Slovenská sporiteľňa, a.s.,
Member of Erste Group
Annual report 2020

SLOVENSKÁ sporiteľňa

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The Company at a Glance

Basic information

Registered office: Tomášikova 48, 832 37 Bratislava, Slovak Republic
Registered: Commercial Register administered by District Court Bratislava I, section: Sa, entry: 601/B
Corp. ID (IČO): 00151653
Legal form: joint-stock company
Scope of business: universal bank

Bank profile

Slovenská sporiteľňa was established in 1825 as the first savings bank in Slovakia. Today, the company is the largest commercial bank in Slovakia, serving approximately 2.2 million clients. It has long held a leading position in total assets, household loans, client deposits, numbers of branches and ATMs. The Bank offers its comprehensive services at more than 200 branches for retail clients and 8 regional commercial centres in Slovakia.

In 2001, Slovenská sporiteľňa became a member of Erste Group, which was Austria's first savings bank, founded in 1819. Since 1997 the group has developed into one of the largest banking groups focussing on retail and corporate clients in Central and Eastern Europe. It consists of Erste Group Bank AG (the parent company) and its subsidiaries, which Erste Group Bank AG consolidates through direct or indirect shareholdings. At present, the Erste Group has around 47 000 employees serving more than 16 million clients at over 2 200 branches in seven countries: Austria, Czech Republic, Slovak Republic, Romania, Hungary, Croatia and Serbia).

Shareholder structure of Slovenská sporiteľňa as at 31/12/2020

Erste Group Bank AG	
Registered office: Am Belvedere 1, Vienna 1100, Austria	
Share in the registered capital and voting rights:	100.00 %

Significant direct holdings of the Bank

· LANED, a.s.	100,00 %
· S Slovensko, spol. s r.o.	100,00 %
· Social Financing SK, s. r. o.	100,00 %
· Služby SLSP, s.r.o. in liquidation	100,00 %
· Procurement Services SK, s.r.o.	51,00 %
· Slovak Banking Credit Bureau, s.r.o.	33,33 %
· Holding Card Service, s.r.o., Czech Republic	24,62 %
· Prvá stavebná sporiteľňa, a. s.	9,98 %[1]

Ratings as at 31/12/2020

Moody's

Long-term rating / Outlook	A2 / stable
Short-term rating	P-1
Basic credit rating	baa2
Adjusted credit rating	baa1
Counterparty risk (long-term/short-term)	A1/P-1

This annual report has been prepared in accordance with Act no. 431/2002 Coll. on accounting as amended (the "Accounting Act"), Act no. 423/2015 Coll. on statutory audit as amended, and Act no. 566/2001 Coll. on securities and investment services and on the amendment of certain laws as amended (the "Securities Act") as Slovenská sporiteľňa is a securities dealer. This Annual Report substitutes the annual financial report as defined in Act no. 429/2002 Coll. on the stock exchange as amended (the "Stock Exchange Act") as Slovenská sporiteľňa is an issuer of debt securities admitted to trading on a regulated market. Information included in the section "Annexes" contains all information required under § 77(2)(b) of the Securities Act, except for the list of companies consolidated in the financial statements in accordance with § 77(2)(b)(1), which is included in the chapter Summary Corporate Governance Report. Information for the purposes of § 77(2)(b)(3) of the Securities Act is given in note 24 on the financial statements and information for the purposes of § 77(2)(i) and (j) is given in the Consolidated Statement of Profit or Loss, in the section "Annexes". This Annual Report includes a statement in accordance with § 34(2)(c) of the Stock Exchange Act and the internet address at which the Bank's parent company Erste Group Bank AG has published its annual report for 2019 as required by § 34(3) of the Stock Exchange Act. This annual report also includes, under note 27 on the consolidated financial statements in the section "Annexes", a proposal for the distribution of profit in accordance with § 20(1)(f) of the Act on Accounting and § 77(2)(c) of the Securities Act.

Method of publication of the annual report

Slovenská sporiteľňa files its annual report, including its individual and consolidated financial statements and the auditor's reports, in the register of financial statements in accordance with the provisions of Act no. 431/2002 Coll. on accounting, as amended. It publishes the document on its website and a notice of publication is placed in the Hospodárske noviny newspaper.

Contact persons for the compilation of the Annual Report

Mária Valachyová, chief economist
valachyova.maria@slsp.sk

Matej Bašták, investor relations
bastak.matej@slsp.sk

Martin Reháček, reporting
rehacek.martin@slsp.sk

Gabriela Chrenková, reporting
chrenkova.gabriela@slsp.sk

Marta Cesnaková, spokesperson
cesnakova.marta@slsp.sk

Contacts

Slovenská sporiteľňa, a.s.
Tomášikova 48
832 37 Bratislava

Telephone: +421 2 4862 1111
Fax: +421 2 5826 8670
Client Centre: 0850 111 888

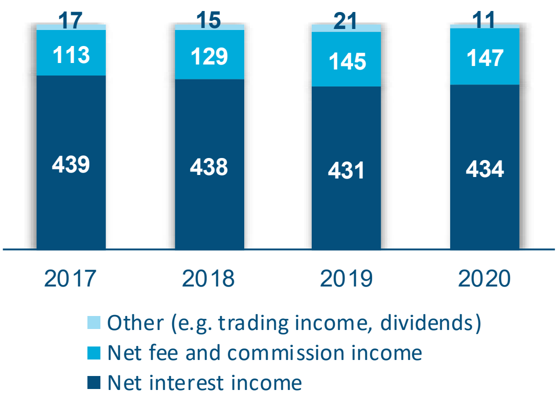
E-mail: info@slsp.sk; press@slsp.sk
Website: www.slsp.sk
www.erstegroup.com/en/investors/reports/financial-reports

[1] Under a shareholder agreement with Erste Group Bank AG, Slovenská sporiteľňa exercises a 35.00% share of voting rights in Prvá stavebná sporiteľňa, a.s. (Erste Group Bank AG has a 25.02% shareholding in Prvá stavebná sporiteľňa, a.s.). Ownership interests in registered capital and voting rights are equal in other companies.

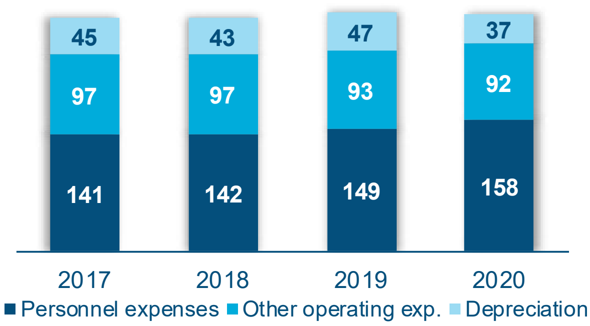
Financial Highlights

Consolidated results	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019	31 Dec 2020
Prepared in accordance with the International Financial Reporting Standards (IFRS)	(in EUR million)	(in EUR million)	(in EUR million)	(in EUR million)	(in EUR million)
Total assets	14,825	16,343	17,443	18,619	20,706
Loans and advances to banks	90	178	48	0	0
Loans and advances to customers (net)	10,250	11,720	13,008	14,113	14,902
Investments	3,793	3,745	3,721	3,743	3,817
Customer deposits	11,384	12,478	13,653	14,392	14,869
Equity	1,562	1,536	1,513	1,620	1,792
Net profit	215	164	184	180	108
Selected ratios	(in %)	(in %)	(in %)	(in %)	(in %)
Return on equity*	14.0	10.8	12.6	11.6	6.2
Return on assets*	1.5	1.1	1.1	1.0	0.6
Cost income ratio	46.1	49.7	48.3	48.3	48.5
Net interest margin*	3.4	3.0	2.7	2.5	2.4
Net loans to deposits ratio	90.0	93.9	95.3	98.1	100.2
Total capital adequacy	21.5	18.7	18.1	17.3	18.7
Tier 1 capital ratio	20.3	17.8	17.1	16.4	18.0
Other figures					
Number of employees	4,232	4,250	4,105	4,070	3,770
Number of branches	287	271	250	233	203
Number of ATMs	795	805	801	754	747

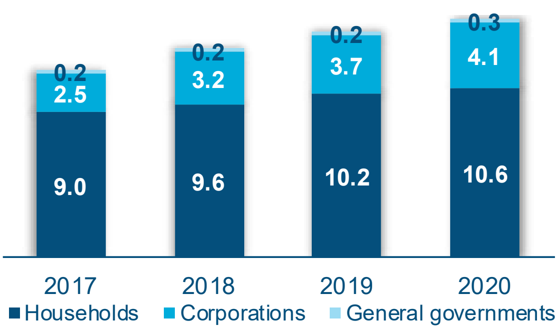
Operating income (in EUR million)



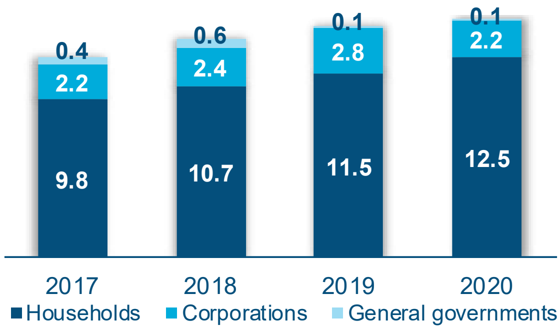
Operating expenses (in EUR million)



Loans and advances to customers (net, in EUR billion)



Customer deposits (in EUR billion)



Statement by the Chairman of the Board of Directors and CEO

Peter Krutil
Chairman of the Board of Directors and CEO

We have behind us a year the like of which we had never seen and which I hope we will never see again. At the end of December, many people told me that they would rather forget about 2020, but personally I do not think that is entirely correct. It showed us how vulnerable we are; that health is not something we should take for granted, but something we must care for. It also showed us that sometimes it is good to slow down, to focus on oneself and one's family. I think that is the message we should take from this.

At the start of last year, we were readying ourselves for what we expected to be the key topic – the bank levy. But then a black swan appeared, in the form of the pandemic. Almost no one expected it, and no one was prepared for it. And so, we had to focus on the battle against Covid. We were able to resolve the bank levy, but I'll come back to that later.

After the first cases in Slovakia were confirmed, our main objective was to take care of the safety of our people: employees and clients. We have the largest branch network; it is a part of the state's critical infrastructure, and I am proud that we managed to keep this basic link of the client relationship running.

At the same time, together with the Slovenská sporiteľňa Foundation, we set aside a donation of €1 million to help fight the Covid pandemic. The bulk of this, €500 000, was spent on purchasing a unique instrument, thanks to which the Biomedical Centre of the Slovak Academy of Sciences was able to double its daily testing capacity.

I was pleased that we took our own path, as we do also in business. We did not wait for what the government would say, and what measures it would prepare. We knew from the outset that communication and help are what is most important for clients. In a short time, we had called around 95% of corporate clients, including micros. We helped those who needed it. When the state aid did come, we had an overview of what was already happening. We offered our experience and pushed through the things that clients really needed. Who would have thought that in a year when we had to have as little contact as possible with clients, our colleagues from corporate would have one of their best results?

We, of course, also focused on people, to whom we guaranteed, among other things, a discount off the account fee. A priority, though, was dealing with loan repayment instalment deferments, and our decisions from the recent past, namely emphasis on digitalisation and flexible operation through agile teams, paid off here. I was very pleasantly surprised by the way we handled the vast majority of instalment deferments via our George app. Colleagues were proactive, setting up the process very quickly before the first discussion at board level. We found a solution for clients with low digital literacy, talking them through it over the phone.

As regards digitalisation as a whole, Covid brought us no surprises, but merely accelerated trends already underway. We didn't need to think up much new, we simply speeded up implementation. We managed to do this mainly thanks to our agile teams, who I mentioned earlier. Right from the start, these teams bring the IT and the business people together – a clash of two worlds. But today, thanks to this, we are cooperating and responding better and quicker to our changing world.

And by moving service operations to digital, branch office colleagues can now focus more on advising the client, for example, with our new product – the financial plan. These days, it proves sensible to have a reserve, be willing to plan, make meaningful financial decisions and not live only day to day. A financially well-secured client is the right objective.

Both the client and bank benefit. And since we handle everything with the client via the tablet, and communicate digitally also with third parties, we save a considerable amount of paper. Reducing the environmental burden is just the icing on the cake.

And the result of digitalisation? The George app is now actively used by more than 655 000 people, and thanks also to corporate Business24, together we have now 982 000 clients in digital channels. People may say that the economy has slowed or stopped, but Slovenská sporiteľňa has not. And this has also been reflected in its financial results.

Developments in the first half of the year were none too promising – a double bank levy, higher provisions due to Covid, and extremely low interest rates, which have been a long-term reality. And there are fears that the economy will enter a deep recession. Nevertheless, the bank levy was abolished through concerted efforts and arguments; the new government understood its nonsense, and particularly the harm it caused to the economy. Also, the horrific economic scenarios did not materialise, and the economy recovered relatively quickly. Extremely low interest rates will be with us for some time yet, though it still holds true that we will not engage in pointless lending wars for market share. Pushing interest rates to absurdly low levels, below cost, is nonsensical, and threatens financial health.

But it was shown, particularly last year, that banks, i.e., our services and products, are crucial to the running of the economy. We provided loans to firms even in times of the greatest uncertainty, and we helped the state not just with financing, but also through financial assistance for companies by way of various guarantee schemes. Our bank was the first to provide the SIH Anti-Corona Guarantee.

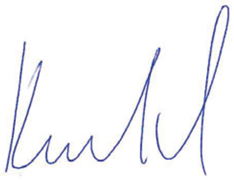
As I mentioned, our colleagues from corporate banking achieved one of their best results, proving that for an increasing number of clients, we are the bank of first choice for business. The financial plan also contributed to rapid growth in asset management and insurance. We also offer clients services beyond ordinary banking products and help them cover more and more of their needs. A financially well-secured client is our goal in the near future.

The year 2020 was no easy year, and we will probably all remember it. We will not look back at it with love, but I think that we can be proud of ourselves. Under normal circumstances, we might have achieved more. But we did our best. We acted responsibly, both to ourselves and to society. We helped with testing, we helped with crisis lines, with a significant share of the Ministry of Health call centre being served by people from this bank.

What awaits us in 2021? Right at the beginning, the deferment of repayment instalments will end for most clients. We do not expect major problems because our estimates indicate more than half of people took a deferment for reason of convenience or did not estimate their economic situation correctly. Only a few clients are expected to have problems returning to normal repayment, and we have a solution ready for them. I believe that we can manage this together.

Otherwise, nothing fundamental will change for us. We are continuing with digitalisation; George will continue to grow. We are changing processes to be faster and more accurate. We want to stand out, and we will be more than just a bank. We will continue to be a responsible leader, and the best financial partner for life and business.

I am a great optimist, I think about how good it will be, because I see the vaccine as a way we can get back to normal. My ardent wish is for us to get away from negative noise, to be guided by numbers and to focus on what really matters – our health, be it physical, mental, or financial. I want us to be more understanding toward our clients through these difficult times. Because we can only have it as good as the society in which we live. They will return it to us.



Board of Directors' Summary of 2020

Pavel Cetkovský

Member of the Board of Directors and Deputy CEO responsible for managing the finance line and the risk management

The most concise assessment of 2020 is that it was, in terms of business, and even more so in terms of the Bank's day-to-day operations, **completely different from what we had forecast and planned.** I am very proud that we were able to solve problems as they arose, right from the start of the pandemic. Experience showed that skilled, creative and loyal employees are more valuable for solving such challenges than pre-prepared and somewhat sterile crisis management scenarios.

What was of fundamental importance in 2020 was that **we were able to provide our clients with practically the full scope of services,** as evidenced by our business and financial results. While it is true that the Bank's net profit was lower than in the preceding year, this is mainly due to increased provisions for the loan portfolio. It was also atypical that the majority of provisions created in 2020 reflect our expectations of the future development of the credit quality of the loan portfolio, and only to a lesser extent the already-realised losses.

We **are forecasting a gradual return to normal for our activities** in 2021. Part of the business will probably return to the physical world of branches, and head office staff will return to their offices. At the same time, however, it is clear that the changes and innovations initiated or accelerated by Covid will, to some extent, become the new standard of our work, and the Bank will continue to develop and improve them.

We also made another **huge shift** in how, thanks to digital tools and other innovations, we enable clients to "bank with us conveniently and fully". Our George is the flagship in this process. At the same time, we worked even harder on our ability to be the best financial advisor for clients, in which we are helped by our tablets for advisors, and our work with data and models.

Over the past year there have been a **whole range of areas and results that I am proud of.** I am very pleased that our George now reaches a million clients, who can thus bank conveniently wherever and whenever. I am also pleased that we have now compiled and explained personal financial plans for more than a third of our 1 million clients, which has helped them set up their finances correctly.

Looking forward, we want to systematically help our clients to have their finances in good order, so that they can say they are "financially well secured". **Our mission is to be the best financial advisor** for clients in their lives and in their business.

Zdeněk Románek

Member of the Board of Directors and Deputy CEO responsible for the retail banking line

Milan Hain

Member of the Board of Directors and Deputy CEO responsible for the IT and bank operations line

The year 2020 was a black swan by the name of "Covid". Despite all the negatives, however, it proved the Bank's ab**ility to react flexibly to unexpected changes,** despite its size. This was not just about changes in the ability to fully provide and further develop services for our clients, but also about protecting employees and adapting the way they work. I am wholly convinced that the Bank's handling of these testing circumstances has been excellent.

A key factor was the method of cooperation between the Bank's departments which proposed changes in the past, and the departments which technically implemented them. With the introduction of "labs", the Bank has **managed to achieve agile development in priority areas.** This was subsequently reflected in significantly greater flexibility in responding to unforeseen circumstances, of which the pandemic was and still remains an exemplar. I am also proud of the fact that we managed to shift a significant part of the operation and sale of products into the digital space, all without compromising on cyber security.

Our enduring mission is to be the best partner for life and business. Today, we are no longer just by far the largest bank in Slovakia in terms of assets, but we are also **the strongest digital bank.** And it is in this area that we will continue to constantly improve by introducing new services that are attractive to clients, such as instant payments. With optimal cooperation with our retail branch network, we plan to expand digital services. Cybersecurity will probably forever remain a major challenge, and with the massive expansion of these modern channels, its importance grows exponentially. Nevertheless, I believe that we, and our partners, are well prepared to face these challenges.

There is certainly no area in which 2020 was not exceptional. And this is true also for the corporate segment at Slovenská. I think that we brought the first mobile banking app for firms to the market at the right time. It is just a pity that we had to test the importance of being online in such extreme conditions. For me, what is even more important than all the technological improvements, is **defending the Bank's number one spot in client satisfaction.** Our corporate bankers were under the same great personal and work pressure as our clients, but nevertheless provided clients with a top-quality service in these difficult times.

I am personally very proud that the bank did the right thing for our partners in the face of the pandemic, **supporting our clients even at the expense of our revenues.** We waived their fees, which are a reward for our work, at a time when approving new loans was even more difficult in terms of risk. In the end, our clients are already repaying the favour, as we were the leader in corporate lending in 2020, and a large number of new clients come to us every year. This is the best calling card for our work.

The new year has not brought us any magic wand that would instantly change the situation. Nonetheless, I think that just as people are hoping for the vaccine, and its quick effects, so we in the corporate sector believe in similar "vaccines" in the form of support for businesses and stimuli that would return us to a growth dynamic. Just as discipline in vaccination is now expected from people, our clients expect us to strive to systematically improve processes, be approachable, understanding and cooperative. The difficult year of 2020 tested the strength of the partnership we build with our clients, and I wish for nothing else than to **further develop this strong bond.**

Norbert Hovančák

Member of the Board of Directors and Deputy CEO responsible for the corporate banking line and capital markets

Corporate Social Responsibility

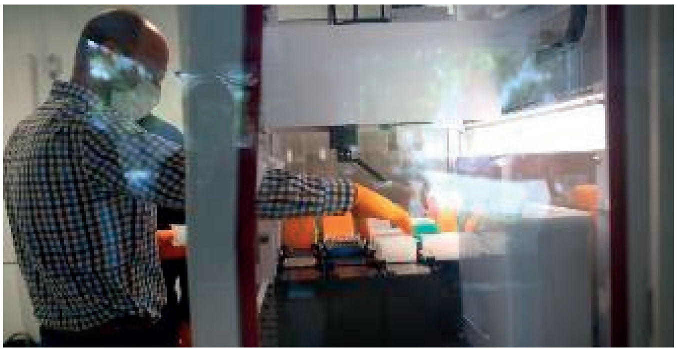
HELP IN FIGHTING THE PANDEMIC

As a responsible leader and Slovakia's largest bank, Slovenská sporiteľňa cares for people and the country where it operates. As in the economic crisis of 2009, it stood by its clients and employees again last year. When the pandemic created a difficult situation, the Bank and the Slovenská sporiteľňa Foundation immediately made available extraordinary support to mitigate its effects on retail clients, companies, employees and our whole country.

The Slovenská sporiteľňa Foundation donated a million euros to the fight against the novel coronavirus. The Bank invested another million euros to support dozens of projects through sponsorship. The Foundation also invested over a million euros in 96 socially beneficial projects.

More testing thanks to Slovenská sporiteľňa

The Bank and its foundation devoted one million euros to fighting the effects of the pandemic. Part of these funds were used to purchase an instrument to speed up testing and test materials for the Biomedical Research Centre of the Slovak Academy of Sciences. It also supported the non-profit organisation IPčko, which set up a special Crisis Helpline providing continuous psychological assistance including a mobile field team. In the autumn, the Foundation's #mamnato grant scheme issued a special call for applications as a helping hand to the non-profit sector affected by the crisis and distributed €250 000 at the start of 2021. In the autumn, the Bank also transferred 10 operators from its Client Centre to help with the state's official COVID information line.



As thousands of households and firms were affected by the pandemic, the Bank provided discounts on account fees for half a million clients for half a year. It organised a benefit gala "Spolu pre Slovensko" in cooperation with Markíza Television, which raised €126 000 for the most in need.

Slovenská sporiteľňa remained available through the crisis

As a part of Slovakia's critical infrastructure, the Bank did everything to ensure that clients had the simplest and safest access to bank services and their money. In the spring, for example, it helped thousands of people under quarantine in the Spiš region by sending a mobile ATM there. All these activities demonstrate that social responsibility is tightly encoded in the DNA of Slovenská sporiteľňa and its foundation. For the Bank, responsibility is not just something it talks about but a real, permanent and consistent part of its behaviour. The Bank's remarkable response to the pandemic was honoured with an award for outstanding leadership in the crisis from the prestigious magazine Global Finance.

From an environmental point of view, the hardest problem was dealing with new hazardous substances and waste types with which Slovenská sporiteľňa had no prior experience. The main risk was flammable, alcohol-based disinfectant, which presented challenges in both transport and storage and also the subsequent collection of the dangerous packages and their delivery to authorised companies. Since state authorities were operating under a limited regime, it was not easy to obtain the necessary permits.

FINANCIAL EDUCATION

School shutdowns and the introduction of distance learning highlight the importance of teaching and the challenges facing the profession. This became one of the reasons why the Bank and the Slovenská sporiteľňa Foundation supported the third edition of the Teacher of Slovakia award. The Teacher of Slovakia 2020 was Iveta Barková, a teacher of Slovak language and history and the head of the Private Elementary School in Senec.

IQ + EQ + FinQ

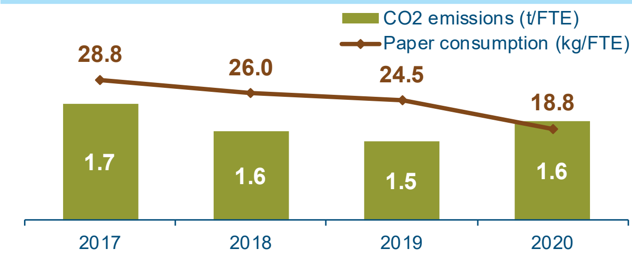
= 3Q for life

The Slovenská sporiteľňa Foundation's top educational project is the development of financial culture through its own innovative FinQ programme. A two-year pilot programme involving teachers and management from 25 elementary and secondary schools began in September 2019. In-person training for teachers and managers from the pilot schools took place in 2020 following on from distance learning. A self-evaluation tool, My FinQ Portfolio, was created for pupils in the pilot classes to track their learning progress and the development of their financial skills. A survey was conducted of the participating teachers and school managers. The key output was an estimate of pupils' starting level in the FinQ pilot classes. Pupils' real level of financial culture in the pilot and control classes was then measured using diagnostic tests, which were completed by nearly 2 400 pupils. The Slovenská sporiteľňa Foundation offered the results and output from the FinQ programme as a best practice example for the OECD's project "Future of Education and Skills 2030".

The Foundation also supports all-round development through the Duke of Edinburgh's International Award. This programme gives young people aged 14 to 24 a chance to build their character, achieve their potential and lay the foundations of a successful life. More than 1 400 young people took part in the programme in 2020 despite the pandemic, making the largest total since its launch in Slovakia in 2015.

ENVIRONMENT

In 2020, Slovenská sporiteľňa successfully renewed its European environmental certificate ISO 14001/2015 for the period 2020 to 2023, confirming its compliance with applicable European standards.



The Bank achieved significant year-on-year electricity savings amounting to over 7%. The largest economies came from optimised use of existing data centre servers and their gradual replacement by more economical infrastructure. Other helpful measures were reducing the number of branches and installing more energy-efficient equipment during refits. The Bank also reduced the use of office paper, consuming around 29% less paper than in 2019.

The Slovenská sporiteľňa Foundation has a long-running environmental partnership with the Ekopolis Foundation in the Tree of the Year survey, which highlights the importance, value and beauty of trees, improves their treatment and sometimes even saves them. A committee selects 12 finalists from nominations and the public are invited to vote on the winning tree of the year. The top three trees receive funding for their treatment or landscaping. The winning tree also goes on to represent Slovakia in a Europe-wide poll. The 2020 Tree of the Year is a 700-year-old oak from Drnava in Rožňava District.

The Foundation also continued support for the Green School programme run by the Živica Centre for Environmental and Ethical Education. The project provides methodological and professional training for teachers and consulting support to reduce ecological footprints and build active communities in education. When schools had to close, the programme quickly and flexibly moved online, in part thanks to the great enthusiasm of schools, most of which were looking for ways to carry on activities and transfer them to households, where parents could get involved in reducing ecological impacts. Another ongoing partnership with Živica is the popular Urban Bees project, in which beehives are maintained on the roof of the Bank's headquarters.

SOCIAL ISSUES

Slovenská sporiteľňa has long supported projects aimed at helping disadvantaged sections of the population. For example, it donated to the Divé maky Fund, which supports the education of talented Roma children from communities at risk of poverty.

As a signatory of the Diversity Charter, Slovenská sporiteľňa believes that diversity should unite us, not divide us.

In the last year, the Bank and its Foundation contributed to the special edition of the Daffodil Day charity collection, which could not be held on its traditional date with volunteers in the street because of emergency measures. As well as participating in the collection directly, branch staff counted the donated cash. The Foundation also supported the League Against Cancer's cancer counselling service, which puts oncology patients in touch with experts.

The Foundation continued its cooperation with VAGUS, a civic association with long experience of providing services for the homeless. It expanded its longstanding partnership with the DANUBE Dance Club, where disabled and non-disabled dancers come together in integrated ballroom dancing.

In 2020, the Foundation supported Malteser Aid Slovakia in helping the elderly, the disabled and the homeless, to whom hot meals were distributed regularly during the pandemic. It also continued building its partnership with the Natália Centre, which provides rehabilitation services mainly for children with cerebral palsy.

It works with the non-profit organisation Projekt DOM.ov to increase financial awareness in the Roma communities in eastern Slovakia and help residents build their own homes. The Foundation helped the STOPA civil association to provide targeted assistance to homeless people during the pandemic.

CIVIL SOCIETY

Slovenská sporiteľňa believes that the development of a healthy civil society is important for the functioning of a modern country. This is why it has become one of the founding members of the Fund for Transparent Slovakia and supported the establishment of the Investigative Journalism Fund managed by the Open Society Foundation. It also continued its support for the Journalist Award.

When anti-coronavirus measures were introduced in spring last year, municipal and community life in the public space came to a halt. Even so, Slovenská sporiteľňa began developing a new partnership with the Old Market Hall in Bratislava. In the run up to Christmas, the Bank set up a unique Christmas Market here, with space for more than 200 small businesses and manufacturers to sell their wares.

The Slovenská sporiteľňa Foundation again supported the Open Society Foundation's Investigative Journalism Fund, which was set up in response to the tragic events in Slovakia in February 2018. The murder of investigative journalist Ján Kuciak and his fiancée exposed the importance and vulnerability of this demanding occupation. The long-standing defects in the democratic institutions that should support the rule of law point to the need to support investigative journalism.

Another Open Society Foundation project that the Foundation supports is the Journalist Award, first awarded in 2004. Its aim is to draw attention to the quality of journalists' work and to stimulate professional discussion about conditions and trends in Slovak journalism. The aim of the 16th edition of the Journalist Award was to emphasise the importance of journalism and journalists' commitment to discovering the truth and defending the democratic principles on which our country functions. Due to the pandemic, the award ceremony was delayed and smaller in scale, but its online stream was the most watched in the event's history, with 16,000 viewers.

The Foundation was proud to be the partner of the Biela vrana (White Crow) awards (Bystriny civil association) for the fifth time. These awards express gratitude to those rare individuals around us who are willing to defend truth and justice through real acts of civil courage and the sacrifice of personal interest for public benefit, for values and for principles, despite not infrequently being exposed to risk, mistreatment or condemnation.

CULTURE AND SPORT

This pandemic-stricken year has shown what an important role culture plays in people's lives. It has also helped us to see the vulnerability of live culture based on a real meeting between artists and the public. As a partner of many cultural projects, Slovenská sporiteľňa supported many events that were severely affected by the coronavirus pandemic. When the difficult situation prevented people from going out to art, the Bank and its partners introduced new formats to bring art to the people. The Bank continued its long partnership with the Pohoda music festival, which pioneered a successful multi-genre online festival, Pohoda in the Air, and the Viva Musica! festival, which organised concerts in Bratislava housing estates under the name Art under the Windows.

In the area of sports, Slovenská sporiteľňa continued to support the Olympic athlete Matej Tóth. It was backing him in the Dudinská 50 race last autumn, when he qualified for the 2021 Tokyo Olympics. The projects Peter Sagan Children's Cycle Tour and Matej Tóth Sports Academy helped to encourage children's positive attitudes to movement when schools were closed through the online project Physical Education at Home and provided schools with methods and videos for exercising at home.

Customer Care

PUTTING THE CUSTOMER FIRST

Customer satisfaction is one of the main goals

For the Bank to be successful, it must constantly monitor the level of customer satisfaction and identify what helps raise satisfaction and what, on the contrary, should be avoided. Therefore, Slovenská sporiteľňa conducts several activities yielding this valuable information. Strategic measurements are made of overall satisfaction, while greater detail is obtained using quick polls following client interactions with the Bank. This compares the satisfaction of clients who had an interaction with Slovenská sporiteľňa via any of its channels – visiting a branch, calling the Client Centre, or using digital services.

Slovenská sporiteľňa ranks among the banks with the highest levels of customer satisfaction

An important element in tracking customer satisfaction are surveys following a specific type of event, e.g., after dealing with a customer complaint, addressing a customer with a sales offer, or following a product cancellation. The Bank also uses surveys preventively, i.e., before implementing planned changes. This type of survey helps significantly in making the right decisions and in choosing targeted communication. Measurements are often supplemented by mystery shopping and qualitative testing in smaller groups of real clients.

Monitoring satisfaction helps Slovenská sporiteľňa to better understand its clients, thus enabling it to constantly offer processes and products that reflect the needs of existing customers, as well as being attractive for potential clients. The Bank works to create a client-oriented culture and therefore includes customer satisfaction results and recommendations in the personal KPIs of all Bank employees.

> 95 %

Customer satisfaction after visiting a branch

In 2020, clients appreciated several of the Bank's activities. They showed high satisfaction with various Covid-related measures. They particularly identified the responsible and prompt approach to the situation in branches, the extraordinary aid package, or the rapidly implemented process for repayment instalment deferments without the need to visit a branch. Customers can now also make appointments with an advisor for a specific time.

RETAIL PRODUCTS AND SERVICES

The pandemic showed the importance of long-term strategy

The pandemic and the government's crisis measures meant that clients sought suitable alternatives to visiting a branch, and the digital space is the ideal choice for this. Slovenská sporiteľňa has long striven to achieve this preference for digital channels; and it is no coincidence that this strategy was confirmed at critical times during 2020. Service operations were largely moved into George, obviating the need to visit a branch.

But the importance of digital really showed in the sale of products. As at the year end, digital sales had increased against the previous part of the year by more than 30%, with the sale of one-off investments forming a significant share. In the volume of loans provided via digital, Slovenská sporiteľňa again exceeded the level of €100 million in 2020.

One of Slovenská sporiteľňa's strategic goals is to maintain its position as a digital leader. The Bank directs not just sales into the digital environment, but also most of the simple service transactions that clients can easily manage themselves. The George mobile banking app is becoming the new standard for these operations. Branch staff will thus be able to devote themselves fully to financial advice, with the main target being a financially well secured client.

To this was added rapid growth in the number of new accounts, thanks in large part to the new online process in the George mobile application, supported by financial benefits and an extensive marketing campaign. However, branches also helped make it easier to open an account, as the option of establishing a customer and subsequently opening an account was added to branch tablets. This digitalised the entire onboarding process, delivering new customers a positive first experience with the Bank.

+ 36 %

Growth in the total number of products sold through digital channels

More and more documents are signed via the tablet

Slovenská sporiteľňa introduced signing on tablets in 2019 and took it further in 2020, adding the option of digital signing to more processes in the tablet. For example, in cooperation with the NN pension company, the process of setting up pension saving in the second and third pillars was digitalised in 2020. Along with further process modifications, signing via tablets led to a reduction of up to 40 000 paper documents a month.

Responsible lending even during a pandemic

Slovenská sporiteľňa wants to be the first choice for clients in financing their needs, which include in particular the need for housing or consumption. Growth in the retail loans market is gradually slowing, which may be due to lower demand for consumer loans during the pandemic, as well as tighter measures by the central bank. Against this background, Slovenská sporiteľňa provided more than €2.1 billion of new housing loans in 2020. Undoubtedly, attractive interest rates on the market also contributed to this.

In this turbulent year, the Bank helped its clients with consolidating loans from other banks and financial institutions under more favourable terms to reduce their overall debt burden and release financial resources needed in the pandemic.

>650 ths.

The number of George mobile app users in 2020

George helped with the instalment deferrals

Slovenská sporiteľňa began helping clients defer instalments even before the introduction of special Covid-19 legislation. The Bank made it possible to apply for a deferment online directly in George, right from the first day when the law came into force. In most cases, applications were approved automatically. In these uncertain times, Slovenská sporiteľňa meets the current financial possibilities of clients in repaying loans and offers them solutions beyond the legislative possibility of deferring instalments.

Cashless branches and more ATMs

With 203 branches and 747 ATMs, Slovenská sporiteľňa's distribution network is the largest in Slovakia. The first cashless branches with a modern self-service zone, available to clients 24 hours a day, 7 days a week, were also added during the year. At the end of the year, there were more than 20 branches of this type available to clients.

As part of efforts to shift cash out of branches into other channels, the Bank is constantly expanding its network of recycling ATMs, whose number almost doubled over the course of 2020 to reach 79 by the end of the year. Number of deposits realized through the self-service devices increased by 30% and volume of the deposits by 49 % compared to the previous year. More deposit machines will, of course, be added in 2021.

ASSET MANAGEMENT FOR RETAIL CLIENTS

The Financial Plan came at the right time

With the new Financial Plan tool, Slovenská sporiteľňa is better equipped to help clients properly distribute their funds so that they are ready to cope with various life situations. This has proved to be the right step in the context of the ongoing pandemic. The coronavirus pandemic has had a major impact on client behaviour and on their attitude to money. Clients spent a little more cautiously and did not dip into their savings to the usual extent.

Slovenská sporiteľňa, with the help of the Financial Plan, also managed a second stress test – a significant drop in the financial markets during the first wave of the pandemic, followed by a rapid return to historic highs. Despite the turmoil in the financial markets, the Bank did not face significant selloffs. On the contrary, the number of newly opened regular investment schemes rose by 80%.

+ 40.6 ths.

The increase in the number of clients investing in 2020

George further enriched with new products

In February, Slovenská sporiteľňa began selling one-off investments available through internet banking. In the comfort of their homes, clients can buy not just recurrent, but also any one-off investments.

George also saw improvements in insurance products. In 2020, the Bank, for the first time, enabled clients to access information on their life and car insurance policies on its internet banking. Work is now proceeding intensively on displaying other insurance products. The portfolio of products that can now be purchased without needing to visit a branch has also been expanded.

New developments in life insurance and savings

In 2020, we expanded life insurance to include two new types of insurance coverage – for disability and the time of necessary treatment. At the same time, we launched a new accident insurance product through the Call Centre. Having ended sales of the long-term product "Deposit Book" in 2020, Slovenská sporiteľňa will offer its clients more modern forms of savings. Slovenská sporiteľňa wants to strengthen the so-called omnichannel approach, making it simpler for clients to purchase deposit, investment and insurance products via personal bankers over the phone.

Slovenská sporiteľňa provides clients with various ways of investing their money. From conservative solutions to modern forms of investing funds (e.g., mutual funds, ETFs or stocks). Moreover, it is able to provide its clients with a wide range of life and non-life insurance through bancassurance. With its sale of 2nd and 3rd pillar pensions, the Bank also offers comprehensive coverage of pension needs.

Innovation will continue

The Bank sees the future of care for clients' funds in modern, innovative and individually tailored products. Clients can look forward to new investment opportunities in 2021, and improvements in the Bank's insurance offerings with, of course, the maximum possible use of electronic channels.

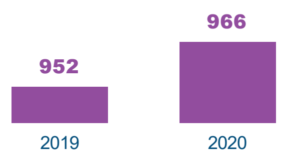
€35.5 mil.

Net income from insurance brokerage (+€3.9 mil. vs. 2019)

ERSTE Private Banking

Erste Private Banking manages the financial assets of clients with a volume of assets exceeding €500 000. Our vision is to be a leader in the quality of private banking services provided and to have the largest share in the Slovak banking market. The emphasis is on client satisfaction, transparency and discretion. Expanding online options for investing and online management of the client's portfolio is becoming a matter of course for the Bank. The goal in 2021 is to offer clients pro-social ways to invest, such as investing in social bonds – sustainable bonds with a positive social impact on communities.

In response to the pandemic, and particularly to clients' requirements, a significant share of personal communication has moved online. Over the course of the year, new functionalities were added to the George Internet banking service, the most important from a private banking perspective being the possibility to set up a private banking account and services through an entirely online process, investing in mutual funds, setting up and managing investment savings, purchasing and selling selected stocks and exchange-traded funds (ETFs), as well as the opportunity to participate online in primary bond issues. This development shows that the Bank was correct in its efforts to increase its investment in technology and online communication with the client.



Assets managed by EPB (in € million) with just over 1 450 clients as at year end 2020

PAYMENTS AND CASH

The way people pay has changed

The pandemic and the measures the country adopted to combat it have influenced the economic activity and behaviour of the population. There were fewer opportunities for traditional forms of shopping and leisure, and it was harder to travel within Slovakia and abroad. The result was the sharpest year-on-year drop in cash transactions in Slovenská sporiteľňa's history, amounting to a 20% decrease in volume and a 23% fall in number of transactions.

The Bank met all its key 2020 targets and deadlines in the important ECB project T2-T2S consolidation. Slovenská sporiteľňa plans to join the Slovak national plan for implementing instant payments in February 2022. This form of payment will significantly contribute to accelerating the flow of payments between banks within the EU. The pandemic caused delays in some major payment projects, but the Bank dealt with the situation flexibly, despite the high complexity involved in planning and executing projects of such a scale.

CORPORATE BANKING

A rapid response to the crisis

Right at the start of the crisis, Slovenská sporiteľňa proactively contacted many of its corporate clients, thus gaining direct feedback and a unique overview of their expectations for their businesses. As well as being of indispensable benefit in designing our assistance to the corporate sector, it was a clear signal to clients that the Bank is their stable and supportive partner even in hard times.

The Bank went on to provide several types of support for firms. It permitted clients to resolve pandemic-related problems with deferrals beyond the conditions stipulated by the law, and it even made deferrals and short-term liquidity available before the first government measures were adopted. It then became the first bank to sign an agreement with the government on the implementation of pandemic mitigation programmes for firms. Slovenská sporiteľňa also provides support backed by European Investment Bank (EIB) programmes for business and the public sector.

Our aim in corporate banking is to support the prosperity of our clients – especially SMEs – using the full range of financial solutions including bancassurance, leasing and factoring, and by further development of product and services.

Digital solutions were critical

A key step was finding a way to keep providing a full service for clients including the possibility to sign documents securely and without contact. In this too, Slovenská sporiteľňa managed to provide a quick and functional digital solution. The Bank continued developing its Business24 mobile application, the first application in the Slovak market developed specially for corporate clients' needs. It was in active use at around 3 500 firms in 2020. Digital development is still far from finished, and alongside the enhancement of mobile and web applications, the Bank is pursuing the digitalisation of credit processes, implementation of an omnichannel approach and digital onboarding.

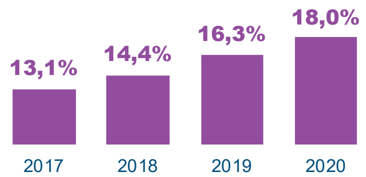
Clients appreciated the Bank's assistance

Slovenská sporiteľňa worked to meet the needs of clients who got into difficulties at any time over the year. One of tools it used to mitigate the pandemic's effect was a free emergency package. The package provides a business account, POS terminal and payment gateway free of charge for a year. It also comes with a significant discount on liability insurance. Throughout the year, Slovenská sporiteľňa's website was continuously updated with advice and tips to guide firms through the government's rapidly changing business support measures.

+957

Increase of number of corporate clients

The fact that Slovenská sporiteľňa is seen as a stable partner even in times of crisis has helped the Bank achieve a corporate client satisfaction index (CXI) slightly ahead of all its competitors, as well as the largest number of clients in its history for whom Slovenská sporiteľňa is their bank of first choice. One of the reasons for the favourable rating from clients was the very strong appreciation of our advisors, whom a survey has found to be the best in the market. The end result of this has been rapid growth in loans to non-financial corporations by 11% and a significant 1.7% expansion of market share in this segment to reach 18%.



market share in loans to non-financial corporations

Growth in all segments

All business segments contributed to the growth in the credit portfolio. In nominal terms, the largest growth was in the sectors Large Corporates and Small and Medium Enterprises (SME). In relative terms, however, the strongest growth was in the Public Sector, where Slovenská sporiteľňa is a market leader.

The total volume of securities under management and depositary services grew in 2020 against the preceding year, despite the sharp fall in markets due to the pandemic crisis in the early months. The costs associated with holding liquidity could be avoided only by accepting higher levels of risk when investing in debt securities. Increased volatility in both primary and secondary markets brought a higher return from operations.

Many initiatives, even outside regular business

As a responsible partner for business, Slovenská sporiteľňa set out to motivate Slovaks to buy from Slovak stores and e-shops with an initiative under the slogan "I Shop at Home." It offered a simple and effective tool for Slovaks to help each other and support the domestic economy in a difficult situation. More than a thousand companies joined the initiative in the run-up to Christmas.

Another very well-received initiative was the conference #akonato, which was the largest event of its kind in autumn 2020. The conference offered answers to burning questions on the future of the economy and the business models of firms in various sectors.

AWARDS FOR SLOVENSKÁ SPORITEĽŇA AND ITS FOUNDATION

Employer of the Year
Most Attractive Employer of the Year in the Banking, Finance and Insurance category

Slovenská sporiteľňa was awarded title of Employer of the Year in the category Banking, Finance & Insurance by Profesia for the fifth time in a row and seventh time in total.

Mortgage of the Year and Banker of the Year
1. place in both categories

Slovenská sporiteľňa received a Mortgage of the Year award for the second year running. The Bank dominated in the evaluation of the expert jury in three out of five categories (offer complexity, flexibility of the conditions and acceptance of income).

The best banker is chosen by the CEOs of competing banking houses. This time, the prize was for the first time awarded to the CEO of Slovenská sporiteľňa, Peter Krutil.

