	Nám. sv. Anny 23	911 01
46	Trnava	Hlavná ulica 33	917 01
47	Vranov nad Topľou	Námestie Slobody 5	093 01
48	Zvolen	Námestie SNP 19	960 01
49	Žiar nad Hronom	Nám. Matice slovenskej 2820/24	965 01
50	Žilina	Na priekope 19	012 03

List of branches as of 31 December 2019.



Existing branches   Branches relocated in 2019   New branches in 2019

2019

Relocations	Nové Zámky
Reconstruction	Košice 1 Toryská Trnava Dunajská Streda BA – Vlastenecké námestie Martin Lučenec BA – Tomášikova Brezno Žiar nad Hronom BA – Karlova Ves Humenné Levice Skalica Žilina

poštová banka