SozialMarie
Prize for Social Innovation

It is a recognition of outstanding and timeless concept in social aid in the oldest European competition of social innovation projects SozialMarie. Project DOM.ov, supported by Slovenská sporiteľňa and its Foundation, is only the second Slovak project to win the first prize in its 16-year history.

Roma Spirit 2020
Laureate of the 12th year of the award

Roma Spirit draws an attention to the activities of organizations and individuals aimed at supporting the integration of the Roma minority into society and improving its living situation. Project DOM.ov was recognized as a winner in the NGO category.

Outstanding Crisis Leadership 2020
Award for outstanding leadership during the crisis

For its activities during the pandemic, the Bank received an award for exceptional leadership during the crisis from Global Finance magazine.

PWM/The Banker Private Banking Awards 2020
Best Private Bank in Central and Eastern Europe

In 2020, Erste Private Banking received the award for the best private banking in Central and Eastern Europe by the renowned magazines The Banker and Professional Wealth Management for the seventh year in a row.

Best Private Bank Award 2021
Country Award – Slovakia

Erste Private Banking was also recognized locally, receiving title Best Private Bank in Slovakia by Global Finance magazine.

Smart Banka 2019
2nd place and Sympathy award

In this edition of the award, George jumped from fifth to the second place. At the same time, George again won the Sympathy Award for the most votes cast.

Finnoscore 2020
2. place in „Top 5 banks internationally"

An independent survey from FinnoScore comparing mainly digital products offer in banking applications awarded Slovenská sporiteľňa the second prize out of more than 200 banks globally.

Employees as a Key to Success

Business success thanks to people

The Bank wants to be an attractive employer that empowers individuals to discover and fully develop their talents to meet customers' rising expectations. It recognises the importance and uniqueness of the potential in its employees and therefore pays great attention to their development and appropriate placement. It wants such efforts to benefit customers, society as a whole and, not least, the employees themselves. This is one of the reasons why Slovenská sporiteľňa has transformed its Human Resources department to Employee Experience. Slovenská sporiteľňa is aware that maintaining its current leadership position requires it to respond quickly and effectively to all the challenges it faces. The only way to do this is through modern financial solutions, and the skill and experience of its staff.

Slovenská sporiteľňa envisions itself as a partner for its employees' career development, ensuring they have the positive motivation and professional skills to achieve shared strategic objectives.

This year, health was a priority

Right at the start of the year, Slovenská sporiteľňa took fast and effective measures to protect the health of its employees and clients against COVID-19. Work from home became commonplace and was used by more than 80% of head office staff at the peak of the first wave. Internal communication quickly moved online, soon followed by training and gradually also by digitalised internal processes. For example, annual income tax accounting and the issuance of work certificates during lockdown were handled digitally without any need for personal contact.

Employees were given vitamin packages to boost their immunity. Colleagues in teams where a coronavirus infection was suspected received priority PCR testing. In addition, Slovenská sporiteľňa ensured that its staff received flu vaccinations even when the vaccine was already sold out. Last but not least, a telephone hotline gives employees non-stop access to psychological experts, whose assistance has been increasingly in demand due to problems arising from the pandemic.

3 x

more calls to the helpline compared to last year

The management's correct response to the pandemic was confirmed by an internal survey, in which employees expressed high satisfaction with support from top management and their direct superiors. Employees appreciated clear communication, the possibility to work remotely and the Bank's overall interest in their safety.

Gradual change in the Bank's culture

Over the past year, Slovenská sporiteľňa's organisational culture has undergone significant changes. The Bank implemented new forms of work by adding self-managing teams to traditional agile-managed teams ("labs"). The employer also changed its branding, both inwardly and outwardly. The Bank wants to be attractive for young applicants who will stand by it through all its changes and who want to take part in transforming Slovakia into a modern country where it is attractive to live and work. It already provides a great working environment where there is fair cooperation and opportunities for continuous learning and professional development.

Social networks became the primary channel through which Slovenská sporiteľňa presents its brand, also involving its own employees. These ambassadors or "influencers" seek to present Slovenská sporiteľňa's aims in an informal way, as well as its innovative products, inspiring work, motivating leaders and team activities outside work. The creation of the Bank's new culture thus comes not from top-down directives from top management but the joint efforts of all employees.

Digital methods accelerate employee development

Slovenská sporiteľňa is aware of the extraordinary importance of talent development and succession planning. A new means for measuring and making appropriate use of staff potential is the Gallup Strengthfinder tool, which the Bank is using to detect employees' strengths and talents. From 2020 all employees have access to a new development app, Seduo, which supports online training with a wide variety of courses.

An interesting example of modern working practices can be seen in the rollout of the new software platform. Assistance for colleagues was provided by 150 specially trained volunteers from various departments of the Bank. This group of internal "Digi Gurus" makes it easier for the rest of the Bank to transition to new online ways of working.

A top employer again in 2020

For the seventh time overall and the fifth year in a row, Slovenská sporiteľňa won the prestigious title of Most Attractive Employer of the Year in the Banking, Finance and Insurance category in a survey run by Profesia. Its aim is to provide a detailed overview of the attractiveness of employers in specific sectors, including the benefits they provide and their overall image compared to their competitors.

As a signatory of the Diversity Charter, Slovenská sporiteľňa is an ambassador of the initiative to promote to inclusion and diversity in the workplace.

Management Report on Bank’s Activities in 2020

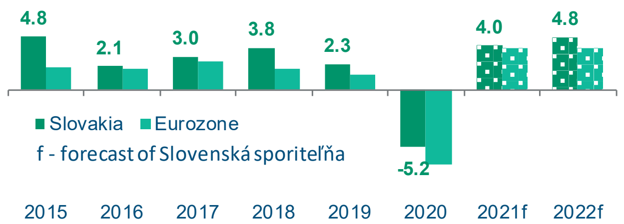
(based on the consolidated financial statements)

THE SLOVAK ECONOMY IN 2020

The COVID-19 pandemic dominated the year 2020, reducing both domestic and foreign demand. The services sector was hardest hit, but the industry, trade, and construction sectors also shrank over the year.

Both domestic and foreign demand fell

The second quarter of the year saw the worst impact, when severe restrictions were imposed on almost the entire economy. Nonetheless, the easing of restrictions from mid-May gave economic activity a significant boost. The third quarter then brought an unexpectedly strong recovery in the Slovak economy. However, the end of the year was overshadowed by a second wave of infection and associated measures to slow the spread of the virus. The restrictions affected primarily services and brick-and-mortar shops during the 2020/2021 winter. Thus, on a full-year average, the decline in GDP reached -5.2%.



Economic growth in Slovakia and in the euro area (in %)

Unemployment rose only modestly, despite the recession

The labour market was not spared from the impact of the pandemic, but the negative impact of COVID-19 on it was relatively modest, as a result of the significant contribution from the state's job protection measures. In 2020, the average unemployment rate rose to 6.8%, with employment falling across all sectors. Job losses were concentrated particularly in industry, services and trade. The impact can be seen in areas severely affected by restrictions and weaker demand, and also often in jobs where working from home is not possible. This came hand in hand with more modest wage growth compared to the dynamic growth seen in recent years (also influenced by measures from the second quarter, which led to a temporary decline in nominal wages).

Inflation slowed, and should slow further

The slowdown in global economic activity due to the pandemic led to a fall in oil prices, to which were added somewhat milder domestic inflationary pressures. The growth in consumer prices last year averaged 1.9%, representing a moderation in inflation compared to the year before. In 2021, we expect inflation to slow further to 0.9%.

Effects varied across the euro area

Neither did the euro area as a whole escape recession, with GDP dropping by -6.8 %. The worst pandemic effects struck in the second quarter, followed by recovery in the third quarter. The services sector was hit particularly hard, while industry remained relatively resilient. Germany, our main trading partner and the driving force in the EU, came out with a relatively modest drop in GDP of -5 %. Countries such as Spain, France, and Italy fared worse.

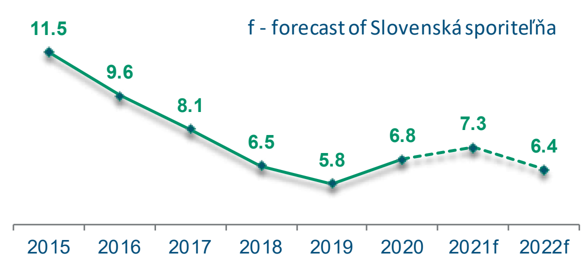
The ECB ran large liquidity programmes

The European Central Bank (ECB) responded to the effects of the pandemic on economic growth and inflation (inflation in the euro area fell to 0.3% on average) and offered countries assistance with extremely loose monetary policy, especially large liquidity programmes. Interest rates remained unchanged. The ECB has launched a €1 850 billion Pandemic Emergency Purchase Programme (PEPP), which will last at least until the end of March 2022. In contrast to classic quantitative easing, which occurs in the monthly form of €20 billion (temporarily 120 billion was added to it in 2020), the PEPP has the advantage of flexibility of purchases between asset groups and countries. The ECB also extended the third series of targeted long-term TLTROIII refinancing operations and adjusted lending targets to motivate banks to maintain lending. Moreover, the euro area can also draw on the PELTRO programme (pandemic emergency longer-term refinancing operations). Monetary policy instruments, mainly the PEPP, also indirectly help governments with financing on the markets.

Yields on Slovak government bonds first rose at the beginning of the first wave of infections, but then fell in response to the ECB's actions, and since July the yield on Slovak 10-year bond has been negative. The ECB's policy of yield growth even with fiscal stimulus is extremely loose, so in 2021 we expect to see only a slight increase.

The deficit will rise notably

Materialisation of past budgetary risks, as well as shortfalls on the revenue side and increased pandemic-related spending are expected to push the general government deficit for 2020 close to 8-9% of GDP. In 2021, the deficit may fall slightly to 6% of GDP. The fiscal expansion is temporary and, especially in this adverse situation, it is vital to stabilising the economy, so there is no problem with domestic or European rules. Public debt will increase to a historically high level, exceeding 60%, and will remain there in 2021. Therefore, a longer-term consolidation of public finances will be much needed upon returning to better economic times.



Unemployment rate in Slovakia (in %)

Growth should revive in 2021

A universally available and effective vaccine will bring a lasting improvement in the situation. Vaccination has begun, though it will take some time for there to be enough vaccines for the population at large. In 2021, we expect a return to a positive rate GDP growth averaging 4%, with a visible recovery mainly from the late spring of 2021. The average unemployment rate might reach 7.3%, followed by a gradual decline, noticeable mainly from 2022 onwards. This will be accompanied by slower wage growth.

FINANCIAL RESULTS

Growth in loans and deposits continued even during the crisis

Slovenská sporiteľňa's total assets increased by more than 11% (€2.1 billion) against a year earlier. This rapid growth was due mainly to loans to clients and deposits at the central bank. These were linked to the use of an advantageous source of funding in the form of targeted longer-term refinancing operations (TLTROs) of the European Central Bank (ECB).

€20.7 billion
Value of Slovenská sporiteľňa's total assets

The net value of loans to clients increased by almost 6% over the course of 2020 to the level of €14.9 billion, which represents 72% of total assets. The share of loans in the balance sheet thus fell by about 4 percentage points. Loans to households (€383 million and +4%) contributed most to credit growth, primarily through loans for house purchases and loans to non-financial institutions (+€384 million and +11%), though loans to the government sector also grew significantly (+11%). Slovenská sporiteľňa thus strengthened its position as leader in retail banking, with a market share of 25.4%, while in loans to non-financial institutions, the Bank continued growing in market share, to reach 18% at the end of 2020.

The decline in financial assets at fair value through other comprehensive income was mainly due to the sale of a stakes in Mastercard Incorporated and Visa Inc. The realised gain on these transactions was recognised in other components of comprehensive income and did not affect net profit.

Optimisation of deposits of institutional and large corporate clients

The total volume of client deposits increased by slightly more than 3% year-on-year (+€0.5 billion) to €14.9 billion. Slovenská sporiteľňa thus maintains its market share of 28.4%, making it by far the largest bank in the retail deposit market. While household deposits grew at a rapid pace of more than 9% (+€1 billion) compared to the previous year, deposits of institutions and large corporate clients saw an intentional decline. The net outflow of these deposits amounting to more than €100 million was the consequence of an adjustment to fees for institutional clients' deposits above a certain amount. Net loans to clients at the end of 2020 were fully covered by client deposits, with their ratio reaching 100.2%, which is a slight increase from last year's 98.1%.

Deposits from banks were significantly higher than in the preceding year due to the Bank's entry into longer-term refinancing operations (TLTROs) with the ECB. At the end of 2020, the Bank recorded the received funds as a liability from TLTRO in the amount of €1.5 billion. For this and other reasons, the Bank did not need to issue a large amount of debt securities, with their value decreasing slightly against a year earlier (-0.9%). The Bank's equity increased by more than €170 million to the level of almost €1.8 billion. The Bank meets all capital indicator limits set by the regulator.

The operating result decreased only slightly

Compared to 2019, Slovenská sporiteľňa's net interest income increased by almost €3 million to €433.6 million (+0.7%), despite the persistent environment of extremely low market interest rates and the associated decline in interest income from loans. However, the positive effect came from the interest income from liabilities with a negative interest rate (TLTRO).

Net fee and commission income increased by almost €2 million (1.4%). While the revenue side saw a slight decrease (-0.8%), mainly due to the aforementioned methodological change, fees and commissions expenses were lower by more than €3 million, which is approximately 13%. Revenues from fees and commissions for distributed but unmanaged financial resources (including fees previously disclosed as "Asset management") also made a significantly positive contribution, growing by almost €7 million against a year earlier. This category, to a large degree, saw higher commissions for brokering asset management and insurance products. The year-on-year decline in net trading income was primarily due to lower income from derivatives trading.

General operating expenses decreased slightly year-on-year (-0.5%) to €287 million. The increase in personnel costs (6.3% and €9.4 million) was fully offset by reduced depreciation and significantly lower amortisation, due to the completion of depreciation of one of the information systems.

Operating profit in the total fell by €3.5 million (-1.1%), which may be considered a favourable result in view of the difficult external environment. The ratio of operating expenses to operating income (CIR) remained almost unchanged from the previous year, increasing by only 16 basis points to 48.5%.

Fall in profit due mainly to the creation of loan loss provisions

The recession was reflected in Slovenská sporiteľňa's results primarily in the creation of loan loss provisions. Compared to 2019, the net impairment loss on financial instruments increased approximately 2.5-fold to €108 million. Its ratio to gross loans ("risk costs") reached 0.7% in 2020, compared to 0.3% a year earlier. It should, though, be noted that this was largely a prudent provision for expected, not realised losses.

Other operating profit deteriorated by approximately €10.5 million, resulting primarily from the decrease in the value of shares in Prvá stavebná sporiteľňa. The final result for specific fees of selected financial institutions increased only slightly compared with the situation in the first half-year, since the doubling of the bank tax rate for 2020 was eventually cancelled. The Bank thus paid a bank tax of €33.8 million, at a rate of 0.2%.

€108 million
Consolidated net profit for 2020

The Bank's consolidated net profit in 2020 totalled €108 million, representing a year-on-year decrease of 40% (-€72 million). The largest share by far in this significant fall was due to the higher creation of loan loss provisions, which increased by more than €65 million (before income tax). Return on equity in 2020 was 6.2%, compared to 11.6% in 2019.

Transactions dominated by issues of own bonds

The year 2020 was a breakthrough year for Slovenská sporiteľňa in issuing securities. The total volume of bonds and investment certificates issued in the year totalled almost €1 billion. The Bank was the first in Slovakia to issue a new type of bond – non-preferred senior bonds, which are suitable for meeting the MREL requirement. The Bank made significant issues of AT1 investment certificates in a total volume of €300 million. The Bank also participated as a lead co-manager in a successful large issue of government bonds with a 10½-year maturity.

RISK MANAGEMENT

Risk management principles

Effective risk management is one of the core pillars of the success of Slovenská sporiteľňa's business operations. Therefore, the Bank strives to introduce and to constantly improve processes for monitoring, evaluating and managing all the important risks to which it is exposed. These include in particular credit, market, operational, and liquidity risks.

The Bank's risk management objective is to identify all the significant risks to which it is exposed, to accurately assess their potential adverse impact and to have procedures for managing and controlling them effectively. Risk management is guided by the following basic principles:

- prudent approach to risk, emphasising long-term sustainability;
- risk management is as far as possible independent of business lines, it is centralised, and has sufficient resources and powers to fulfil its functions;
- risk management is integrated; the overall risk profile reflects interdependences between individual types of risk, and risk exposure is constantly managed with regard to the amount of capital available;
- the Bank does not enter into transactions, investments or products involving risks that it cannot assess or manage.

The set of indicators determining the Bank's targeted risk profile is defined in the Bank's Risk Appetite document. This document then becomes binding and is one of the defining starting points in creating the Bank's strategic business plan.

18,7%

Overall capital adequacy in 2020

Capital adequacy grew

The Bank's consolidated capital adequacy rose from 17.3% at the end of 2019 to reach 18.7% in 2020. The slight increase in the capital adequacy ratio was due to an increase in the volume of own funds during the year, while the slowdown in the dynamic of the volume of loans compared to previous years also had a positive effect. In addition to the increase in retained earnings, the issue of additional Tier 1 capital in the amount of €150 million also contributed to the increase in own funds. Throughout the year, the Bank easily satisfied the ECB's minimum capital adequacy ratio, including all capital cushions. The long-term development of Tier 1 and CET 1 capital ratios copies the trend of total capital adequacy.

Liquidity situation remained stable

Slovenská sporiteľňa's liquidity situation remains problem-free; the Bank fulfils all relevant statutory and internal requirements. The Liquidity Coverage Ratio (LCR) averaged 177% over the year (the minimum value reached was 156%), well above the statutory limit of 100%. The Net Stable Funding Ratio (NSFR) remained above 130%; the statutory limit is 100%. The Bank holds a liquidity cushion of approximately €4.2 billion in highly liquid assets (mainly Slovak government bonds) and also meets internal requirements relating to its survival period in emergencies.

The share of non-performing loans[2] continued to fall

The share of non-performing loans at Slovenská sporiteľňa decreased from 2.9% in 2019 to 2.4% in 2020. Both retail loans and corporate loans contributed to this decrease. The Bank continued to pursue a prudent lending policy. Prevention-related measures comprising a system of monitoring early warning signals, effective collection procedures, regular write-offs, and the sale of non-performing loans all contributed to reducing the share of problem loans. However, the favourable change in 2020 was also significantly affected by deferments of loan repayments, granted on the basis of Covid-related legislation. The ongoing pandemic may negatively impact the share of non-performing loans in the future.

2,4%

Share of non-performing loans in 2020 (2.9% in 2019)

Impact of legislative and regulatory changes

In order to further alleviate the growing indebtedness of consumers in the market, the National Bank of Slovakia (NBS) continued to tighten regulations in place. The start of 2020 saw loan conditions tightened by means of the DSTI (debt-service-to-income) indicator, increasing the reserve from 20% to 40% of income. From Slovenská sporiteľňa's point of view, these stricter measures resulted in a declining trend in the new production of consumer loans.

Emphasis on solving clients' difficult life situations

With regard to the pandemic and its potential impact for non-repayment of loans, the Bank focused on developing processes for resolving clients' difficult life situations during the year. Emphasis was placed on simplicity, accessibility and responding to individual needs. At the start of Q2, legislation was passed with aim to mitigate the pandemic's negative impact on household incomes through loan repayment deferments. Slovenská sporiteľňa prepared a simple, automated process for clients to process payment deferment requests in the digital environment of George internet banking. Of the total number of loans to households, 10% asked to defer repayments, most of them for the maximum length of 9 months. Despite the ongoing pandemic, the Bank does not expect a large increase in the number of people having difficulty restarting repayment. The Bank does, nevertheless, have a solution ready for them, too.

The Bank has introduced a system for monitoring early warning signals also in the retail loan portfolio to help identify potential risks of non-repayment of loans, or to proactively alert clients and offer help.

[2] The Bank follows the definition of the European Banking Authority (EBA) in reporting non-performing loans (NPLs).

OBJECTIVES FOR 2021

In the coming year, Slovenská sporiteľňa and its clients will continue to face the challenges of the coronavirus pandemic. The deferral of instalments will expire for many loan customers at the start of 2021. Some of them will have lost their jobs due to the deteriorating economic situation and restarting payments may be complicated. Slovenská sporiteľňa aims to communicate actively with such clients to find a solution that mitigates the financial impacts of the pandemic for these clients, and ultimately also for the Bank, in the maximum extent possible.

Over the longer term, Slovenská sporiteľňa wants to be the best financial advisor for its clients and their most relevant partner for life and business. It aims to offer both retail and corporate customers modern financial solutions that make their lives easier.

Digitalisation has long been one of the Bank's top priorities. It will continue working on enhancements and new features for internet banking, both in the George retail app and the Business24 corporate application. The use of tablets will make it very simple for clients who visit a branch to find the right product or service for their needs in the growing range. Offers to clients can thus be tailored more individually to take account of all their current and future needs and provide comprehensive financial advice.

Slovenská sporiteľňa wants to intensify its focus on insurance and investment offerings, including cooperation with partners, alongside traditional banking. These and other activities are intended to make it more attractive to new and existing clients and motivate more people to make active use of its services.

Cost optimisation will remain a priority for the Bank, which is working to keep the ratio of operating costs to operating revenues (CIR) at a low level. Digitalisation delivers greater convenience for clients and, in the long term, will also create favourable conditions for cost reductions. The Bank will also focus on streamlining internal processes and activities, faster development, and customers' satisfaction with its products and services. All the Bank's decisions will take account of the acceptable degree of risk.

Slovenská sporiteľňa aims to increase its contribution to Slovakia's development as a prosperous and modern country through its business activities, the activities of the Social Bank and the Slovenská sporiteľňa Foundation.

FORECAST ECONOMIC AND FINANCIAL SITUATION

Total assets should grow further

In 2021, Slovenská sporiteľňa expects year-on-year balance-sheet growth of over 5%, mainly due to continued growth in the volume of transactions with clients in both lending and deposit taking. The forecast increase in client transactions should strengthen Slovenská sporiteľňa's leading position in the Slovak banking market. The planned increase in lending should be financed mainly from deposits received but will also draw on long-term debt security issues. It is estimated that the loan-to-deposit ratio will reach 102.5% by the end of 2021, due to slower growth in client deposits compared to the rise in lending. Appropriate measures make it reasonable to expect that the Bank will satisfy regulatory requirements for indicators and parameters under the CRR (Capital Requirements Regulation) and CRD (Capital Requirements Directives).

Profitability expected to recover after the drop

Slovenská sporiteľňa expects favourable economic results at the end of 2021 which will be significantly higher in year-on-year terms, largely due to the cancellation of the bank levy and lower provisioning than in the preceding year. Net interest income will decrease year-on-year due partly to reduced income from loans, but primarily for reason of a portfolio of securities with higher interest income in 2021 reaching maturity. Downward pressure is also exerted by stiff competition, tightening regulation and long-term low interest rates, the decline in which cannot be fully offset by growth in volume. Conversely, the Bank expects higher fee and commission income. Increasing revenues from brokerage of insurance products and the sale of mutual funds investments should bring significant help, though growth is also expected in other categories of fee and commission income. Slovenská sporiteľňa is increasing branch transaction fees to motivate clients to make more use of digital banking. Revenues from trading may be highly variable, as they depend on many market factors. Net operating income is forecast to decrease year-on-year due mainly to the aforementioned decline in net interest income, though this decrease will be partly offset by higher fee and commission income. Slovenská sporiteľňa expects operating costs to increase in 2021, due mainly to higher contributions to the Deposit Protection Fund. In other areas of operations, the Bank is implementing a range of cost-saving projects, many of which were launched in 2020 and will continue in the following year. Slovenská sporiteľňa's effectiveness in cost management is confirmed by an expected cost-to-income ratio of approximately 49% (not counting the levy to the Deposit Protection Fund).

Main risks

The main risks and uncertainties Slovenská sporiteľňa faces stem mainly from the global COVID-19 pandemic and from its consequence in worsened economic situation. Further risks come from legislative changes in the Slovak Republic and the European Union in the area of banking, including changes related to tightening balance-sheet structure requirements and credit market conditions in an environment of persistently low interest rates.

Summary Corporate Governance Report

CODE OF CORPORATE GOVERNANCE

The management of Slovenská sporiteľňa recognises the importance of sound and responsible corporate governance. The basis for applying the principles of corporate governance is the commitment declared in 2003 by Slovenská sporiteľňa's parent company – Erste Group Bank, which included a voluntary undertaking to abide by the Austrian Code of Corporate Governance. The Bank, as a member of the Erste Group, has implemented the Group Governance Policy. This policy reflects the main standards and principles of the OECD Principles of Corporate Governance, as well as those of the Austrian Code of Corporate Governance, which is updated annually. Slovenská sporiteľňa, as a member of the Slovak Association of Corporate Governance (SACG), has concurrently undertaken to observe the Code of Corporate Governance in Slovakia issued by that association (hereinafter simply the "Governance Code"). The company takes all its decisions and carries out all its actions in accordance with the principles of the Governance Code and the adopted Group Governance Policy. Application of the principles and rules of the Governance Code is significantly influenced by the fact that Slovenská sporiteľňa has a sole shareholder owning 100% of the shares issued by the company, and its shares are not traded on any stock market. Certain provisions of the Governance Code relating to the exercise and protection of shareholder rights therefore need not be applicable or are applied to the sole shareholder. The codes of governance are publicly available on the websites: www.corporate-governance.at and www.sacg.sk.

Over the course of 2020, Slovenská sporiteľňa complied with all Group Governance Policy rules, as well as the applicable principles of the Governance Code.

Slovenská sporiteľňa has in place a Global Compliance Code establishing a set of ethical standards, principles and binding rules for the Bank and its staff. The responsibility of the Bank and its employees toward clients, and the responsibility of the Bank and its staff to one other are the basis for strict compliance with the adopted rules and standards of the Compliance Code. The Bank applies a policy of zero tolerance to any violation of this code. The Code was drafted in compliance with European Union requirements for harmonising legislation and unifies the internal standards of Slovenská sporiteľňa with the internal standards of the Erste Group. It is also a practical guide on how to apply statutory provisions in day-to-day contact with information that could alter the behaviour of market entities. Furthermore, it is a point of reference for preventing or resolving conflicts of interest between the Bank, its staff, management and customers. The Global Compliance Code sets out the Bank's anti-corruption policy and establishes methods and procedures for reporting suspected cases of corruption or anti-social activities.

Pursuant to requirements for raising the level of corporate culture, information for clients and transparency, and increasing quality in the provision of investment services and securities trading, the Bank consistently applies measures under the Directive of the European Parliament and the European Council on markets in financial instruments (MiFID II) for strengthening consumer protection in accordance with European legislation. Before providing an investment service, the bank furnishes clients with a document giving key information on structured retail investment products and insurance-based products.

Other key documents strengthening customer protection in the banking environment include the European Agreement on a Voluntary Code of Conduct on Pre-Contractual Information for Home Loans. This has been adopted at the level of European consumer organisations and the European Credit Sector Associations.

Over and above legal obligations in this area, Slovenská sporiteľňa has adopted the Erste Group Code of Conduct, which establishes common values and principles for the whole financial group. It is a set of binding rules and recommendations affecting the day-to-day business activities of all the Bank's employees. The Code defines what is permitted in relation to customers, the company, employees and the shareholder and sets the standard for the Bank's conduct as a socially responsible company, which is obliged, in all its activities, to act responsibly, with respect and without undue risk. It is an important instrument of quality assurance in internal and external environments because quality means support for proper, trustworthy relationships with each other and with relevant stakeholders.

The Bank has adopted a complaints management policy in accordance with the methodological guidelines of the Financial Market Supervision Unit of Národná banka Slovenska. It has designed a unified working procedure, specified the competences and responsibilities of the units involved in complaint management and set communication standards to ensure the quick, effective and reliable resolutions that increase customer satisfaction and loyalty. Slovenská sporiteľňa is one of the few Slovak banks to have created the position of Ombudsman to protect customers' interests as consumers and users of financial services in accordance with European rules.

Slovenská sporiteľňa and its employees follow the principles of competition law without reservation and have zero tolerance for agreements that restrict competition or abuse a dominant position in the market. Compliance with competition rules is of the utmost importance to the Bank. Every member of the Bank's management at every level, and every Bank employee, bears responsibility for compliance with competition rules. The Bank has appointed a specific responsible person as guarantor and coordinator of competition-related activities.

In its financial and investment operations, the Bank takes account not only of economic perspectives but also social, ecological and ethical criteria under the umbrella of "equator principles". This approach is applied in all matters with environmental and social impacts and in the administration and management of any activities in the area of financing to ensure all projects financed by the Bank are socially and environmentally sustainable and that all the Bank's financial activities comply with applicable regulations and international best practices. From the environmental perspective, the Bank must consider the protection and conservation of biodiversity, the sustainable management and use of renewable natural resources, the use and management of hazardous substances, pollution prevention and waste minimisation. Issues considered in the evaluation of social and ethical criteria applicable to projects financed by the Bank include child labour, the elimination of all forms of forced and obligatory labour, the prevention of discrimination in employment, the ensuring of a safe working environment, health protection etc.

RELEVANT INFORMATION REGARDING MANAGEMENT AND ORGANISATION OF THE COMPANY

The management structure of Slovenská sporiteľňa, as well as that of its parent company – Erste Group Bank, comprises a Supervisory Board and Board of Directors. The Supervisory Board is the Bank's supreme control body. It supervises the activities of the Board of Directors and the conduct of the Bank's business activities. It regularly reports to the General Meeting on its activity. The Board of Directors is the Bank's statutory body, managing its activity and acting on its behalf. It decides on all the Bank's affairs not reserved to the Bank's General Meeting or Supervisory Board under acts of general application or the Bank's Articles of Association.

The basic and fundamental rules of the Bank's operation and existence are set out in the Articles of Association of Slovenská sporiteľňa, a.s. (the "Articles"). Any changes to the Articles must be approved by the General Meeting. Building on the mandatory requirements applicable to every joint-stock company under the provisions of Act no. 513/1991 Coll., the Commercial Code, and Act no. 483/2001 Coll. on banks ("Act on Banks"), the Articles govern the Bank's organisation and system of management, relations and cooperation between the statutory body, Supervisory Board, the Bank's officers, Internal Audit Division and the Bank's committees. In addition to the activities set out in the Articles and entered in the Commercial Register, the Bank may, following approval by Národná banka Slovenska, also carry out non-banking activities related to the operations of the Bank and companies belonging to the consolidated and sub-consolidated group of Erste Group Bank AG. These activities, in accordance with the Act on Banks, are not entered in the Commercial Register.

The company's organisational structure, the basic principles of its organisational arrangement, and the responsibilities, activities and roles of the company's organisational units are described in the Slovenská sporiteľňa Organisational Code. The Organisational Code is defined in accordance with the Commercial Code, the Act on Banks, the Securities Act, the Articles and other acts of general application, and is binding on all company employees.

The company performs its activities through its organisational units, comprising the headquarters, branch network, and other units established under the Bank's internal regulations. Responsibility for the creation, implementation, coordination, monitoring and control of the Bank's business objectives lies with the Board of Directors. In compliance with acts of general application, the Bank maintains within its organisational structure a separation between activities and powers and responsibilities in the following areas:

- risk management and banking activities;
- lending and investment business, and monitoring of risks to which the Bank is exposed;
- monitoring of risks arising from conducting banking activities with persons with a special relationship to the Bank.

In 2020 the Bank continued to apply the principle of separation between risk monitoring and banking activities at all levels of management including the highest. The Corporate Credit Risk Management, Retail Credit Risk Management, Strategic Risk Management and Compliance and Operational Risk Management departments must not engage, and during 2020 did not engage, in any banking, lending or investment business. Competence for authorising transactions with persons with a special relationship to the Bank is exercised by the Board of Directors of the company in accordance with the Act on Banks and the Organisational Code.

Slovenská sporiteľňa has not established any units abroad and does not perform banking activities outside Slovakia.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal control system

Slovenská sporiteľňa has in place an internal control system with clearly defined principles and standards. Effective internal control is the basis of sound risk management; it safeguards the Bank's assets, helps reduce or prevent the potential occurrence of serious errors or operational risk events, and helps in their timely detection.

Slovenská sporiteľňa's internal control system has the following objectives:

- to prevent and detect errors and any inefficient or wasteful use of resources,
- to prevent and detect abuses and fraud,
- to ensure the effectiveness and efficiency of banking operations,
- to ensure the integrity, accuracy, timeliness and reliability of information,
- to raise the quality of record-keeping,
- to monitor compliance with laws, regulations and internal policies.

The Bank's Board of Directors is responsible for ensuring that an appropriate and efficient internal control system is implemented and that it is regularly monitored, evaluated and updated.

Each organisational unit is responsible for practical implementation and compliance within its remit. Senior managers are responsible for internal control at the level of the executive, and may not delegate this responsibility.

The Bank's employees are responsible for their work and must abide by the principles of the internal control system. They perform their work in accordance with applicable laws and the company's internal guidelines. Moreover, they comply with competences related to the approval and authorisation for their work. Internal control is a part of their work and responsibilities. The results of each inspection are documented, and the responsible employees oversee the remediation of shortcomings and the implementation of measures identified in their findings.

An independent component of the internal control system is the Internal Audit Division, which reports directly to the Bank's Supervisory Board. The CEO is responsible for its establishment and its operational functioning. Internal Audit is fully independent from all the Bank's activities. Its independence is manifested in all stages of its work, particularly during identification and analysis of risks, the planning and preparation of audits, including the selection of a review and evaluation method, drafting and submission of audit reports, evaluation and follow-up of measures taken.

In accordance with applicable legislation, internal audit review and evaluation are also applied to outsourced and insourced activities, to the implementation of and compliance with remuneration principles, information systems security, etc. The Supervisory Board approves the audit strategy and annual audit plan after it is approved by the Board of Directors and recommended by the Audit Committee, an advisory body to the Supervisory Board. The Audit Committee also approves the Internal Audit Statute, oversees the independence and objectivity of Internal Audit and monitors and verifies its efficiency.

The Bank pays particular attention to measures for protecting the Bank against money laundering, terrorist financing and financial fraud. Their implementation is a responsibility of the Compliance and Operational Risk Management department under the management of the Compliance officer. Its other responsibilities include the application of preventive mechanisms in accordance with sanction policies and measures, and the detection and correction of fraudulent conduct. Slovenská sporiteľňa applies a principle of zero tolerance of corrupt conduct and enforces and monitors compliance with the principle. The Bank has adopted a policy on whistleblowing and applies guidelines on the reporting and investigation of antisocial activity consistently. It has established an independent and anonymous means for reporting corrupt or antisocial conduct, available to staff 24 hours a day on the intranet and fully anonymised. Employees are informed about this reporting option by various means, including through the intranet or through training. In 2020 the Bank established the position of Regulatory Compliance Officer to support more effective monitoring of conformity between the Bank's internal regulations and the rules issued by regulatory bodies. This officer is responsible for ensuring the timely implementation in the Bank's policies, regulations and processes of all relevant acts, amendments thereof, decrees and recommendations of relevant Slovak and European regulatory institutions.

Risk management and control system

Slovenská sporiteľňa has, in accordance with applicable Slovak legislation, a risk management system in place that is based on a clearly defined risk management strategy, the Bank's risk appetite and the Bank's ethical values. The Bank has appointed a Chief Risk Officer on the level of the Board of Directors. Within its competence, the Board of Directors has established a Risk Management Committee responsible for compliance with and monitoring of the effectiveness of the risk management system and the periodic review of its effectiveness and adequacy. The effectiveness of risk management is overseen by the Supervisory Board, or the Supervisory Board Risk Management Committee. Within its organisational structure, the Bank keeps trading and investment activities strictly separated from risk management. The organisational units for strategic risk management, corporate credit risk management, retail credit risk management, compliance & operational risk management and legal services report to the member of the Board of Directors responsible for risk management, the Chief Risk Officer.

The risk management strategy of Slovenská sporiteľňa defines the fundamental principles and objectives of risk management, and describes the management process, responsible persons and competences for risk identification, monitoring, controlling and management. It also defines the Bank's policy and positions in the area of individual types of risk to which it is or may be exposed. Procedures and measures for mitigating or eliminating individual types of risk are set out in the Bank's internal guidelines and published for the Bank's staff via an internal information channel.

The primary objective of the Bank's risk management is to achieve a sustainable ability to identify all significant risks to which it is exposed, to evaluate and quantify the potential impact of risks on the value of the Bank's assets and to have in place policies and internal regulations enabling efficient risk management in the current situation. The Bank has a process prepared for managing every identified risk. The effectiveness and adequacy of the risk management system in place is reviewed with reference to the adopted strategy upon each major change in the risk management process, or in any risk-related activity, at least once a year. Furthermore, when developing and evaluating scenarios of comprehensive stress testing, the Bank considers all material risk types (credit, market, operational and liquidity risks, etc.). In accordance with statutory and regulatory provisions, the Bank continuously evaluates and maintains its ability to bear risk in the changing economic and market environment in which it operates. The risk management system in place, including the monitoring of the applicable limits for each risk, enables the Bank to manage its risk profile in a responsible manner and to provide and secure financing both under normal conditions and in the case of major changes.

Within the overall risk management strategy, the Bank has developed its own system for the Internal Capital Adequacy Assessment Process (ICAAP). The assessment system takes into account all real market risks to which the Bank is exposed, and which must be continuously covered by its own internal capital. The limits and measures for covering unexpected losses correspond to the nature, scope and complexity of the banking activities in accordance with the Bank's adopted business strategy. The Bank has implemented the ICAAP framework and standards, including the RAS (Risk Appetite Statement) methodology, in accordance with the Erste Group's policy, and it takes them into account in managing and setting business objectives.

In accordance with statutory provisions, the Bank has a Recovery Plan prepared. The plan describes each risk type, the potential failure points for the Bank, and its scenarios for recovery and identifies critical functions and the main strategies and procedures to be implemented in unexpected major critical situations. Because the Bank is part of the Erste Group, the local Recovery Plan is, in accordance with European legislation, a direct part of the Group Recovery Plan and is designed to enable the Bank to restore its financial position in such circumstances without external assistance. The Bank's Recovery Plan is updated annually or ad hoc in response to changes in the market, and the Bank's Supervisory Board is kept regularly informed of it.

INFORMATION ON THE COMPOSITION AND ACTIVITIES OF THE COMPANY'S BODIES AND THEIR COMMITTEES

The rules for the appointment and dismissal of members of the company's bodies are set out in Slovenská sporiteľňa's Articles, which are approved by the Shareholders' General Meeting pursuant to the provisions of the Commercial Code. In order to ensure the effectiveness of the Supervisory Board's monitoring and supervisory function, the election and dismissal of members of the statutory body falls within the competence of the Supervisory Board. The Supervisory Board elects the members of the Board of Directors subject to prior approval by the European Central Bank, which supervises Slovenská sporiteľňa as a systemically important bank, as well as in accordance with recommendations of the Nomination Committee of the Supervisory Board. The appointment and dismissal of Supervisory Board members, other than representatives elected and dismissed by employees, lies in the authority of the General Meeting, following prior consent by the European Central Bank. The suitability of members of the Supervisory Board and the Board of Directors and the company's top management is assessed in accordance with the guidelines issued by the European Banking Authority (EBA/GL/2017/12) and the Act on Banks, as amended. The Bank regularly reviews and assesses whether members of the Board of Directors, the Supervisory Board and key employees meet the eligibility criteria laid down in the guidelines. Appointments to the Bank's Supervisory Board and Board of Directors take account of the criterion of gender diversity, amongst others. It is an ambition on the group level that the percentage of women in all top management positions in Erste Group should be 30% by 2023 and 37% by 2025. In 2020, women filled a quarter of such posts in Slovenská sporiteľňa.

General Meeting

Pursuant to statutory provisions, the Shareholders' General Meeting is the company's supreme body. It is held at least once a year, and the shareholder participates at it in person, or by means of an authorised representative. The extent of the competence of the Slovenská sporiteľňa General Meeting is defined in the Articles. A two-thirds majority of all shareholders is required for a change to the Articles, in accordance with applicable legislation. The General Meeting has the competence to decide on share capital increases or decreases, to elect or dismiss members of the Supervisory Board and other bodies stipulated in the Articles, with the exception of the Supervisory Board Members elected and recalled by employees, to approve the company's ordinary and extraordinary individual financial statements, to decide on the distribution of profits or settlement of losses and directors' fees, to decide to wind up the company or change its legal form, to have the Bank's shares removed from trading on the Stock Exchange, and to decide that the Bank will cease to be a public joint-stock company. Slovenská sporiteľňa has a sole shareholder, which can take decisions either at the General Meeting or in the form of a sole shareholder decision, which replaces the effects of the General Meeting. The Bank complies with statutory provisions related to the protection of shareholder rights, with emphasis on the timely provision of all relevant information on the state of the company, and due process in the convening, voting and decision-making of the Shareholders' General Meeting.

All information on the General Meeting's activities, its powers, a description of shareholders' rights and the procedure for their application are set out in the Articles, the full text of which is held at the Bank's headquarters and is also available on its website.

In 2020, one ordinary General Meeting was held, and two decisions of the sole shareholder were executed. At the General Meeting on 25 March 2020, the shareholder approved the annual individual and consolidated financial statements, the profit distribution, and the company's Annual Report for 2019. The General Meeting also approved the appointment of PricewaterhouseCoopers Slovensko, s.r.o. as the external auditor to audit Slovenská sporiteľňa's financial statements for 2020. A second General Meeting was held in the form of a decision of the sole shareholder on 23 July 2020. This decision of the General Meeting approved payments based on investment certificates that the Bank issued in February 2020 and the Memorandum of Understanding between the banking sector of the Slovak Republic and the Ministry of Finance of the Slovak Republic. By decision of the General Meeting of 11 November 2020, Vazil Hudák was elected as one of the independent members of the Supervisory Board, with the prior consent of the European Central Bank.

Supervisory Board

The Supervisory Board is the Bank's supreme control body. The Articles stipulate that it may have three to six members, two thirds of whom are elected by the General Meeting with the remainder being elected by employees of the Bank. Membership on the Supervisory of Directors may not be deputised. The Supervisory Board oversees the Board of Directors and the Bank's business operations. Meetings are normally held on a quarterly basis. The competences of the Supervisory Board include supervising the Bank's compliance with acts of general application, the Articles and decisions of the General Meeting, scrutinising the Bank's financial statements and making proposals for the distribution of profits or the settlement of losses. The Supervisory Board regularly examines reports on the state of the Bank's business and the balance of its assets, monitors the Bank's risk management position, deliberates on the report on the remuneration system, submits its opinions and statements, recommendations and proposals for decisions to the General Meeting and Board of Directors, and assesses information from the Board of Directors regarding the Bank's principal business objectives. It pre-approves the establishment of legal entities by the Bank and the appointment of the Internal Audit Director; it elects members of the Board of Directors, its Chairman, etc. The Supervisory Board informs the General Meeting of its activities by way of regular reports. The Supervisory Board may establish committees, define the scope of their activities and approve their statutes.

Composition of the Supervisory Board and term of office

Slovenská sporiteľňa's Supervisory Board has six members. Pursuant to the Articles, the term of office of members of the Board of Directors is five years. In 2020 the Supervisory Board acted in the following composition:

Supervisory Board Member	Year of birth	Profession	Date of first election	End of term
Stefan Dörfler (chairman)	1971	Board member	14. 10. 2019	14. 10. 2024
Jan Homan (vice-chairman)	1947	CEO	4. 5. 2012 7. 8. 2017	4. 5. 2017 7. 8. 2022
Tatiana Knošková[1]	1973	Lawyer	25. 5. 2017	17. 6. 2020[2]
Paul Formanko[1]	1965	Bank analyst	4. 2. 2019	4. 2. 2024
Vazil Hudák[1]	1964	Company director and financial consultant	11. 11. 2020	11. 11. 2025
Alena Adamcová[3]	1967	Bank advisor	2. 11. 2016	2. 11. 2021
Beatrica Melichárová[3]	1957	Trade union officer	5. 6. 2003 7. 5. 2019	19. 12. 2018 7. 5. 2024

[1] *independent member of the Supervisory Board*
[2] *membership of the board terminated before the expiry of their term due to loss of independence following a change of profession*
[3] *member of the Supervisory Board elected by employees*

In accordance with the requirements laid down by guidelines of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA), two members of the Supervisory Board satisfied the criteria of independence during performance of their function.

Committees and advisory bodies of the Supervisory Board

In line with statutory and regulatory requirements and corporate governance principles, the Supervisory Board has established the following committees:

Audit Committee

The Audit Committee oversees the financial reporting process, the effectiveness of the internal control system (including IT security), compliance with statutory requirements, the effectiveness of risk management, internal audit activities. Additionally, it analyses recommendations made by external and internal auditors. Based on a proposal by the Board of Directors, it recommends an external auditor for the company to the General Meeting.

Credit Committee

The Credit Committee, in accordance with the Bank's Competence Rules, approves credit business (new business, adjustment of the terms of already-approved credit, restructuring and recovery of receivables) with corporate clients, municipalities and retail clients. It does not approve loans or guarantees for persons with a special relationship to the Bank, which are approved at the level of the Board of Directors.

Remuneration Committee

The Remuneration Committee is established under the provisions of Act no. 483/2001 on banks, establishing the rules for prudent management of banks and securities dealers. The Committee independently assesses the remuneration principles of selected categories of Bank employees. It focuses primarily on the mechanism for balancing all risks, liquidity and capital, and on compliance with the remuneration system, with the aim of achieving long-term prudent management of the company. Implementation of the remuneration principles is subject to annual inspection by Internal Audit.

Nomination Committee

This Committee was established by the Supervisory Board as an advisory body to fulfil its responsibilities related to the nomination of members of the Bank's Board of Directors and Supervisory Board. It was established under the Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2017/12). It oversees the candidate selection process, the scrutiny and reappraisal of candidates' suitability with reference to the characteristics, skills, knowledge and experience required for the relevant positions under the Act on Banks and applicable rules of the European Banking Authority.

Risk Management Committee

The Committee was established by the Supervisory Board in accordance with the EBA's Guidelines on internal governance (EBA/GL/2017/11). The Committee is an advisory body to the Supervisory Board in fulfilling its responsibilities related to the Bank's risk management. It supervises the implementation of capital and liquidity management strategies as well as all other related risks such as market, credit, operational (including legal and IT risks) and reputational risks, to assess their adequacy with reference to the Bank's risk appetite and approved risk management strategy.

The committees of the Supervisory Board are usually held once per quarter and they are governed by statutes that define their competences and powers. The composition of the committees complies with the requirement of the Guidelines on internal governance (EBA/GL/2017/11) that an independent member of the supervisory board should chair the Remuneration Committee, the Nomination Committee and the Risk Management Committee.

Board of Directors

The company's statutory body is the Board of Directors. Its members, including the chairman, are elected by the Supervisory Board. In accordance with the Articles, the Chairman of the Board also serves as the CEO; the Deputy Chairman of the Board also serves as the first Deputy CEO; other members of the Board of Directors concurrently serve as Deputy CEOs.

The Board of Directors performs its activities on the basis of and in compliance with its rules of procedure. Meetings of the Board of Directors are held at least once a month. Its responsibilities and competences are defined in the Articles. It decides on all the Bank's affairs not reserved to the General Meeting or the Supervisory Board under acts of general application or the Articles. The Board of Directors is responsible for efficient and proper corporate governance, appropriately taking into account the interests of the shareholder, employees, clients, as well as public interests. It takes each decision in accordance with applicable legislation, the Articles, as well as internal regulations and guidelines. The Board of Directors decides on the Bank's strategic objectives and business plan, as well as that of its subsidiaries, its organisational structure, remuneration system and staff competences at each organisational grade, the company's internal control system, the provision of loans to persons with a special relationship to the Bank, the issuance of selected types of securities and outsourcing of selected activities, internal guidelines required under acts of general application or under Erste Group rules. In addition, it also takes decisions on the company's policy for specialised areas, such as business activities and terms, risk management, including maintaining an effective system of risk management, compliance and protection of the Bank against money laundering and terrorist financing. With the prior consent from the Supervisory Board, the Board of Directors approves the Internal Audit Division's plan of activities, and the Internal Audit Division Director's salary conditions.

Composition of the Board of Directors and terms of office

The Board of Directors of Slovenská sporiteľňa has five members. Pursuant to the Articles, the term of office of members of the Board of Directors is five years. In 2020, the Board of Directors worked in the following composition:

Board Member	Year of birth	Date of first election	End of term
Peter Krutil (Chairman)	1968	17. 12. 1998	4. 1. 2026(1)
Zdeněk Románek	1976	15. 6. 2015	29. 6. 2025(2)
Pavel Cetkovský	1969	26. 1. 2018	26. 1. 2023
Milan Hain	1962	1. 7. 2018	1. 7. 2023
Norbert Hovančák	1974	1. 10. 2019	1. 10. 2024

1 re-elected as a member and as chairman of the Board of Directors on 16. 12. 2020
2 re-elected as a member of the Board of Directors on 29.6.2020

No vice-chairman of the Board of Directors was appointed in 2020.

Division of competences and responsibilities of Board Members according to the organisational structure

Board Member	Area of competence as per organisational structure
Peter Krutil (Chairman)	Strategy and Client Experience, Strategy and Brand Development, Employee Experience, Balance Management and SLSP Foundation
Pavel Cetkovský	Accounting & Controlling, Asset Management and Building Operation, Strategic Risk Management, Corporate Credit Risk Management, Retail Credit Risk Management, Compliance and Operational Risk Management and Legal Services Chief Risk Officer in Slovenská sporiteľňa, Chief Environmental Officer and Chief Sustainability Officer
Zdeněk Románek	Branch Network Management, Management and Development of Client Prosperity, Digital and Daily Banking, Management of Clients' Property and Bancassurance, and the Social Bank He is the person responsible for the area of financial intermediation
Norbert Hovančák	Treasury, Large Corporate Clients and Real Estate Financing, Corporate Clients, Financial Solutions for Firms, Management and Development of Corporate Prosperity
Milan Hain	Bank Services, Data Management, Architecture, IT Operations, IT Service Sharing, Change Management and Project Management, Financial Management for IT Services, Security and the Retail Process Centre

Committees, advisory bodies of the Board of Directors and specialised functions

The Board of Directors may establish advisory committees, to which it can delegate tasks as well as its decision-making and approval powers in certain areas. Committees are established via a resolution that must contain the date of the committee's establishment, its competences, number of members, composition, designation of the chairman from the committee members and other particulars determined by the Committees' Statute. At any time, the Board of Directors may, by resolution, change a committee's competences or its composition, or cancel it. During 2020, the Bank had the following committees:

Assets and Liabilities Committee (ALCO)

The committee assesses and approves the management and control process for the Bank's financial flows and its asset and liability structure to achieve an optimal balance between the Bank's profitability and its exposure to market risks. It evaluates the Bank's current position in terms of liquidity, market risks, capital adequacy and fulfilment of the planned balance sheet structure, and it determines the securities portfolio strategy. The competences of the Committee also include the Bank's liquidity risk management. To this end, the Committee has established a separate advisory committee for operating liquidity management.

Operating Liquidity Management Committee

This committee analyses and evaluates the Bank's liquidity position. Where necessary, the committee submits proposals to ALCO regarding liquidity management.

Credit Committee

The Credit Committee, in accordance with the Bank's Competence Rules and Lending Policy, approves lending business (new business, amendment of terms of already-approved business, restructuring and recovery of receivables) with corporate clients, municipalities and retail clients. It does not approve loans and guarantees for persons with a special relationship to the Bank, which are approved by the Board of Directors.

Product Pricing Committee

The Product Pricing Committee sets the prices at which the Bank and its subsidiaries sell products to customers. It approves the Bank's product pricing strategy (interest and fees), receives information on developments in the structure of the Bank's products and subsidiaries' products together with their market position.

Business Committee

The Committee analyses business results and adopts measures to ensure that the Bank's business plan is fulfilled. It ensures the implementation of the marketing strategy of the group, the Bank and its subsidiaries. It approves the annual marketing communication plan and its individual campaigns; it allocates costs to campaigns and evaluates their effectiveness. It also considers issues relating to digitalisation of the Bank and electronic sales channels.

Operational Risk & Compliance Committee (ORCO)

The ORCO Committee defines the strategy and processes for operational risk management and sets the degree of acceptability and levels of tolerance for operational risk. It sets measures for reducing or mitigating operational risk, including compliance risk. It defines procedures and strategy for reducing or mitigating money laundering risk, and measures for reducing the number of frauds and for mitigating their impact.

Risk Management Committee

The Committee's responsibility is to maintain an effective risk management system, to monitor and implement the risk management strategy and procedures pursuant to §27(1) of the Act on Banks. Based on regular review of its effectiveness and adequacy, the Committee proposes adjustments to the risk management system, taking account of the Bank's ability to bear risk in a changing economic environment. It approves changes to the IRB approach as defined by the NBS, as well as internal models in the risk management process, ICAAP principles, including the RAS (Risk Appetite Statement) methodology and stress testing, and it ensures that ICAAP principles are implemented in the Bank's management and its business objectives. The committee coordinates the preparation of scenarios for comprehensive stress testing and approves the scenarios, taking into consideration all material types of risk, including credit, market, operational and liquidity risk, and their evaluation. The Committee provides support and information to the Board of Directors and Supervisory Board concerning risk identification, analysis, monitoring reporting and management.

Models Committee

The Board of Directors delegates to the Models Committee powers related to the development, validation, monitoring and approval of local credit and non-credit models, or the use of group models related to risk.

Crisis Committee

The Committee's role is to assess the situation in the event of an impending crisis and to manage the Bank's procedures at a time of crisis. The Crisis Committee takes decisions and determines responsibilities in a time of crisis. Its task is to regularly monitor and evaluate the situation, to coordinate communication activities and to manage the Bank's procedures for stabilising and calming a crisis.

Committee on Investment and Treasury Products

The Committee participates in the approval of financial instruments created by the Bank or third parties as part of the approval process for investment products, as well as treasury products that may be traded on the banking book or trading book or offered to clients. If critical events occur that may have a significant impact on the risk level of investment products or treasury products, the Committee decides on remedial measures to reduce the risk.

Local Sustainable Finance Committee

This committee oversees the sustainability of financing and is chaired by the Chief Environmental Officer. It conducts regular (at least semi-annual) analyses of the Bank's sustainable financing and, if necessary, proposes measures to be taken in connection with sustainable financing. It reviews proposals and initiatives for sustainable assets and approves framework conditions for green, social and sustainable issues of bonds.

Specialised functions

The Board of Directors, in accordance with the defined applicable legislation, appoints persons to bear responsibility for specific areas and activities. Slovenská sporiteľňa appoints responsible persons for the following specific functions:

Compliance Officer ensures the fulfilment of tasks under the programme of Slovenská sporiteľňa's own activity against money laundering and terrorist financing. The compliance officer reports directly to the member of the Bank's Board of Directors responsible for risk management. In the absence of the Compliance Officer, the responsibilities and competences are taken over by the designated **Deputy Compliance Officer.**

Data Protection Officer (in accordance with the GDPR) assesses, prior to the processing of personal data at Slovenská sporiteľňa, whether there is any potential danger of infringement of data subjects' rights and freedoms. The responsibilities and competences of this officer are detailed in the guidelines on "Ensuring Personal Data Privacy".

The **persons responsible for specific areas in financial intermediation** monitor compliance with the obligations of employees performing activities in accordance with the Act on Financial Intermediation and Financial Advice, especially in deposit taking, lending, insurance, reinsurance and financial intermediation for all sectors other than credit intermediation.

The **persons responsible for MiFID** (Markets in Financial Instruments Directive) monitor and evaluate the effectiveness of measures and procedures to ensure the Bank's provision of investment services complies with its obligations as a securities dealer under the Securities Act. The responsibility is divided into two areas. The first is the definition of operational controls, checking their fulfilment, reporting and organisation in this area and MiFID II implementation. The second person is responsible for the development, methodology and administration of investment products and related guidelines, and for customer care and related control activities.

The **FATCA Officer** is responsible for the implementation of the American Foreign Account Tax Compliance Act (FATCA) and compliance with its provisions.

The **BCM Officer** (Business Continuity Management) is responsible for managing the Bank's policy on operational and business continuity and the implementation of rules in this area.

The **Chief Risk Officer** is responsible for the implementation of the Bank's risk management system and monitoring of its effectiveness.

The **Consumer Protection Contact Person** coordinates and implements consumer protection requirements into the Bank's systems, processes and products. They also coordinate and implement requirements from the supervisory authorities for consumer protection.

The Chief Environmental Officer and Chief Sustainability Officer implements an environmental concept of sustainability into corporate strategy, manages environmental protection and defines rules for combatting climate change in the framework of the within the Bank.

The **Diversity Officer** implements the Erste Group's rules and principles on diversity at the local level; responsible also for local initiatives promoting diversity and solutions for diversity and inclusion.

The **Person responsible for the protection of competition** provides for and coordinates the Bank's activities relating to the protection of competition and compliance with fair competition rules including rules on anti-competitive conduct and prohibited agreements.

The **Safeguarding Officer** is responsible for establishing and regularly reviewing measures and procedures for the protection of clients' funds and financial instruments, their separation and proper record keeping, including prevention of their unauthorised use; as well as responsible for compliance with related requirements under the act on securities and investment services and MiFID II.

The **Regulatory Compliance Officer** is responsible for ensuring compliance with legislation through the Programme for legislative compliance control, whose aim is to mitigate risks connected with non-compliance with legislation. They gather, monitor, assess and report information to the competent directors and heads of units, and the members of the Board of Directors and Supervisory Board who are authorised to adopt decisions and appropriate mitigation measures.

Supervisory and other board memberships of members of the Board of Directors

The Act on Banks regulates the holding of functions in the management and supervisory bodies of other companies by members of a statutory body. In 2020, members of the Board of Directors of Slovenská sporiteľňa acted in statutory and similar bodies of Slovak companies or interest groups in accordance with the Act on Banks, as follows:

Board Member	Area of competence
Peter Krutil (Chairman)	Member of the Presidium of the Slovak Banking Association, member of the Board of Trustees of the Slovenská sporiteľňa Foundation
Zdeněk Románek	Member of the Supervisory Board of KOOPERATIVA poisťovňa, a.s., Vienna Insurance Group
Pavel Cetkovský	Deputy chairman of the Deposit Protection Fund Council, director of Procurement Services SK, s.r.o., chairman of the Supervisory Board in LANED a.s., member of the Supervisory Board of Prvá stavebná sporiteľňa, a.s.
Norbert Hovančák	Member of the Board of Directors of the Slovak-Austrian Chamber of Commerce
Milan Hain	Executive officer of Služby SLSP, s.r.o., in liquidation

Policy and principles of remuneration for members of the Board of Directors

The remuneration of members of the statutory body, the Supervisory Board and selected categories of employees in Slovenská sporiteľňa is in accordance with the Act on Banks, employment law, in particular the Labour Code and the implementing directives of the European Parliament and the European Council that affect supervision of remuneration principles in banks, such as CRD IV, now amended by CRD V (the directive on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms) and the Markets in Financial Instruments Directive (MiFID II), legislation issued by Národná banka Slovenska and the guidelines of the European Banking Authority (EBA) and European Securities and Markets Authority (ESMA) on remuneration policy.

The remuneration policy takes account of the principle of proportionality and the requirements of EU legislation calling for limitation of the risk resulting from the motivation of persons who could have a material effect on the Bank's activity and risk profile. Rules for remuneration of specific groups of employees adopted by the Bank are drawn up with consideration of the Bank's activity, the Bank's risk profile and the significance of the impact of individual categories of staff on the risk profile. The basic remuneration principles and strategy for the aforementioned persons who are subject to the remuneration principles established by the Act on Banks are approved by the Supervisory Board's Remuneration Committee, which also monitors compliance with these principles. The Remuneration Committee conducts its activities under powers delegated by the Supervisory Board. The Supervisory Board is responsible for the adoption and upholding of the remuneration policy and monitors its implementation to ensure its proper functioning. It may delegate its responsibilities for remuneration to the Remuneration Committee or, conversely, it may at any time withdraw, in whole or in part, the Remuneration Committee's responsibilities in matters of remuneration. The Remuneration Committee cannot be given competence to approve the variable remuneration of members of the Board of Directors or to approve payments related to the early termination of an employment contract or any other relationship with members of the Board of Directors.

Members of the Remuneration Committee are actively involved in the design of remuneration policies and models. Their principal tasks include setting the remuneration strategy for executive management, for risk takers (employees with a significant influence on the Bank's risk profile resulting from their position and professional activities) and the heads of control units, ex-post and ex-ante information on material changes in variable remuneration schemes, and approving the variable remuneration model and practices for all employees (for example, approving conditions for bonus payments, instrument types, the balance of fixed and variable remuneration components, and performance indicators for members of the Board of Directors). The Remuneration Committee conducts regular reviews of remuneration policy and assesses new schemes for variable remuneration or fundamental changes in existing schemes.

In accordance with statutory requirements and rules as well as the methodology adopted by Erste Group, remuneration is divided into 2 parts - fixed and variable. The variable remuneration component may reach at most 100% of the fixed remuneration component.

In accordance with the Banking Act, the Bank applies the following remuneration model for the payment of the variable component of total remuneration, in which there are two methods of payment of the variable component. In the first arrangement, a 3-year deferment in the form of investment certificates is applied to 40% of the variable remuneration component and the remaining 60% is divided into two equal parts, one of which is payable in cash and the other in the form of investment certificates maturing after one year. In the second arrangement (for remuneration greater than €150 000), 60% of the awarded flexible remuneration is subject to a 3-year deferment (the "deferred part") in the form of investment certificates. The remaining 40% share of the awarded variable remuneration component is divided into two equal parts, one of which is payable immediately and the other in the form of investment certificates maturing after one year.

Payment of the variable part of the remuneration is linked to fulfilment of predetermined criteria. Individual remuneration is based on a combination of the assessment of individual work performance and evaluation of the Bank's overall results. Objectives are set within the risk management system so that in the event of their non-fulfilment, the variable portion of total remuneration for the period evaluated will be decreased, or possibly not paid. Payment of the variable part of remuneration is subject to the conditions of zero tolerance in the event of conviction for a crime related to performance of work function, fraudulent conduct, conduct contrary to the Bank's internal guidelines or violation of obligations ensuing from legislation. The Bank also has a principle in place that no insurance or other hedging strategy may be applied in connection with remuneration or responsibility that could reduce the impact of remuneration principles focused on risk.

In 2020, Slovenská sporiteľňa corrected its procedure for the deferment and payment of the variable component of the total remuneration of members of the Board of Directors for the remuneration year 2019. It did so based on the statement of the European Banking

Authority on dividends distribution, share buybacks and variable remuneration advising banks to review their remuneration policies and procedures in the light of the current economic situation. The changes that the Bank subsequently adopted are in accordance with the set risk management system, apply to identified persons on the level of members of the Board of Directors and take account of current principles and rules of Erste Group, in which Slovenská sporiteľňa is a member. The changes in the variable remuneration scheme for 2019 relate only to the capital instrument (investment certificates in Slovenská sporiteľňa) without payment of cash and extension of the period for which payment of a part of the remuneration is deferred. There is a deferment period of one year for 60% of the flexible component and three years for 40% of the variable component. However, for the part of the variable component of the total remuneration above € 150 000, the percentages of the flexible component for each deferment duration are reversed. Calculation of the value of investment certificates at maturity will take account of the financial indicators achieved by the Bank and the current value of shares in Erste Group Bank, AG, the Bank's parent company.

Erste Group's remuneration policy stipulates that Bank employees who are members of the Supervisory Board in other Erste Group companies are not entitled to remuneration for their Supervisory Board functions, unless they are employee-elected Supervisory Board members.

Implementation of remuneration principles is subject to annual review by the Internal Audit Division of Slovenská sporiteľňa. The Internal Audit review for 2020 did not find any significant shortcomings in the procedures and rules for calculating and awarding the variable component of the total remuneration. Slovenská sporiteľňa submits the review of compliance with remuneration rules to Národná banka Slovenska by 30 June of the year following the calendar year to which the report relates.

Pursuant to Decree of Národná banka Slovenska and in accordance with EU Regulation No 575/2013, Slovenská sporiteľňa publishes the following information on its website:

- information concerning the decision-making process used for determining the remuneration policy as well as the number of meetings held by the Supervisory Board, which oversees remuneration during the financial year, including information about the composition and mandate of the Remuneration Committee and on any external advisor whose services were used for setting remuneration policy,
- information on the roles of the relevant stakeholders,
- information on the link between pay and performance,
- the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferment policy and vesting criteria,
- the ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 2013/36/EU,
- the payment model used for the variable component of total remuneration in divisionalised business units,
- the main parameters and rationale for any variable component scheme and any other non-cash benefits,
- the number of individuals being remunerated € 1 million or more for the financial year in question,
- aggregate quantitative information on remuneration broken down by business area, and
- aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the Bank, as stipulated in Article 450(1)(h) of the aforementioned Regulation (EU) No 575/2013.

Activities of the Board of Directors in 2020

In 2020 the Board of Directors met 48 times. The Board of Directors regularly discussed the Bank's financial results. It fulfilled control activity and security policy obligations either by considering reports drawn up by the company's internal audit or by discussing reports on compliance and evaluation of the programme of own activity against money laundering and terrorist financing. Particular attention was paid to risk management, credit portfolio analyses, and monitoring of customer behaviour to protect shareholders' and clients' funds. In order to streamline workflows, the Board of Directors also decided to make changes to the company's organisational structure and approved projects and strategic programmes focused on change management. Self-managing units with elements of agile management were added to the Bank's organisation structure. Changes in the legislative environment, regulatory requirements and market conditions were reflected in decisions made by the Board of Directors concerning consumer protection, business conditions and product policy, an update to the programme of own activity against money laundering and terrorism financing, and the adoption of the environmental protection policy. Strategic decisions on investments in information technology were implemented through activities aimed at the development of services for clients, communication and sales channels, digital technologies and company culture and values. Within the scope of its duties and competencies, the Board of Directors applied decisions in accordance with the ECB's regulations and guidelines in the areas of remuneration, dividend policy, risk management and capital.

During 2020, a specially established task force coordinated all the Bank's activities related to the pandemic caused by the SARS-CoV-2 virus and protection against contagion in branches and the headquarters building. Among other measures, the Bank employed the maximum possible installation and use of information technology and online communication channels to enable employees to work from home to the extent the nature of their work and security permitted it. All the Bank's actions, including preventive measures, took account of the fact that the banking sector was designated as critical infrastructure that had to be kept in operation even during the pandemic.

SHAREHOLDER RIGHTS, KEY FUNCTIONS OF OWNERSHIP AND SHARE CAPITAL STRUCTURE

Shares forming the company's share capital may be issued only as registered book-entry shares. Changes to their form or type are forbidden by law. The company is a private joint-stock company. The Bank's share capital is €212 000 000. It is divided into 212 000 registered book-entry shares. The par value of one share is €1 000. The shares have not been admitted for trading on any regulated market. The shares are registered in the Central Securities Depository of the Slovak Republic in accordance with applicable legislation. Shares carry the right to participate in the management, profit and liquidation balance, and voting rights. The securities forming the share capital are transferable without restrictions.

As at 31.12.2020, a qualified participation of 100% in the Bank's share capital is held by Erste Group Bank AG, registered office Am Belvedere 1, 1010 Vienna, Austria.

The company applies principles of equitable treatment of shareholders in a manner appropriate to the fact that the Bank has a sole shareholder. The voting rights of the sole shareholder are not limited and the management of Slovenská sporiteľňa is not aware of the existence of any agreement that could restrict transferability of securities or restrict voting rights. As at the date of writing this report, Slovenská sporiteľňa has not issued any employee shares or shares with special control rights. In 2020, Slovenská sporiteľňa did not acquire any own shares, interim shares or participating interests or shares; nor does it acquire any interim shares or participating interests in its parent accounting entity pursuant to Section 22 of the Accounting Act. Any decision to increase or decrease the Bank's share capital, to issue or redeem shares lies in the direct responsibility of the General Meeting. The shareholder is entitled to participate at the General Meeting, to vote, to make proposals and to request information and explanations concerning the company's affairs, or the affairs of entities controlled by the company that relate to the subject of discussion of the General Meeting. The shareholder also has the right to a share in the company's profit (dividend), which the General Meeting determines for distribution based on the company's profit. The shareholder also has the right to decide on the payment of board members' fees for members of the Supervisory Board in the proposal for profit distribution. In accordance with the Articles, the shareholder has the right to appoint and to dismiss members of the Supervisory Board, other than those members elected by employees. The Bank provides regular information to the shareholder in annual, half-yearly and quarterly reports submitted to the regulatory authority so that the shareholder is sufficiently informed about the company's state and the state of its investment.

The company is not aware of any significant agreements to which the Bank is a party which will take effect, be amended or cease to be valid because of a change in control of the Bank occurring in connection with a takeover bid.

The Bank's relations with members of its bodies and its employees, regarding the end of their tenure or termination of employment, are governed by the Labour Code, the Act on Banks and the Commercial Code.

Operating costs for activities related to research and development in Slovenská sporiteľňa in 2020 were at €458.9 thousand.

List of companies consolidated in the financial statements to 31. 12. 2020 (structure of the Bank's consolidation group):

- Služby SLSP, s. r. o., in liquidation, registered office Tomášikova 48, 832 01 Bratislava, ID no.: 48 247 677
  - Realitná spoločnosť Slovenskej sporiteľne, a. s. in liquidation, registered office Tomášikova 48, 832 10 Bratislava, ID no.: 36 725 234 (100% subsidiary of Služby SLSP, s.r.o. - ceased to exist as of 24. August 2020)
- LANED, a. s., registered office Tomášikova 48, 832 71 Bratislava, ID no.: 35 918 918
- S Slovensko, spol. s r.o., registered office Tomášikova 48, 831 04 Bratislava, ID no.: 35 812 419
- Social Financing SK, s. r. o., registered office Tomášikova 48, 832 01 Bratislava, ID no.: 52 840 107
  - Dostupný Domov, j.s.a., registered office Farská 48, 949 01 Nitra, ID no.: 52 990 401 (49,88% associate of Social Financing SK, s.r.o.)
- Procurement Services SK, s.r.o., registered office Tomášikova 48, 832 75 Bratislava, ID no.: 36 721 972
- Slovak Banking Credit Bureau, s.r.o., registered office Mlynské nivy 14, 821 09 Bratislava, ID no.: 35 869 810
- Holding Card Service, spol. s r.o., registered office Olbrachtova 1929/62, 140 00 Praha 4, Czech Republic, ID no.: 04 5628 61
- Prvá stavebná sporiteľňa, a. s., registered office Bajkalská 30, 829 48 Bratislava, ID no.: 31 335 004

STAKEHOLDERS' RIGHTS, INFORMATION DISCLOSURE AND TRANSPARENCY

As the largest bank in the Slovak financial market, Slovenská sporiteľňa is fully aware of the extent and significance of its social responsibilities. A long-term interest of Slovenská sporiteľňa, which is reflected in its strategy and values, is that of delivering benefit to clients, the shareholder, employees and society as a whole. The Bank prepares both financial and business plans with all these stakeholders in mind. It applies the fundamental principle of effective and responsible corporate governance as well as the principles of transparency and information disclosure at all levels and in all relations with its shareholder, customers and staff. The Bank strictly observes compliance with legal regulations and corporate governance principles. It regularly briefs its shareholder and investors of the parent company on all important information on its business, financial and operating results, and other important events. It informs its customers and the public of its financial results and strategic priorities via press conferences and press releases, which are also available on the Bank's website. All information is prepared and disclosed in accordance with standards for accounting and disclosure of financial and non-financial information. Employees are kept informed about the Bank's strategy and results at regular meetings, regional conferences, conferences, by means of internal communication channels, an internal magazine, training programmes and management personnel. Staff may exercise their right to information also via their representatives on the Supervisory Board as well as a person appointed for this purpose via a confidential telephone line and an email address to which employees can direct their complaints, suggestions and initiatives outside the established workflow and hierarchy. Clients have direct access to an independent ombudsman, who deals with their submissions or complaints on a case-by-case basis. The Bank's relations with related parties are also in accordance with the law. The approval of transactions with related parties is set aside for the Board of Directors; where a related party includes a member of the statutory body, approval falls to the Supervisory Board.

Statement of Responsible Persons

The responsible persons of Slovenská sporiteľňa, with its registered office at Tomášikova 48, 832 37 Bratislava, entered in the Commercial Register of District Court Bratislava I, section: Sa, entry: 601/B, corporate registration no.: 00151653: Ing. Peter Krutil, Chairman of the Board of Directors and CEO, and Ing. Pavel Cetkovský, Member of the Board of Directors and Deputy CEO, to the best of their knowledge hereby declare that the financial statements contained herein give a true and fair representation of assets, liabilities, financial situation and results of Slovenská sporiteľňa and companies consolidated by Slovenská sporiteľňa, and that this Corporate Governance Report and Annual Report represent a true and fair view of the development and results of Slovenská sporiteľňa's business operations and position, including the companies included in its consolidation for 2020, together with a description of the key risks and uncertainties it faces in connection with its business activities.

Other issues of particular significance did not arise after the end of accounting period covered by this annual report.

Supervisory Board Report

The Supervisory Board of Slovenská sporiteľňa, in performing its activities over the course of 2020, was governed by statutory provisions applicable in the Slovak Republic. It fulfilled tasks arising from the Bank's Articles of Association, took decisions on matters falling within its competence pursuant to the Bank's competence rules, and was governed by the Supervisory Board's internal rules of procedure.

In 2020, four ordinary meetings of the Supervisory Board were held, and five votes were conducted by circular resolution. The Supervisory Board discussed and adopted an opinion regarding the individual and consolidated financial statements, the proposal for profit distribution and the Board of Directors' report on the company's business activities and assets.

Over the year, it paid due attention to monitoring the Bank's position in risk management and controlling the security and effectiveness of the risk management system through regular quarterly reports submitted by the Board of Directors. The Supervisory Board discussed and approved the risk management report, which was submitted by the Chief Risk Officer in accordance with the law. It likewise discussed the Remuneration Committee's report to the Supervisory Board on its activities and the Nomination Committee's report to the Supervisory Board on the suitability of members of the Supervisory Board and Board of Directors.

On 29.6.2020, the Supervisory Board re-elected Zdeněk Románek as a member of the Board of Directors and at its regular meeting on 16 December 2020 it re-elected Peter Krutil as a member and as chairman of the Board of Directors of the Bank for another term of office. It likewise took note of the resignation of Michal Štric from the position of director of Internal Audit effective from 31 December 2020.

Members of the Supervisory Board were regularly briefed by the Bank's Board of Directors on its business activity, the implementation of its business plan, the balance of the company's assets, implementation of the Bank's major projects, equity investments, purchase of a part of the business and about other matters related to the company's activities and development in pursuing its licensed banking activities. Within its competence, it approved the internal audit strategy and plans falling within the purview of the Supervisory Board under the Bank's Organisational Code. Pursuant to the amendment to Act no. 483/2001 Coll. on banks, the Supervisory Board also examined compliance with the remuneration principles and implementation of the remuneration of identified individuals that have a significant impact on the Bank's risk. The Supervisory Board was kept regularly informed of the measures taken by the Board of Directors in relation to the pandemic emergency in Slovakia.

One of the positions of independent member of the Supervisory Board changed in 2020. Effective from 11 November 2020, the General Meeting of the Bank elected Vazil Hudák a member of the Supervisory Board. He replaced Tatiana Knošková, who resigned from the Supervisory Board having lost her independence as a result of a career change. The election of a new member of the Supervisory Board is subject to prior approval by the European Central Bank. At the date of election, the appointed candidate had prior consent and satisfied the criterion of independence.

In 2020, the Supervisory Board worked with the support of advisory committees, namely the audit, credit, remuneration, nomination and risk management committees, which are established and operate according to their own statutes. The Nomination Committee, the Remuneration Committee and the Risk Management Committee are chaired by independent members of the Supervisory Board in accordance with the EBA Guideline 2017/11.

Pursuant to Act no. 423/2015 on statutory audit and Act no. 431/2002 Coll. on accounting, as amended, the Audit Committee of the Supervisory Board assessed reports in the area of internal control and regularly familiarised itself with the level and effectiveness of internal audit. In accordance with statutory requirements, the committee took responsibility for the procedure to select a statutory auditor and recommended that the General Meeting approve PricewaterhouseCoopers Slovensko, s.r.o. to conduct the statutory audit. Within this process the Audit Committee set a deadline for the appointed statutory auditor to submit an affidavit regarding its independence. The committee held discussions with representatives of the external auditor on the annual financial statements, including the external auditor's opinion and the auditor's recommendations contained in the letter to the management. It briefed the Bank's Supervisory Board on the outcome of the statutory audit and the procedures through which the statutory audit contributed to the integrity of the financial statements. Another important part of the agenda comprised reports on the Bank's activities in the area of compliance and operational risk management, and reports on implementation of the programme of own activity against money laundering and terrorist financing. Within the scope of its competence, the committee reviewed the suitability of provision of non-audit services and services provided by the statutory auditor and approved the procurement of non-audit services from licensed auditing companies.

The Credit Committee of the Supervisory Board decides on certain credit transactions on an ad hoc basis in accordance with the Bank's Competence Code. It did not assess any business case in 2020.

The Remuneration Committee of the Supervisory Board considered, approved and inspected the remuneration principles for members of the Board of Directors as well as selected categories of employees having a material impact on the Bank's risk. The primary focus was on the balancing of all risks related to the remuneration system so as to ensure long-term prudent management of the company, including its liquidity, capital, etc. It also approved the key banking objectives and KPIs for board members and their evaluation for the preceding accounting period. It also approved the updated list of persons having a material impact on the Bank's risk. In 2020 the Committee held three ordinary meetings.

The Supervisory Board established a Nomination Committee as its advisory body in fulfilling its responsibilities relating to the nomination of new members of the Bank's Board of Directors and Supervisory Board and their subsequent repeated evaluation. The suitability of the members of the supervisory and statutory bodies is reviewed once a year in accordance with the Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2017/12) and Methodological Guideline No 1/2018 of the Financial Market Supervision Unit of Národná banka Slovenska on the demonstration of the competence and suitability of persons nominated to functions in accordance with the Act on Banks. In 2020, the committee held three ordinary meetings at which it assessed the suitability of members of the Board of Directors and Supervisory Board and evaluation the nomination of the newly elected member of the Supervisory Board and the candidate for the post of director of Internal Audit.

During 2020, the Risk Management Committee supported the Supervisory Board in quarterly monitoring the Bank´s current and future risk appetite. In line with his mission, he advised on capital and liquidity management strategy, taking into account all types of risks, so as to ensure their consistency with the bank´s business strategy, objectives, corporate culture and values. In 2020 the Committee held four ordinary meetings.

In 2020, the membership of the committees of the Supervisory Board was adjusted in line with the changes in membership of the Supervisory Board.

The Supervisory Board discussed the audit of the consolidated and standalone balance sheet of Slovenská sporiteľňa as well as the related profit & loss statement as at 31 December 2020. The audit was carried out and verified by PricewaterhouseCoopers Slovensko. in accordance with International Standards on Auditing. It confirmed that the financial statements gave a true and fair view of the Bank's financial situation as at 31 December 2020 in all material regards and that it had no objections to them. Based on the above facts, the Supervisory Board recommended that the General Meeting approve the financial statements for 2020, as presented, including the proposal for distribution of the Bank's profit for 2020.

Stefan Dörfler
Chairman

Members of Board of Directors and Supervisory Board of Slovenská sporiteľňa, a.s.

TOP MANAGEMENT OF SLOVENSKÁ SPORITEĽŇA, A.S.

PETER KRUTIL
Chairman of the Board and CEO

Peter Krutil is a graduate of the Management Faculty at the University of Economics in Bratislava. He served internships at Creditanstalt Vienna and Creditanstalt London. From 1991 to 1993, he was a securities dealer for VÚB Bank, where he worked on the listing of new companies on the Bratislava Stock Exchange. In 1993, he joined Tatra banka as a dealer in money and capital markets. From 1993 to 1998 he was a managing director and later a member of the Board of Directors at Creditanstalt Securities, o.c.p., a.s., Bratislava. In 1998 he worked for the Ministry of Economy of the Slovak Republic. In December 1998 he was elected a member of the Board of Directors of Slovenská sporiteľňa. On 1 April 2015 he took up the position of Deputy Chairman of the Board of Directors and Deputy CEO of Slovenská sporiteľňa.

With effect from 1 January 2018, he was elected Chairman of the Board of Directors and CEO of Slovenská sporiteľňa. He is responsible for management of the Staff Units line and balance sheet management.

PAVEL CETKOVSKÝ
Board Member and Deputy CEO

Pavel Cetkovský has a master's degree from the Brno University of Technology and a bachelor's degree from the Institute for Economics and Management in Kiev, Ukraine. In 1994, he began his professional career at Česká spořitelna, where he held several managerial positions in risk management and asset and liability management. He worked in Erstebank Kiev in Ukraine as a member of the Board of Directors and later its Chairman from 2007 to 2013. His areas of competence and responsibility included risk management, information technology and operations and staff units. He joined Erste Group Bank AG in Vienna in 2013 with responsibility for liquidity management throughout the Erste Group, managing banking book interest rate risk and managing the banking group's investment portfolio.

With effect from 26 January 2018, he was elected Member of the Board of Directors and Deputy CEO of Slovenská sporiteľňa. He is responsible for management of the Finance line. On 1 July 2019 he was entrusted with management of the Risk Management line and on 1 December 2019 he was appointed the Chief Risk Officer in Slovenská sporiteľňa.

ZDENĚK ROMÁNEK
Board Member and Deputy CEO

Zdeněk Románek is a graduate of Charles University and the University of Economics in Prague. He has an MBA degree from INSEAD Fontainebleau University in France.

He began his professional career in 1999 in the consulting company KPMG in Prague. After a year at the Czech Revitalisation Agency, he started consulting for McKinsey & Company in several European countries in 2001. In 2007 he moved to Česká pojišťovna, a part of Generali PFF Holding, where he was responsible for sales, distribution and product management. In 2013 he took charge of retail banking in Air Bank in the Czech Republic.

He has been a member of the Board of Directors of Slovenská sporiteľňa since 15 June 2015, when he was elected Board Member and Deputy CEO. He is responsible for the Retail banking line.

MILAN HAIN
Board Member and Deputy CEO

Milan Hain completed doctoral research on computer modelling, measurement and systems management at the Faculty of Mathematics and Physics of Comenius University in Bratislava and the Eindhoven University of Technology. From 1993 to 1999 he worked at VÚB Bank in various positions and management functions related to IT development. He then worked as Chief Information Officer for Slovak Telekom until 2012 and until June 2018 he was a Board Member and Chief Information Officer in Raiffeisenbank in Prague, where he was responsible for technology, the transformation programme and the implementation of an omnichannel platform. In his career, he has participated in many management programmes and training courses on marketing, finance, human resources and communication and he has extensive professional experience in the development, security, management and architecture of information systems and technology.

He was elected a Member of the Board of Directors and Deputy CEO of Slovenská sporiteľňa on 01 July 2018. He is responsible for the IT & Operations line.

NORBERT HOVANČÁK
Board Member and Deputy CEO

Norbert Hovančák graduated from the Faculty of Business Administration of the University of Economics in Bratislava, the Faculty of Arts of the University of Prešov and interdisciplinary studies at the Faculty of Law of the Pavol Jozef Šafárik University in Košice. His professional career has been closely linked with Slovenská sporiteľňa, where he began working in 1998. He worked his way up through several positions in branches, taking care of corporate clients. Since 2001 he has held management positions related to corporate client risk management. In 2013 he became the director for corporate clients and then in 2018 he took over corporate banking as a whole.

With effect from 01 October 2019, he was elected a Member of the Board of Directors and Deputy CEO of Slovenská sporiteľňa. He is responsible for the Corporate banking & Markets line.

SUPERVISORY BOARD OF SLOVENSKÁ SPORITEĽŇA, A.S.

STEFAN DÖRFLER
Chairman

Stefan Dörfler graduated as Master of Science with honours from the University of Technology in Vienna in the field of applied mathematics. Since 1995 his professional career has been linked to Erste Group, first in interest rate and foreign exchange derivatives trading and later as the group manager for fixed income. In 2004, he became responsible for capital market trading and sales department at Erste Group Bank AG and in 2007 he took over responsibility for global capital market institutional and corporate sales and equity markets. Since 2009, he has been the Capital Market Director for the entire Erste Group. In 2016 he became CEO and chairman of the management board of Erste Bank der österreichischen Sparkassen AG. He is currently a member of the Board of Directors of Erste Group Bank AG with responsibility for finance. He has been a member of the Supervisory Board of Slovenská sporiteľňa since 14 October 2019.

JAN HOMAN
Vice-chairman

Jan Homan graduated in economics at the Vienna University of Economics and Business. He gained banking experience in Frankfurt, New York and Düsseldorf for Chase Manhattan Bank, which he joined in 1972, and later in Bank Société Générale Alsacienne in Vienna. Since 1978 he has held management positions in the international engineering and chemical corporations Sandvik Austria and Sun Chemical in Vienna. Since 1991 he has been the CEO of Constantia Teich Group and since 2004 the Chairman of the Board of Directors of Constantia Flexibles Group. In 2011 he was elected a member of the Supervisory Board of Constantia Flexibles. In 2011 he was elected a member of the Supervisory Board of Constantia Flexibles.

He has been a member of the Supervisory Board of Slovenská sporiteľňa since 2012. He was re-elected for a further term of office in 2017.

TATIANA KNOŠKOVÁ
Independent member

Tatiana Knošková received her education in law at Comenius University in Bratislava and the Faculty of Law at the University of Groningen in the Netherlands. She has completed courses in commercial, tax and private law at law schools in the USA and passed tests on Czech Accounting Standards organised by the Association of Chartered Certified Accountants (ACCA) in the Czech Republic. She has worked in various expert teams specialising in the provision of financial, tax, accounting and legal services for financial institutions in international audit and consulting firms.

She has been a member of the Audit Committee of the Supervisory Board of Slovenská sporiteľňa, initially as an independent member without membership of the Supervisory Board, since 2007. On 25 May 2017, she was elected a full, independent member of the Supervisory Board of Slovenská sporiteľňa. She resigned from the Supervisory Board with effect from 17 June 2020.

VAZIL HUDÁK
Independent member

Vazil Hudák studied international relations and diplomacy at the Moscow State Institute of International Relations. He was educated in law at Charles University in Prague. He completed a training programme for executives in international business management at Harvard Business School in Boston.

He began his professional career at the Ministry of Foreign Affairs of the Czech and Slovak Federative Republic and later worked in executive positions in advisory and investment groups focusing on Central and Eastern European countries (Eastwest Institute, CITIGROUP, J.P. MORGAN CHASE) before becoming a member of the Economic and Financial Committee of the Council of the European Union and a board member at the European Bank for Reconstruction and Development and the European Investment Bank.

From 2012 to 2016, he worked at the Ministry of Finance of the Slovak Republic as state secretary and later as minister. From 2016 to 2019 he was vice-president of the European Investment Bank and he currently works in the GLOBSEC non-governmental organisation, where he is responsible for the political and strategic management of its key programmes. On 11 November 2020 he was elected to the Supervisory Board of Slovenská sporiteľňa as an independent member.

PAUL FORMANKO
Independent member

Paul Formanko is a graduate of the University of Illinois at Chicago, the Faculty of Economics of Katholieke Universiteit Leuven, Belgium, and the University of Chicago, from which he holds an MBA in Finance and International Business. In 1994 he joined JP Morgan Investment Management in New York and London as an analyst and investment advisor for emerging markets in Central Europe, Russia and Turkey. From 1998 he held senior analytical and advisory positions at Goldman Sachs International and CLSA Global Emerging Markets in London. In 2003 he joined J.P. Morgan Equity Research in London, where he worked in senior research positions until 2018. During this period Paul became the Head of CEEMEA Banks Equity Research and managing director of J.P. Morgan in London. He is currently an independent member of the Supervisory Board of Slovenská sporiteľňa. He was elected with effect from 4 February 2019.

ALENA ADAMCOVÁ
Supervisory Board Member elected by employees

Alena Adamcová holds a master's degree from the Faculty of Arts of Constantine the Philosopher University in Nitra. She has worked at Slovenská sporiteľňa since 1985 in various positions in the branch network, and since 1996 in managerial positions. She currently works as a specialist for entrepreneurs. She is a member of the Erste Bank European Works Council and deputy chairman of the Trade Union Committee in Slovenská sporiteľňa. She was elected a member of the Supervisory Board of Slovenská sporiteľňa with effect from 2 November 2016.

BEATRICA MELICHÁROVÁ
Supervisory Board Member elected by employees

Beatrica Melichárová graduated from the Faculty of Law of Comenius University in Bratislava. She joined Slovenská sporiteľňa immediately after graduation in 1981. Since 1987 she has held a number of management positions within the Bratislava branch. In 2002, she took a full-time role leading the trade union organisation of Slovenská sporiteľňa. She is a member of the European Works Council of Erste Bank and a member of its Board; Deputy Chairman of the Trade Union of Finance and Insurance Workers and an active member of the Slovak Trade Union Confederation committees. Employees first elected her a member of the Supervisory Board of Slovenská sporiteľňa in 2003.

After the expiry of her previous term of office on 19 December 2018, Beatrica Melichárová was re-elected as a member of the Supervisory Board by the Bank's employees with effect from 7 May 2019.

Annexes

Slovenská sporiteľňa, a.s.

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

(Translated version, original version in Slovak)

Content

Independent Auditor's Report

To the Shareholder, Supervisory Board and Board of Directors of Slovenská sporiteľňa, a.s.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Slovenská sporiteľňa, a.s. and its subsidiaries (together - the "Group") as at 31 December 2020, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 24 February 2021.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss for the year ended 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (Code of Ethics) and the ethical requirements of the Slovak Act on Statutory Audit No. 423/2015 and on amendments and supplements to Slovak Act on Accounting No. 431/2002, as amended (hereafter the "Act on Statutory audit") that are relevant to our audit of the consolidated financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with the Code of Ethics and the ethical requirements of Act on Statutory audit.

To the best of our knowledge and belief, we declare that non-audit services that we have provided are in accordance with the applicable law and regulations in the Slovak Republic and that we have not provided non-audit services that are prohibited under Regulation (EU) No. 537/2014.

The non-audit services that we have provided to the Group, in the period from 1 January 2020 to 31 December 2020 are disclosed in Note 7 to the consolidated financial statements.

PricewaterhouseCoopers Slovensko, s.r.o., Twin City/A, Karadžičova 2, 815 32 Bratislava, Slovak Republic
T: +421 (0) 2 59350 111, F: +421 (0) 2 59350 222, www.pwc.com/sk

The firm's ID No.: 35 739 347. The firm is registered in the Commercial Register of Bratislava I District Court, Ref. No.: 16611/B, Section: Sro.
IČO Spoločnosti je 35 739 347. Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava I, pod Vložkou č.: 16611/B, Oddiel: Sro.

Our audit approach

Overview

Overall Group materiality is EUR 11.7 million which represents approximately 5% average of the last three-year consolidated profit before income tax and levy on banking activities.

We focused our audit work on Slovenská sporiteľňa, a.s. which is the most material consolidated reporting unit. Slovenská sporiteľňa, a.s. as a standalone reporting unit represents approximately 100.0% of the Group's total assets as at 31 December 2020 and 100.0% of the Group's net result for the year then ended.

The audit of the credit loss allowance estimate required our significant attention given the nature of this estimate and its significance to the consolidated financial statements.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	EUR 11.7 million
How we determined it	We determined Group materiality as approximately 5% average of the last three-year consolidated profit before income tax and levy on banking activities.
Rationale for the materiality benchmark	Performance of the Group is most commonly

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applied	evaluated by the financial statements' users based on the Group's profitability. The quantitative threshold of approximately 5% was applied to average three-year consolidated profit before income tax and levy on banking activities recorded by the Group during the years 2020, 2019 and 2018. Levy on banking activities was added to profit before income tax because of the similar nature to income tax. The recent economic development resulting from COVID-19 pandemic led to volatility in the Group's profit before tax. Average three-year consolidated profit before tax adjusted for the levy represents a stable materiality benchmark.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Credit loss allowance estimate	
As explained in Note 15, Note 16 and Note 18 to the consolidated financial statements, management estimated total credit loss allowances for loans and advances to customers, finance lease receivables and trade and other receivables at EUR 391,032 thousand. The carrying value of loans and advances to customers, finance lease receivables and trade and other receivables measured at amortised cost may be materially misstated if individual or collective credit loss allowances are not appropriately identified and estimated. The estimates required for credit loss allowances are significant estimates, as explained in more detail in Note B.e) Significant accounting judgements, assumptions and estimates, of the consolidated financial statements. The identification of significant increase in credit risk or default; the estimation of credit loss including estimates of future cash flows and valuation of collateral; implementation of comprehensive credit models - all involve significant management judgement. In 2020, the estimate of credit loss	We assessed and tested design and operating effectiveness of manual and automated controls related to the timely identification of defaulted loans. We tested design and operating effectiveness of general IT controls, including access to programs and data, program changes and computer operations related to quantification of credit loss allowances. We verified that models used for accurate quantification of credit loss allowances are in line with the requirements of IFRS 9. A sample of individually significant loan exposures was selected to test accuracy of credit loss allowances calculated on an individual basis. We considered management's assumptions, including forecasts of future cash flows, by comparing them to historical performance of the customer and expected future performance as well as assessing external and internal valuations of the underlying collateral and comparing them to the values used by management in the credit loss allowances quantification. On a sample basis, we assessed the underlying models, reasonableness of assumptions, and completeness and accuracy of the underlying data, which were used by the Group to estimate

Key audit matter	How our audit addressed the key audit matter
allowances was significantly influenced by the COVID-19 pandemic, decrease in economic activity and uncertainty regarding the financial condition of the Group's customers including the legislative changes regarding payment moratoria. Due to the significance of the amount of the credit loss allowances and material impact of the credit loss allowances on the net result for the year, we consider the credit loss estimate as a key audit matter.	collective credit loss allowances for loans that share similar credit risk characteristics. The underlying models and expert judgement applied by the Group in response to COVID-19 pandemic were assessed by our specialists for financial risk management and modelling. The specialists assessed the design and implementation of models in line with the applicable reporting standards, including introduction of additional criteria used for identification of significant increase in credit risk and shifts in risk parameters due to the COVID-19 pandemic. The specialists assessed reasonableness of forward-looking information and its impact on the risk parameters and appropriateness of collective credit loss allowances. Our specialists also assessed a validation process implemented by the Group and interpreted results of the validation report.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed. Slovenská sporiteľňa, a.s. as a standalone reporting unit represents approximately 100.0% of the Group's total assets as at 31 December 2020 and 100.0% of the Group's net result for the year then ended. We focused our audit work on Slovenská sporiteľňa, a.s. which is the most material consolidated reporting unit. Except for Slovenská sporiteľňa, a.s., we did not identify other significant reporting units where full-scope audit procedures were required.

Reporting on other information including the Annual Report

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated and separate financial statements and our auditor's reports thereon).

Our opinion on the consolidated financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Annual Report, we considered whether it includes the disclosures required by the Slovak Act on Accounting No. 431/2002, as amended, the Slovak Act on Stock Exchanges No. 429/2002 as amended and the Slovak Act on Securities and Investment Services No. 566/2001, as amended.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Annual Report for the financial year for which the consolidated financial statements are prepared, is consistent with the consolidated financial statements; and
- the Annual Report has been prepared in accordance with the applicable legislation.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Annual Report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Appointment as an independent auditor

We were first appointed as auditors of the Group in 2017. Our appointment has been renewed annually by shareholder's resolution representing a total period of uninterrupted engagement appointment of four years. Our appointment for the year ended 31 December 2020 was approved by the shareholder's resolution on 25 March 2020.

The engagement partner on the audit resulting in this independent auditor's report is Mgr. Martin Gallovič.

Slovenská komora audítorov
SKAU
Č. licencie 161
PricewaterhouseCoopers Slovensko, s.r.o.

PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No. 161

Mgr. Martin Gallovič
UDVA licence No. 1180

Bratislava, 26 February 2021, except for the section "Reporting on other information including the Annual Report" of this report, for which the date of our report is 18 March 2021.

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Consolidated statement of profit or loss

for the year ended 31 December 2020

EUR ths.	Notes	2019	2020
Net interest income	1	430 653	433 563
Interest income		458 395	445 075
Other similar income		11 695	18 127
Interest expense		(29 148)	(21 580)
Other similar expense		(10 289)	(8 059)
Net fee and commission income	2	145 166	147 150
Fee and commission income		171 682	170 330
Fee and commission expense		(26 516)	(23 180)
Dividend income	3	951	628
Net trading result	4	20 721	12 226
Gains/losses from financial instruments measured at fair value through profit or loss	5	(3 732)	(2 912)
Net result from equity method investments		1 823	840
Rental income from investment properties & other operating leases	6	1 176	310
Personnel expenses	7	(148 896)	(158 290)
Other administrative expenses	7	(92 742)	(92 251)
Depreciation and amortisation	7	(46 868)	(36 529)
Gains/losses from derecognition of financial assets measured at amortised cost		71	1
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss		(475)	(16)
Impairment result from financial instruments	8	(42 656)	(107 939)
Other operating result	9	(38 668)	(49 260)
thereof Levies on banking activities		(35 588)	(37 751)
Pre-tax profit from continuing operations		**226 524**	**147 521**
Taxes on income	10	(46 565)	(39 529)
Net result for the period		**179 959**	**107 992**
Net result attributable to non-controlling interests		**19**	**18**
Net result attributable to owners of the parent		**179 940**	**107 974**

Earnings per share

		2019	2020
Net result attributable to owners of the parent	EUR ths.	179 940	107 974
Number of outstanding shares	pcs.	212 000	212 000
Earnings per share	**EUR**	**849**	**509**

Diluted earnings per share equal to the disclosed basic earnings per share.

The notes on pages 67 to 196 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2020

EUR ths.	2019	2020
Net result for the period	**179 959**	**107 992**
Other comprehensive income		
Items that may not be reclassified to profit or loss		
Remeasurements of defined benefit pension liabilities	(320)	(1 014)
Fair value changes of equity instruments at fair value through other comprehensive income	32 757	10 690
Deferred taxes relating to items that may not be reclassified subsequently to profit or loss	(6 812)	(1 844)
Total	**25 625**	**7 832**
Items that may be reclassified to profit or loss		
Currency translation	92	(238)
Total	**92**	**(238)**
Total other comprehensive income	**25 717**	**7 594**
Total comprehensive income	**205 676**	**115 586**
Total comprehensive income attributable to non-controlling interests	**19**	**18**
Total comprehensive income attributable to owners of the parent	**205 657**	**115 568**

The notes on pages 67 to 196 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 31 December 2020

EUR ths.	Notes	31.12.2019	31.12.2020
Assets			
Cash and cash balances	11	501 441	1 717 486
Financial assets held for trading	12	41 423	59 994
Derivatives		41 423	59 994
Non-trading financial assets at fair value through profit or loss	13	19 633	15 287
Equity instruments		16 458	7 547
Debt securities		3 175	7 740
Financial assets at fair value through other comprehensive income	14	89 262	0
Equity investments		89 262	0
Financial assets at amortised cost	15	17 329 196	18 258 897
thereof pledged as collateral		*2 276 299*	*3 540 330*
Debt securities		3 536 464	3 679 704
Loans and advances to banks		54	49
Loans and advances to customers		13 792 678	14 579 144
Finance lease receivables	16	213 191	241 012
Hedge accounting derivatives	17	23 020	34 345
Property and equipment, right-of-use assets	22	156 097	150 155
Investment property	22	1 828	1 898
Intangible assets	23	23 755	18 947
Investments in subsidiaries and associates	19	33 455	27 773
Current tax assets	20	786	8
Deferred tax assets	20	44 727	76 980
Trade and other receivables	18	107 139	81 774
Other assets	21	34 070	21 738
Total assets		**18 619 023**	**20 706 294**
Liabilities and Equity			
Financial liabilities held for trading	12	40 024	56 524
Derivatives		40 024	56 524
Financial liabilities at amortised cost	24	16 770 901	18 653 506
Deposits from banks		263 287	1 710 255
Deposits from customers		14 392 424	14 869 015
Debt securities issued		2 070 975	2 051 731
Other financial liabilities		44 215	22 505
Lease liabilities	21	18 384	20 577
Hedge accounting derivatives	17	48 041	48 373
Provisions	25	17 514	31 836
Current tax liabilities	20	2 076	22 600
Other liabilities	26	102 140	80 584
Total liabilities		**16 999 080**	**18 914 000**
Equity attributable to non-controlling interests		30	29
Equity attributable to owners of the parent	27	1 619 913	1 792 265
Subscribed capital		212 000	212 000
Additional paid-in capital		150 000	300 000
Retained earning and other reserves		1 257 913	1 280 265
Total equity		**1 619 943**	**1 792 294**
Total liabilities and equity		**18 619 023**	**20 706 294**

The notes on pages 67 to 196 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2020

EUR ths.	Subscribed capital	Other capital instruments	Legal reserve fund	Other funds	Retained earnings	Fair value reserve	Currency translation	Remeasurements of defined benefit pension liabilities	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
As of 1.1.2020	**212 000**	**150 000**	**79 795**	**39 104**	**1 073 899**	**65 962**	**44**	**(891)**	**1 619 913**	**30**	**1 619 943**
Dividends paid / Distribution for Investment certificate	-	-	-	-	(93 089)	-	-	-	(93 089)	(19)	(93 108)
Capital increases	-	300 000	-	-	-	-	-	-	300 000	-	300 000
Capital decreases	-	(150 000)	-	-	-	-	-	-	(150 000)	-	(150 000)
Reclassification from OCI to RE	-	-	-	-	74 595	(74 595)	-	-	-	-	-
Other changes	-	-	-	-	(127)	-	-	-	(127)	-	(127)
Total comprehensive income	-	-	-	-	107 974	8 633	(238)	(801)	115 568	18	115 586
Net result for the period	-	-	-	-	107 974	-	-	-	107 974	18	107 992
Other comprehensive income	-	-	-	-	-	8 633	(238)	(801)	7 594	-	7 594
Remeasurements of defined benefit pension liabilities	-	-	-	-	-	-	-	(801)	(801)	-	(801)
Change in fair value reserve	-	-	-	-	-	8 633	-	-	8 633	-	8 633
Change in currency translation reserve	-	-	-	-	-	-	(238)	-	(238)	-	(238)
As of 31.12.2020	**212 000**	**300 000**	**79 795**	**39 104**	**1 163 252**	**-**	**(194)**	**(1 692)**	**1 792 265**	**29**	**1 792 294**

As at 31 December 2020 the impact of deferred tax included in ´Fair value reserve´ amounts -17,5 mil. Eur (2019: 6,9 mil. Eur) and the impact of deferred tax included in ´Remeasurement of net liability of defined pension plans´ amounts 0,2 mil. Eur (2019: 0,1 mil. Eur) . For more datails on deferred tax please refer to note 20.

For more details on the transaction of AT1 certificate issue included in the line item ´Capital increases´ and ´Capital decreases´ please refer to note 27 and for the description of transactions inlcuded in the line item ´Reclassification from OCI to RE´ please refer to note 14.

EUR ths.	Subscribed capital	Other capital instruments	Legal reserve fund	Other funds	Retained earnings	Fair value reserve	Currency translation	Remeasurements of defined benefit pension liabilities	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
As of 1.1.2019	**212 000**	**150 000**	**79 795**	**39 104**	**993 020**	**40 084**	**(48)**	**(638)**	**1 513 317**	**28**	**1 513 345**
Dividends paid / Distribution for Investment certificate	-	-	-	-	(99 308)	-	-	-	(99 308)	(17)	(99 325)
Other changes	-	-	-	-	247	-	-	-	247	-	247
Total comprehensive income	-	-	-	-	179 940	25 878	92	(253)	205 657	19	205 676
Net result for the period	-	-	-	-	179 940	-	-	-	179 940	19	179 959
Other comprehensive income	-	-	-	-	-	25 878	92	(253)	25 717	-	25 717
Remeasurements of defined benefit pension liabilities	-	-	-	-	-	-	-	(253)	(253)	-	(253)
Change in fair value reserve	-	-	-	-	-	25 878	-	-	25 878	-	25 878
Change in currency translation reserve	-	-	-	-	-	-	92	-	92	-	92
As of 31.12.2019	**212 000**	**150 000**	**79 795**	**39 104**	**1 073 899**	**65 962**	**44**	**(891)**	**1 619 913**	**30**	**1 619 943**

The notes on pages 67 to 196 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2020

EUR ths.	2019	2020
Profit before income taxes	**226 524**	**147 521**
Non-cash adjustments for:		
Loss allowances for loans and advances, Provisions for off-balance sheet	42 656	107 918
Provisions for liabilities and other liabilities	(3 157)	(3 934)
Impairment of tangible and intangible assets net	(1 125)	(1 812)
Depreciation and amortization	46 868	36 529
Profit/(loss) on disposal of fixed assets	2 366	2 749
Gains/(losses) from measurement and derecognition of financial assets and financial liabilities	(10 747)	(90)
Accrued interest, amortisation of discount and premium	23 940	11 566
Transfer of dividends received to investing activities	(951)	(705)
Investment in subsidiaries - increase / decrease of share	24 848	-
Cash flows from operations before changes in operating assets and liabilities	**351 222**	**299 742**
(Increase)/decrease in operating assets:		
Minimum reserve deposits with the central bank	(86 213)	(1 266 247)
Financial assets held for trading	1 518	(18 571)
Non-trading financial assets at fair value through profit or loss	20 356	641
Equity instruments	-	9 000
Debt securities	20 356	(8 359)
Financial assets at fair value through other comprehensive income	(110)	(10 533)
Financial assets at amortised cost	(1 004 313)	(1 030 031)
Debt securities	13 945	(153 206)
Loans and advances to banks	47 742	5
Loans and advances to customers	(1 066 000)	(876 830)
Finance lease receivables	(83 675)	(27 821)
Hedge accounting derivatives	(13 115)	(11 325)
Trade and other receivables	(11 187)	25 365
Other assets from operating activities	(11 152)	12 897
Increase / (decrease) in operating liabilities:		
Financial liabilities held for trading	(1 038)	16 500
Financial liabilities at amortised cost	761 385	1 902 952
Deposits from banks	11 987	1 446 968
Deposits from customers	740 372	477 694
Other financial liabilities	9 026	(21 710)
Hedge accounting derivatives	6 693	332
Provisions	(5 931)	17 475
Other liabilities from operating activities	18 944	(3 463)
Net cash flows provided by / (used in) operating activities before income tax	**(56 616)**	**(92 087)**

Table continues on the following page.

EUR ths.	2019	2020
Net cash flows provided by / (used in) operating activities before income tax	**(56 616)**	**(92 087)**
Income taxes paid	(46 393)	(51 603)
Net cash flows provided by / (used in) operating activities	**(103 009)**	**(143 690)**
Cash flows from investing activities		
Dividends received from subsidiaries, associates and other investments	951	705
Purchase of share in subsidiaries and associates	(24 848)	-
Proceeds from sale of other investments	-	94 560
Purchase of intangible assets, property and equipment	(30 059)	(30 602)
Proceeds from sale of intangible assets, property and equipment	1 642	3 815
Net cash flows provided by / (used in) investing activities	**(52 314)**	**68 478**
Cash flows from financing activities		
Dividends paid	(99 327)	(93 107)
AT1 certificate - issue	-	150 000
Repayment of subordinated debt	-	(10 000)
Issue of subordinated debt	-	30 000
Issue of the bonds	530 079	161 739
Repayment of the bonds	(269 618)	(205 455)
Lease liabilities	(6 900)	(6 949)
Net cash flows provided by / (used in) financing activities	**154 234**	**26 228**
Effect of foreign exchange rate changes on cash and cash equivalents	224	(1 218)
Net increase / (decrease) in cash and cash equivalents	**(865)**	**(50 202)**
Cash and cash equivalents at beginning of period	**414 419**	**413 554**
Cash and cash equivalents at end of period	**413 554**	**363 352**
Operating cash flows from interest and dividends (included in cash flow from operating activities)	412 321	404 631
Income taxes paid	(46 393)	(51 603)
Interest paid	(18 038)	12 631
Interest received	475 784	442 898
Dividends received	968	705

Cash and cash equivalents are equal to cash in hand, cash balances at central banks and other demand deposits. Further information related to net debt reconciliation are provided in note 24.

The notes on pages 67 to 196 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

A. GENERAL INFORMATION

Slovenská sporiteľňa, a.s. (hereafter 'the Bank' or 'the Group') has its registered office at Tomášikova 48, 832 37 Bratislava, Slovak Republic. The Bank was incorporated on 15 March 1994 and registered in the Commercial Register on 1 April 1994. The identification number of the Bank is 00 151 653. The tax identification number of the Bank is 2020411536.

The Bank is a universal bank offering a wide range of banking and financial services to commercial, financial and private customers, principally in the Slovak Republic.

As of 31 December 2020, DIE ERSTE oesterreichische Spar-Casse Privatstiftung ('ERSTE Foundation'), a foundation, holds together with its partners in shareholder agreements the share in Erste Group Bank AG and represents the main shareholder. Besides the direct holding of ERSTE Foundation, the indirect participation of the ERSTE Foundation is held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated company of the ERSTE Foundation, and also by Austrian savings banks and their foundations acting together with the ERSTE Foundation and affiliated with Erste Group Bank AG through the Haftungsverbund. Further part of the subscribed capital is held by the ERSTE Foundation on the basis of a shareholder agreement with CaixaBank S.A. and residual share represents minority direct holdings held by other partners to other shareholder agreements.

The Board of Directors of the Bank had five members as at 31 December 2020:
Ing. Peter Krutil (chairman), Ing. Pavel Cetkovský (member), Mgr. Ing. Zdeněk Románek, MBA (member), RNDr. Milan Hain, PhD. (member) and Mgr. Ing. Norbert Hovančák (member}.

The chairman of the Board of Directors is also the Chief Executive Officer (CEO) of the Bank. The deputy chairman of the Board of Directors is the first deputy of the Chief Executive Officer. Other members of the Board of Directors are the deputies of the Chief Executive Officer.

The Supervisory Board of the Bank had six members as at 31 December 2020:
Ing. Stefan Dörfler (chairman), Mag. Jan Homan (vice-chairman), Paul Formanko, MBA (member), JUDr. Vazil Hudák (member), Mgr. Alena Adamcová (member) and JUDr. Beatrica Melichárová (member).

The Bank is subject to the regulatory requirements of the National bank of Slovakia and other regulatory bodies defined by the Slovak legislation.

Since 4 November 2014 the Group operates under a direct supervision of the European Central Bank within a Single Supervision Mechanism.

These consolidated financial statements are statements of the Bank and its subsidiaries and associates (the Group) that are disclosed in note 19.

B. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

Pursuant to the Article 17a of the Act no. 431/2002 Coll. on Accounting, effective from 1 January 2006 banks are required to prepare separate financial statements, consolidated financial statements and annual report according to the special regulations – Regulation (EC) no. 1606/2002 of the European Parliament and of the Council on Application of International Accounting Standards. As a result, the financial statements prepared in accordance with International Financial Reporting Standards effectively replaced the financial statements prepared under Slovak Accounting Standards.

These consolidated financial statements for the year ended 31 December 2020 are prepared in accordance with International Financial Reporting Standards ('IFRS' or 'IAS') as adopted by the European Union ('EU') on the basis of the regulation no. 1606/2002.

IFRS as adopted by the EU do not currently differ from IFRS and interpretations as issued by the International Accounting Standards Board (IASB), except for certain standards issued but not yet effective. The Group has assessed that the standards not endorsed by the EU would not impact significantly these consolidated financial statements if they were applicable as at the presented balance sheet date. Information on application of new and amended IAS / IFRS standards are detailed in the note f).

b) Basis of preparation

These consolidated financial statements have been approved by the Board of Director of the Bank and will be submitted for approval to the Supervisory Board and the General Assembly. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2020, which were signed and authorised for issue by the Board of Directors of the Bank on 16 February 2021 and are available at its registered office or on the web page.

The Group's consolidated financial statements for the prior period (the year ended 31 December 2019) were signed and authorised for issue on 11 February 2020.

The Bank holds controlling interests in the subsidiaries and significant influence in the associates described in note 19.
In these consolidated financial statements the subsidiaries and associates are recognised at cost, less any impairment losses.

These consolidated financial statements are prepared on the basis of the going concern assumption that the Group will continue to operate in the foreseeable future.

After the consideration of all potential impacts of the COVID-19 (Coronavirus) on the business activities the Group concluded that they have no significant impact on the ability of the Group to continue as going concern.

These consolidated financial statements are presented in Euro, which is the functional currency of the Group. The functional currency represents the currency of primary economic area, in which the entity exists.

The measurement unit is thousands of Eur ('Eur ths.'), unless stated otherwise. The amounts in parentheses represent negative values. The tables in these consolidated financial statements and notes may contain rounding differences.

The comparative amounts presented in these consolidated financial statements are those presented in the Consolidated statement of financial positions as at 31 December 2019 and the Consolidated statement of profit or loss and and the Consolidated statement of other comprehensive income for the year ended 31 December 2019.

In the following notes, the Statement of financial position may be referred to as 'balance sheet' and the Statement of profit or loss may be referred to as 'income statement'..

c) Subsidiaries and associates

These consolidated financial statements present accounts and results of the Group.

Subsidiaries

All subsidiaries controlled by the Bank are consolidated in the Group financial statements on the basis of the subsidiaries' annual financial statements as of 31 December 2020.

Subsidiaries are consolidated from the date when control is obtained until the date when control is lost. Control is achieved when the Bank is exposed to, or has rights to, variable returns from its involvement with subsidiary (the investee) and has the ability to affect those returns through its power to govern the relevant activities of this company. Relevant activities of the company are those which most significantly affect the variable returns of an entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal. The financial statements of the Group's subsidiaries are prepared for the same reporting year as that of the Bank and using consistent accounting policies. All intra-group balances, transactions, income and expenses as well as unrealised gains and losses and dividends are eliminated in consolidation.

Non-controlling interests represent those portions of total comprehensive income and net assets that are not attributable to the owners of the Group. Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet. Acquisitions of non-controlling interests as well as disposals of non-controlling interests that do not lead to a change of control are accounted for as equity transactions, whereby the difference between the consideration transferred and the share in the carrying amount of the net assets acquired is recognised as equity.

Investments in associates

Investments in associates are accounted for using the equity method. Under the equity method, an interest in an associate is recognised on the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity. The Group's share of the associate's profit or loss is recognised in the income statement. Entities accounted for using the equity method are recognised on the basis of annual financial statements as of 31 December 2020.

Investments in associates ('associates') represent entities over which the Bank exercises significant influence. Significant influence is the power to participate in financial and operating policy decisions of the investee but is not control or joint control of those policies.

Acquisitions, sales and mergers during the presented period

The group structure of Slovenská sporiteľňa, a.s. is presented in note 19. This note also provides information on acquisitions, sales, mergers and other transactions relating to the investments of the Bank in subsidiaries and associates undertaken during the years 2020 and 2019.

d) Accounting and measurement methods

Financial instruments

A financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party. In accordance with IFRS 9, all financial assets and financial liabilities, including derivative financial instruments, have to be recognised on the balance sheet and measured in accordance with their assigned categories.

Measurement methods for financial instruments

Measurement of financial assets and financial liabilities is subject to two primary measurement methods.

i. Amortised cost and effective interest rate

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. For financial assets the amount is adjusted for any loss allowance.

The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash payments or receipts through the contractual life of the financial asset or financial liability to the gross carrying amount of the financial asset (i.e. its amortised cost before adjusting for any loss allowance) or to the amortised cost of the financial liability. The estimated cash flows consider all the contractual terms of the financial instrument but disregard the expected credit losses. The calculation includes transaction costs, origination fees that are an integral part of the EIR (apart from financial instruments at fair value through profit or loss) and all other premiums and discounts to the par amount.

For purchased or originated credit-impaired financial assets ("POCI", see part 'Impairment of financial instruments') credit-adjusted EIR is used. It is the rate that exactly discounts the estimated future cash flows which consider expected credit losses to the amortised cost of a financial asset.

The EIR is used for recognition of interest income and interest expense. Interest income is calculated in the following way:

- EIR applied to the gross carrying amount for financial assets which are not credit-impaired (Stage 1 and Stage 2, see part 'Impairment of financial instruments');
- EIR applied to the amortised cost for financial assets which are credit-impaired (Stage 3, see part 'Impairment of financial instruments'); and
- credit-adjusted EIR applied to the amortised cost for POCI financial assets.

Interest expense is calculated by applying the effective interest rate to the amortised cost of a financial liability.

ii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The definition also applies to fair value measurements of non-financial assets and liabilities. Details on valuation techniques applied for fair value measurement and on the fair value hierarchy are disclosed in note 34.

Initial recognition and measurement

i. Initial recognition

Financial instruments are initially recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised at the settlement date, which is the date when an asset is delivered.

ii. Initial measurement

Financial instruments are measured initially at their fair value including transaction costs. In case of financial instruments at fair value through profit or loss, for which transaction costs are not taken into consideration at initial measurement, are recognised directly in profit or loss. The fair value at initial recognition equals the transaction price, i.e. the price transferred to originate or acquire a financial asset or the price received to issue or incur a financial liability.

Classification and subsequent measurement of financial assets

In accordance with IFRS 9, the classification and subsequent measurement of financial assets depend on the following two criteria:

1. the business model for managing the financial assets - the assessment is focused on whether the financial asset is part of a portfolio,
   - where the assets are held in order to collect contractual cash flows,
   - to both collect the contractual cash flows and sell the financial assets, or
   - they are held in other business models,
2. the cash flow characteristics of the financial assets - the assessment is focused on whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Application of these criteria leads to classification of financial assets into three measurement categories described in the following sections.

i. Financial assets at amortised cost

Financial assets are measured at amortised cost if they are held in a business model whose objective is to collect contractual cash flows and their contractual cash flows meet the SPPI criteria.

On the balance sheet, these assets are carried at amortised cost, i.e. the gross carrying amount net of the credit loss allowance. They are presented under the line 'Financial assets at amortised cost', 'Finance lease receivables', 'Trade and other receivables' and 'Cash and cash balances'. Cash balances include only deposits against central banks and credit institutions that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours. Mandatory minimum reserves are also disclosed as cash balances.

Interest income on these financial assets is calculated by effective interest method and is included under the line 'Net interest income' in the income statement. Impairment gains or losses are included in the line 'Impairment result from financial instruments'. Gains and losses from derecognition (such as sales) of the financial assets are reported under the line item 'Other gains/losses from derecognition of financial Instruments not measured at fair value through profit of loss'.

The financial assets of the Group measured at amortised cost constitute the largest measurement category which includes the vast majority of loan business to customers (except for certain loans measured at fair value through profit or loss), interbank lending business (including reverse repo transactions), deposits with central banks, investments in debt securities, unsettled receivables, trade and other receivables.

Investments in debt securities measured at amortised cost may be acquired with different business objectives (such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationship, substitution of loan business or other yield generating activities). Significant and frequent sales of such securities are not expected by the Group. For a description of what sales are considered as compliant with the held to collect contractual cash flows business model see the "Business model assessment" part in chapter d) Significant accounting judgements, assumptions and estimates.

ii. Financial assets at fair value through other comprehensive income

For certain investments in equity instruments which are not held for trading, the Group can use the option to measure them at FVOCI. This election is made at initial recognition and is not revocable. This election is applied to strategic, significant banking business relationship investments (except for insurance business). The fair value gains or losses for the period are reported as OCI in the line 'Fair value changes of equity instruments' of the statement of comprehensive income. The cumulative gains or losses are included under 'Fair value reserve' in the statement of changes in equity. The amount recognised in OCI is never reclassified to profit or loss. Dividends received on these investments are reported under the line 'Dividend income' of the income statement. On the balance sheet financial assets measured at fair value through OCI are included as 'Equity instruments' under the line 'Financial asset at fair value through other comprehensive income'.

iii. Financial assets at fair value through profit or loss

There are different reasons for assigning the fair value through profit or loss (FVPL) measurement category to financial assets.

Financial assets whose contractual cash flows are not considered as SPPI have to be measured at FVPL.

Other source of FVPL measurement relates to financial assets which are part of residual business models, i.e. they are neither held to collect contractual cash flows, nor held either to collect contractual cash flows, or sell the assets. These financial assets are generally expected to be sold before their maturity or they are managed and their performance is evaluated on a fair value basis. Such business models are typical for assets which are held for trading (i.e. financial assets held for the purpose of the active trading), or for assets whose value is expected to be primarily realised through sales.

The Group can use the option to designate some financial assets as measured at FVPL at initial recognition. Such a classification is used if it eliminates or significantly reduces an accounting mismatch between the financial asset, which in the absence of such a classification would be measured at amortised cost or at FVOCI, and the related derivative measured at FVPL.

On the balance sheet, debt instrument financial assets measured at FVPL are presented as 'Financial assets held for trading' and 'Non-trading financial assets at fair value through profit or loss', (sub-items 'Debt securities' and 'Equity instruments'). Non-trading financial assets consist of two sub-categories disclosed in note 13 which are 'mandatorily at fair value through profit or loss' and 'designated at fair value through profit or loss'. Financial assets are mandatorily measured at fair value through profit or loss either because their contractual cash flows are not SPPI or they are held as part of residual business models which are other thanheld for trading model.

Investments in equity instruments which are not held for trading are also measured at FVPL (unless they are designated at FVOCI). They are presented in the balance sheet under 'Non-trading financial assets at fair value through profit or loss', sub-item 'Equity instruments', sub-category 'mandatorily at fair value through profit or loss' in note 13.

In the income statement, the profit or loss effects of financial assets measured at FVPL are split into interest income or dividend income and fair value gains and losses. The interest income on debt instruments is presented in the line 'Net interest income' and is calculated by applying the EIR to the amortised cost component of the financial assets. The dividend income on equity instruments is presented in the line 'Dividend income'. The fair value gains or losses are calculated net of the interest or dividend income and they also include transaction costs and origination fees. They are reported in the line 'Net trading result' for financial assets held for trading and in the line 'Gains/losses from financial instruments measured at fair value through profit or loss' in case of non-trading financial assets at FVPL. For investments in funds, which are not consolidated, the interest or dividend component is not separated from the fair value gains or losses.

Classification and subsequent measurement of financial liabilities

Financial liabilities are measured at amortised cost, if they are not measured at fair value through profit and loss.

i. Financial liabilities at amortised cost

For presentation on the balance sheet, the line item 'Financial liabilities at amortised cost' is used. The liabilities are further broken down into 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

Interest expenses incurred from financial liabilities are calculated using effective interest method and are reported in the line item 'Net interest income' in the income statement. Gains and losses from derecognition (mainly repurchase) are reported under the line item 'Other gains/ losses from derecognition of financial instruments not measured at fair value through profit or loss'.

ii. Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL consist of financial liabilities held for trading that are presented under line item 'Financial liabilities held for trading'.

Impairment of financial instruments

The Group recognises loss allowances for impairment on demand deposits, debt instrument financial assets, other than those measured at FVPL, loan and advances, lease receivables, trade and other receivables and off-balance credit risk exposures arising from financial guarantees and loan commitments given. The impairment is based on expected credit losses whose measurement reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The amount of the impairment loss is recognised as a loss allowance. For the purpose of the measurement of the amount of expected credit loss and recognition of interest income the Group distinguishes between three stages of impairment.

Stage 1 relates to financial instruments for which no significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the 12-month expected credit loss. Interest income is recognised by effective interest rate applied to the gross carrying amount of the financial asset.

Financial instruments in Stage 2 are subject to significant increase in credit risk since their initial recognition. The impairment is measured in the amount of the lifetime expected credit loss. Interest income is recognised by effective interest rate applied to the gross carrying amount of the financial asset (as for Stage 1).

Financial assets in Stage 3 are credit-impaired. In respect of applying the 'credit-impaired' concept of IFRS 9, the Group generally adopted the approach of aligning it with the regulatory concept of 'default' for lending exposures. The impairment for such financial assets is measured in the amount of lifetime expected credit loss. Interest income is recognised by EIR applied to the amortised cost (i.e. the net carrying amount) of the financial asset. From balance sheet perspective, interest is accrued based on the financial assets' gross carrying amount. The difference between the interest accrued on the assets and the interest income recognised is reflected through the allowance account (without impacting the impairment loss).

12-month expected credit loss is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. More detailed information about identification of significant increases in credit risk including collective assessment, estimation techniques used to measure 12-month and lifetime expected credit losses and definition of default is provided in note 33.

The loss allowances decrease the value of the financial assets measured at amortised cost. i.e. for financial assets measured at amortised cost the net carrying amount of the financial asset presented on the balance sheet is the difference between the gross carrying amount and the cumulative loss allowance. For financial assets measured at FVOCI the change of credit risk (impairment loss) is recognised as part of revaluation of that asset and presented in accumulated OCI, specifically under 'Fair value reserve' in the statement of changes in equity and presented under the line ´Retained earning and other reserves´ on the balance sheet. Loss allowances for loan commitments and financial guarantees are presented under the balance sheet line item 'Provisions'.

For financial assets which are credit-impaired at initial recognition (purchased or originated credit-impaired – POCI - financial assets) lifetime expected credit losses are initially reflected in the credit-adjusted effective interest rate. As a result, no loss allowance is recognised at inception. Subsequently only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss allowance, whilst favourable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets. No impairment stages are distinguished for the POCI financial assets.

In the income statement, impairment losses and their reversals (gains) on all kinds of financial instruments are presented in the line item 'Impairment result from financial instruments'.

Contingent liabilities

Provisions for credit losses from contingent liabilities (particularly financial guarantees and loan commitments) are reported on the balance sheet line item 'Provisions'. The related expenses or their reversals are reported in the income statement line item 'Impairment result from financial instruments'.

Write-offs of financial assets

The Group writes off a financial asset or a part of it when it has no reasonable expectations of recovering the respective cash flows. When performing the write-off, the gross carrying amount of the asset is reduced simultaneously with the related loss allowance balance.

Derecognition of financial instruments

i. Derecognition of financial assets

A financial asset (or part of a financial asset, or part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired, or
- the Group transferred its contractual rights to receive cash flows from the asset to third party, or
- the Group has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement,
- and the Group either:
  - it has transferred substantially all the risks and rewards connected with the ownership of the asset, or
  - it has neither transferred nor retained substantially all the risks and rewards connected with the ownership of the asset but has transferred control of the asset.

The difference between the carrying amount of the derecognised asset and the consideration received is presented in the income statement in the line 'Gains/losses from derecognition of financial assets measured at amortised cost' or, for financial assets at FVOCI, in the line 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'. For financial assets measured at FVPL the derecognition gains or losses are recognised together with the measurement result in the lines 'Net trading result' or 'Gains/losses from financial instruments measured at fair value through profit or loss'.

ii. Contractual modifications

In the normal course of running its lending business and in agreement with the respective debtors, Erste Group may renegotiate or otherwise modify some terms or conditions of the underlying contracts. This can involve either market-driven commercial renegotiations or contractual changes aimed at alleviating or preventing borrower's financial difficulty.

Substantial modifications lead to derecognition of the original financial asset and initial recognition of the modified financial asset as a new financial instrument. If the modification is not considered as substantial then original financial asset is not derecognized but is treated as modified. In such case the gross carrying amount of the asset is adjusted against recognising a modification gain or loss in profit or loss. The modification gain or loss equals the difference between the gross carrying amount before the modification and the present value of the cash flows based on the modified terms discounted with the original EIR. In the income statement, the modification gain or loss is presented in the line 'Interest income' under 'Net interest income' if the modification relates to financial assets in Stage 1. For financial assets in Stage 2 and 3 and POCI financial assets, the modification gain or loss is presented in the line 'Impairment result from financial instruments'. However, to the extent that the contractual modification involves the Group giving up its rights of collecting cash flows in respect of an outstanding amount of the asset, such as waiving (part of) principal or accrued interest amount, it is treated as a write-off.

iii. Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Derivative financial instruments

The Group uses different derivative financial Instruments. Derivatives used by the Group mainly include interest rate swaps and currency swaps, forwards, futures, interest rate options and currency options.

For presentation purposes derivatives are split into:

- Derivatives – held for trading
- Derivatives – hedge accounting

Derivative financial instruments are carried at fair value (dirty price) on the balance sheet. Derivatives are carried as assets if their fair value is positive and as liabilities if their fair value is negative.

Derivatives – held for trading are those, which are not designated as hedging instruments for hedge accounting. They are presented in the balance sheet line item 'Derivatives' under the heading 'Financial assets / Financial liabilities held for trading'. All types of non-hedging derivatives regardless to their internal classification, i.e. both derivatives held in the trading book and banking book, are presented in this line item.

Derivatives – hedge accounting are those which are designated as hedging instruments in hedge accounting relationships fulfilling the conditions of IAS 39. On the balance sheet, they are presented in the line item 'Hedge accounting derivatives' on the asset or liability side.

Changes in the fair value (clean price) of derivatives – held for trading as well as of derivatives designated as hedging instruments in fair value hedges are reported in the income statement in the line item 'Net trading result'. Interest income/expense related both to held-for-trading and hedging derivatives is presented in the income statement under the line item 'Net interest income'.

The effective part of changes in the fair value (dirty price) of derivatives in cash flow hedges is reported as other comprehensive income in the line item 'Cash flow hedge reserve' of the statement of comprehensive income. The ineffective part of changes in the fair value (dirty price) of derivatives in cash flow hedges is reported in the income statement under the line item 'Net trading result'.

Embedded derivatives

As a part of ordinary business activity the Group issues complex debt instruments, which contain embedded derivatives.

Embedded derivatives are separated from the host debt instruments if:

- the embedded derivative meets the definition of a derivative,
- the economic characteristics of the derivatives are not closely related to the economic characteristics and risks of the host debt Instruments,
- the hybrid instrument is not a financial asset or liability held for trading or designated at fair value through profit or loss.

Embedded derivatives that are separated are accounted for as stand-alone derivatives and presented on the balance sheet under the line item 'Derivatives' in financial assets held for trading and financial liabilities held for trading. Derivatives that are not closely related and are separated relate to bonds and deposits.

Repo transactions and reversal repo transactions

Transactions involving sales of securities under an agreement to repurchase them at a specified future date are also known as 'repos' or 'sale and repurchase agreements'. Securities sold in such transactions are not derecognised from the balance sheet, as the Group retains substantially all the risks and rewards of ownership, because the securities are repurchased at a fixed price when the repo transaction ends. Financial assets transferred to another person under a repurchase agreement remain in the Group's balance sheet and are measured according to the rules that are valid for the balance sheet item. Furthermore, the Group is the beneficiary of all the coupons and other income payments received on the transferred assets over the period of the repo transactions. These payments are remitted to the Group or are reflected in the repurchase price.

The cash received upon sale of securities is recognised on the balance sheet with a corresponding obligation to return under the line item 'Financial liabilities at amortised cost', sub-items 'Deposits from banks' or 'Deposits from customers' reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and recorded in the income statement under the line item 'Net interest income' and is accrued over the life of the agreement.

Financial assets transferred out by the Group under repurchase agreements remain on the Group's balance sheet and are presented separately under the original balance sheet items in the 'thereof pledged as collateral' lines. The measurement of the transferred financial assets does not change.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised on the balance sheet. Such transactions are also known as 'reverse repos'. The consideration paid is recorded on the balance sheet under the line items 'Loans and advances to banks' and 'Loans and advances to customers' reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement and recorded in the income statement under the line item 'Net interest income'.

Securities lending and borrowing

In securities lending transactions, the lender transfers ownership of securities to the borrower on the condition that the borrower will retransfer, at the end of the agreed loan term, ownership of instruments of the same type, quality and quantity and will pay a fee determined by the duration of the lending. The transfer of the securities to counterparties via securities lending does not result in derecognition. Substantially all the risks and rewards of ownership are retained by the Group as a lender because the securities are received at the end of the securities lending transaction. Furthermore, the Group is the beneficiary of all the coupons and other income payments received on the transferred assets over the period of the securities lending. Securities lent are presented separately under the original balance sheet items in the 'thereof pledged as collateral' lines. Fee income from securities lending transactions is presented in the income statement under the line 'Net fee and commission income'.

Securities borrowed are not recognised on the balance sheet unless they are then sold to third parties. The obligation to return the securities is recorded on the balance sheet within 'Financial liabilities held for trading', sub-item 'Other financial liabilities'. Fee expense incurred on securities borrowing transactions is presented in the income statement in the line 'Net fee and commission income'.

Hedge accounting

The Group makes use of derivative instruments to hedge exposures to interest rate risk and foreign currency risk. In order for the derivatives and the exposures to qualify for hedge accounting, at inception of a hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. A hedge is considered to be highly effective if the changes in fair value or cash flows attributable to the hedged risk offset the fair value changes of the hedging instrument in a range of 80% to 125%. Hedge effectiveness is assessed at inception and throughout the term of each hedging relationship. Exact conditions for particular types of hedges and for testing the hedge effectiveness by the Group are specified internally in the hedge accounting guidance. As permitted by the transitional provisions of IFRS 9, the Group has elected to continue to apply hedge accounting requirements of IAS 39.

The Group uses fair value hedges for decrease of market risk. For qualifying and designated fair value hedges, the change in the fair value (clean price) of a hedging instrument is recognised in the income statement under the line item 'Net trading result'. Interest income and expenses on hedging derivatives are reported under the line item 'Net interest income'. The change in the fair value of the hedged item attributable to the hedged risk is also recognised in the income statement under the line item 'Net trading result' and adjusts the carrying amount of the hedged item. Interest income / expenses from hedged item are recognised in the income statement under the line item 'Net interest income'.

If the hedging instrument expires, is sold, is terminated or is exercised, or when the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. In this case, the fair value adjustment of the hedged item is amortised to the income statement under the line item 'Net interest income' until maturity of the financial instrument.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported on the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial guarantees

In the ordinary course of business, the Group provides financial guarantees, consisting of various types of letters of credit and guarantees.

According to IFRS 9 the financial guarantee is a contract that requires the guarantor to make specified payments to reimburse the holder for a loss it incurs in case a specified debtor fails to make a payment when due in accordance with the original or modified terms of a debt instrument.

If the Group is in the position of being a guarantee holder, the financial guarantee is not recorded on the balance sheet but is taken into consideration as collateral when determining the impairment of the guaranteed asset.

The Group as a guarantor recognises financial guarantees as soon as it becomes a contracting party. Financial guarantees are initially measured at fair value. Generally, the initial measurement is the premium received for a guarantee. Subsequent to initial recognition, provisions are recognised based on the expected credit loss impairment model if the amount is higher than the unamortised balance of the initial premium. They are presented on the balance sheet under the line 'Provisions'. The premium received is recognised in the income statement under the line item 'Net fee and commission income' on a straight-line basis over the life of the guarantee.

Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

i. The Group as a lessor

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. In the case of a finance lease, the lessor reports a receivable from the lessee under the line item 'Finance lease receivables'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the state-ment of income in the line item 'Other similar income' under 'Net interest income'.

In the case of operating leases, which are leases other than finance leases, the leased asset is reported by the Group in 'Property and equipment' or in 'Investment property' and is depreciated in accordance with the principles applicable to the assets involved. Lease income is recognised on a straight-line basis over the lease term in the income statement under the line item 'Rental income from investment properties and other operating leases'. Operating leases mainly include the leasing of commercial real estate.

The Group as a lessor is mitigating the risk associated with any rights it retains in underlying assets. This is achieved especially by means of residual value guarantees, variable lease payments for use in excess of specified limits and buy-back agreements with third parties.

The vast majority of lease agreements in which the Group operates as a lessor are finance leases. For the gross carrying amount and credit loss allowance to finance lease receivables including the reconciliation of the gross investment in leases to the present value of the minimum lease payments please refer to note 16.

ii. Leases where the Group is a lessee

Under IFRS 16, a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases (less than 12 months) and leases of low-value items.

The right-of-use asset is initially measured at cost. The cost comprises the amount of the initial measurement of the lease liability and also includes other elements such as initial direct costs incurred by the lessee. Subsequently, the right-of-use asset is depreciated to the earlier of the end of its useful life or the end of the lease term. The Group uses the straight-line method of depreciation. The right-of-use assets are presented on the balance sheet as part of 'Property and equipment, right-of-use assets'.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments represent fixed lease payments.

Subsequently, the carrying amount of the lease liability is increased by interest accrued using the applicable discount rate, reduced by lease payments made, and possible other reassessment or lease modification. The incremental borrowing rate for leases consists of Euribor as a base rate and credit risk adjustment applicable for the Group. On the balance sheet the lease liabilities are presented in the line item 'Lease liabilities'.

Foreign currency translations

These consolidated financial statements are presented in Euro (´Eur´), which is the functional currency of the Group. The functional currency is the currency of the primary business environment in which an entity operates.

Transactions in foreign currencies are initially recorded at the functional currency exchange rate effective as of the date of the transaction. Subsequently, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate as of the balance sheet date. All resulting exchange differences that arise are recognised in the income statement under the line item 'Net trading result'. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

For foreign currency translation, exchange rates quoted by the European Central Bank are used.

Trade and other receivables

Trade and other receivables are a residual category under loans and advances. They do not involve typical loan business. In the balance sheet of the Group they are presented in a separate line item. The Group recognises factoring receivables in this category.

Property and equipment

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment. Borrowing costs for qualifying assets are capitalised into the costs of property and equipment.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives and is recognised in the income statement line item 'Depreciation and amortisation'. Impairment losses on property and equipment is recognized in the income statement line item 'Other operating result'. Land is not depreciated.

The estimated useful lives are as follows:

Type of property and equipment	Useful life in years 2019 and 2020
Own buildings and structures	30 years
Rented premises	per contract
Office furniture and equipment	4 – 6 years
Computer hardware	4 years
Passenger cars	4 years
Fixture and fittings	6 – 12 years

Property and equipment is derecognised on its disposal or when no future economic benefits are expected from its use. Gain or loss arising on disposal of the asset is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income statement line item 'Other operating result'.

Investment property

Investment property is a property (land and buildings or part of them) held for the purpose of earning rental income or for capital appreciation. If such a property is partially used by the Group, it is considered as investment property only if the owner-occupied portion is insignificant. Investments in land and buildings under construction, where their future use is expected to be the same as for investment property, are also classified in this category.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and impairment. Investment property is presented on the balance sheet as a separate line item 'Investment properties'.

Depreciation of investment property is recognised in the income statement line item 'Depreciation and amortisation' and is calculated using the straight-line method over an estimated useful life. Rental income is recognised in the income statement line item 'Rental income from investment properties and other operating leases'.

Intangible assets

The Group`s intangible assets include mostly computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that future economic benefits attributable to it will flow to the Group.

Intangible assets with finite lives are amortised over their useful economic lives using the straight-line method. The amortisation period and method are reviewed at least at each financial year-end and adjusted if necessary. The amortisation expense on intangible assets with finite lives is recognised in the income statement line item 'Depreciation and amortisation'. Intangible assets with infinite lives are not amortised.

The estimated useful lives are as follows:

Type of intangible assets	Useful life in years 2019 and 2020
Core banking system and related applications	8 years
Computer software	4 - 8 years

Impairment of non-financial assets (property and equipment, investment properties, intangible assets, right-of-use assets)

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. Testing for impairment is performed at individual asset level if the asset generates cash inflows that are largely independent of those from other assets. The typical case is investment property. Otherwise, the impairment test is carried out at the level of cash-generating unit ('CGU') to which the asset belongs. CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of those from other assets or groups of assets.

When an asset is tested for impairment annually or if any indication of impairment exists, the Group estimates its recoverable amount. The carrying amount is the higher of the asset's or the CGU's fair value less costs of disposal and its value in use. If the carrying amount of the non-financial asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In measuring value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

At each reporting date, assessment of non-financial assets is performed as to whether there is any indication that previously recognised impairment losses may have decreased. If such an indication exists, the Group estimates the asset's or CGU's recoverable amount. The previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. However, impairment on goodwill cannot be reversed.

Impairments and their reversals are recognised in the income statement line item 'Other operating result'.

Defined employee pension plans

Defined employee pension plans operated by the Group are for pensions and working anniversary benefits. According to IAS 19 categorisation, perspective pension benefits qualify as post-employment defined pension plans, whereas working anniversary benefits are other long-term employee benefits.

Obligations resulting from the defined employee pension plans are reported on the balance sheet line item 'Provisions'. Future obligations are determined based on an actuarial expert opinion using the projected unit credit method. The calculation takes into account various assumptions known as at the balance sheet date, such as discount rates, expected rates of return on assets, future salary increases, future pension increases, fluctuation, mortality rates and retirement age.

The key assumptions used in remeasurement of net liability of defined pension plans and the amount of respective provisions are disclosed in note 25.

The employee benefit costs are determined by an actuarial valuation using the projected unit credit method. They are measured as the present value of the estimated future cash outflows discounted by the interest yield on investment grade fixed income securities, which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses from the working anniversary benefits are charged to the income statement line item 'Personnel expenses'. Actuarial gains and losses from post-employment defined pension plans are recognised directly in the equity line item 'Remeasurement of net liability of defined pension plans' in the period in which they occur.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reported on the balance sheet line item 'Provisions'. Expense or income related to provisions are reported in the income statement line item 'Other operating result'. Information on provisions are detailed in note 25.

Levies

The Group recognises a liability or a provision for the levy of selected bank institutions in accordance with IFRIC 21.

Taxes

i. Current tax

Current tax assets and liabilities for the current and prior years are measured as the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those enacted by the balance sheet date.

ii. Deferred tax

Deferred tax is recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as at the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences and carried forward unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced by the extent that it is no longer probable that a sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. The unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that a future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at the balance sheet date.

Deferred tax relating to the items recognised in the other comprehensive income is also recognised in the other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right to offset exists and the deferred taxes relate to the same taxation authority.

Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the consolidated financial statements, as they are not the assets of the Group.

Dividends on ordinary shares

Dividends on ordinary shares are deducted from the equity when they are paid to the Bank's shareholders.

Recognition of income and expenses

Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably.

The description and recognition criteria of the income statement line items are as follows:

i. Net interest income

Net interest income is broken down into line items of interest income, other similar income, interest expenses and other similar expenses. The distinguishing factor is whether the EIR method is mandatorily applied for recognition of interest income or expense in accordance with IFRS 9.

'Interest income' relates to interest revenue from financial assets measured at amortised cost and at fair value through other comprehensive income. It is calculated using the EIR method as described in part 'Financial instruments', 'Measurement methods for financial instruments', note i.) ´Amortised cost and effective interest rate' in the note Bd).

'Other similar income' captures interest-like sources of income resulting from non-derivative financial assets measured at fair value through profit or loss, held for trading derivatives, hedge accounting derivatives, finance lease receivables and negative interest on financial liabilities.

'Interest expenses' relate to interest expense from financial liabilities at amortised cost calculated using effective interest rate as described in part 'Financial instruments', 'Measurement methods for financial instruments', note i.) ´Amortised cost and effective interest rate' in the note Bd).

'Other similar expenses' capture interest-like sources of expense resulting from non-derivative financial liabilities measured at fair value through profit or loss, held for trading derivatives, hedge accounting derivatives, negative interest on financial assets, lease liabilities, provisions recognised under IFRS 9 and IAS 37 (unwinding of the time value of the money effect due to passage of time) and net defined liabilities (net interest cost on severance payments, pensions and jubilee obligations) under IAS 19.

As regards types of financial instruments, interest income and other similar income include interest income on loans and advances to banks and customers, on cash balances, on debt securities in all measurement categories of financial assets, on trade and other receivables and on finance lease receivables. Interest expenses and other similar expenses include interest paid on deposits from customers, deposits from banks, debt securities issued and other financial liabilities in all measurement categories of financial liabilities and interest paid on lease liabilities. Net interest income also includes interest on derivative financial instruments.

ii. Net fee and commission income

The Group earns fee and commission income from a diverse range of services provided to its customers. The determination of the timing and amount of income recognition follows the five step model of IFRS 15.

Fee and commission income is measured based on the consideration specified in the contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include fees from lending business, payment services, securities transactions, as well as commissions from collective investment, custody and insurance products distribution.

Fees earned for providing transaction services and commission income earned from services such as the sale of collective investments and insurance products are recognised upon completion of the underlying transaction.

A contract with a customer that results in the recognition of a financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. Fees and commission income that are integral to the effective interest rate of a financial instrument are in the scope of IFRS 9 and are included in the net interest income.

The Group provides services of insurance products distribution. Once the insurance contract is signed, the performance obligation is fulfilled and the Group is entitled for the transaction price. Transaction price consists of consideration received in the year when the insurance contract is signed and consideration received in the subsequent years. Consideration received in the first year is subject of claw backs in the current year or in the future. Considerations received in the subsequent years are variable considerations depending on the early cancellation of the insurance contract.

The Group shall include in the transaction price some or all of an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Dispite the performance obligation is fulfilled in the first year, variable consideration is recognized only once uncertainty is resolved. Based on IFRS 15, the Group recognizes fee and commission income from insurance products distribution on the ´cash flow basis´ subject to claw back adjustments.

iii. Dividend income

Dividend income is recognised when the right to receive the payment is established. This line item includes dividends from all shares and other equity investments, i.e. from those that are held for trading, non-trading equity instruments at FVPL and at FVOCI.

iv. Net trading result

Results arising from trading activities include all gains and losses from changes in the fair value (clean price) of financial assets and financial liabilities classified as held for trading, including all derivatives not designated as hedging instruments. The net trading result also includes foreign exchange gains and losses.

This item also includes any ineffective portions recorded in fair value and cash flow hedge transactions.

v. Gains/losses from financial instruments measured at fair value through profit or loss

Under this line item the changes in fair value (clean price) of non-trading financial assets at fair value through profit or loss are presented.

vi. Rental income from investment properties and other operating leases

Rental income from investment properties is recognised on a straight-line basis over the lease term.

vii. Personnel expenses

Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes and levies.

Furthermore, restructuring provisions expenses may be part of personnel expenses (severance payments and jubilee obligations).

viii. Other administrative expenses

Other administrative expenses include primarily information technology expenses, expenses for office space, office operating expenses, advertising and marketing and expenditures for legal and other consultants.

Furthermore, the line item contains deposit insurance contributions expenses.

ix. Depreciation and amortisation

This line item comprises depreciation of property and equipment, depreciation of investment property and amortisation of intangible assets.

x. Gains/losses from derecognition of financial assets measured at amortised cost

This line item includes selling and other derecognition gains or losses on financial assets measured at amortised cost. However, if such gains/ losses relate to derecognition of financial assets in Stage 3 they are included in the line item 'Impairment result from financial instruments'.

xi. Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss

This line item includes selling and other derecognition gains or losses on financial assets at FVOCI, financial liabilities at amortised cost and other financial instruments not measured at FVPL, such as finance lease receivables or financial guarantees. However, if such gains/losses relate to financial assets in Stage 3 they are included in the line item 'Impairment result from financial instruments'.

xii. Impairment result from financial instruments

Net impairment losses on financial instruments comprise impairment losses and reversals of impairment on all kinds of financial instruments, to which the IFRS 9 expected credit loss impairment model applies. The impairment result also includes recoveries on written-off financial assets. Gains and losses recognised on financial assets in Stage 2 and Stage 3 and POCI assets are also presented as the impairment result in this line item. Moreover, gains/losses from derecognition of financial assets in Stage 3 and POCI assets are included presented as part of the impairment result.

xiii. Other operating result

Other operating result reflects all other income and expenses not directly attributable to the Group's ordinary activities. Furthermore, levies on banking activities are considered as part of the other operating result.

Other operating result includes impairment losses or any reversal of impairment losses as well as results on the sale of property and equipment and intangible assets.

In addition, other operating result encompasses the following: expenses for other taxes; income from the release of and expenses for allocations to provisions; impairment losses (and their reversal if any) as well as selling gains and losses on equity investments accounted for using the equity method; and gains or losses from derecognition of subsidiaries.

e) Significant accounting judgements, assumptions and estimates

The consolidated financial statements contain amounts that have been determined on the basis of judgements and by the use of estimates and assumptions. The estimates and assumptions used are based on historical experience and other factors, such as planning as well as expectations and forecasts of future events that are currently deemed to be reasonable. As a consequence of the uncertainty associated with these assumptions and estimates, actual results could in future periods lead to adjustments in the carrying amounts of the related assets or liabilities. The most significant uses of judgements, assumptions and estimates are related to the following areas:

SPPI assessment

The assessment of whether the contractual cash flows of financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) is subject to the application of accounting judgements. These judgements are crucial in the classification and measurement process as they determine whether the asset has to be measured at FVPL or, depending on the business model assessment, at amortised cost or at FVOCI. When taking into consideration specific features of loans in the business of the Group, significant areas of judgement are prepayment fees, project financing loans and benchmark test for loans with interest mismatches features.

The assessment whether the prepayment fees applied to loans can be considered as a reasonable compensation for early terminations or prepayments is based on comparing the level of the fees with the economic costs incurred by the Group upon the early termination. For these purposes, the Group uses a quantitative test where the costs relate to the lost interest margin and the lost interest differential due to a decrease in the interest rates upon early termination or prepayment. The evaluation is normally performed on a portfolio level. The adequacy of the fees can also be defended on a qualitative basis such as common market practice regarding level prepayment fees and their acceptance by authorities.

For project financing loans the Group assesses whether they represent basic loan agreements rather than investments in the financed projects. In this respect credit rating, level of collateralisation, existing sponsor guarantees and the extent of equity funding of the financed projects are considered.

The most critical area of SPPI judgements in the business of the Group comprises loans with interest mismatch features. Interest mismatches relate to floating rate financial assets (loans and some debt securities, also referred to as 'deals') where:

- the reference rate's – type of variable interest rate of tenor different to the rate reset frequency (such as 3-month EURIBOR for other than three month interest period,
- the interest rate is fixed prior to the start of the interest period (such as 3-month EURIBOR fixed 2 months before the interest period starts), or interest rate arise from average rates over previous periods,or
- combinations of these features.

For this purpose, the Group has developed a so called 'benchmark test' to assess whether the interest mismatch feature could result in contractual cash flows from financial assets that are significantly different from contractual cash flows from benchmark assets. The benchmark deal does not have the interest mismatch feature, but otherwise its terms correspond to the financial asset in the test.

For assets with interest mismatches resulting only from prior and average rates the SPPI compliance is considered to be met based on a qualitative assessment if the time lag between the fixation of the rate and the start of the interest period does not exceed one month. This is supported by a quantitative analysis performed by the Group for this purpose.

The quantitative benchmark test is performed at the deal's initial recognition and uses 250 forward-looking simulations of future market interest rates over the life of the deal. Ratios between the simulated cash flows from the actual deal and the benchmark deal are calculated for each quarter (so called 'periodic cash flow ratio'), and cumulatively over the life of the deal ('cumulative cash flow ratio'). The 5% of outcomes with the highest deviations are considered as extreme and are disregarded. The significance threshold for the periodic cash flow ratio is set to 10%. If simulated cash flows of the tested deal in a specific quarter are less than 1% of the total cash flows over the life of the deal ('de minimis threshold') they are disregarded. For the cumulative cash flow ratio the quantitative significance threshold is set to 5%. If any of the two significance thresholds is breached, the benchmark test is not passed and the financial asset has to be measured at fair value through profit or loss.

Generally, the quantitative benchmark test results are more sensitive to the level of the periodic quantitative significance threshold compared to the cumulative one. Decreasing the periodic cash flow ratio threshold to 5% could lead to a significant increase in the volume of loans measured at fair value through profit or loss. The Group does not consider that lowering the threshold would properly capture those interest mismatch features which should lead to FVPL measurement since, based on a quantitative study performed for this purpose, it could lead fair value measurement even for loans which are generally deemed as basic lending agreements. The Group has prepared qualitative studies to document the accuraccy of significance threshold used as reasonable.

Business model assessment

For each SPPI-compliant financial asset at initial recognition, the Group has to assess whether it is part of a business model where the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets, or they are held in other business models. As a consequence, the critical aspect in distinguishing the business models is frequency and significance of sales of assets in the respective business model. Since the asset allocation to business models is based on the initial assessment, it may happen that in subsequent periods cash flows are realised differently than originally expected and a different measurement method may seem to be appropriate. In accordance with IFRS 9 such subsequent changes do not generally lead to reclassifications or prior period error corrections in respect of existing financial assets. The new information on how cash flows are realised may, however, indicate that the business model and thus the measurement method changes for newly acquired or newly originated financial assets.

At the Group, certain sales or other derecognition events are considered as not contradicting the held to collect contractual cash flows business model. Examples are sales due to increases in credit risk, sales close to assets' maturity, infrequent sales triggered by a non-recurring event (such as changes in regulatory or tax environment, major internal reorganisation or a business combination, severe liquidity crisis, etc.) or derecognitions resulting from replacements of bonds based on an issuer´s offer. Other kinds of sales carried out in the 'held to collect' business model are assessed retrospectively and if they exceed certain quantitative thresholds, or whenever it is considered necessary with regard to new expectations, the Group performs a prospective test. If the outcome was that the carrying amount of assets expected to be sold over the expected life of the current business model portfolio, for reasons other than the cases above, exceeds 10% of the carrying amount of the portfolio, any new acquisitions or originations of assets in the portfolio would be classified in a different business model.

Impairment of financial instruments

The expected credit loss impairment model is inherently based on judgement since it requires assessment of significant increases in credit risk and measurement of expected credit losses without providing detailed guidance. In respect of significant increases in credit risk, the Group has determined specific assessment rules consisting of qualitative information and quantitative thresholds. Another area of complexity relates to establishing groups of similar assets when credit risk deterioration has to be assessed on a collective basis before specific information is available at individual instrument level. Measurement of expected credit losses involves complex models relying on historical statistic of probabilities of default and loss rates in case of defaults, their extrapolations in case of insufficient observations, individual estimates of credit-adjusted cash flows and probabilities of different scenarios including forward-looking information. In addition, the life of the instruments has to be modelled in respect of prepayment possibilities and in respect of behavioural life of revolving credit facilities.

Since 2018 the Group uses the methodology for impairment of financial instruments according IFRS 9, wchich is based on staging resulting from assessment of relevant credit risk parameters. IFRS 9 establishes a three stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. Disclosures on methodology for impairment of financial Instruments are described in note 33.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible. Where observable market data are not available judgement is required to establish fair values. Disclosures on valuation models, the fair value hierarchy and fair values of financial instruments can be found in note 34.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

f) Application of new and amended IAS / IFRS

The Group has adopted all the standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC), as adopted by the European Union, which are valid for the current reporting period and relevant for its business.

Effective standards and interpretations

The following standards, their amendments and interpretation have become mandatory for the financial year 2020 and have been endorsed by the EU:

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendment to IFRS 16: Leases Covid-19 Related Rent Concessions
- Amendments to IAS 1 and IAS 8: Definition of Material

The amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform were applied early in 2019. Application of the above mentioned amendments in 2020 did not have a significant impact on Group's financial statements.

Standards and interpretations not yet effective

The standards, amendments and interpretations shown below were issued by the IASB but are not yet effective (mandatory for the annual periods beginning on or after 1 January 2021 or later).

Following amendments to standards are already endorsed by the EU:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

Following standards and amendments and interpretations have not yet been endorsed by the EU until the date of approval of these financial statements:

- IFRS 17: Insurance contracts
- Annual Improvements to IFRSs 2018-2020 Cycle

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2. The amendments were issued in August 2020 and are effective for annual periods beginning on or after 1 January 2021. The amendments introduce a practical expedient that modifications of financial assets and financial liabilities required by the reform are accounted for by updating the effective interest rate. A similar practical expedient is provided for lessee accounting applying IFRS 16. Regarding hedge accounting the hedge designation and documentation is amended and the effects of the benchmark rate change are included in the measurement of the hedging instrument and the hedged item. IFRS 7 disclosures requirements have been extended in order to allow users to understand the nature, extent and management of risks arising from the IBOR reform as well as progress in transitioning to alternative benchmark rates.

Application of these amendments will simplify the treatment compared to previous IFRS requirements which would have led to a more complex modification gain/loss or derecognition accounting or hedge accounting discontinuations. The less complex treatment is not expected to have a significant impact on Group's financial statements. However, the amendments will result in new disclosures.

IFRS 17: Insurance contracts. IFRS 17 was issued in May 2017 and is effective for annual periods beginning on or after 1 January 2023. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithful-ly represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The Group does not expect that any of its contracts will fall in scope of IFRS 17.

Annual Improvements to IFRSs 2018 2020 Cycle. In May 2020, the IASB issued a set of amendments to various standards. The amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. Applica-tion of these amendments is not expected to have a significant impact on Group's financial statements.

C. NOTES

1. Net interest income

EUR ths.	2019	2020
Interest and other similar income		
Financial assets at amortised cost	458 395	445 075
Demand deposits	7	9
Loans and advances	354 962	349 703
Debt securities	103 426	95 363
Interest income	**458 395**	**445 075**
Non-trading financial assets at fair value through profit or loss	86	-
Financial assets - held for trading	15 579	15 152
Derivatives - hedge accounting, interest rate risk	(9 263)	(9 410)
Other assets	4 273	5 432
Negative interest from financial liabilities	1 020	6 953
Other similar income	**11 695**	**18 127**
Total interest income	**470 090**	**463 202**
Interest and other similar expenses		
Financial liabilities at amortised cost	(29 148)	(21 580)
Deposits	(12 235)	(5 888)
Debt securities in issue	(16 913)	(15 692)
Interest expenses	**(29 148)**	**(21 580)**
Financial liabilities - held for trading	(14 157)	(13 245)
Derivatives - hedge accounting, interest rate risk	4 994	5 581
Other liabilities	(1 126)	(34)
Negative Interest from financial assets	-	(361)
Other similar expenses	**(10 289)**	**(8 059)**
Total Interest expenses	**(39 437)**	**(29 639)**
Net interest income	**430 653**	**433 563**

Interest income for the year ended 31 December 2020 included interests related to impaired financial assets in the amount of 7,5 mil. Eur (31.12.2019: 8,4 mil. Eur).

Interest income from hedging instruments relates to the hedged items presented in the line item 'Financial assets at amortised cost'. Interest expense from hedging instruments relates to the hedged items presented in the line item 'Financial liabilities at amortised cost'.

Interest expense from TLTRO, presented in line item 'Negative interest from financial liabilities' should be in general reduced if bank reach certain lending thresholds. At the TLTRO inception, the original effective interest rate is determined by considering the contractual terms and assessing whether the eligibility conditions for the reduced interest will be fulfilled. The scenario which is considered more likely is used for the original effective interest rate calculation. The Group assesses on an ongoing basis how it meets the eligibility criteria for the lower interest rate. The Group does not expect, at reporting date, that it will meet the eligibility criteria for lower interest rate other then those already considered in original effective interest rate.

2. Net fee and commission income

EUR ths.	2019	2020
Fee and commission income		
Securities	3 016	3 887
Issuances	245	143
Transfer orders	1 153	1 828
Other	1 618	1 916
Asset management	8 649	-
Custody	1 437	2 457
Collective investment	468	578
Other	969	1 879
Payment services	100 492	98 671
Card business	42 194	38 698
Others	58 298	59 973
Customer resources distributed but not managed	32 790	48 239
Collective investment	-	11 554
Insurance products (as agent)	32 770	36 674
Other	20	11
Lending Business	24 045	16 711
Loan commitments given	2 851	3 229
Financial guarantees given	3 949	4 029
Other lending business	17 245	9 453
Other	1 259	367
Total fee and commission income	**171 682**	**170 330**
Fee and commission expense		
Securities	(831)	(1 415)
Transfer orders	(827)	(1 408)
Other	(4)	(7)
Custody	(1 114)	(1 300)
Payment services	(17 869)	(15 524)
Card business	(13 561)	(11 467)
Others	(4 308)	(4 057)
Customer resources distributed but not managed	(1 176)	(1 190)
Insurance products (as agent)	(1 176)	(1 190)
Lending Business	(5 455)	(3 581)
Financial guarantees received	(15)	(14)
Other lending business	(5 440)	(3 567)
Other	(71)	(172)
Total fee and commission expense	**(26 516)**	**(23 180)**
Net fee and commission income	**145 166**	**147 150**

In 2020 the Group started to disclose fee income for the ´Asset management´ in the line item ´Customer resources distributed but not managed´ in the part ´Collective investment´ in the amount of 11,6 mil. EUR.

3. Dividend income

EUR ths.	2019	2020
Non-trading financial assets at fair value through profit or loss	512	493
Financial assets at fair value through other comprehensive income	439	135
Dividend income	**951**	**628**

4. Net trading result

The Group has adopted a business model of centralised financial markets trading in cooperation with its parent company. Within this model Erste Group Bank AG conducts all trading operations on a central trading book in order to manage effectively market risks from the Group trading activities (i.e. transactions with retail, corporate and other institutional clients), with the exception of equity risk trading and transactions for the Group's liquidity management purposes.

Trading gains from the market positions of Erste Group Bank AG are distributed according to the approved rules to local banks within the Group based on their financial results and are reported in the income statement line item 'Net trading result'. The basic principle underlying these rules is that Erste Group Bank AG absorbes potential losses in individual groups of assets in exchange for the risk premium derived from the VaR indicator. This business model of financial markets trading also includes reallocation of trading costs to the participating subsidiaries of Erste Group Bank AG based on their cost/income ratio.

EUR ths.	2019	2020
Securities trading	3 632	1 492
Derivatives trading	17 034	10 395
Result from hedge accounting	55	339
Net trading result	**20 721**	**12 226**

The line item 'Securities trading' includes net gains from the Erste Group Bank AG's market positions attributable to the Group.

5. Gains / losses from financial instruments measured at fair value through profit or loss

EUR ths.	2019	2020
Result from measurement/sale of financial assets mandatorily at fair value through profit or loss	(3 732)	(2 912)
Gains/losses from financial instruments measured at fair value through profit or loss	**(3 732)**	**(2 912)**

6. Rental income from investment properties and other operating leases

EUR ths.	2019	2020
Investment properties	293	265
Other operating leases	883	45
Rental income from investment properties & other operating leases	**1 176**	**310**

Rental income is generated from rented premises classified as investment properties.

7. General administrative expenses

EUR ths.	2019	2020
Personnel expenses	**(148 896)**	**(158 290)**
Wages and salaries	(105 947)	(113 232)
Compulsory social security	(36 291)	(38 134)
Long-term employee provisions	(2 538)	(1 068)
Other personnel expenses	(4 120)	(5 856)
Other administrative expenses	**(92 742)**	**(92 251)**
Deposit insurance contribution	(962)	(1 058)
IT expenses	(38 955)	(43 842)
Expenses for office premises	(13 446)	(12 862)
Office operating expenses	(10 568)	(10 702)
Advertising/marketing	(15 023)	(14 247)
Legal and consulting costs	(4 287)	(3 372)
Sundry administrative expenses	(9 501)	(6 168)
Depreciation and amortisation	**(46 868)**	**(36 529)**
Software and other intangible assets	(20 845)	(11 122)
Owner occupied real estate	(15 887)	(16 664)
Investment properties	(218)	(215)
Office furniture and equipment and sundry property and equipment	(9 918)	(8 528)
General administrative expenses	**(288 506)**	**(287 070)**

As at 31 December 2020 the Group had 3 770 employees, thereof five members of the Board of Directors. As at 31 December 2019 the Group had 4 070 employees, thereof five members of the Board of Directors.

The right-of-use asset is depreciated on the straight line basis till the end of contracted period and is disclosed as part of depreciation for ´Owner occupied real estate´ in line item ´Depreciation and amortisation´ in total amount of of 6,7 mil. Eur (2019: 5,4 mil. Eur). Expenses for leases complying with recognition exemptions for short-term leases (less than 12 months) and leases of low-value items under IFRS 16 are disclosed in the category ´Other administrative expenses´ under the line item ´ Expenses for office premises´ in total amount of 0,8 mil. Eur (2019: 1,5 mil. Eur).

The Group is legally obliged to make a contribution to the Deposit Protection Fund, which is accounted for in accordance with the IFRIC 21. The amount of this annual contribution is calculated based on the Group's customer deposit liabilities. The contribution to the Deposit Protection Fund was paid in June 2020.

Expenses for audit and other advisory services provided by the audit company are disclosed in the line item 'Legal and consulting costs' and were as follows:

EUR ths.	2019	2020
Audit of consolidated financial statements	(527)	(545)
Other assurance services	(98)	(144)
Other non-audit services	(25)	(3)
Total	**(650)**	**(692)**

Other assurance services in the amount of 144 ths. Eur (2019: 98 ths. Eur) related to a review of the special-purpose standard reporting forms; reports ISAE 3000 and ISAE 3402 prepared in acordance with International Standard on Assurance Engagements. Other non-audit services in the amount of 3 ths. Eur (2019: 25 ths. Eur) related to agreed-upon procedures on the Bank's compliance with the covenants of the loan agreement between the Bank and the European Bank for Reconstruction and Development.

8. Impairment result from financial instruments

EUR ths.	2019	2020
Financial assets at amortised cost	(45 052)	(95 717)
Net allocation of loss allowances	(51 946)	(97 535)
Direct write-offs	(1 959)	(775)
Recoveries recorded directly to the income statement	8 853	2 593
Finance lease	(3 565)	(1 293)
Net allocation of loss allowances for commitments and guarantees given	5 961	(10 929)
Impairment result from financial instruments	**(42 656)**	**(107 939)**

Impairment result from financial instruments relates those instruments that are accounted under IFRS 9. Additional impairment results from financial instruments that are not accounted under IFRS 9 is disclosed in note 8.

The following table reconcilies the movements of credit risk allowances disclosed in notes 15, 16, 18 and 25 to Impariment result from financial instruments disclosed in Income statement. The reconciliation specify items that represents movements in credit risk allowances that are not recognized through income statement.

EUR ths.	2019	2020
Net movements from notes 15, 16, 18 and 25	**15 608**	**(57 662)**
Financial assets at amortised cost	14 044	(44 345)
Finance lease receivables	(4 375)	(1 242)
Trade and other receivables	(22)	(1 146)
Commitments and financial guarantees given	5 961	(10 929)
Items not recognized through income statement - use	83 210	68 071
Financial assets at amortised cost	83 615	65 987
Finance lease receivables	(596)	-
Trade and other receivables	191	2 084
Commitments and financial guarantees given	-	-
Items recognized through income statement – net allocations and releases	(67 602)	(125 733)
Financial assets at amortised cost	(69 571)	(110 332)
Finance lease receivables	(3 779)	(1 242)
Trade and other receivables	(213)	(3 230)
Commitments and financial guarantees given	5 961	(10 929)
Impairment result from financial instruments	**(42 656)**	**(107 939)**
Items recognized as movement in notes 15, 16, 18 and 25	(67 602)	(125 733)
Net allocation of loss allowances	(73 563)	(114 804)
Net allocation of loss allowances for commitments and guarantees given	5 961	(10 929)
Items not recognized as movement in notes 15, 16, 18 and 25	24 946	17 794
Unwinding correction	18 052	15 976
Direct write-offs	(1 959)	(775)
Recoveries recorded directly to the income statement	8 853	2 593

9. Other operating result

EUR ths.	2019	2020
Other operating expenses	**(45 251)**	**(59 524)**
Allocation to other provisions	(1 075)	(6 308)
Levies on banking activities	(35 588)	(37 751)
Banking tax	(32 521)	(33 757)
Resolution fund	(3 067)	(3 994)
Other taxes	(217)	(219)
Impairment of associates	-	(8 137)
Other	(8 371)	(7 109)
Other operating income	**6 583**	**10 264**
Release of other provisions	1 077	5 884
Gains from derecognition of tangible and intagible assets	993	221
Other	4 513	4 159
Other operating result	**(38 668)**	**(49 260)**

The Group is legally obliged to make a contribution to the National resolution fund ('Resolution fund'), which is accounted for in accordance with the IFRIC 21.

10. Taxes on income

The actual tax on the Group's profit before tax differs from the theoretical amount, that would be calculated using the basic tax rate valid in Slovak Republic, due to the following adjustments:

EUR ths.	2019	2020
Pre-tax profit / loss	226 524	147 521
Statutory tax rate	21%	21%
Theoretical income tax expense	47 570	30 979
Impact of tax-exempt earnings	(6 045)	(8 140)
Impact of tax non-deductible expenses	3 033	14 148
Net impact of non-valued fiscal losses for the year	88	-
Tax expenses / earnings not attributable to the reporting period	1 920	291
Total	**46 566**	**37 278**

EUR ths.	2019	2020
Current tax expense / income	(54 056)	(54 034)
current period	(54 056)	(54 034)
Deferred tax expense / income	7 491	14 505
current period	7 491	14 505
Total	**(46 565)**	**(39 529)**

Expiration of tax losses

EUR ths.	2019	2020
2020	769	-
2021	-	2 003
2022	-	-
2023	-	-
2024	-	-
Total	**769**	**2 003**

Tax losses carried forward represent results of the former subsidiaries, which were merged with the Group during prior years.

Further information on tax assets and liabilities are disclosed in note 20.

11. Cash and cash balances

EUR ths.	31.12.2019	31.12.2020
Cash on hand	398 088	352 330
Cash balances at central banks	93 129	1 354 133
Other demand deposits to credit institutions	10 224	11 023
Cash and cash balances	**501 441**	**1 717 486**

Cash balances at central banks include only claims (deposits) against central banks that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours. Mandatory minimum reserves are also shown under this item.

As at 31 December 2020 the balances at central banks included a mandatory minimum reserve deposit in the amount of 1 354,1 mil. Eur (2019: 87,9 mil. Eur). For the period covering the year-end 2020 the prescribed balance of the mandatory minimum reserve deposit amounted 144,1 mil. Eur (2019: 141,1 mil. Eur).

For the purpose of the Statement of cash flows, cash and cash equivalents include accounts with central banks and accounts with other credit institutions repayable on demand. The mandatory minimum reserve deposit is excluded from cash and cash equivalents. This deposit is repayable on demand, however it is not used for a day-to-day operation, as the Group is required to meet a defined average balance during a monitored period.

12. Derivatives held for trading

	31.12.2019			31.12.2020		
EUR ths.	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	**2 476 840**	**41 112**	**35 709**	**2 405 271**	**59 994**	**56 524**
Interest rate derivatives	2 132 669	15 594	14 084	2 066 927	21 952	20 708
Foreign exchange derivatives	344 171	25 518	21 625	338 344	38 042	35 816
Derivatives held in the banking book	**101 637**	**311**	**4 315**	**-**	**-**	**-**
Equity derivatives	101 637	311	4 315	-	-	-
Total gross amounts	**2 578 477**	**41 423**	**40 024**	**2 405 271**	**59 994**	**56 524**

The Group disclosed derivative instruments in the banking book that are used for economical hedging of financial instruments on asset or liability side and are not designated as hedge accounting.

The Group maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as a part of the overall lending limits vis-à-vis customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except for trading with clients, where the Group in most cases requires margin deposits.

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

EUR ths.	31.12.2019 Designated at fair value	31.12.2019 Mandatorily at fair value	31.12.2020 Designated at fair value	31.12.2020 Mandatorily at fair value
Equity instruments	-	16 458	-	7 547
Debt securities	-	3 175	-	7 740
Other financial corporations	-	3 175	-	7 740
Non-trading financial assets at fair value through profit or loss	**-**	**19 633**	**-**	**15 287**

´Equity Instruments´ classified under category ´Mandatorily at fair value´ represents such equity Instruments that the Group does not hold for strategic business decisions.

´Debt securities´ classified under category ´Mandatorily at fair value´ represents financial assets, which do not comply with the SPPI criteria under IFRS 9.

14. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income included only Equity Instruments in amount of 0,0 mil. Eur (2019: 89,3 mil. Eur) that the Group held for strategic business decisions and were not subject to any impairment requirements. All the accumulated fair value movements for these investments are presented solely in other comprehensive income (OCI) with no subsequent presentation in Profit or loss at any time point allowed.

During the year 2020 the Group sold its share in the company Mastercard Incorporated and Visa Inc. due to the fact that the reasons for holding of this share as a strategic business decision of the Group have passed. Additionally, the Group also reclassified Class C convertible shares of Visa Inc. from equity instrument under ´Financial assets at fair value through other comprehensive income´ category to the debt instrument under ´Non-trading financial assets at fair value through profit or loss´ category as a result of classification reassessment after new technical interpretations of contractual features.

15. Financial assets at amortised cost

Gross carrying amounts and credit loss allowances

	Gross carrying amount					Credit loss allowances					Carrying amount
EUR ths.	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	
As of 31.12.2020											
Debt securities	**3 680 249**	**-**	**-**	**-**	**3 680 249**	**(545)**	**-**	**-**	**-**	**(545)**	**3 679 704**
General governments	3 371 752	-	-	-	3 371 752	(282)	-	-	-	(282)	3 371 470
Credit institutions	182 974	-	-	-	182 974	(113)	-	-	-	(113)	182 861
Other financial corporations	10 131	-	-	-	10 131	(21)	-	-	-	(21)	10 110
Non-financial corporations	115 392	-	-	-	115 392	(129)	-	-	-	(129)	115 263
Loans and advances to banks	**47**	**2**	**-**	**-**	**49**	**-**	**-**	**-**	**-**	**-**	**49**
Credit institutions	47	2	-	-	49	-	-	-	-	-	49
Loans and advances to customers	**12 286 921**	**2 301 148**	**287 785**	**83 777**	**14 959 631**	**(29 858)**	**(126 974)**	**(166 302)**	**(57 353)**	**(380 487)**	**14 579 144**
General governments	270 863	1 063	-	-	271 926	(368)	(40)	-	-	(408)	271 518
Other financial corporations	78 647	25 825	99	1	104 572	(380)	(787)	(60)	-	(1 227)	103 345
Non-financial corporations	2 259 994	1 413 659	56 949	80 179	3 810 781	(10 595)	(74 321)	(33 579)	(55 646)	(174 141)	3 636 640
Households	9 677 417	860 601	230 737	3 597	10 772 352	(18 515)	(51 826)	(132 663)	(1 707)	(204 711)	10 567 641
Total	**15 967 217**	**2 301 150**	**287 785**	**83 777**	**18 639 929**	**(30 403)**	**(126 974)**	**(166 302)**	**(57 353)**	**(381 032)**	**18 258 897**

The amounts represent the maximum exposure to credit risk. As at 31 December 2020 the Group had no reverse repo agreements.

As at 31 December 2020, 15 largest customers accounted for 5,8% of the gross loan portfolio amounting to 863,9 mil. Eur.

	Gross carrying amount					Credit loss allowances					Carrying amount
EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2019											
Debt securities	**3 536 848**	**-**	**-**	**-**	**3 536 848**	**(384)**	**-**	**-**	**-**	**(384)**	**3 536 464**
General governments	3 223 591	-	-	-	3 223 591	(247)	-	-	-	(247)	3 223 344
Credit institutions	194 849	-	-	-	194 849	(106)	-	-	-	(106)	194 743
Other financial corporations	25 283	-	-	-	25 283	(15)	-	-	-	(15)	25 268
Non-financial corporations	93 125	-	-	-	93 125	(16)	-	-	-	(16)	93 109
Loans and advances to banks	**52**	**2**	**-**	**-**	**54**	**-**	**-**	**-**	**-**	**-**	**54**
Credit institutions	52	2	-	-	54	-	-	-	-	-	54
Loans and advances to customers	**13 229 945**	**471 725**	**341 898**	**85 414**	**14 128 982**	**(34 322)**	**(36 177)**	**(212 655)**	**(53 150)**	**(336 304)**	**13 792 678**
General governments	243 829	607	-	-	244 436	(248)	(23)	-	-	(271)	244 165
Other financial corporations	106 486	773	108	-	107 367	(288)	(67)	(76)	-	(431)	106 936
Non-financial corporations	2 996 739	238 260	41 051	81 261	3 357 311	(8 455)	(11 648)	(24 501)	(50 957)	(95 561)	3 261 750
Households	9 882 891	232 085	300 739	4 153	10 419 868	(25 331)	(24 439)	(188 078)	(2 193)	(240 041)	10 179 827
Total	**16 766 845**	**471 727**	**341 898**	**85 414**	**17 665 884**	**(34 706)**	**(36 177)**	**(212 655)**	**(53 150)**	**(336 688)**	**17 329 196**

As at 31 December 2019, 15 largest customers accounted for 5,2% of the gross loan portfolio amounting to 730,1 mil. Eur.

Allowances for financial assets at amortised cost

EUR ths.	01.01.2020	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2020
Debt securities									
Stage 1	**(384)**	**(43)**	**7**	**(125)**	**-**	**-**	**-**	**-**	**(545)**
General governments	(245)	(32)	-	(5)	-	-	-	-	(282)
Credit institutions	(107)	-	7	(13)	-	-	-	-	(113)
Other financial corporations	(16)	1	-	(6)	-	-	-	-	(21)
Non-financial corporations	(16)	(12)	-	(101)	-	-	-	-	(129)
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-
POCI	-	-	-	-	-	-	-	-	-
Total allowances for debt securities	**(384)**	**(43)**	**7**	**(125)**	**-**	**-**	**-**	**-**	**(545)**

EUR ths.	01.01.2020	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2020
Loans and advances to banks									
Stage 1	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-
POCI	-	-	-	-	-	-	-	-	-
Total allowances for loans and advances to banks	-	-	-	-	-	-	-	-	-

EUR ths.	01.01.2020	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2020
Loans and advances to customers									
Stage 1	**(34 322)**	**(19 343)**	**917**	**7 826**	**14 842**	**-**	**222**	**-**	**(29 858)**
General governments	(248)	(354)	-	113	120	-	-	-	(369)
Other financial corporations	(288)	(156)	1	(236)	299	-	-	-	(380)
Non-financial corporations	(8 455)	(12 520)	220	7 947	2 212	-	1	-	(10 595)
Households	(25 331)	(6 313)	696	2	12 211	-	221	-	(18 514)
Stage 2	**(36 177)**	**(27 588)**	**625**	**(5 600)**	**(58 465)**	**-**	**233**	**-**	**(126 972)**
General governments	(23)	(1)	-	(6)	(9)	-	-	-	(39)
Other financial corporations	(67)	(12)	-	(165)	(543)	-	-	-	(787)
Non-financial corporations	(11 648)	(22 805)	301	(5 738)	(34 434)	-	4	-	(74 320)
Households	(24 439)	(4 770)	324	309	(23 479)	-	229	-	(51 826)
Stage 3	**(212 655)**	**(5 373)**	**54 203**	**(5 081)**	**(6 385)**	**-**	**8 989**	**-**	**(166 302)**
Other financial corporations	(76)	(4)	23	(3)	-	-	-	-	(60)
Non-financial corporations	(24 501)	(2 925)	5 210	(11 434)	(1 886)	-	1 956	-	(33 580)
Households	(188 078)	(2 444)	48 970	6 356	(4 499)	-	7 033	-	(132 662)
POCI	**(53 150)**	**-**	**1 493**	**(8 510)**	**-**	**-**	**2 812**	**-**	**(57 355)**
Non-financial corporations	(50 957)	-	1 238	(8 370)	-	-	2 443	-	(55 646)
Households	(2 193)	-	255	(140)	-	-	369	-	(1 709)
Total allowances for loans and advances to customers	**(336 304)**	**(52 304)**	**57 238**	**(11 365)**	**(50 008)**	**-**	**12 256**	**-**	**(380 487)**

Movement table of credit loss allowances above represents changes in allowances disclosed based on the reason of the change and is prepared as at the end of the reporting period in comparison to the balance as at 1 January of the relevant reporting period. The table contains allocations, releases, reclassifications between stages as well as use of the credit loss allowances. Reconciliation of such movements to income statement line „Impairment result from financial instruments" is disclosed in note 8. More detailed information about the development of credit loss allowances due to COVID-19 is provided in note 33.

In column 'Additions' increases of credit risk allowances due to the initial recognition of loans at amortised cost during the current reporting period are disclosed. Releases of credit risk allowances following the derecognition of the related loans at amortised cost are reported in column 'Derecognitions'. Use of credit risk allowances in this table is reported in column 'Decrease in allowance account due to write-offs'.

In column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related amortised cost loans from Stage 1 (as at 1 January or initial recognition date) to Stages 2 or 3 as at 31 December or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line 'Stage 1'. The income statement-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in columns 'Net changes due to modifications without derecognition' and ´Decrease in allowance account due to write-offs´.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Other adjustments´.

EUR ths.	01.01.2019	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2019
Debt securities									
Stage 1	**(382)**	**(37)**	**17**	**18**	**-**	**-**	**-**	**-**	**(384)**
General governments	(262)	(3)	10	10	-	-	-	-	(245)
Credit institutions	(75)	(34)	7	(5)	-	-	-	-	(107)
Other financial corporations	(25)	-	-	9	-	-	-	-	(16)
Non-financial corporations	(20)	-	-	4	-	-	-	-	(16)
Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total allowances for debt securities	**(382)**	**(37)**	**17**	**18**	**-**	**-**	**-**	**-**	**(384)**

EUR ths.	01.01.2019	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2019
Loans and advances to banks									
Stage 1	**(24)**	**(3 312)**	**3 442**	**(106)**	**-**	**-**	**-**	**-**	**-**
Credit institutions	(24)	(3 312)	3 442	(106)	-	-	-	-	-
Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total allowances for loans and advances to banks	**(24)**	**(3 312)**	**3 442**	**(106)**	**-**	**-**	**-**	**-**	**-**

EUR ths.	01.01.2019	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2019
Loans and advances to customers									
Stage 1	**(35 401)**	**(27 919)**	**1 241**	**13 208**	**14 483**	**-**	**67**	**-**	**(34 322)**
General governments	(193)	(195)	10	108	22	-	-	-	(248)
Other financial corporations	(164)	(1 435)	1	1 272	39	-	-	-	(288)
Non-financial corporations	(6 972)	(14 285)	313	11 421	1 101	-	1	(34)	(8 455)
Households	(28 072)	(12 004)	917	407	13 321	-	66	34	(25 331)
Stage 2	**(33 865)**	**(8 005)**	**499**	**22 210**	**(17 142)**	**-**	**126**	**-**	**(36 177)**
General governments	(2)	-	-	52	(72)	-	-	-	(23)
Other financial corporations	(12)	(38)	1	6	(25)	-	-	-	(67)
Non-financial corporations	(4 084)	(4 001)	81	4 613	(8 195)	-	7	(70)	(11 648)
Households	(29 767)	(3 966)	417	17 539	(8 850)	-	119	70	(24 439)
Stage 3	**(229 723)**	**(13 969)**	**73 404**	**(42 143)**	**(12 143)**	**-**	**11 920**	**-**	**(212 655)**
Other financial corporations	(8)	-	8	(72)	(4)	-	-	-	(76)
Non-financial corporations	(16 906)	(9 979)	6 634	(7 150)	(1 300)	-	4 743	(543)	(24 501)
Households	(212 809)	(3 990)	66 762	(34 921)	(10 839)	-	7 177	543	(188 078)
POCI	**(51 337)**	**-**	**8 874**	**(12 549)**	**-**	**-**	**1 862**	**-**	**(53 150)**
Non-financial corporations	(48 396)	-	8 090	(12 207)	-	-	1 556	-	(50 957)
Households	(2 941)	-	784	(342)	-	-	306	-	(2 193)
Total allowances for loans and advances to customers	**(350 326)**	**(49 893)**	**84 018**	**(19 274)**	**(14 802)**	**-**	**13 975**	**-**	**(336 304)**

In 2019 the column ´Other adjustments´contains loss allowances acquired in connection with acquisition of part of business from subsidiary S Slovensko, spol. s r.o.

Transfers of gross carrying amount between impairment stages

EUR ths.	2019	2020
Transfers between Stage 1 and Stage 2	**436 091**	**2 014 597**
To Stage 2 from Stage 1	333 496	1 954 409
To Stage 1 from Stage 2	102 595	60 188
Transfers between Stage 2 and Stage 3	**68 555**	**61 899**
To Stage 3 from Stage 2	58 714	31 620
To Stage 2 from Stage 3	9 841	30 279
Transfers between Stage 1 and Stage 3	**95 063**	**70 322**
To Stage 3 from Stage 1	76 753	56 021
To Stage 1 from Stage 3	18 310	14 301

Mandate loans

During the year 2020 the Group cooperated with 5 external companies (2019: 4 companies). Based on the mandate contracts the management and administration of certain non-performing receivables is outsourced to the external company temporary. In case of mandate loans, the Group maintains risks and rewards associated with the underlying exposures. External service providers are rewarded by commission from the claimed amount of loans, which are subject to the mandate contracts.

As at 31 December 2020 the total amount of gross loans outsourced was 94,4 mil. Eur (2019: 119,1 mil. Eur).

Write off and sale of receivables

During the year 2020 the Group sold loan receivables in the amount of 61,2 mil. Eur (2019: 93,0 mil. Eur) for a consideration of 9,2 mil. Eur (2019: 22,9 mil. Eur) and used the corresponding allowances amounting 53,7 mil. Eur (2019: 78,6 mil. Eur). Once loan receivables are sold, the Group transfers all risks and rewards attributable to them and does not have any continuing involvement in the loan receivables subsequent to their sale.

In the year 2020 the Group has written off loans and finance lease receivables in the amount of 15,1 mil. Eur (2019: 17,9 mil. Eur) and used the respective allowances amounting 14,3 mil. Eur (2019: 16,0 mil. Eur).

16. Finance lease receivables

The principal assets held under lease arrangements include cars and other technical equipment.

Gross carrying amounts and credit loss allowances

	Gross carrying amount					Credit loss allowances					Carrying amount
EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2020											
General governments	510	-	-	-	510	(1)	-	-	-	(1)	509
Other financial corporations	102	-	-	-	102	-	-	-	-	-	102
Non-financial corporations	146 690	86 430	7 262	-	240 382	(417)	(1 174)	(3 321)	-	(4 912)	235 470
Households	3 013	1 238	1 575	-	5 826	(8)	(11)	(876)	-	(895)	4 931
Total	**150 315**	**87 668**	**8 837**	**-**	**246 820**	**(426)**	**(1 185)**	**(4 197)**	**-**	**(5 808)**	**241 012**

	Gross carrying amount					Credit loss allowances					Carrying amount
EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2019											
General governments	541	-	-	-	541	(1)	-	-	-	(1)	540
Other financial corporations	281	-	-	-	281	-	-	-	-	-	281
Non-financial corporations	197 722	952	7 991	-	206 665	(238)	(5)	(3 313)	-	(3 556)	203 109
Households	7 814	332	2 124	-	10 270	(15)	-	(994)	-	(1 009)	9 261
Total	**206 358**	**1 284**	**10 115**	**-**	**217 757**	**(254)**	**(5)**	**(4 307)**	**-**	**(4 566)**	**213 191**

As at 12 April 2019 the Group acquired new leasing contracts from its subsidiary S Slovensko, spol. s r.o. The impact of this transaction represented increase in finance lease receivables by 44,8 mil. EUR in 2019.

Allowances for finance lease receivables

	1.1.2020	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2020
Stage 1	**(253)**	**(983)**	**30**	**685**	**96**	**-**	**-**	**-**	**(425)**
General governments	(1)	(1)	-	1	-	-	-	-	(1)
Non-financial corporations	(238)	(979)	24	683	93	-	-	-	(417)
Households	(14)	(3)	6	1	3	-	-	-	(7)
Stage 2	**(6)**	**-**	**5**	**(1 201)**	**16**	**-**	**-**	**-**	**(1 186)**
Non-financial corporations	(5)	-	5	(1 189)	14	-	-	-	(1 175)
Households	(1)	-	-	(12)	2	-	-	-	(11)
Stage 3	**(4 307)**	**-**	**500**	**(34)**	**(356)**	**-**	**-**	**-**	**(4 197)**
Non-financial corporations	(3 313)	-	463	(166)	(304)	-	-	-	(3 320)
Households	(994)	-	37	132	(52)	-	-	-	(877)
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(4 566)**	**(983)**	**535**	**(550)**	**(244)**	**-**	**-**	**-**	**(5 808)**

Movement table of credit loss allowances above represents changes in allowances disclosed based on the reason of the change and is prepared as at the end of the reporting period in comparison to the balance as at 1 January of the relevant reporting period. The table contains allocations, releases, reclassifications between stages as well as use of the credit loss allowances. Reconciliation of such movements to income statement line „Impairment result from financial instruments" is disclosed in note. 8. More detailed information about the development of credit loss allowances due to COVID-19 is provided in note 33.

Detail description of columns from the above table are disclosed in the note 15.

EUR ths.	01.01.2019	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2019
Stage 1	**(81)**	**(662)**	**56**	**149**	**278**	**-**	**-**	**7**	**(253)**
General governments	-	(6)	-	5	-	-	-	-	(1)
Other financial corporations	-	(1)	-	1	-	-	-	-	-
Non-financial corporations	(80)	(653)	55	121	273	-	-	46	(238)
Households	(1)	(2)	1	22	5	-	-	(39)	(14)
Stage 2	**-**	**(290)**	**18**	**236**	**29**	**-**	**-**	**1**	**(6)**
Non-financial corporations	-	(290)	18	218	(19)	-	-	68	(5)
Households	-	-	-	18	48	-	-	(67)	(1)
Stage 3	**(110)**	**(5 063)**	**1 139**	**(4 585)**	**(413)**	**-**	**4 725**	**-**	**(4 307)**
Non-financial corporations	(107)	(5 063)	1 008	(3 664)	(222)	-	4 360	375	(3 313)
Households	(3)	-	131	(921)	(191)	-	365	(375)	(994)
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(191)**	**(6 015)**	**1 213**	**(4 200)**	**(106)**	**-**	**4 725**	**8**	**(4 566)**

In 2019 the column ´Other adjustments´contains loss allowances acquired in connection with acquisition of part of business from subsidiary S Slovensko, spol. s r.o.

Transfers of gross carrying amount between impairment stages

EUR ths.	2019	2020
Transfers between Stage 1 and Stage 2	**2 625**	**83 440**
To Stage 2 from Stage 1	1 228	83 278
To Stage 1 from Stage 2	1 397	162
Transfers between Stage 2 and Stage 3	**3 121**	**541**
To Stage 3 from Stage 2	3 121	470
To Stage 2 from Stage 3	-	71
Transfers between Stage 1 and Stage 3	**5 014**	**2 618**
To Stage 3 from Stage 1	5 014	2 552
To Stage 1 from Stage 3	-	66

Maturity analysis of finance lease receivables by residual maturities:

EUR ths.	31.12.2019	31.12.2020
Gross investment in finance leases	**225 922**	**261 671**
Thereof:		
< 1 year	59 174	77 769
1-2 years	51 352	52 928
2-3 years	38 658	39 655
3-4 years	25 380	29 141
4-5 years	17 227	22 473
> 5 years	34 131	39 705
Unearned income	**(8 165)**	**(14 851)**
Net investment in finance leases	**217 757**	**246 820**
Thereof:		
< 1 year	58 072	73 106
1-2 years	50 119	49 564
2-3 years	36 510	37 299
3-4 years	23 985	27 496
4-5 years	16 290	21 336
> 5 years	32 781	38 019

17. Hedge accounting derivatives

	31.12.2019			31.12.2020		
EUR ths.	**Notional value**	**Positive fair value**	**Negative fair value**	**Notional value**	**Positive fair value**	**Negative fair value**
Fair value hedges	**1 145 521**	**23 020**	**48 041**	**1 145 521**	**34 345**	**48 373**
Interest rate	1 145 521	23 020	48 041	1 145 521	34 345	48 373
Total gross amounts	**1 145 521**	**23 020**	**48 041**	**1 145 521**	**34 345**	**48 373**

Fair value hedge of assets

As at 31 December 2020 the Group held in portfolio of financial assets at amortised cost fixed rate bonds denominated in Eur with nominal value of 381,2 mil. Eur (2019: 381,2 mil. Eur). As the purchases of these bonds increased exposure to interest rate risk in the period from five to fifteen years, the Group entered into interest rate swap deals in order to hedge the changes of fair value caused by changes of risk-free interest rates, paying fixed and receiving floating rates.

During the year 2020 the hedges were effective in hedging fair value exposure to interest rate movements. During the period the Group recognised a net loss on the hedging instruments in the amount of 0,3 mil. Eur (2019: net loss 6,6 mil. Eur). On the other hand, a net gain on the hedged item attributable to the hedged risk amounted to 0,5 mil. Eur (2019: net gain 6,4 mil. Eur).

Fair value hedge of liabilities

The Group uses hedging to secure its issued fixed rate covered bonds (former mortgage bonds). The list of bonds is disclosed in the note 24. As at 31 December 2020 the Group holds covered bonds in total nominal value of 764,3 mil. Eur (2019: 764,3 mil. Eur).

During the year 2020 the hedges were effective in hedging fair value exposure to interest rate movements. During the period the Group recognised a net gain on the hedging instruments in the amount of 11,3 mil. Eur (2019: net gain 12,6 mil. Eur). On the other hand, a net loss on the hedged item attributable to the hedged risk amounted to 11,2 mil. Eur (2019: net loss 12,5 mil. Eur).

18. Trade and other receivables

Gross carrying amounts and credit loss allowances

EUR ths.	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2020											
Credit institutions	2 013	-	-	-	2 013	-	-	-	-	-	2 013
Other financial corporations	1 615	41	-	-	1 656	(12)	(1)	-	-	(13)	1 643
Non-financial corporations	77 007	1 436	3 968	-	82 411	(424)	(8)	(3 861)	-	(4 293)	78 118
Households	-	-	431	-	431	-	-	(431)	-	(431)	-
Total	**80 635**	**1 477**	**4 399**	**-**	**86 511**	**(436)**	**(9)**	**(4 292)**	**-**	**(4 737)**	**81 774**

EUR ths.	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2019											
Credit institutions	4 492	-	-	-	4 492	-	-	-	-	-	4 492
Other financial corporations	1 020	-	157	-	1 177	-	-	(8)	-	(8)	1 169
Non-financial corporations	97 950	1 345	5 351	-	104 646	(193)	(3)	(2 972)	-	(3 168)	101 478
Households	1	-	414	-	415	-	-	(415)	-	(415)	-
Total	**103 463**	**1 345**	**5 922**	**-**	**110 730**	**(193)**	**(3)**	**(3 395)**	**-**	**(3 591)**	**107 139**

The trade and other receivables comprise receivables from factoring transactions and other trade receivables.

Allowances for trade and other receivables

	01.01.2020	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2020
Stage 1	**(193)**	**(492)**	**-**	**251**	**-**	**-**	**-**	**-**	**(434)**
Other financial corporations	-	(7)	-	(4)	-	-	-	-	(11)
Non-financial corporations	(193)	(468)	-	238	-	-	-	-	(423)
Households	-	(17)	-	17	-	-	-	-	-
Stage 2	**(2)**	**-**	**-**	**(2)**	**(5)**	**-**	**-**	**-**	**(9)**
Other financial corporations	-	-	-	-	(1)	-	-	-	(1)
Non-financial corporations	(2)	-	-	(2)	(4)	-	-	-	(8)
Stage 3	**(3 396)**	**-**	**8**	**(2 968)**	**(22)**	**-**	**2 084**	**-**	**(4 294)**
Other financial corporations	(8)	-	8	-	-	-	-	-	-
Non-financial corporations	(2 973)	-	-	(2 951)	(22)	-	2 084	-	(3 862)
Households	(415)	-	-	(17)	-	-	-	-	(432)
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(3 591)**	**(492)**	**8**	**(2 719)**	**(27)**	**-**	**2 084**	**-**	**(4 737)**

Movement table of credit loss allowances above represents changes in allowances disclosed based on the reason of the change and is prepared as at the end of the reporting period in comparison to the balance as at 1 January of the relevant reporting period. The table contains allocations, releases, reclassifications between stages as well as use of the credit loss allowances. Reconciliation of such movements to income statement line „Impairment result from financial instruments“ is disclosed in note. 8.

Detail description of columns from the above table are disclosed in the note 15.

EUR ths.	01.01.2019	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2019
Stage 1	**(307)**	**(1 357)**	**5**	**1 473**	**-**	**-**	**-**	**(7)**	**(193)**
Other financial corporations	-	(4)	-	4	-	-	-	-	-
Non-financial corporations	(307)	(1 353)	5	1 469	-	-	-	(7)	(193)
Stage 2	**(8)**	**-**	**27**	**-**	**(20)**	**-**	**-**	**(1)**	**(2)**
Non-financial corporations	(8)	-	27	-	(20)	-	-	(1)	(2)
Stage 3	**(3 253)**	**(346)**	**-**	**10**	**(287)**	**-**	**546**	**(66)**	**(3 396)**
Other financial corporations	-	-	-	92	(100)	-	-	-	(8)
Non-financial corporations	(2 856)	(330)	-	(80)	(187)	-	546	(66)	(2 973)
Households	(397)	(16)	-	(2)	-	-	-	-	(415)
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(3 568)**	**(1 703)**	**32**	**1 483**	**(307)**	**-**	**546**	**(74)**	**(3 591)**

In 2019 the column ´Other adjustments´contains loss allowances acquired in connection with acquisition of part of business from subsidiary S Slovensko, spol. s r.o.

Transfers of gross carrying amount between impairment stages

EUR ths.	2019	2020
Transfers between Stage 1 and Stage 2	**1 343**	**1 448**
To Stage 2 from Stage 1	1 342	1 448
To Stage 1 from Stage 2	1	-
Transfers between Stage 2 and Stage 3	**58**	**-**
To Stage 3 from Stage 2	58	-
To Stage 2 from Stage 3	-	-
Transfers between Stage 1 and Stage 3	**2 555**	**1 022**
To Stage 3 from Stage 1	2 555	1 022
To Stage 1 from Stage 3	-	-

19. Investments in subsidiaries and associates

The consolidated financial statements include subsidiaries and associates disclosed in this note.

Investments in subsidiaries of Slovenská sporiteľňa, a.s.

Business name	Place of business	Main business activity	Ownership held	Voting rights held
Služby SLSP, s. r. o. v likvidácii	Tomášikova 48 Bratislava 832 01 Slovenská republika	Ancillary bank services	100,00%	100,00%
Realitná spoločnosť Slovenskej sporiteľne, a.s. v likvidácii (100% subsidiary of Služby SLSP, s.r.o. - ceased to exist as of 24. August 2020)	Tomášikova 48 Bratislava 832 10 Slovenská republika	Real estate agency	100,00%	100,00%
LANED, a.s.	Tomášikova 48 Bratislava 832 71 Slovenská republika	SPE-Real estate company	100,00%	100,00%
Procurement Services SK, s.r.o.	Tomášikova 48 Bratislava 832 75 Slovenská republika	Procurement	51,00%	51,00%
S Slovensko, spol. s r.o.	Tomášikova 48 Bratislava 831 04 Slovenská republika	Leasing company	100,00%	100,00%
Social Financing SK, s.r.o.	Tomášikova 48 Bratislava 832 01 Slovenská republika	Advisory services	100,00%	100,00%

Investments in associates of Slovenská sporiteľňa, a.s.

EUR ths.	Prvá stavebná sporiteľňa, a.s. 31.12.2019	Prvá stavebná sporiteľňa, a.s. 31.12.2020	Slovak Banking Credit Bureau, s.r.o. 31.12.2019	Slovak Banking Credit Bureau, s.r.o. 31.12.2020	Holding Card Service s.r.o. 31.12.2019	Holding Card Service s.r.o. 31.12.2020	Dostupný Domov j.s.a. (49,88% associate of Social Financing SK, s.r.o.) 31.12.2019	Dostupný Domov j.s.a. (49,88% associate of Social Financing SK, s.r.o.) 31.12.2020
Place of business	Bajkalská 30 829 48 Bratislava, Slovenská republika		Mlynské nivy 14 821 09 Bratislava, Slovenská republika		Olbrachtova 1929/62 140 00 Praha 4, Česká republika		Farská 48 949 01 Nitra, Slovenská republika	
Main business activity	Banking		Retail credit register		Equity release company		Rental of real estate and related services	
Ownership held	9,98%	9,98%	33,33%	33,33%	24,62%	24,62%	-	49,88%
Voting rights held	35,00%	35,00%	33,33%	33,33%	24,62%	24,62%	-	49,88%
IFRS Classification	Associate		Associate		Associate		Associate	
Reporting currency	EURO		EURO		EURO		EURO	
Investee's key financial information for the reporting year								
Cash and cash balances	685	925	267	263	8	7	-	2 329
Other financial assets	2 908 491	2 860 315	3	9	-	-	-	1
Non-financial assets	85 060	89 732	-	-	30 384	29 419	-	1 625
Current liabilities	2 717 299	2 667 611	19	24	-	-	-	(94)
Non-current liabilities	18 789	16 912	-	-	-	-	-	(37)
Operating Income	33 212	38 399	37	25	1	(1)	-	(144)
Post-tax result from continuing operations	14 767	7 602	36	24	1	(1)	-	(146)
Total comprehensive income	14 767	7 602	36	24	1	(1)	-	(146)
Depreciation and amortization	(4 761)	(5 734)	-	-	-	-	-	(17)
Interest income	92 544	88 695	-	-	-	-	-	-
Interest expense	(35 258)	(28 997)	(1)	(1)	-	-	-	-
Tax expense/income	(4 546)	(2 746)	-	-	-	-	-	-

The Group performs impairment review of investments in subsidiaries and associates. Impairment losses and their reversals are recognized in the income statement line item 'Other operating result'.

Changes during the year 2020

In February 2020 a subsidiary, Social Financing SK, s. r. o., was established in which the Group has an ownership interest in the amount 2 050 ths. Eur and therefore represents a 100% share of the company's share capital. In April 2020 the Group also acquired the ownership interest in the company LANED a.s. as a 100% share in the equity of the company at cost in the form of cash consideration in amount of 25,8 mil. EUR from its subsidiary Služby SLSP, s. r. o. In March 2020 an associate, Dostupný Domov j.s.a. was established by the Bank´s subsidiary Social Financing SK, s. r. o. which has an ownership interest in the associate in the amount 1 980 ths. Eur and represents a 49,88% share of the company's share capital.

Changes during the year 2019

As at 1 March 2019 the Group acquired 100 % share in the company S Slovensko, spol. s r.o. This share was acquired from parent company Erste Group Bank AG in total amount of 24,8 mil. Eur. The procurement price represented the fair value of the subsidiary.

As at 12 April 2019 the Group acquired part of a business from its subsidiary S Slovensko, spol. s r.o. and took over total assets amounting 142,5 mil. Eur and total liabilities amounting to 124,9 mil. Eur for the cash consideration in fair value of the acquired part of business in amount of 17,6 mil. Eur. Subsequently respective assets and liabilities were recognised in historical cost. Detail breakdown of Statement of financial position of the took over part of business is disclosed in the following table:

EUR ths.	12.4.2019
Assets	
Financial assets at amortised cost	96 273
Loans and advances to banks	18
Loans and advances to customers	96 255
Finance lease receivables	44 810
Property and equipment	174
Deferred tax assets	709
Trade and other receivables	140
Other assets	461
Total assets	**142 567**
Liabilities	
Financial liabilities at amortised cost	-124 063
Deposits from banks	-124 063
Provisions	-26
Other liabilities	-867
Total liabilities	**-124 956**

Split of exposures of S Slovensko, spol. s r.o. is disclosed in the following table:

	On-balance exposure			Loss allowance			Off-balance exposure			Provision		
EUR ths.	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Loans and advances to customers	62 747	19 919	17 480	(304)	(368)	(4 421)	3 304	370	99	(1)	-	-
Finance lease receivables	37 407	6 447	6 941	(156)	(130)	(4 497)	-	-	-	-	-	-

20. Tax assets and liabilities

The structure of tax assets and liabilities was as follows:

	Tax assets		Tax liabilities		Through PL	Through OCI	Through other equity	Total
EUR ths.	31.12.2019	31.12.2020	31.12.2019	31.12.2020	Net variance			
Temporary differences related to the following items:								
Assets								
Financial assets at fair value through profit or loss	-	88	(1 902)	-	(1 990)	-	-	(1 990)
Financial assets at fair value through other comprehensive income	-	-	(17 446)	-	88	2 057	(19 592)	(17 447)
Financial assets at amortised cost	51 014	63 059	-	-	(12 044)	-	-	(12 044)
Property and equipment and investment property	534	856	(1 143)	(830)	(635)	-	-	(635)
RoU Assets	75	27	-	-	47	-	-	47
Other assets	12	1	-	-	11	-	-	11
Liabilities								
Financial liabilities held for trading	841	-	-	-	841	-	-	841
Long-term employee provisions	1 249	1 600	-	-	(139)	(213)	-	(352)
Other provisions	1 454	3 743	-	-	(2 289)	-	-	(2 289)
Other liabilities	8 817	8 015	-	-	802	-	-	802
Total deferred tax	**63 996**	**77 389**	**(20 491)**	**(830)**	**(15 308)**	**1 844**	**(19 592)**	**(33 056)**
Tax loss carried forward	1 344	631	-	-	713	-	-	713
Total deferred taxes	**44 727**	**76 980**	**-**	**-**	**(14 505)**	**1 844**	**(19 592)**	**(32 253)**
Total current taxes	**786**	**8**	**(2 076)**	**(22 600)**	**54 034**	**-**	**-**	**54 034**
Total taxes	**45 513**	**76 988**	**(2 076)**	**(22 600)**	**39 529**	**1 844**	**(19 592)**	**21 781**

The Group applies conservative approach for the recognition of deferred tax assets and liabilities. Deferred tax liabilities are recognised in their full amount. Deferred tax assets are recognised only up to the amount, in which the Group expects realisation of tax benefits in the future. Deferred tax assets and liabilities are offset in accordance with the Group's accounting policy.

Further information on taxes on income are disclosed in the note 10.

21. Other assets

EUR ths.	31.12.2019	31.12.2020
Client settlement	22 859	11 642
Personnel balances	8 260	17
State budget, social and health insurance, taxes	1 857	-
Sundry assets	1 094	10 079
Other assets	**34 070**	**21 738**

22. Property, equipment, investment properties and right-of-use assets

Cost

EUR ths.	Land and buildings	Office equipment / other fixed assets	IT assets (hardware)	Movable other property	Right-of-use assets - Land and buildings	Property and equipment total	Investment properties
Balance as at 1 January 2019	**257 938**	**62 126**	**53 251**	**-**	**-**	**373 315**	**6 263**
Initial application of IFRS 16	-	-	-	-	16 240	16 240	-
Additions	6 176	3 749	8 043	4 751	7 195	29 914	-
Disposals	(11 601)	(9 432)	(12 727)	(3 935)	(143)	(37 838)	(159)
Additions related to acquisition of S Slovensko, spol. s r.o.	-	532	-	-	-	532	-
Reclassification	(387)	(539)	532	-	-	(394)	394
Balance as at 31 December 2019	**252 126**	**56 436**	**49 099**	**816**	**23 292**	**381 769**	**6 498**
Additions	5 562	2 419	7 488	-	9 191	24 660	-
Disposals	(19 721)	(5 921)	(142)	(816)	(1 416)	(28 016)	(17)
Reclassification	(113)	-	-	-	-	(113)	113
Balance as at 31 December 2020	**237 854**	**52 934**	**56 445**	**-**	**31 067**	**378 300**	**6 594**

Accumulated depreciation

EUR ths.	Land and buildings	Office equipment / other fixed assets	IT assets (hardware)	Movable other property	Right-of-use assets - Land and buildings	Property and equipment total	Investment properties
Balance as at 1 January 2019	**(139 021)**	**(52 940)**	**(39 393)**	**-**	**-**	**(231 354)**	**(4 385)**
Depreciation	(10 518)	(3 717)	(5 376)	(825)	(5 367)	(25 803)	(217)
Disposals	8 794	9 279	12 503	653	103	31 332	106
Additions related to acquisition of S Slovensko, spol. s r.o.	-	(324)	-	-	-	(324)	-
Impairment	(1 861)	-	-	-	-	(1 861)	(25)
Reversal of impairment	2 099	-	-	-	-	2 099	90
Reclassification	239	309	(309)	-	-	239	(239)
Balance as at 31 December 2019	**(140 268)**	**(47 393)**	**(32 575)**	**(172)**	**(5 264)**	**(225 672)**	**(4 670)**
Depreciation	(9 932)	(3 428)	(5 085)	(14)	(6 706)	(25 165)	(215)
Disposals	15 621	5 791	142	186	1 377	23 117	12
Impairment	(3 073)	-	-	-	-	(3 073)	-
Reversal of impairment	2 601	-	-	-	-	2 601	224
Reclassification	47	-	-	-	-	47	(47)
Balance as at 31 December 2020	**(135 004)**	**(45 030)**	**(37 518)**	**-**	**(10 593)**	**(228 145)**	**(4 696)**

Carrying amount

EUR ths.	Land and buildings	Office equipment / other fixed assets	IT assets (hardware)	Movable other property	Right-of-use assets - Land and buildings	Property and equipment total	Investment properties
Balance as at 31 December 2019	**111 859**	**9 041**	**16 525**	**644**	**18 027**	**156 097**	**1 828**
Balance as at 31 December 2020	**102 850**	**7 904**	**18 927**	**-**	**20 474**	**150 155**	**1 898**

Cost of property and equipment, which are fully depreciated but still used by the Group as at 31 December 2020 amounted 67,4 mil. Eur (2019: 60,3 mil. Eur) and includes various types of tangible fixed assets.

As at 31 December 2020 the Group owned property and equipment not yet put in use in the amount of 1,4 mil. Eur (2019: 2,7 mil. Eur).

Tangible assets are insured for standard risks, such as theft, robbery, vandalism, natural disasters etc.

Investment properties

As at 31 December 2020 the carrying amount of investment properties was 1,9 mil. Eur (2019: 1,8 mil. Eur). Total rental income earned on this property for the year 2020 amounted 0,3 mil. Eur (2019: 0,3 mil. Eur) and is separately presented in the line item 'Rental income from investment properties and other operating leases'. Depreciation of rented property for the year 2020 amounted 0,2 mil. Eur (2019: 0,2 mil. Eur) and is presented in the line item 'Depreciation'.

23. Intangible assets

Cost

EUR ths.	Software acquired	Self-constructed software	Others (licenses, patents, etc.)	Total
Balance as at 1 January 2019	**250 896**	**36 425**	**3 206**	**290 527**
Additions	5 541	-	-	5 541
Disposals	(15 134)	-	(513)	(15 647)
Additions related to acquisition of S Slovensko, spol. s r.o.	84	-	-	84
Balance as at 31 December 2019	**241 387**	**36 425**	**2 693**	**280 505**
Additions	6 296	-	29	6 325
Disposals	(24)	-	-	(24)
Balance as at 31 December 2020	**247 659**	**36 425**	**2 722**	**286 806**

Accumulated amortisation

EUR ths.	Software acquired	Self-constructed software	Others (licenses, patents, etc.)	Total
Balance as at 1 January 2019	**(219 277)**	**(29 089)**	**(3 119)**	**(251 485)**
Amortisation	(15 163)	(5 650)	(32)	(20 845)
Disposals	15 130	-	513	15 643
Additions related to acquisition of S Slovensko, spol. s r.o.	(63)	-	-	(63)
Balance as at 31 December 2019	**(219 373)**	**(34 739)**	**(2 638)**	**(256 750)**
Amortisation	(9 610)	(1 486)	(26)	(11 122)
Disposals	13	-	-	13
Balance as at 31 December 2020	**(228 970)**	**(36 225)**	**(2 664)**	**(267 859)**

Carrying amount

EUR ths.	Software acquired	Self-constructed software	Others (licenses, patents, etc.)	Total
Balance as at 31 December 2019	**22 014**	**1 686**	**55**	**23 755**
Balance as at 31 December 2020	**18 689**	**200**	**58**	**18 947**

Cost of intangible assets, which are fully depreciated but still used by the Group as at 31 December 2020 amounted 247,3 mil. Eur (2019: 172,8 mil. Eur).

As at 31 December 2020 the Group owned intangible assets not yet put in use in the amount of 3,4 mil. Eur (2019: 2,5 mil. Eur).

During the year 2020 the Group put in use upgrade of the core banking system, which amounted 4,1 mil. Eur (2019: 4,0 mil. Eur).

Intangible assets are insured for standard risks, such as theft, robbery, vandalism, natural disasters etc.

24. Financial liabilities at amortised cost

The balance sheet line item 'Financial liabilities at amortised cost' is broken down into subcategories 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

Deposits from banks

EUR ths.	31.12.2019	31.12.2020
Overnight deposits	9 449	3 859
Term deposits	202 982	1 655 547
Repurchase agreements	50 856	50 849
Deposits from banks	**263 287**	**1 710 255**

In 2020 the Group entered into Targeted Long Term Refinancing Operation (TLTRO) with central bank and is present under line item Term deposits. Details for respective tranches and collateral information is disclosed in note 29. As at 31 December 2020 the Group has a liability in form of cash received in TLTRO in amount of 1,5 bil. EUR.

The Group assessed an appropriate accounting treatment of the TLTRO. The conclusion was that such instruments do not qualify as below-market interest rate loans and therefore are not related to IAS 20 government grants accounting. The reason was that the TLTRO is considered as a separate market organised by the ECB as part of its monetary policy. As a result, the IFRS 9 amortised cost accounting treatment applies.

Deposits from customers

EUR ths.	31.12.2019	31.12.2020
Overnight deposits	**9 133 385**	**9 857 419**
Non-savings deposits	9 133 385	9 857 419
General governments	96 438	128 017
Other financial corporations	579 453	300 253
Non-financial corporations	1 860 646	1 801 606
Households	6 596 848	7 627 543
Term deposits	**5 259 039**	**5 011 596**
Deposits with agreed maturity	1 605 059	1 107 931
Non-savings deposits	1 605 059	1 107 931
General governments	749	478
Other financial corporations	209 072	25 793
Non-financial corporations	167 816	103 462
Households	1 227 422	978 198
Deposits redeemable at notice	3 653 980	3 903 665
Households	3 653 980	3 903 665
Deposits from customers	**14 392 424**	**14 869 015**
General governments	97 187	128 495
Other financial corporations	788 525	326 046
Non-financial corporations	2 028 462	1 905 068
Households	11 478 250	12 509 406

As at 31 December 2020, no embedded derivatives were included in deposits from customers (neither at the year end 2019).

As at 31 December 2020, no deposits from customers were collateralised by securities (neither at the year end 2019).

As at 31 December 2020 liabilities related to settlement of securities transactions and clearing of payment transactions in the amount of 22,5 mil. Eur are disclosed in the line item 'Other finacial liabilities' (2019: 44,2 mil. Eur).

Debt securities issued

EUR ths.	31.12.2019	31.12.2020
Subordinated issues	75 366	63 534
Senior non-preferred bonds	-	30 848
Other debt securities issued	1 995 609	1 957 349
Bonds	152 259	299 719
Covered bonds	1 843 350	1 657 630
Debt securities issued	**2 070 975**	**2 051 731**

Net debt reconciliation

The table below presents an analysis of debt of the Group and the movements in the debt. The debt items are those that are reported under the financing activities in the statement of cash flows of the Group.

EUR ths.	31.12.2019	31.12.2020
Debt securities issued		
Opening balance as at 1 January	1 803 287	2 070 975
Cash-flows reported within financing activities	260 460	(23 715)
Non-cash adjustments	7 228	4 471
Closing balance as at 31 December	2 070 975	2 051 731
Lease liability		
Opening balance as at 1 January	-	18 384
Initial application of IFRS 16	16 240	-
Cash-flows reported within financing activities	(6 900)	(6 949)
Non-cash adjustments	9 044	9 142
Closing balance as at 31 December	18 384	20 577

Subordinated debt securities issued

The subordinated debt securities issued listed in the following table do not include embedded derivatives, which should be separated and disclosed under the balance sheet line item 'Financial liabilities – held for trading'.

The interest rate shown below represents actual interest expense of the Group.

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2019	2020
Subordinated Bonds	August 2010	August 2020	-	-	1 000	EUR	13 981	-
Subordinated Bonds	August 2011	August 2021	4,30%	10 000	1 000	EUR	13 436	13 977
Subordinated Bonds	November 2011	November 2023	4,58%	4 250	1 000	EUR	5 577	5 825
Subordinated Bonds	June 2012	June 2022	5,80%	11 000	1 000	EUR	15 271	16 113
Subordinated Bonds	November 2012	November 2022	4,30%	9 000	1 000	EUR	11 339	11 858
Subordinated Bonds	September 2018	September 2028	2,88%	33	100 000	EUR	3 326	3 327
Subordinated Bonds	September 2018	September 2028	1,54%	33	100 000	EUR	3 315	3 314
Subordinated Bonds	November 2018	November 2028	2,45%	91	100 000	EUR	9 120	9 120
Total							**75 366**	**63 534**

Senior non-preferred bonds

In February 2020 the Group issued senior non-preferred bonds in the number of 300 securities with the notional value of 0,1 mil. EUR, interest rate 0,61% and maturity date in February 2026 in the total amount of 30,8 mil. EUR as at 31 December 2020.

Other debt securities issued

All securities listed in the following table are issued in book-entry form as bearer or registered securities with annual or semiannual coupon payments. Their transferability is not limited. There are no pre-emptive rights, exchange rights or early redemption rights related to these securities. The bonds are traded on the Bratislava Stock Exchange.

As at 31 December 2020 other debt securities issued included embedded derivatives (equity and commodities) in the amount of 0,0 mil. Eur (2019: 0,3 mil. Eur), which were separated and disclosed in the line items 'Financial assets – held for trading' and 'Financial liabilities – held for trading'.

The stated interest rate corresponds with the actual interest costs of the Group.

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2019	2020
Covered Bonds	July 2007	July 2027	4.95%	250	66 388	EUR	23 100	22 872
Covered Bonds	April 2008	April 2021	5.00%	250	66 388	EUR	17 182	17 184
Covered Bonds	January 2013	January 2025	3.10%	87	50 000	EUR	4 411	4 412
Covered Bonds	June 2013	June 2028	3.00%	132	50 000	EUR	6 615	6 615
Covered Bonds	July 2013	January 2020	-	-	1 000	EUR	2 218	-
Covered Bonds	February 2014	August 2020	-	-	1 000	EUR	9 907	-
Covered Bonds	February 2014	February 2029	2.80%	97	50 000	EUR	4 899	4 899
Covered Bonds	March 2014	March 2021	2.00%	8 204	1 000	EUR	8 280	8 249
Covered Bonds	March 2014	March 2022	2.00%	220	50 000	EUR	11 138	11 152
Covered Bonds	May 2014	May 2021	1.90%	4 764	1 000	EUR	4 857	4 777
Covered Bonds	June 2014	June 2021	1.75%	9 314	1 000	EUR	9 387	9 324
Covered Bonds	July 2014	July 2021	1.55%	3 397	1 000	EUR	3 498	3 421
Covered Bonds	November 2014	November 2020	-	-	100 000	EUR	15 017	-
Covered Bonds	February 2015	February 2022	0.88%	350	100 000	EUR	35 267	35 273
Covered Bonds	March 2015	March 2020	-	-	1 000	EUR	4 198	-
Covered Bonds	June 2015	June 2020	-	-	1 000	EUR	4 835	-
Covered Bonds	July 2015	July 2020	-	-	1 000	EUR	4 845	-
Covered Bonds	July 2015	July 2020	-	-	100 000	EUR	50 169	-
Covered Bonds	August 2015	August 2025	1.38%	100	100 000	EUR	10 012	10 020
Covered Bonds	August 2015	August 2022	1.00%	100	100 000	EUR	10 024	10 031
Covered Bonds	August 2015	August 2020	-	-	1 000	EUR	4 915	-
Covered Bonds	September 2015	September 2020	-	-	1 000	EUR	4 292	-
Covered Bonds	October 2015	October 2020	-	-	1 000	EUR	3 536	-
Covered Bonds	November 2015	November 2020	-	-	100 000	EUR	40 035	-
Covered Bonds	November 2015	November 2020	-	-	1 000	EUR	2 962	-
Covered Bonds	December 2015	December 2021	0.63%	170	100 000	EUR	17 003	17 005
Investment Certificates	February 2016	February 2020	-	-	5 000	EUR	618	-
Covered Bonds	February 2016	February 2021	0.50%	500	100 000	EUR	50 220	50 223
Investment Certificates	February 2016	February 2020	-	-	1 000	EUR	215	-
Covered Bonds	March 2016	March 2021	1.05%	6 787	1 000	EUR	6 948	6 809
Covered Bonds	March 2016	March 2026	1.00%	90	100 000	EUR	9 006	9 016
Covered Bonds	April 2016	April 2021	1.05%	4 879	1 000	EUR	4 958	4 891
Covered Bonds	May 2016	May 2021	1.00%	4 889	1 000	EUR	4 947	4 897
Covered Bonds	May 2016	November 2020	-	-	100 000	EUR	50 004	-
Covered Bonds	June 2016	June 2021	0.00%	3 828	1 000	EUR	3 850	3 813
Investment Certificates	June 2016	June 2020	-	-	1 000	EUR	408	-
Covered Bonds	July 2016	July 2021	0.90%	4 834	1 000	EUR	4 881	4 855
Covered Bonds	August 2016	August 2021	0.80%	4 864	1 000	EUR	4 934	4 880
Covered Bonds	August 2016	August 2021	0.75%	4 760	1 000	EUR	4 873	4 772
Investment Certificates	August 2016	August 2020	-	-	1 000	EUR	350	-
Covered Bonds	September 2016	September 2021	0.70%	4 843	1 000	EUR	4 905	4 852
Covered Bonds	October 2016	October 2021	0.65%	4 886	1 000	EUR	4 941	4 892
Covered Bonds	November 2016	November 2021	0.25%	1 000	100 000	EUR	100 011	100 017
Covered Bonds	December 2016	December 2021	0.65%	9 591	1 000	EUR	9 791	9 593

The table continues on the following page.

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2019	2020
Senior Unsecured Bonds	December 2016	December 2021	0,65%	4 090	1 000	EUR	4 245	4 091
Covered Bonds	March 2017	March 2025	0,75%	1 000	100 000	EUR	100 390	100 433
Senior Unsecured Bonds	March 2017	March 2022	0,60%	4 452	1 000	EUR	4 668	4 472
Senior Unsecured Bonds	April 2017	April 2022	0,60%	30	100 000	EUR	3 013	3 013
Senior Unsecured Bonds	April 2017	April 2022	0,60%	4 532	1 000	EUR	4 687	4 550
Senior Unsecured Bonds	May 2017	May 2022	0,60%	4 404	1 000	EUR	4 594	4 420
Covered Bonds	June 2017	June 2022	0,38%	50	100 000	EUR	5 002	5 005
Senior Unsecured Bonds	July 2017	July 2022	0,60%	4 506	1 000	EUR	4 631	4 518
Senior Unsecured Bonds	August 2017	August 2022	0,63%	4 478	1 000	EUR	4 567	4 488
Senior Unsecured Bonds	September 2017	September 2022	0,63%	4 610	1 000	EUR	4 797	4 618
Senior Unsecured Bonds	September 2017	September 2022	0,63%	9 186	1 000	EUR	9 466	9 201
Covered Bonds	October 2017	October 2022	0,50%	1 500	100 000	EUR	150 025	150 078
Senior Unsecured Bonds	November 2017	November 2027	1,38%	44	100 000	EUR	4 400	4 402
Senior Unsecured Bonds	November 2017	November 2022	2,00%	4 863	1 000	USD	4 393	3 973
Senior Unsecured Bonds	February 2018	February 2023	2,15%	3 601	1 000	USD	3 311	2 991
Senior Unsecured Bonds	February 2018	February 2023	0,65%	9 281	1 000	EUR	9 705	9 335
Senior Unsecured Bonds	March 2018	March 2021	0,25%	142	100 000	EUR	14 222	14 229
Senior Unsecured Bonds	March 2018	March 2023	0,65%	9 641	1 000	EUR	9 818	9 689
Senior Unsecured Bonds	April 2018	April 2021	2,30%	3 584	1 000	USD	3 280	2 966
Senior Unsecured Bonds	June 2018	June 2020	-	-	1 000	USD	1 695	-
Senior Unsecured Bonds	June 2018	June 2024	0,75%	4 885	1 000	EUR	5 037	4 904
Covered Bonds	August 2018	August 2025	0,63%	2 500	100 000	EUR	258 815	262 050
Senior Unsecured Bonds	August 2018	August 2024	0,70%	4 862	1 000	EUR	4 946	4 874
Senior Unsecured Bonds	September 2018	September 2024	0,70%	4 674	1 000	EUR	4 810	4 683
Senior Unsecured Bonds	November 2018	November 2024	0,75%	4 850	1 000	EUR	4 896	4 853
Covered Bonds	December 2018	December 2024	0,50%	2 500	100 000	EUR	255 352	258 011
Senior Unsecured Bonds	December 2018	December 2024	0,75%	4 854	1 000	EUR	4 950	4 857
Senior Unsecured Bonds	February 2019	February 2025	0,70%	9 864	1 000	EUR	10 007	9 924
Senior Unsecured Bonds	March 2019	March 2025	0,00%	100	50 000	EUR	4 823	4 857
Investment Certificates	March 2019	March 2020	-	-	5 000	EUR	909	-
Covered Bonds	June 2019	June 2026	0,13%	5 000	100 000	EUR	496 896	503 312
Senior Unsecured Bonds	June 2019	December 2025	0,60%	5 711	1 000	EUR	5 940	5 713
Senior Unsecured Bonds	June 2019	June 2022	2,00%	3 696	1 000	USD	3 335	3 045
Investment Certificates	July 2019	July 2020	-	-	5 000	EUR	550	-
Investment Certificates	August 2019	August 2020	-	-	25 000	CZK	1 674	-
Investment Certificates	August 2019	August 2020	-	-	5 000	EUR	1 224	-
Investment Certificates	September 2019	September 2020	-	-	1 000	EUR	1 219	-
Investment Certificates	December 2019	December 2020	-	-	1 000	EUR	859	-
Senior Unsecured Bonds	February 2020	February 2024	0,00%	170	100 000	EUR	-	17 000
Senior Unsecured Bonds	March 2020	March 2025	0,00%	53	2 000 000	CZK	-	3 842
Senior Unsecured Bonds	June 2020	June 2025	0,63%	150	100 000	EUR	-	15 001
Senior Unsecured Bonds	June 2020	June 2023	0,70%	5 000	1 000	EUR	-	5 018
Senior Unsecured Bonds	June 2020	June 2025	0,80%	5 000	1 000	EUR	-	5 020
Senior Unsecured Bonds	August 2020	August 2023	0,35%	5 000	1 000	EUR	-	5 006
Senior Unsecured Bonds	August 2020	August 2025	0,26%	214	50 000	EUR	-	10 710
Senior Unsecured Bonds	October 2020	October 2025	0,25%	1 000	100 000	EUR	-	99 456
Total							**1 995 609**	**1 957 349**

In May 2020 the Group issued covered bond in the value of 500 mil. EUR with interest rate 0,125% and maturity of 7 years, which was not placed in the market and according IFRS is therefore not possible to recognized this bond in the balance sheet. Subsequently this coverd bond was used as collateral for obtaining term deposit from TLTRO. See also note 29.

25. Provisions

EUR ths.	31.12.2019	31.12.2020
Commitments and guarantees given	6 208	16 284
Long-term employee benefits provisions	5 946	7 620
Pending legal issues and tax litigation	5 281	5 553
Other provisions	79	2 379
Restructuring	77	1 547
Other	2	832
Provisions	**17 514**	**31 836**

Provision for commitments and financial guarantees given

Provisions for commitments and financial guarantees were created to cover losses expected in unused loan commitments, guarantees and letters of credits. The amount of these provisions is estimated with respect to credit risk relating to affected items, as well as time value of money (i.e. current market interest rates used for discounting).

The following table presents movements in the provision for commitments and financial guarantees:

EUR ths.	01.01.2020	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between stages	31.12.2020
Provisions for commitments and guarantees given						
Stage 1	3 363	30 837	(9 906)	(20 463)	(19)	3 812
Stage 2	1 718	-	(2 548)	3 994	8 494	11 658
Stage 3	957	-	(336)	(203)	121	539
POCI	170	-	(59)	164	-	275
Total	**6 208**	**30 837**	**(12 849)**	**(16 508)**	**8 596**	**16 284**

EUR ths.	01.01.2019	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between stages	31.12.2019
Provisions for commitments and guarantees given						
Stage 1	3 143	36 992	(7 864)	(28 908)	51	(3 363)
Stage 2	723	-	(1 019)	2 014	1 014	(1 718)
Stage 3	601	-	(299)	655	270	(957)
POCI	7 598	-	(7 833)	405	-	(170)
Total	**12 065**	**36 992**	**(17 015)**	**(25 834)**	**1 335**	**6 208**

Movement table of credit loss allowances above represents changes in allowances disclosed based on the reason of the change and is prepared as at the end of the reporting period in comparison to the balance as at 1 January of the relevant reporting period. The table contains allocations, releases of the credit loss allowances and reclassifications between stages. Reconciliation of such movements to income statement line „Impairment result from financial instruments" is disclosed in note. 8.

In column 'Additions' increases of credit risk allowances due to the initial recognition of commitments and guarantees given during the current reporting period are disclosed. Releases of credit risk allowances following the derecognition of the related commitments and guarantees given are reported in column 'Derecognitions'.

Long-term employee pension provisions

The Group has a defined employee benefit program under which all employees are entitled to a lump-sum payment upon working anniversaries or retirement. The number of employees under this program is disclosed in the note 7.

The amount of long-term employee pension provisions is calculated using an actuarial model based on the projected unit credit method. The Group performes annual review of the long-term employee benefits provisions using updated data in order to recognize the provisions in appropriate amounts.

The amounts relating to long-term employee pension provisions recognised on the balance sheet, in the income statement and in the statement of other comprehensive income were as follows:

EUR ths.	Pension provision	Working anniversaries provision	Total
As at 1 January 2019	**2 788**	**390**	**3 178**
Service cost	193	240	433
Interest cost	40	6	46
Payments	(117)	(18)	(135)
Actuarial (gains)/losses	320	2 104	2 424
from changes in financial assumptions	320	2 104	2 424
As at 31 December 2019	**3 224**	**2 722**	**5 946**
Service cost	309	299	608
Interest cost	-	8	8
Payments	(182)	(235)	(417)
Actuarial (gains)/losses	1 014	461	1 475
from changes in experience assumptions	1 014	461	1 475
As at 31 December 2020	**4 365**	**3 255**	**7 620**

The actuarial calculation of pension provision used the following assumptions:

Pension provision	2019	2020
Annual discount rate	0,01%	0,01%
Annual rate of salary increase in future	0,00%	0,00%
Annual employee turnover	5,43 % - 13,32 %	3,73 % - 9,65 %
Retirement age	64 years	64 years

The actuarial calculation of working anniversaries provision used the following assumptions:

Working anniversary provision	2019	2020
Annual discount rate	0,01%	0,01%
Annual rate of salary increase in future	0,00%	0,00%
Annual employee turnover	5,43 % - 13,32 %	3,73 % - 9,65 %
Retirement age	64 years	64 years

In the calculation of long-term employee pension provisions official mortality tables published by the Statistical Office were used.

Sensitivity to key assumption

The following table presents a sensitivity analysis for the most significant actuarial assumption showing how the defined benefit obligation would have been affected by the change on the pension provision recognized in the balance sheet. The analysis is based on relative change in employee turnover by 10%.

EUR ths.	31.12.2019	31.12.2020
Change in the annual employee turnover +10%	3 017	4 151
Change in the annual employee turnover -10%	3 450	4 384

Provisions for pending legal issues and tax litigation and other provisions

Provisions for legal issues relate to legal cases where the Group is sued and which arose from normal banking activities. During the reporting period the Group does not participate in any new passive legal cases.

The item 'Other provisions' includes provision on contribution to Resolution fund and provision on contribution to Deposit protection fund during the year. When the actual amount of contributions is announced, the payment is accounted for as utilisation of particular provision. Both contributions for the year 2020 were paid in full amount, therefore the Goup does not disclose these items as other provisions.

The folowing table presents development of legal issues and tax litigation as well as other provisions:

EUR ths.	01.01.2020	Additions	Use	Release	31.12.2020
Restructuring provision	77	1 470	-	-	1 547
Pending legal issues and tax litigation	5 281	523	(2)	(249)	5 553
Other provisions	2	6 465	-	(5 635)	832
Total	**5 360**	**8 458**	**(2)**	**(5 884)**	**7 932**

EUR ths.	1.1.2019	Additions	Use	Release	31.12.2019
Restructuring provision	77	-	-	-	77
Pending legal issues and tax litigation	5 353	986	-	(1 058)	5 281
Other provisions	4	17	-	(19)	2
Total	**5 434**	**1 003**	**-**	**(1 077)**	**5 360**

The movement of other provisions related to the provisions for Deposit protection fund and Resolution fund accounted for in accordance with IFRIC 21.

26. Other liabilities

EUR ths.	31.12.2019	31.12.2020
Client settlement	11 649	2 716
Trade payables	51 494	39 004
Personnel balances and social fund	33 083	32 550
State budget, social and health insurance, taxes	5 328	6 314
Sundry liabilities	586	-
Other liabilities	**102 140**	**80 584**

Social fund liability, which is included in the line item 'Other liabilities', developed as follows:

EUR ths.	2019	2020
As at 1 January	**2 023**	**2 248**
Additions	2 159	4 343
Withdrawals	(1 934)	(2 226)
As at 31 December	**2 248**	**4 366**

27. Equity

Share capital

The approved share capital was fully paid and consists of the following:

	31.12.2019	31.12.2020
Nominal value of share (in EUR)	1 000	1 000
Number of shares (in pcs.)	212 000	212 000
Share capital (in EUR)	**212 000 000**	**212 000 000**

The following table presents distribution of individual profits of the Group for the years 2019 (approved) and 2020 (proposed):

Profit distribution	31.12.2019	31.12.2020
Profit for the year (in EUR ths.)	174 436	114 633
Coupon payment for Investment certificate 2015 SLSP AT1 PNC5	11 700	-
Coupon payment for Investment certificate SLSP AT1 PNC5 2020	-	6 225
Coupon payment for Investment certificate SLSP AT1 PNC5 2020 II	-	7 230
Dividends paid to shareholder from profit for the year	78 276	40 471
Transfer to retained earnings	84 460	60 707
Number of shares with nominal value of EUR 1 000 (in pcs.)	212 000	212 000
Dividend per share (in EUR)	**369**	**191**

Dividends for the year 2019 were paid in March 2020 following the resolution of General Assembly of the Bank dated
25 March 2020. The first portion of coupon payment for investment certificate 2015 SLSP AT1 PNC5 was paid in amount of 5,9 mil. Eur as at 25 May 2020. The second portion was paid in amount of 5,9 mil. Eur as at 23. November 2020.

Additionally the first portion of coupon payment from investment certificate SLSP AT1 PNC5 2020 in amount of 3,1 mil. Eur was paid from retained earnings as at 27 August 2020.

Other capital instruments

During the year 2015 the Group has issued an investment certificate (2015 SLSP AT1 PNC5) in the amount of 150 mil. Eur that is classified as equity instrument according to the standard IAS 32. This certificate is a perpetual instrument with the agreed interest rate of 7,8% p.a. paid semi-annually. In the year 2020 the Group has issued a second investment certificate (SLSP AT1 PNC5 2020) in the amount of 150 mil. Eur which is classified similarly. This certificate is also a perpetual instrument with the agreed interest rate of 4,15% p.a. paid semi-annually.

Additionally in 2020, the Group recalled investment certificate from 2015 (2015 SLSP AT1 PNC5) and replaced it by new investment certificate (SLSP AT1 PNC5 2020 II) with same contractual features, however with new interest rate of 4,82% p.a. paid semi-annually. This replacement does not represent cash flow transaction and as such is not disclosed in the consolidated statement of cash flows.

Legal reserve fund

According to Commercial Code all companies are required to create a legal reserve fund to cover adverse financial conditions in the future. The Group is obliged to contribute to the fund the amount, which is not less than 10% of its annual net profit until the cumulative amount of annual contributions reaches 20% of its share capital. As at 31 December 2020 Legal reserve fund amounted to 79,8 mil. Eur (2019: 79,8 mil. Eur) and in both years exceeded the required 20% of the share capital. Legal reserve fund is not available for distribution to the shareholder.

Other funds

Other funds include only Statutory fund created from distributable profits to strengthen the Group's capital base. This fund is not available for distribution to the shareholder. Once the Group's share capital or legal reserve fund is increased, Statutory fund may be terminated and transferred back to the distributable profits with the approval of the Supervisory Board and of the General Assembly. As at 31 December 2020 Statutory fund amounted 39,1 mil. Eur (2019: 39,1 mil. Eur).

Fair value reserve

Fair value reserve represents the unrealised revaluation of financial assets measured at fair value through other comprehensive income. This reserve is not available for distribution to the sharefolder. As at 31 December 2020 the revaluation of financial assets measured at fair value through other comprehensive income amounted to 0,0 mil. Eur (2019: 66,0 mil. Eur), net of deferred tax.

Remeasurements of defined benefit pension liabilities

This equity component reflects the results of actuarial calculations related to the pension provision. As at 31 December 2020 the remeasurement of the pension provision amounted 1,7 mil. Eur (2019: 0,8 mil. Eur), net of deferred tax.

28. Related party transactions

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is controlled by the only shareholder Erste Group Bank AG, which directly owns 100% share on the voting rights of the Bank. Further related parties include subsidiaries, which are under control of the Bank and associates, over which the Bank has significant influence. Moreover, other members of the Erste Group are also related parties of the Bank.

Transactions with related parties occur in the normal course of business and primarily include loans and deposits. These transactions are performed at arm's length, i.e. the terms and conditions applied respect market conditions.

Assets and liabilities include accounting balances with related parties, as follows:

	Erste Group Bank AG		Companies of Erste Group		Associates	
EUR ths.	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**
Assets						
Cash and cash balances	4 153	7 681	5 576	3 155	-	-
Derivatives	4 962	7 996	-	-	-	-
Derivatives – Hedge accounting	16 501	28 095	-	-	-	-
Securities	-	-	-	-	5 255	5 255
Loans and advances to banks	4 354	1 934	147	85	-	3
Loans and advances to customers	-	-	16 244	1 904	-	-
Total	**29 970**	**45 706**	**21 967**	**5 144**	**5 255**	**5 258**
Liabilities						
Derivatives held for trading	31 617	48 043	-	2	-	-
Deposits from banks	58 199	51 410	705	470	15 472	213
Deposits from customers	-	-	2 669	3 185	-	-
Debt securities issued	758 859	679 377	2 981	3 020	-	-
Derivatives – hedge accounting	48 041	48 373	-	-	-	-
Other liabilities	297	251	2 989	1 567	-	-
Total	**897 013**	**827 454**	**9 344**	**8 244**	**15 472**	**213**

Income and expenses include transactions with the related parties, as follows:

	Erste Group Bank AG		Companies of Erste Group		Associates	
EUR ths.	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
Interest income	(8 247)	(7 511)	594	326	119	130
Interest expense	(1 564)	(288)	(4)	(10)	(11)	-
Net fee and commisssion income	36	(97)	6 410	8 110	1	1
Net trading and fair value result	20 733	(2 733)	-	438	-	-
General administrative expenses	(4 923)	(3 530)	(13 171)	(16 190)	-	-
Other operating result	1 170	169	598	699	-	8
Total	**7 205**	**(13 990)**	**(5 098)**	**(6 134)**	**109**	**139**

The amounts with Erste Group Bank AG reported in the line items 'Interest income' and 'Net trading result' represent results from derivative instruments used to close positions with the clients.

All issued investment certificates disclosed as AT1 instruments in equity at 31 December 2020 were purchased by Erste Group Bank AG (see note 27).

As at 31 December 2020 the Group does not have a guarantee from its parent company Erste Group Bank AG covering exposures towards Erste Group Immorent Slovensko s.r.o.any more however the amount of this guarantee in 2019 was 23,2 mil. Eur.

The Group received guarantees from its parent company Erste Group Bank AG covering clients' exposures in the amount of 2,2 mil. Eur as at the reporting date (2019: 2,2 mil. Eur).

The Group has received guarantee from its sister company Česká spořitelna, a.s. covering credit exposures towards s_Autoleasing SK, s.r.o. as at 31 December 2020 in the maximum amount of the guarantee was 9,0 mil. Eur (2019: 9,0 mil. Eur).

The Group received guarantees from its sister company Česká spořitelna, a.s. covering clients' exposures in the amount of 0,2 mil. Eur as at the reporting date (2019: 0,2 mil. Eur).

As at 31 December 2020 the Group owned a share in real estate fund Sporo realitny fond SPF of Asset Management Slovenskej sporiteľne, a.s. in the amount of 1,7 mil. Eur (2019: 3,2 mil. Eur).

As at 31 December 2020 and in 2019, the Group did not receive any dividends from its associates.

Transactions with key management personnel

The remuneration of the Board of Directors members and the Supervisory Board members paid during the year 2020 in form of short-term employee benefits amounted to 2,5 mil. Eur (2019: 2,6 mil. Eur). The remuneration policy of the Board of Directors members is in compliance with CRD directive as adopted in the national legislation.

29. Collaterals

The Group holds collaterals against loans and advances to customers in form of real estates, securities, received bank guaranties and other credit enhancements. The fair values of collaterals are estimated based on their value at the time of borrowings and are regularly updated. In general, collaterals are not held against loans and advances to banks, except for securities held as a part of reverse repurchase agreements commented in the note 15.

Collaterals received

As at 31 December 2020 the Group had collateralized loans in the amount of 10 449,1 mil. Eur (2019: 10 192,4 mil. Eur). The uncollateralized loans amounted 4 843,9 mil. Eur (2019: 4 298,4 mil. Eur).

Estimated fair values of collaterals received and other credit enhancements related to loans to customers, granted financial guarantees, letters of credit and undrawn loan commitments were as follows:

31.12.2020		Collateral:	Collateralised by				
EUR ths.	Credit risk exposure	thereof attributable to credit impaired exposure	Guarantees	Real estate	Other	Collateral total	Credit risk exposure net of collateral
Cash and cash balances - other demand deposits	11 023	-	-	-	-	-	11 023
Financial assets at amortised cost	18 639 930	139 824	158 225	8 411 398	247 271	8 816 895	9 823 033
Loans and advances to banks	49	-	41	-	-	41	8
Loans and advances to customers	14 959 631	139 824	140 173	8 411 398	247 271	8 798 843	6 160 787
of which: Lending for house purchase	8 618 372	120 024	-	7 519 339	23	7 519 362	1 099 009
'of which: Credit for consumption	1 587 560	100	-	114	56	171	1 587 389
'of which: Corporate loans and others	4 753 699	19 700	140 173	891 945	247 192	1 279 310	3 474 389
Debt securities	3 680 250	-	18 011	-	-	18 011	3 662 238
Finance lease receivables	246 820	5 100	-	-	171 736	171 736	75 084
Trade and other receivables	86 511	-	-	-	-	-	86 511
Non-trading financial assets at fair value through profit or loss - Debt securities	7 740	-	-	-	-	-	7 740
Financial assets - held for trading	59 994	-	-	-	-	-	59 994
Positive fair value of derivatives	34 345	-	-	-	-	-	34 345
Total credit risk exposure on-balance	**19 086 363**	**144 924**	**158 225**	**8 411 398**	**419 007**	**8 988 631**	**10 097 730**
Off-balance	1 961 286	71	42 325	76 939	31 238	150 502	1 810 784
Total credit risk exposure	**21 047 649**	**144 995**	**200 550**	**8 488 337**	**450 245**	**9 139 133**	**11 908 514**

31.12.2019 EUR ths.	Credit risk exposure	Collateral: thereof attributable to credit impaired exposure	Collateralised by			Collateral total	Credit risk exposure net of collateral
			Guarantees	Real estate	Other		
Cash and cash balances - other demand deposits	10 224	-	-	-	-	-	10 224
Financial assets at amortised cost	17 665 885	163 119	35 774	8 216 165	267 742	8 519 681	9 146 204
Loans and advances to banks	54	-	46	-	-	46	9
Loans and advances to customers	14 128 982	163 119	17 715	8 216 165	267 742	8 501 622	5 627 359
of which: Lending for house purchase	8 071 861	145 104	-	7 298 979	37	7 299 016	772 844
'of which: Credit for consumption	1 786 766	28	-	45	106	151	1 786 615
'of which: Corporate loans and others	4 270 355	17 987	17 715	917 141	267 599	1 202 455	3 067 900
Debt securities	3 536 849	-	18 013	-	-	18 013	3 518 836
Finance lease receivables	217 757	6 036	-	119	153 185	153 305	64 452
Trade and other receivables	110 728	-	-	-	-	-	110 282
Non-trading financial assets at fair value through profit or loss - 'Debt securities	3 175	-	-	-	-	-	3 175
Financial assets - held for trading	41 423	-	-	-	-	-	41 423
Positive fair value of derivatives	23 020	-	-	-	-	-	23 020
Total credit risk exposure on-balance	**18 072 212**	**169 155**	**35 774**	**8 216 284**	**420 927**	**8 672 986**	**9 398 780**
Off-balance	1 825 291	267	44 708	126 831	42 307	213 846	1 611 445
Total credit risk exposure	**19 897 503**	**169 422**	**80 482**	**8 343 115**	**463 234**	**8 886 832**	**11 010 225**

Assets pledged as collaterals

The following table presents assets pledged as collaterals for the Group's liabilities:

EUR ths.	Carrying amount of transferred assets					Carrying amount of associated liabilities		
	Total	Repurchase agreements	Assets pledged for derivatives	Assets pledged for covered bonds	Other transferred assets	Total	Repurchase agreements	Other associated liabilities
As of 31.12.2020								
Financial assets at amortised cost								
Debt securities	1 156 351	45 350	47 391	114 757	948 853	1 187 403	50 849	1 136 554
Loans and advances to customers	2 383 979	-	-	1 831 526	552 453	2 096 767	-	2 096 767
Assets pledged as collateral	**3 540 330**	**45 350**	**47 391**	**1 946 283**	**1 501 306**	**3 284 170**	**50 849**	**3 233 321**

EUR ths.	Carrying amount of transferred assets					Carrying amount of associated liabilities		
	Total	Repurchase agreements	Assets pledged for derivatives	Assets pledged for covered bonds	Other transferred assets	Total	Repurchase agreements	Other associated liabilities
As of 31.12.2019								
Financial assets at amortised cost								
Debt securities	204 946	45 596	40 252	113 699	5 399	230 836	50 856	179 980
Loans and advances to customers	2 071 353	-	-	2 071 353	-	1 747 431	-	1 747 431
Assets pledged as collateral	**2 276 299**	**45 596**	**40 252**	**2 185 052**	**5 399**	**1 978 267**	**50 856**	**1 927 411**

In June 2020, the Group entered into Targeted Long Term Refinancing Operation (TLTRO) with central bank. As at 31 December 2020 the Group has a liability in form of cash received in TLTRO shown within other associated liabilities (500 mil. EUR). The Group has pledged SK government bond (58,3 mil. EUR) and own retained covered bond (500 mil. EUR) where mortgage loans are shown as encumbered assets (552,5 mil. EUR) as collateral to TLTRO. The collateral is shown within other transferred assets.

In September 2020, the Group entered into Targeted Long Term Refinancing Operation (TLTRO) with central bank again. As at 31 December 2020 the Group has a liability in form of cash received in TLTRO shown within other associated liabilities (1 bil. EUR). The Group has pledged SK government bonds (883 mil. EUR) as collateral to TLTRO. The collateral is shown within other transferred assets.

30. Offsetting of financial assets and financial liabilities

31.12.2020 EUR ths.	Gross amounts of recognised financial instruments	Net amounts of financial instruments in the balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting Non-cash financial collateral pledged	Net amount after potential offsetting
Assets				
Derivatives	59 994	59 994	-	59 994
Derivatives - hedge accounting	34 345	34 345	-	34 345
Total assets	**94 339**	**94 339**	**-**	**94 339**
Liabilities				
Derivatives	56 524	56 524	47 301	9 223
Derivatives - hedge accounting	48 373	48 373	30 813	17 560
Repurchase agreements	50 849	50 849	50 849	-
Total liabilities	**155 746**	**155 746**	**128 963**	**26 783**

31.12.2019 EUR ths.	Gross amounts of recognised financial instruments	Net amounts of financial instruments in the balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting Non-cash financial collateral pledged	Net amount after potential offsetting
Assets				
Derivatives	41 423	41 423	-	41 423
Derivatives - hedge accounting	23 020	23 020	-	23 020
Total assets	**64 443**	**64 443**	**-**	**64 443**
Liabilities				
Derivatives	36 020	36 020	29 683	6 337
Derivatives - hedge accounting	48 041	48 041	27 941	20 100
Repurchase agreements	50 856	50 856	50 856	-
Total liabilities	**134 917**	**134 917**	**108 480**	**26 437**

31. Assets under administration

The Group provides custody, trustee, investment management and advisory services to third parties, which involves making decisions on distribution, purchase and sale related to a wide range of financial instruments. The assets held in a fiduciary capacity are not included in these financial statements.

As at 31 December 2020 the Group held assets for collective investment undertakings in the amount of 4 909,2 mil. Eur (2019: 3 918,7 mil. Eur).

As at 31 December 2020 the Group also held assets for customers other than collective investment undertakings in the amount of 7 220,9 mil. Eur (2019: 7 509,0 mil. Eur).

32. Segment reporting

The segment reporting of the Group is based on IFRS 8 - Operating Segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal management reporting that is regularly reviewed by the chief operating decision maker to assess the performance of the segments and make decisions regarding the allocation of resources. Within the Group the function of the chief operating decision maker is executed by the Board of Directors. In addition, the Group's segment reporting follows the standards of the Erste Group issued for the purpose to unify presentation, measurement and steering of the Group.

Business segments

Bank's Segment reporting was aligned with Erste Group segment principles in order to present the Group's structure in a transparent way reflecting internal steering and allocations of sources. The Group is divided into the following business segments:

- Retail,
- Corporates
- Assets and Liabilities Management (ALM) and Local Corporate Centre (LCC) and Free Capital (FCAP),
- Group Markets (GM),

The Group applies account manager principle for the definition of segments / business lines. It means that each client has assigned one account manager from a particular segment / business line. Subsequently, profit or loss on business transactions with the client is allocated to that account manager.

Retail segment comprises the entire business activities with private individuals, free professionals and micros, which are in the responsibility of account managers in the Retail network. Retail products and services, including current accounts and savings, loans pledged by real estate, mortgage and consumer loans, credit cards, investment and cross selling products (e.g. insurance, asset management products and building society products) are offered via various distribution channels, such as branch network and digital banking. The Retail segment is divided into 8 regions, 90 areas and 203 branches (status as at 31 December 2020).

Corporates segment The Corporates segment comprises business done with corporate customers of different turnover size (small and medium-sized enterprises and Large Corporate customers) as well as commercial real estate and public sector business.

Asset Liability Management (ALM), Local Corporate Center (LCC) segment and Free Capital (FCAP) Segment comprises on the one side the management of Bank's assets and liabilities in the light of uncertainty of cash flows, cost of funds and return on investments in order to determine the optimal trade-off between risk, return and liquidity. Furthermore it comprises funding transactions, hedging activities, investments into securities other than held for trading purpose, management of own issues and FX positions. On the other side it also includes the local corporate center which comprises all non-core banking business activities such as non-profit servicing participations, intragroup eliminations within the respective partial group, dividends, refinancing costs of participations, all non-banking balance sheet positions (e.g. fixed assets) which cannot be allocated to other business segments. Apart from that the Local Corporate Center includes received dividends and reconciliations to the accounting result. The segment comprises also Free Capital which is defined as the difference of the total average IFRS equity and the average economical equity allocated to all operating segments.

Group Markets (GM) segment comprises trading and markets services, as well as business with financial institutions. This segment is divided into Treasury trading and market services (GMT) and Financial institutions (GMFI):

- Treasury trading and Market services (GMT) comprises all activities related to active risk taking and managing in regulatory trading books of the Group, additional to that the execution of trades against the market using the trading books of the Group for market making, short-term liquidity management and warehousing purposes. Specifically revenues and fair value results not directly attributable to client transactions (which can be valid also for ALM deals) and generally risk premiums and execution fees are taken into account. It also includes 20% compensation fee from Retail for the treasury sales services.
- Financial institutions (GMFI) are companies that provide financial services for their clients or members and act as professional and active participant on financial markets for the purpose of proprietary trading or on behalf of their clients (banks, central banks, development banks, investment banks, investment funds, brokerages, insurance companies, pension funds, credit unions, building societies, asset management companies, government debt agencies, sovereign wealth funds, exchanges).

Measurement and reporting

The segment reporting of the Group, as well as internal management reporting is prepared in accordance with IFRS. It means, that accounting policies and measurement methods used in the segment reporting are the same as those applied in the separate financial statement.

Consolidated statement of profit or loss presented in the Group's segment report is based on the measures reported to the Group's Board of Directors for the purpose of resource allocation and segments' performance assessment. In line with the regular internal reporting prepared for the Board of Directors, total assets, total liabilities, as well as risk weighted assets and allocated equity are disclosed per segment.

The capital consumption per segment is regularly reviewed by the management of the Group to assess the performance of the segments. The average allocated equity is determined by credit risk, market risk and operational risk.

For measuring and assessing the profitability of segments within the Group, a rate of return on allocated equity and cost/income ratio are used. ROE (return on allocated capital) is defined as the net result for the period before minorities in relation to the average allocated equity of the respective segment. Cost/income ratio is calculated for each segment and is defined as operating expenses (general administrative expenses) in relation to operating income (total of net interest income, net fee and commission income, dividend income, net trading result, gains/ losses from financial instruments measured at fair value through profit or loss, net result from equity method investments, rental income from investment properties & other operating leases).

Business Segments	Retail		Corporates		Group markets		Asset Liability Management, Local Corporate Center and Free Capital		Total	
EUR ths.	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
Net interest income	344 740	317 215	77 652	84 747	5 524	1 506	2 737	30 094	430 653	433 563
Net fee and commission income	125 450	123 301	18 471	20 043	7 417	9 703	(6 173)	(5 898)	145 166	147 150
Dividend income	-	-	17	-	-	-	934	628	951	628
Net trading result	3 764	3 179	7 451	2 592	4 147	1 991	5 360	4 464	20 721	12 226
Gains/losses from financial instruments measured at FVPL	-	-	-	-	-	-	(3 732)	(2 912)	(3 732)	(2 912)
Net result from equity method investments	1 823	840	-	-	-	-	-	-	1 823	840
Rental income from investment properties & other operating leases	-	-	-	-	-	-	1 176	310	1 176	310
General administrative expenses	(246 662)	(248 890)	(36 442)	(33 967)	(5 151)	(5 008)	(251)	795	(288 506)	(287 070)
Gains/losses from derecognition of financial assets at AC	-	-	-	-	-	-	71	1	71	1
Other gains/losses from derecognition of financial instruments not at FVPL	-	-	-	-	-	-	(475)	(16)	(475)	(16)
Impairment result from financial instruments	(23 273)	(13 033)	(19 553)	(95 490)	77	47	93	537	(42 656)	(107 939)
Other operating result	(23 277)	(24 904)	(3 910)	(3 807)	(1 859)	(1 693)	(9 621)	(18 854)	(38 668)	(49 260)
Levies on banking activities	(23 277)	(24 903)	(3 912)	(3 799)	(1 859)	(1 722)	(6 540)	(7 327)	(35 588)	(37 751)
Pre-tax profit from continuing operations	**182 565**	**157 708**	**43 686**	**(25 882)**	**10 155**	**6 546**	**(9 881)**	**9 149**	**226 524**	**147 521**
Taxes on income	(37 963)	(32 919)	(9 174)	5 436	(2 132)	(1 375)	2 704	(10 670)	(46 565)	(39 529)
Net result for the period	**144 602**	**124 789**	**34 512**	**(20 446)**	**8 023**	**5 171**	**(7 177)**	**(1 521)**	**179 959**	**107 992**
Net result attributable to non-controlling interests	-	-	-	-	-	-	19	(18)	19	(18)
Net result attributable to owners of the parent	**144 602**	**124 789**	**34 512**	**(20 446)**	**8 023**	**5 171**	**(7 196)**	**(1 503)**	**179 940**	**108 010**
Operating income	475 777	444 535	103 592	107 383	17 087	13 200	302	26 687	596 757	591 804
Operating expenses	(246 662)	(248 890)	(36 442)	(33 967)	(5 151)	(5 008)	(251)	795	(288 506)	(287 071)
Operating result	**229 115**	**195 645**	**67 150**	**73 416**	**11 936**	**8 192**	**51**	**27 482**	**308 251**	**304 733**
Risk-weighted assets (credit risk, eop)*	2 795 578	3 036 640	3 450 373	4 012 681	51 746	6 332	646 664	547 537	6 944 361	7 603 189
Average allocated capital**	404 865	419 823	307 965	361 790	8 889	5 682	344 036	313 116	1 065 755	1 100 411
Cost/income ratio	51.84%	55.99%	35.18%	31.63%	30.15%	37.94%	83.09%	-2.98%	48.35%	48.51%
Return on allocated capital	35.72%	29.72%	11.21%	-5.65%	90.24%	91.02%	-2.08%	-0.49%	16.88%	9.82%
Total assets (eop)	10 384 225	10 782 824	3 891 768	4 300 739	16 106	19 455	4 326 925	5 603 278	18 619 024	20 706 296
Total liabilities excluding equity (eop)	12 086 728	13 182 843	1 619 206	1 508 373	812 033	310 261	2 481 114	3 912 524	16 999 080	18 914 001
Impairments										
Net impairment loss on financial instruments AC	(20 864)	(12 570)	(24 068)	(83 259)	62	36	(181)	238	(45 052)	(95 555)
Net impairment loss on financial instruments Leasing	(1 949)	213	(1 879)	(1 859)	-	-	262	352	(3 565)	(1 293)
Impairments and provisions for commitments and guarantees given	(460)	(677)	6 394	(10 264)	15	11	12	-	5 961	(10 929)
Net impairment on other non-financial assets	-	-	-	(109)	-	-	103	(53)	103	(162)

* Credit RWA (eop) after inter company transactions according to Pillar 1, calculated by Erste Group for the purpose of segment report and management purposes (without subsidiaries Credit RWA)
** Average allocated capital is calculated based on Erste Group controlling methodology.

33. Risk management

Risk strategy and policy

The Group takes a prudent and responsible approach to risk and risk-adjusted approach to revenues. Risk appetite of the Group (the maximum level of risk that the Group is willing to undertake) is clearly defined, measurable and widely understood. The Group offsets its risk appetite with sufficient amount of internal capital to cover unexpected losses.

The Group prefers sustainability to short-term high-risk returns. The risk / return profile and the balance of risks follow this principle in order to generate sustainable and adequate return on capital.

Risk functions are independent from the commercial business lines. Risk management is centralized and the Group strives for an integrated risk management framework where all relevant risks are managed comprehensively and where dependencies between different risk types are accounted for.

The Group shall make sure that risk management is properly supported in terms of human, IT and other resources needed for comprehensive coverage of all major drivers of risk.

The primary risk management objective of the Group is to achieve a position where it will be able to identify all significant risks it faces, assess their potential impact and have policies in place to manage them effectively. These policies must be periodically reviewed in order to ensure their appropriateness in terms of their performance and in terms of changing circumstances of the Group's operating environment.

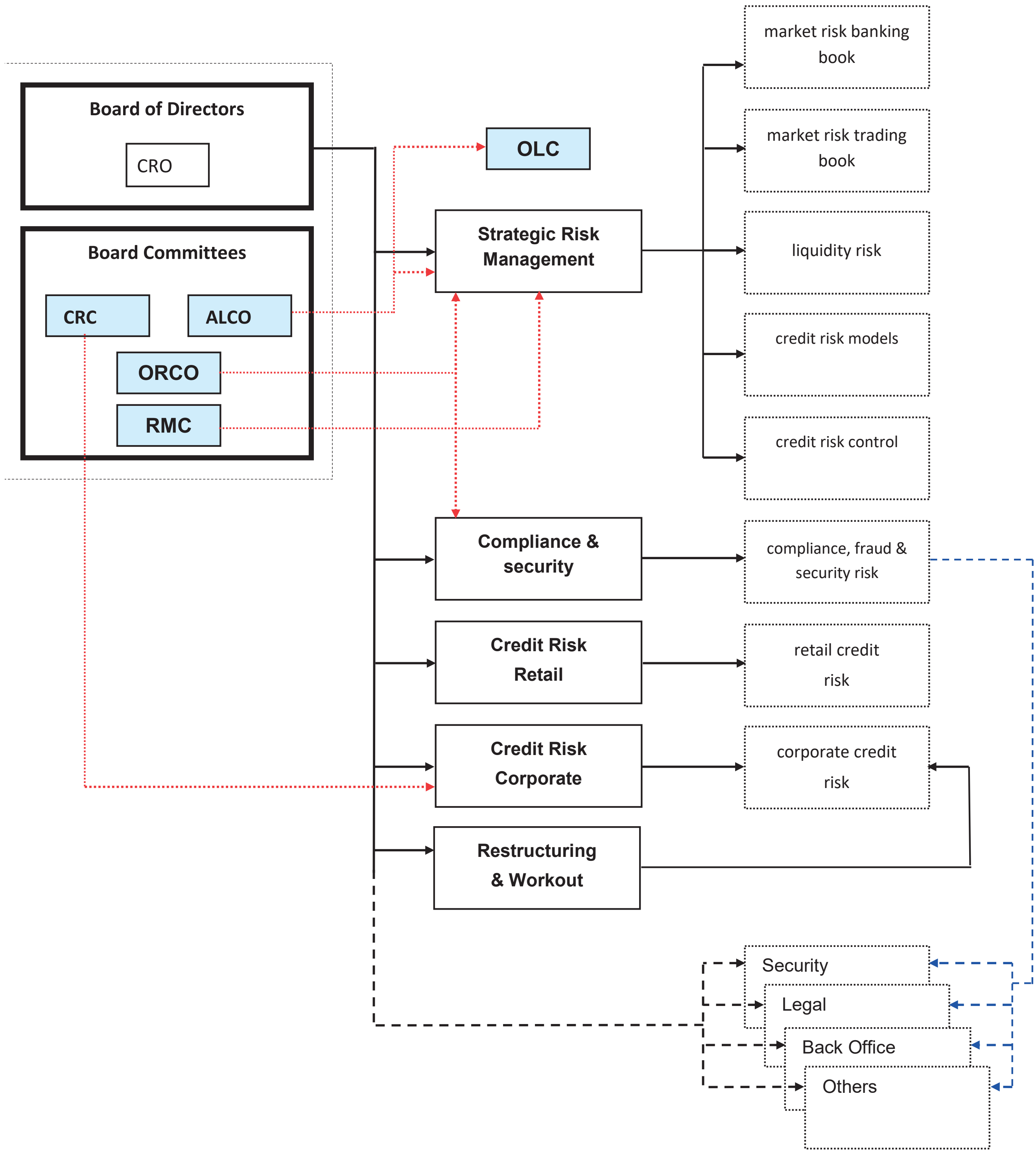
Risk taking is an inseparable part of the Group's operations and Bank business operations inevitably carry a certain degree of risk. Proper risk management should allow for better exploitation of business opportunities. Therefore, risk management strategy must be clearly linked to the business strategies.

Ultimately, risks should be quantified to the greatest possible extent (considering reasonable effort) and performance measurement of the Group should be risk weighted. Therefore, the model for calculation and allocation of economic capital is continuously being improved and the Group has established an internal capital management process (ICAAP).

The Group is also committed to follow the risk management provisions defined by both local, as well as international laws and regulators.

Risk management organization

Risk monitoring and control is achieved through a clear organisational structure with defined roles and responsibilities, delegated authorities and risk limits. The following chart presents the organizational structure of risk in the Group:



Risk management structure

The ultimate risk management body is the Board of Directors. However, it may delegate some of its authority for particular risk management areas to the respective committees. The Board of Directors also designates one of its members to serve as the Chief Risk Officer ('CRO').

Asset & Liability Committee ('ALCO') has the ultimate authority over market risk of both trading and banking books (including interest rate risk) and over liquidity risk.

Credit Risk Committee ('CRC') is the ultimate decision making body for corporate credit risk.

Operational Risk and Compliance Committee ('ORCO') is the authorized body to make decisions on operational risk strategies and procedures, risk appetite and tolerance levels, also decides on mitigation measures for operational risk, compliance, financial crime, security, and anti-money laundering issues.

ALCO, CRC and ORCO are composed of the members of the Board of Directors and senior managers. The Chief Risk Officer is a member of all three committees.

Operating Liquidity Committee ('OLC') governs the execution of liquidity management. OLC reports directly to ALCO. It analyses the liquidity situation of the Group on a regular basis and proposes measures to be taken. OLC consists of members of Treasury, Balance Sheet Management (BSM) and Strategic Risk Management (SRM).

Risk Management Committee ('RMC') is a committee consisting of selected members of the Board of Directors and senior managers. It is responsible for the development and maintenance of effective system of risk management, approval and monitoring of risk management strategy and procedures, ICAAP and risk appetite, as well as for comprehensive stress testing.

The bottom (executive) level of the risk management organization consists of five crucial units:

- Corporate Credit Risk Management Division carries out all activities concerning operative credit risk of corporate clients.
- Retail Credit Risk Management Division is responsible for management of credit risk for retail lending, specifically credit policy, organization of lending process, early collection process, collateral management and portfolio management of the retail segment.
- Strategic Risk Management ('SRM') is responsible for integrated risk management ('ICAAP'), liquidity risk, market risk (overall, as well as particular trading and banking books), credit risk control, provisioning, credit risk statistical and rating models.
- Compliance & Security is responsible for compliance risk management (e.g. code of ethics, full compliance with legal requirements, anti-money laundering program, MiFID rules), for fraud risk management (prevention, detection, investigation, deterrence and recovery of financial fraud) and operational risk. Within operational risk, it coordinates activities of global scope of other relevant departments (blue / dashed lines in the chart).
- Restructuring & Work out is responsible for effective debt recovery and write-off management of corporate clients. It is also responsible for monitoring, restructuring of receivables over-due, specific provisions and collateral management.

In the chart above, black lines show the assignment of different risk types to the respective units. Solid black lines show he areas directly subordinated to the Chief Risk Officer. Strategic Risk Management and Corporate Credit Risk Management may also report directly to their respective committees as shown by red / dotted lines.

Risk management is not limited to risk management units only. Rather, all organizational units have to be risk-aware and should contribute to risk management.

All responsibilities regarding risk management are in detail described in the Group's risk management strategy.

Comprehensive risk and capital management

Internal Capital Adequacy Assessment Process ('ICAAP') is a process in which all significant risks that the Group faces must be covered by internal capital (i.e. coverage potential). This means that all material risks are determined, quantified, aggregated, and compared to the coverage potential. Limits and lower trigger levels are defined and regularly monitored, so that corrective actions may be taken, thus avoiding situations when risk exposures are not sufficiently covered by capital.

Objectives of ICAAP are to integrate risk management for different risk types into a single high-level process, which then enables to continuously monitor and adjust capital levels to changing risk profiles. It is a comprehensive process that within the Group consists of the following steps:

- Risk materiality assessment
- – identification of the most important risk types which are to be the major focus and which will be included into economic capital calculation
- Risk-bearing capacity calculation
- – calculation of the risk exposure for each particular material risk
- – aggregation of the individual risks into a single economic capital figure
- – calculation of internal capital (coverage potential)
- – relating economic to internal capital
- Stress testing
- – verification of economic capital figures via severe, yet plausible stress scenarios
- Capital management
- – management of consistency between economic and internal capital including forecasting

In addition to the ICAAP's ultimate goal of assuring capital adequacy and sustainability at all times, the whole process serves to support the Group's management in pursuing its strategy.

Risk materiality assessment

The risk materiality assessment serves the purpose of identification of the most important risk types which are to be the major focus and which will be included in the economic capital calculation. It is an annual process based on both, quantitative and qualitative factors, which is conducted for each identified risk type the Group faces.

The output of the risk materiality assessment is the set of material risks, which have to be quantified and covered by capital. It also includes other risk management practices to control and mitigate the identified risks (material or non-material).

Risk-bearing capacity calculation

The risk-bearing capacity calculation ('RCC') is ultimately the tool to define capital adequacy required by the ICAAP. Within the RCC, risk exposure for each particular material risk is quantified. The figures are aggregated into a capital requirement and compared to the coverage potential and the Group´s own funds. The integral forecast, risk appetite limit, as well as a traffic light system support management in its discussions and decision processes.

The Board of Directors is briefed regularly, at least on a quarterly basis, in relation to the results of the capital adequacy calculation. The report includes movements in risks and available capital and coverage potential, the degree of risk limits' utilization and the overall status of capital adequacy. It also contains a comprehensive forecast of risk-weighted assets and capital adequacy.

Besides the Pillar 1 risk types (credit, market and operational risks) and in the context of Pillar 2, interest rate risks in the banking book, business and strategic risk, liquidity risk, residual credit risk and credit risk for sovereign counterparties are explicitly considered within the required economic capital via internal models. The economic capital requirement for unexpected losses is computed on a one-year time horizon with a 99,9 % confidence level. . During the year 2020 the utilization of the economic capital was in the range 45-52%.

Other risks, namely credit concentration risk and macroeconomic risks in particular are managed by means of a proactive management framework that includes forward-looking scenarios, stress testing, trigger levels and / or are covered by capital buffer. The capital buffer is proposed by Strategic risk management typically during the risk materiality assessment process and is approved by the Board of Directors.

The coverage potential required to cover risks and unexpected losses is based on regulatory own funds combined with profit of the current year, considering subordinated liabilities and regulatory deductibles, as well. The coverage potential must be sufficient to absorb unexpected losses resulting from the Group's operations.

Stress testing

Risk exposure calculation models carry inherent statistical error since they must work at extreme confidence interval and time horizon. 99,9% confidence on one year horizon means an extreme loss that occurs once in thousand years. At this levels the model is impossible to back test, therefore it must be stress tested.

Stress testing is also used to analyse risks which are not covered by capital as well as to identify potential vulnerabilities of covered risks which may not be properly covered by the calculation model used. Further, stress testing should also provide management with steering impulses and should yield to corrective actions, if deemed necessary.

Stress testing focuses on impact of severe, yet plausible scenarios on the Group's positions, thus providing further assurance of internal capital adequacy. Should stress testing results show potentially higher losses than calculated risk exposures, the ICAAP profile has to be adjusted either via add-ons to risk exposures or via capital cushion.

Capital management

Within capital management, the volume of internal capital (coverage potential) is compared against the calculated risk exposures and should any discrepancies arise, measures must be taken in order to correct the situation. This is carried out quarterly, but the frequency may be increased should the situation require so, and is also forward-looking in that it considers forecasted figures.

Capital management is also part of the Group's business strategy (worked out through budget) which determines risk appetite and capital coverage levels. Comprehensive limit framework is established for each major risk type in order to ensure day-to-day adherence to the approved risk profile and capital levels.

Risk planning and forecasting
The responsibility for risk management includes ensuring sound risk planning and forecasting processes. The forecasts determined by risk management are the result of close co-operation with all stakeholders in the overall planning process. The risk planning and forecasting process includes both, forward- and backward-looking component, focusing on portfolio and economic environment changes.

Capital allocation
An important task integral to the risk planning process is the allocation of capital to business lines. Each particular risk (Pillar I and Pillar II) is allocated to business lines based on their risk consumption. The process is done with close cooperation between Strategic Risk Management and Accounting and Controlling.

Credit risk

Credit risk, in broad terms, is the risk that a loss will be incurred if the Group's counterparty to a transaction does not fulfill its financial obligations in a timely manner. More precisely, credit risk is the risk of financial loss arising out of entering into a particular contract or portfolio investment.

Credit risk is the largest single risk in the Group. It results from traditional lending activities where losses are incurred by default (deteriorating creditworthiness) of borrowers, as well as from trading in market instruments. Credit risk includes also sovereign, country, concentration, settlement, counterparty and dilution risks.

The Group shall follow the policy of long-term risk-adjusted profitability and the principle of adequate pricing (higher credit risk leads to higher risk premium).

The Group shall annually review its credit risk tolerance, and shall set priorities, i.e. quantitative and qualitative measures, for the next term with respect to the credit risk point of view.

Three fundamental layers of documents regulate the credit activity of the Group. Credit strategy, defined by the top management, introduces the overall orientation, areas of activity and strategic objectives of the Group. The credit policy sets out the principles, identifies operating procedures, and specifies framework responsibilities related to credit activities. Subordinated internal provisions take the form of detailed manuals or department-specific instructions or guidelines, describing precisely responsibilities to the lowest levels, any applicable deadlines, reports and other relevant contingencies of credit process and credit risk management.

The organization of the Group's credit activity is governed by the following principles:
- clear segregation of credit risk management function from business activities or delegation of these activities to business function with clearly defined split of responsibilities
- centralization of operative credit risk management – independent credit risk management divisions for both, corporate and retail segments
- flexibility and accuracy of credit process and quality of credit decisions
- personally assigned and clearly specified competences
- general application of four-eye principle in all critical lending processes (with justified exceptions)
- diversification of credit portfolio in order to keep the exposures within defined limits
- independent credit risk control function – Strategic Risk Management

Strategic Risk Management
Strategic Risk Management, more specifically its Credit Risk Control department, is the independent risk control unit in line with capital requirements regulation and directive. SRM is not involved in the operative credit decision-making. However it is responsible for the design of rating systems, testing and monitoring of accuracy and selectivity of internal rating grades, production and analysis of summary reports from the Group's rating systems. SRM is also responsible for the design and implementation of models for calculation of risk parameters (PD, LGD, CCF, etc.), standard risk costs and portfolio provisions. It is also responsible for the design and implementation of models for calculation of risk-weighted assets according to capital requirements regulation and directive and model for economic capital. In addition to this, SRM has two other specific roles:

- credit exposures to banks, sovereigns and countries, which are governed centrally by Erste Holding (credit analysis, limit setting), are locally approved and monitored by SRM;
- credit lines of Treasury clients (approved by Credit Risk Corporate or Credit Committee) are determined and monitored by SRM.

Retail Credit Risk Management Division
Retail Credit Risk Management Division formulates the credit policy and internal actions on the credit approval process for retail clients and designs and oversees processes in retail lending activity. It is responsible for risk assessment of counterparties and credit facilities (rating assignment, credit transaction assessment). Furthermore, it monitors the development of credit portfolio of retail clients. It also designs, sets and monitors limits, maintains deal and limits documentation, as well as performs early and late collection and retail collateral management.

Corporate Credit Risk Management Division
Corporate Credit Risk Management Division formulates the credit policy and internal provisions on the credit approval process for corporate clients. It is responsible for risk analysis of counterparties and credit facilities (financial analysis, rating assignment, credit transaction assessment). Furthermore, it monitors the development of the credit portfolio of corporate clients. It regularly reviews assigned ratings and counterparty financial situation. It also designs, sets and monitors limits, maintains deal and limits documentation for corporate clients.

Risk grades
The classification of credit assets into risk grades is based on the Group's internal ratings. The Group uses two internal risk scales for risk classification for customers that have not defaulted: risk scale of 8 risk grades (for retail – private individuals) and 13 risk grades (for all other segments). Defaulted customers are classified into a separate risk grade.

Default definition
The Group applies the definition of default on client level. If a client defaults on any of its credit risk exposure then the client rating must be set to "R" and all on- and off balance exposure including equity products is considered as defaulted.

Default is recognized when one or both of the following incidents occur:

- the obligor is past due 90 consecutive days with any material credit obligation to the Bank, the parent undertaking or any of its subsidiaries in full; or
- the obligor is considered unlikely to pay (UTP) its credit obligation to the Bank, the parent undertaking or any of its subsidiaries in full without realisation of the collateral.

In the Group the default status triggers the credit-impairment and the Stage 3 classification under IFRS9. In addition the Group considers all non-performing exposures as defaulted.

Client is classified as defaulted due following 5 reasons, which are linked either to unlikely to pay (UTP) or days past due:

- E1 – unlikely to pay
- E2 – 90 days overdue
- E3 –forbearance
- E4 – Credit loss
- E5 – bankruptcy

Credit Risk Model department participates on the definition of default with Late Collection and Corporate Workout departments. The definition of default fulfils EBA criteria and influences estimation of LLP, SRC, etc.

Credit risk classification
For the disclosure of asset quality the Group assigns each customer to one of the following four risk categories:

Low risk. Typically regional customers with well-established and rather long-standing relationships with SLSP or large internationally recognised customers. Very good to satisfactory financial position and low likelihood of financial difficulties relative to the respective market in which the customers operate. Retail clients having long relationships with the Group, or clients with a wide product pool use. No relevant late payments currently or in the most recent 12 months. New business is generally with clients in this risk category.

Management attention. Vulnerable non-retail clients, which may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term to the Group. Retail clients with possible payment problems in the past triggering early collection reminders from the Group side. These clients typically have a good recent payment history.

Substandard. The borrower is vulnerable to short term negative financial and economic developments and shows an elevated probability of failure. In some cases, restructuring measures are possible or already in place. As a rule, such loans are managed in specialised risk management departments.

Non-performing. There are exposure meet criteria according default definition mentioned above. The Group applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well. Furthermore, non-performing exposures also comprise non-performing forborne transactions even in cases where the client has not defaulted.

In order to enhance the comparability of the Group's asset quality, the Group uses a new model for the assignment of exposures to risk categories which was developed and implemented by Erste Group in 2018. Based on the calibration of internal PDs (probabilities of default) for regulatory purposes to the default rates published by rating agencies, the equivalent external customer rating was used for the assignment to risk categories. For the agency ratings, average one-year default rates resulting from long-term time series were applied.

Credit risk under IFRS9

IFRS 9 sets out guidance to assist entities in identifying information to be used to determine when a provision for lifetime expected credit losses is required. The application guidance sets out a wide range of potential sources of such information which includes:

- Significant change in internal price
- Other changes in the rates or terms of an existing financial instrument
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same term
- An actual or expected significant change in the financial instrument's external credit rating
- An actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally
- Significant changes in operating results of the borrower
- A significant increase in credit risk on other financial instruments of the same borrower
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations
- Significant changes in the value of the collateral
- Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument
- Significant changes in the expected performance and behaviour of the borrower
- Changes in the entity's credit management approach in relation to the financial instrument

The IFRS 9 standard contains a rebuttable presumption that credit risk has increased significantly when contractual payments are more than predefined threshold days past due. This means that when payments are more than predefined threshold days past due, the financial asset is considered to have moved from Stage 1 to Stage 2, and lifetime expected credit losses are recognised. Past due is defined as failure to make a payment when that payment was contractually due.

For financial assets that are measured at amortised cost or FVOCI and other instruments in scope of IFRS 9 impairment requirements, the Group will always recognise (at a minimum) 12 months expected losses in profit or loss. Lifetime expected losses will be recognised on instruments for which there is a significant increase in credit risk after initial recognition.

The following financial assets and other instruments are included within the scope of the impairment requirements:

- Originated, purchased, reclassified or modified debt instruments (including trade receivables) that are measured at amortised cost in accordance with IFRS 9

- Debt instrument assets that are required to be measured at fair value through other comprehensive income (FVOCI) in accordance with IFRS 9
- Other debt instruments in the scope of IFRS9 impairment requirements (finance/operating lease)
- Loan commitments given (including loan commitments which would result in non-trading loans measured mandatorily at FVPL)
- Financial guarantees contracts to which IFRS 9 applied (except those measured at FVPL)

IFRS 9 establishes a three stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognised (as well as the amount of interest revenue):

- STAGE 1: If credit risk for a financial instrument has not increased significantly since initial recognition an entity shall measure the loss allowance for instrument at an amount equal to 12-month expected credit losses (ECLs)
- STAGE 2: For non-defaulted financial instruments whose credit risk has significantly increased since initial recognition, lifetime ECLs shall be recognised, i.e. estimated lifetime losses from default events that are possible over the entire residual life of the instruments. In this stage, interest revenues are recognised based on the gross carrying amount of the financial assets.
- STAGE 3: A financial asset reaches stage 3 if it is specifically identified as credit-impaired. As for Stage 2, the loss allowance equals full lifetime ECLs. In this stage, recognition of interest revenue is based on the net carrying amount. In general the Group classifies defaulted exposures as being in Stage 3. From this perspective also defaulted off-balance exposures - loan commitments and financial guarantees – can belong to Stage 3 even when they generate no interest revenue.

The 12-month expected credit loss is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. From risk management perspective 12-month probabilities of default are relvant for the calculation.

Lifetime expected credit loss is defined as the expected credit losses that result from all possible default events over the expected life of a financial instrument. i.e. from credit risk management perspective it reflects the probabilities of default throughout the expected maturity of the instrument.

In case of product without contractual maturity (typically revolving product such as credit card and overdraft) the expected lifetime credit losses is defined based on expected maturity.

IFRS 9 guideline indicates that an entity should measure expected credit losses with all reasonable and supportable information that is available without undue cost or effort at the reporting date. This includes information about past events, current conditions and forecasts of future economic conditions. Forecasts of future economic conditions are available at Erste Group and are therefore included in the IFRS 9 ECL calculation.

In addition to that, the IFRS Transition Resource Group for Impairment of Financial Instruments (ITG) noted in 2015 that, if there is a nonlinear relationship between the different forward-looking scenarios and their associated credit losses, using a single forward-looking scenario would not result in an unbiased estimator of the ECL. Instead, more than one forward-looking scenario would need to be incorporated into the measurement of expected credit losses.

Credit risk exposure

Credit risk exposure relates to the following balance sheet items:

- cash and cash balances - other demand deposits;
- financial assets held for trading – derivatives (without equity instruments);
- non-trading financial assets at fair value through profit or loss (FVTPL) (without equity instruments);
- financial assets at fair value through other comprehensive income (FVTOCI) (without equity instruments);
- financial assets at amortised cost;
- finance lease receivables;
- positive fair value of derivatives – hedge accounting;
- trade and other receivables;
- off-balance sheet positions (financial guarantees, irrevocable loan and other commitments).

The credit risk exposure comprises the gross carrying amount (or nominal value in the case of off-balance-sheet positions) without taking into account loan loss allowances, provisions for guarantees, any collateral held (including risk transfer to guarantors), other credit enhancements or credit risk mitigating transactions.

The gross carrying amount of the credit risk exposure increased by 5,78% to 21,048 bil. Eur (2019: EUR 19,898 bil. Eur).

Expected credit loss measurement

Measurement of expected credit losses ("ECL") is a significant estimate that involves determination of methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, Significant Increase of Credit Risk ("SICR"), probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios.

The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. The Group used supportable forward looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. The most significant forward looking assumptions that correlate with ECL level and their assigned weights were as follows at 31 December 2020.

Parameter	Scenario		2020	2021	2022	2023
GDP - real growth (in %)	Macro down	40%	-7,10	-1,16	-0,01	0,94
	Macro base	35%	-7,10	6,00	4,50	4,20
	Macro up	25%	-7,10	8,17	6,67	6,37
GDP - Nominal growth (in %)	Macro down	40%	-5,39	3,55	2,95	2,85
	Macro base	35%	-5,39	7,00	6,40	6,30
	Macro up	25%	-5,39	9,43	8,83	8,73
Unemployment rate (in %)	Macro down	40%	7,19	10,89	11,17	10,76
	Macro base	35%	7,19	7,08	6,24	5,70
	Macro up	25%	7,19	5,62	4,78	4,25
Inflation - CPI (in %)	Macro down	40%	1,49	-0,11	0,39	0,59
	Macro base	35%	1,49	0,90	1,90	2,00
	Macro up	25%	1,49	1,85	2,85	2,95
Unemployment rate - shift 12 months (in %)	Macro down	40%	5,87	7,19	10,89	11,17
	Macro base	35%	5,87	7,19	7,08	6,24
	Macro up	25%	5,87	7,19	5,62	4,78
GDP - YtY (in %)	Macro down	40%	-8,93	5,94	1,15	0,95
	Macro base	35%	-8,93	13,10	-1,50	-0,30
	Macro up	25%	-8,93	15,27	-1,50	-0,30

Off-balance sheet exposures

In the normal course of business, the Group enters various contracts and transactions, which are not reflected on the balance sheet and are referred to as off-balance sheet financial instruments. The following information represents notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

Loan comitments, guarantees and letters of credit

Bank guarantees and letters of credit are used by customers to cover their liabilities (payment and non-payment) against third parties, who are beneficiaries in these transactions. The primary purpose of these instruments is to ensure that funds are available to the customers as required.

Bank guarantee represents an irrevocable liability of the Group to pay the agreed amount in case that the debtor fails to fulfil an obligation or other conditions as stated in the guarantee.

Letter of credit represents a written obligation of the Group to pay the agreed amount to the seller based on the instruction of the buyer against the documents specified in the letter of credit conditions. The Group deals with letters of credit in accordance with the 'Unified Rules and Customs for Documentary Letter-of-credit' as published by the International Chamber of Commerce.

Guarantees and standby letters of credit are irrevocable assurances that the Group will make payments in the event when the customer cannot meet its obligations against a third party and therefore these carry the same credit risk as loans. Documentary and commercial letters of credit are written undertakings of the Group to provide a third party with the agreed amount on behalf of the customer under specific conditions. As these are collateralised by the underlying shipment of goods (or transfer of the right to use), they carry less credit risk than direct borrowings.

Loan commitment represent an unused portion of the authorised credit limit, which can be drawn in the form of loan, guarantee or letter of credit. In relation to loan commitments, the Group is exposed to credit risk and a potential loss equals to the total amount of the loan commitment. However, most of the loan commitments are contingent upon maintaining specific credit standards by customers and therefore the likely amount of loss is less than the total amount of loan commitments.

The following table presents off-balance sheet credit exposures:

EUR ths.	31.12.2019	31.12.2020
Financial guarantees and Other Commitments	404 368	383 721
Loan Commitments	1 420 923	1 577 565
Total	**1 825 290**	**1 961 286**

The amount of financial guaranties as at 31 December 2020 represented 9,972 mil € (2019: 9,198 mil. Eur).

As at 31 December 2020 the value of payment guarantees represented 128,52 mil. Eur (2019: 73,89 mil. Eur), the value of non-payment guarantees represented 239,84 mil. Eur (2019: 311,87 mil. Eur) and the value of other guarantees represented 8,82 mil. Eur (2019: 14,10 mil. Eur).

Reconciliation between the gross carrying amount and the carrying amount of the separate components of the credit risk exposure:

31.12.2020	Gross carrying amount	Credit loss allowances					Net carrying amount
EUR ths.		Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	
Cash and cash balances - other demand deposits	11 023	-	-	-	-	-	11 023
Financial assets at amortised cost	18 639 930	30 403	126 974	166 302	57 354	-	18 258 897
Loans and advances to banks	49	-	-	-	-	-	49
Loans and advances to customers	14 959 631	29 857	126 974	166 302	57 354	-	14 579 144
of which: Lending for house purchase	8 618 372	14 480	29 517	61 976	141	-	8 512 258
of which: Credit for consumption	1 587 560	3 020	18 440	62 702	85	-	1 503 312
of which: Corporate loans and others	4 753 699	12 357	79 017	41 624	57 128	-	4 563 574
Debt securities	3 680 250	546	-	-	-	-	3 679 704
Finance lease receivables	246 820	426	1 185	4 197	-	-	241 012
Trade and other receivables	86 511	435	9	4 293	-	-	81 774
Non-trading financial assets at fair value through profit or loss - Debt securities	7 740	-	-	-	-	-	7 740
Financial assets - held for trading	59 994	-	-	-	-	-	59 994
Positive fair value of derivatives-hedge accounting	34 345	-	-	-	-	-	34 345
Total credit risk exposure on-balance	**19 086 363**	**31 264**	**128 168**	**174 792**	**57 354**	**-**	**18 694 785**
Off-balance	1 961 286	3 813	11 657	539	274	832	1 944 171
Total credit risk exposure	**21 047 649**	**35 077**	**139 825**	**175 331**	**57 628**	**832**	**20 638 956**

Allocation of credit loss allowances is affected by the moratoria of installments related to COVID-19. The Group allocated credit loss allowances for the customers with higher risk profile based on their ratings and in case of corporates, the industry was also used. More detailed information about COVID-19 is provided in note 33.

31.12.2019	Gross carrying amount	Credit loss allowances					Net carrying amount
EUR ths.		Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	
Cash and cash balances - other demand deposits	10 224	-	-	-	-	-	10 224
Financial assets at amortised cost	17 665 885	34 706	36 177	212 655	53 150	-	17 329 196
Loans and advances to banks	54	-	-	-	-	-	54
Loans and advances to customers	14 128 982	34 321	36 177	212 655	53 150	-	13 792 678
of which: Lending for house purchase	8 071 861	12 229	10 343	80 259	308	-	7 968 721
of which: Credit for consumption	1 786 766	11 990	12 355	98 251	172	-	1 663 998
of which: Corporate loans and others	4 270 355	10 102	13 479	34 145	52 670	-	4 159 959
Debt securities	3 536 849	385	-	-	-	-	3 536 464
Finance lease receivables	217 757	253	6	4 307	-	-	213 191
Trade and other receivables	110 728	193	3	3 394	-	-	107 139
Non-trading financial assets at fair value through profit or loss - Debt securities	3 175	-	-	-	-	-	3 175
Financial assets - held for trading	41 423	-	-	-	-	-	41 423
Positive fair value of derivatives-hedge accounting	23 020	-	-	-	-	-	23 020
Total credit risk exposure on-balance	**18 072 212**	**35 152**	**36 186**	**220 356**	**53 150**	**-**	**17 727 368**
Off-balance	1 825 291	2 610	1 503	957	151	989	2 208 973
Total credit risk exposure	**19 897 503**	**37 762**	**37 689**	**221 313**	**53 301**	**989**	**19 936 341**

Stage 1 and Stage 2 comprise not impaired credit risks while Stage 3 includes impaired credit risks. POCI (purchased or originated credit impaired) consists of credit risks already impaired when purchased or originated.

The defaulted part of POCI amounted to 108,817 mil. Eur, the non-defaulted part to 24,63 mil. Eur.

On the next pages the credit risk exposure is presented according to the following criteria:

- counterparty sector and financial instrument;
- financial instrument and risk category;
- financial instrument and IFRS 9 stage;
- industry and financial instrument;
- industry and risk category;
- industry and IFRS 9 stage;
- region and financial instrument;
- region and risk category;
- region and IFRS 9 stage;
- impairment view;
- neither past due, not impaired;
- Basel 3 exposure class and financial instrument.

Credit risk exposure by counterparty sector and financial instrument:

EUR ths.	Central banks	General governemnts	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
31.12.2020							
Cash and cash balances - other demand deposits	-	-	11 023	-	-	-	11 023
Financial assets at amortised cost	-	3 643 677	183 023	114 703	3 926 174	10 772 353	18 639 930
Loans and advances to banks	-	-	49	-	-	-	49
Loans and advances to customers	-	271 925	-	104 572	3 810 781	10 772 353	14 959 631
of which: Lending for house purchase	-	-	-	-	-	8 618 372	8 618 372
of which: Credit for consumption	-	-	-	-	-	1 587 560	1 587 560
of which: Corporate loans and others	-	271 925	-	104 572	3 810 781	566 421	4 753 699
Debt securities	-	3 371 752	182 974	10 131	115 393	-	3 680 250
Finance lease receivables	-	510	-	102	240 382	5 826	246 820
Trade and other receivables	-	-	2 013	1 655	82 411	431	86 510
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	-	7 740	-	-	7 740
Derrivatives - held for trading	-	-	8 347	16	51 539	93	59 995
Positive fair value of derivatives - hedge accounting	-	-	34 345	-	-	-	34 345
Total credit risk exposure on-balance	**-**	**3 644 187**	**238 751**	**124 216**	**4 300 506**	**10 778 703**	**19 086 363**
Off-balance	-	33 299	44 914	9 611	1 423 288	450 174	1 961 286
Total credit risk exposure	**-**	**3 677 486**	**283 665**	**133 827**	**5 723 794**	**11 228 877**	**21 047 649**

EUR ths.	Central banks	General governemnts	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
31.12.2019							
Cash and cash balances - other demand deposits	-	-	10 224	-	-	-	10 224
Financial assets at amortised cost	-	3 468 028	194 903	132 649	3 450 436	10 419 869	17 665 885
Loans and advances to banks	-	-	54	-	-	-	54
Loans and advances to customers	-	244 436	-	107 366	3 357 311	10 419 869	14 128 982
of which: Lending for house purchase	-	-	-	-	-	8 071 861	8 071 861
of which: Credit for consumption	-	-	-	-	-	1 786 766	1 786 766
of which: Corporate loans and others	-	244 436	-	107 366	3 357 311	561 242	4 270 355
Debt securities	-	3 223 592	194 849	25 283	93 125	-	3 536 849
Finance lease receivables	-	541	-	281	206 664	10 271	217 757
Trade and other receivables	-	-	4 492	1 176	104 646	415	110 729
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	-	3 175	-	-	3 175
Derrivatives - held for trading	-	-	5 464	328	35 586	44	41 422
Positive fair value of derivatives - hedge accounting	-	-	23 020	-	-	-	23 020
Total credit risk exposure on-balance	**-**	**3 468 569**	**238 103**	**137 609**	**3 797 332**	**10 430 599**	**18 072 212**
Off-balance	-	27 513	58 720	57 174	1 224 738	457 146	1 825 291
Total credit risk exposure	**-**	**3 496 082**	**296 823**	**194 783**	**5 022 070**	**10 887 745**	**19 897 503**

Credit risk exposure by financial instrument and risk category:

EUR ths.	Credit risk exposure				Gross carrying amount
	Low Risk	Management attention	Substandard	Non-performing	
31.12.2020					
Cash and cash balances - other demand deposits	11 023	-	-	-	11 023
Financial assets at amortised cost	15 909 733	1 193 277	1 185 972	350 948	18 639 930
Loans and advances to banks	47	2	-	-	49
Loans and advances to customers	12 229 436	1 193 275	1 185 972	350 948	14 959 631
of which: Lending for house purchase	7 682 483	555 906	240 975	139 008	8 618 372
of which: Credit for consumption	1 194 071	195 969	115 282	82 239	1 587 561
of which: Corporate loans and others	3 352 882	441 400	829 715	129 701	4 753 698
Debt securities	3 680 250	-	-	-	3 680 250
Finance lease receivables	192 425	29 671	15 887	8 837	246 820
Trade and other receivables	63 446	4 208	14 458	4 399	86 511
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	7 740	-	7 740
Derrivatives - held for trading	13 130	41 860	5 003	1	59 994
Positive fair value of derivatives - hedge accounting	34 345	-	-	-	34 345
Total credit risk exposure on-balance	**16 224 102**	**1 269 016**	**1 229 060**	**364 185**	**19 086 363**
Off-balance	1 518 402	169 759	226 479	46 646	1 961 286
Total credit risk exposure	**17 742 504**	**1 438 775**	**1 455 539**	**410 831**	**21 047 649**

EUR ths.	Credit risk exposure				Gross carrying amount
	Low Risk	Management attention	Substandard	Non-performing	
31.12.2019					
Cash and cash balances - other demand deposits	10 224	-	-	-	10 224
Financial assets at amortised cost	14 738 886	1 149 292	1 367 554	410 153	17 665 885
Loans and advances to banks	52	3	-	-	55
Loans and advances to customers	11 285 754	1 149 289	1 283 785	410 153	14 128 981
of which: Lending for house purchase	7 006 258	593 559	302 275	169 768	8 071 860
of which: Credit for consumption	1 275 683	236 391	154 810	119 882	1 786 766
of which: Corporate loans and others	3 003 813	319 339	826 700	120 503	4 270 355
Debt securities	3 453 080	-	83 769	-	3 536 849
Finance lease receivables	181 283	20 649	5 710	10 115	217 757
Trade and other receivables	81 947	4 563	18 296	5 922	110 728
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	3 175	-	3 175
Derrivatives - held for trading	35 589	261	5 572	1	41 423
Positive fair value of derivatives - hedge accounting	23 020	-	-	-	23 020
Total credit risk exposure on-balance	**15 070 949**	**1 174 765**	**1 400 307**	**426 191**	**18 072 212**
Off-balance	1 509 202	116 100	152 782	47 207	1 825 291
Total credit risk exposure	**16 580 151**	**1 290 865**	**1 553 089**	**473 398**	**19 897 503**

Credit risk exposure by financial instrument and IFRS 9 stage:

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2020						
Cash and cash balances - other demand deposits	11 023	-	-	-	-	11 023
Financial assets at amortised cost	15 967 218	2 301 151	287 784	83 777	-	18 639 930
Loans and advances to banks	47	2	-	-	-	49
Loans and advances to customers	12 286 921	2 301 149	287 784	83 777	-	14 959 631
of which: Lending for house purchase	7 927 684	550 414	138 640	1 634	-	8 618 372
of which: Credit for consumption	1 247 428	257 796	82 135	201	-	1 587 560
of which: Corporate loans and others	3 111 809	1 492 939	67 009	81 942	-	4 753 699
Debt securities	3 680 250	-	-	-	-	3 680 250
Finance lease receivables	150 316	87 668	8 837	-	-	246 821
Trade and other receivables	80 635	1 476	4 399	-	-	86 510
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	-	-	7 740	7 740
Derrivatives - held for trading	-	-	-	-	59 994	59 994
Positive fair value of derivatives - hedge accounting	-	-	-	-	34 345	34 345
Total credit risk exposure on-balance	**16 209 192**	**2 390 295**	**301 020**	**83 777**	**102 079**	**19 086 363**
Off-balance	1 221 327	318 487	926	46 024	374 522	1 961 286
Total credit risk exposure	**17 430 519**	**2 708 782**	**301 946**	**129 801**	**476 601**	**21 047 649**

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2019						
Cash and cash balances - other demand deposits	10 224	-	-	-	-	10 224
Financial assets at amortised cost	16 766 846	471 728	341 898	85 413	-	17 665 885
Loans and advances to banks	53	2	-	-	-	55
Loans and advances to customers	13 229 944	471 726	341 898	85 413	-	14 128 981
of which: Lending for house purchase	7 786 905	113 805	169 135	2 016	-	8 071 861
of which: Credit for consumption	1 566 433	100 377	119 694	262	-	1 786 766
of which: Corporate loans and others	3 876 606	257 545	53 069	83 135	-	4 270 355
Debt securities	3 536 849	-	-	-	-	3 536 849
Finance lease receivables	206 359	1 283	10 115	-	-	217 757
Trade and other receivables	103 461	1 345	5 922	-	-	110 728
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	-	3 175	3 175
Derrivatives - held for trading	-	-	-	-	41 423	41 423
Positive fair value of derivatives - hedge accounting	-	-	-	-	23 020	23 020
Total credit risk exposure on-balance	**17 086 890**	**474 356**	**357 935**	**85 413**	**67 618**	**18 072 212**
Off-balance	1 356 894	26 654	1 792	45 556	394 395	1 825 291
Total credit risk exposure	**18 443 784**	**501 010**	**359 727**	**130 969**	**462 013**	**19 897 503**

“Not subject to IFRS 9 impairment” means that those balance sheet items are out of IFRS9 rules.

Credit risk exposure by industry and financial instrument:

31.12.2020		Financial assets at amortised cost										
			Loans and advances to customers									
EUR ths.	Cash and cash balances - other demand deposits	Loans and advances to banks	of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others	Debt securities	Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
Agriculture and forestry	-	-	-	-	143 880	-	25 066	443	-	25	23 600	193 014
Mining	-	-	-	-	46 683	-	1 927	136	-	12	21 289	70 047
Manufacturing	-	-	-	-	994 434	9 356	49 226	43 784	-	1 081	330 122	1 428 003
Energy and water supply	-	-	-	-	437 725	-	4 339	882	-	41 956	108 828	593 730
Construction	-	-	-	-	199 723	-	4 564	2 847	-	135	237 579	444 848
Development of building projects	-	-	-	-	25 780	-	-	-	-	-	85	25 865
Trade	-	-	-	-	515 585	-	15 177	26 239	-	813	220 774	778 588
Transport and communication	-	-	-	-	429 475	90 876	129 625	4 144	-	2 165	154 878	811 163
Hotels and restaurants	-	-	-	-	87 558	-	190	98	-	771	11 464	100 081
Financial and insurance services	11 023	49	-	-	102 836	208 265	136	3 668	7 740	42 708	97 606	474 031
Holding companies	-	-	-	-	39 604	15 160	85	568	-	-	49 136	104 553
Real estate and housing	-	-	-	-	1 196 766	-	1 526	337	-	4 510	245 169	1 448 308
Services	-	-	-	-	161 197	-	7 804	3 263	-	19	72 720	245 003
Public administration	-	-	-	-	271 614	3 371 752	510	-	-	-	33 299	3 677 175
Education, health and art	-	-	-	-	99 767	-	6 590	671	-	51	13 659	120 738
Private households	-	-	8 618 372	1 587 560	66 079	-	140	-	-	92	390 237	10 662 480
Other	-	-	-	-	377	-	-	-	-	-	63	440
Total Credit risk exposure	**11 023**	**49**	**8 618 372**	**1 587 560**	**4 753 699**	**3 680 249**	**246 820**	**86 512**	**7 740**	**94 338**	**1 961 287**	**21 047 649**

31.12.2019 EUR ths.	Cash and cash balances - other demand deposits	Financial assets at amortised cost						Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
		Loans and advances to banks	Loans and advances to customers			Debt securities							
			of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others								
Agriculture and forestry	-	-	-	-	170 964	-		30 779	659	-	54	20 367	222 823
Mining	-	-	-	-	54 027	-		335	225	-	29	21 536	76 152
Manufacturing	-	-	-	-	787 770	9 355		43 597	57 423	-	696	271 549	1 170 390
Energy and water supply	-	-	-	-	365 100	-		4 992	2 043	-	28 049	64 291	464 475
Construction	-	-	-	-	149 074	-		4 674	1 438	-	307	267 513	423 006
Development of building projects	-	-	-	-	31 144	-		-	20	-	216	3 054	34 434
Trade	-	-	-	-	504 453	-		16 552	34 538	-	393	198 313	754 249
Transport and communication	-	-	-	-	411 382	83 769		102 335	5 628	-	1 655	165 071	769 840
Hotels and restaurants	-	-	-	-	72 917	-		220	7	-	753	17 874	91 771
Financial and insurance services	10 224	54	-	-	88 562	220 133		82	5 668	3 175	28 813	115 659	472 370
Holding companies	-	-	-	-	32 423	15 153		-	446	-	-	51 846	99 868
Real estate and housing	-	-	-	-	1 113 965	-		896	383	-	3 116	183 419	1 301 779
Services	-	-	-	-	137 241	-		9 013	1 895	-	172	54 498	202 819
Public administration	-	-	-	-	243 811	3 223 591		521	-	-	-	27 545	3 495 468
Education, health and art	-	-	-	-	98 375	-		3 614	821	-	52	18 102	120 964
Private households	-	-	8 071 861	1 786 766	72 402	-		146	-	-	44	399 496	10 330 715
Other	-	-	-	-	313	-		-	-	-	311	58	682
Total Credit risk exposure	**10 224**	**54**	**8 071 861**	**1 786 766**	**4 270 356**	**3 536 848**		**217 756**	**110 728**	**3 175**	**64 444**	**1 825 291**	**19 897 503**

Credit risk exposure by industry and risk category:

EUR ths.	Low Risk	Management attention	Substandard	Non-performing loans	Total
31.12.2020					
Agriculture and forestry	91 517	23 895	51 591	26 011	193 014
Mining	69 837	104	106	-	70 047
Manufacturing	1 236 855	82 378	103 170	5 600	1 428 003
Energy and water supply	407 736	160 807	24 279	908	593 730
Construction	248 593	79 505	112 411	4 339	444 848
Development of building projects	14 901	47	10 913	3	25 864
Trade	607 571	105 454	41 047	24 515	778 587
Transport and communication	731 899	55 950	19 473	3 843	811 165
Hotels and restaurants	32 000	9 078	57 379	1 624	100 081
Financial and insurance services	455 604	9 280	9 049	99	474 032
Holding companies	96 447	7 770	336	-	104 553
Real estate and housing	712 856	27 519	602 987	104 945	1 448 307
Services	144 242	41 270	47 281	12 211	245 004
Public administration	3 675 357	967	851	-	3 677 175
Education, health and art	70 901	40 357	9 171	308	120 737
Private households	9 257 524	801 957	376 571	226 428	10 662 480
Other	14	254	171	-	439
Total	**17 742 506**	**1 438 775**	**1 455 537**	**410 831**	**21 047 649**

EUR ths.	Low Risk	Management attention	Substandard	Non-performing loans	Total
31.12.2019					
Agriculture and forestry	108 677	63 972	24 068	26 106	222 823
Mining	73 608	281	2 243	21	76 153
Manufacturing	1 045 941	74 788	42 721	6 940	1 170 390
Energy and water supply	396 537	2 933	64 584	420	464 474
Construction	288 749	30 616	100 395	3 246	423 006
Development of building projects	375	45	34 007	8	34 435
Trade	578 972	125 205	27 004	23 068	754 249
Transport and communication	643 065	31 487	91 769	3 519	769 840
Hotels and restaurants	29 592	9 181	51 510	1 487	91 770
Financial and insurance services	460 090	1 868	10 127	286	472 371
Holding companies	99 683	4	24	157	99 868
Real estate and housing	575 254	18 603	601 778	106 145	1 301 780
Services	126 015	31 790	38 488	6 525	202 818
Public administration	3 488 389	7 023	57	-	3 495 469
Education, health and art	98 200	5 708	16 770	286	120 964
Private households	8 666 854	887 378	481 132	295 350	10 330 714
Other	208	32	442	-	682
Total	**16 580 151**	**1 290 865**	**1 553 088**	**473 399**	**19 897 503**

Credit risk exposure by industry and IFRS9 stage:

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2020						
Agriculture and forestry	106 911	58 945	25 977	954	227	193 014
Mining	66 455	3 500	-	-	92	70 047
Manufacturing	816 909	536 018	4 161	1 934	68 981	1 428 003
Energy and water supply	414 017	115 275	908	-	63 530	593 730
Construction	231 512	66 423	4 050	581	142 282	444 848
Development of building projects	14 914	10 948	3	-	-	25 865
Trade	439 282	273 780	22 791	4 615	38 120	778 588
Transport and communication	553 658	226 218	3 532	310	27 445	811 163
Hotels and restaurants	2 710	80 860	1 512	14 170	828	100 080
Financial and insurance services	345 877	23 997	99	20	104 039	474 032
Holding companies	72 528	23 415	-	-	8 609	104 552
Real estate and housing	996 993	338 304	2 043	102 911	8 057	1 448 308
Services	103 446	105 866	11 513	1 321	22 857	245 003
Public administration	3 676 286	889	-	-	-	3 677 175
Education, health and art	68 278	52 078	308	23	51	120 738
Private households	9 607 937	826 437	225 052	2 963	92	10 662 481
Other	247	192	-	-	-	439
Total	**17 430 518**	**2 708 782**	**301 946**	**129 802**	**476 601**	**21 047 649**

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2019						
Agriculture and forestry	174 702	21 234	26 051	242	593	222 822
Mining	75 962	47	21	-	122	76 152
Manufacturing	1 060 784	38 698	5 338	1 649	63 921	1 170 390
Energy and water supply	313 047	110 112	420	0	40 895	464 474
Construction	250 877	6 397	2 820	430	162 481	423 006
Development of building projects	34 180	31	7	0	216	34 434
Trade	650 515	33 077	19 050	4 429	47 179	754 249
Transport and communication	728 120	11 070	3 208	311	27 131	769 840
Hotels and restaurants	72 762	2 414	1 477	14 325	793	91 771
Financial and insurance services	369 256	801	286	0	102 028	472 370
Holding companies	88 388	4	157	-	11 320	99 868
Real estate and housing	1 151 369	40 988	727	105 417	3 278	1 301 780
Services	176 503	7 104	6 419	750	12 044	202 819
Public administration	3 493 749	613	-	-	1 107	3 495 469
Education, health and art	118 850	1 628	285	23	177	120 963
Private households	9 806 828	226 825	293 625	3 392	44	10 330 714
Other	461	-	-	-	221	682
Total	**18 443 785**	**501 009**	**359 727**	**130 969**	**462 013**	**19 897 503**

Credit risk exposure by region and financial instrument:

31.12.2020		Financial assets at amortised cost										
			Loans and advances to customers									
EUR ths.	Cash and cash balances - other demand deposits	Loans and advances to banks	of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others	Debt securities	Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
Slovakia	-	29	8 613 332	1 586 587	4 700 694	3 336 786	246 820	57 889	1 718	51 544	1 926 373	20 521 772
Central and Eastern Europe	10 837	10	2 051	358	12 257	46 878	-	15 197	-	36 545	27 459	151 592
Austria	7 681	8	39	47	2	-	-	3 576	-	36 442	9 861	57 656
Czech Republic	2 979	2	1 360	206	12 235	46 878	-	9 443	-	103	16 688	89 894
Hungary	169	-	114	17	18	-	-	1 633	-	-	901	2 852
Croatia	5	-	110	39	-	-	-	214	-	-	1	369
Romania	3	-	256	20	1	-	-	253	-	-	5	538
Serbia	-	-	172	29	1	-	-	78	-	-	3	283
Other EU	144	8	1 174	169	40 121	291 508	-	12 124	12	6 250	6 899	358 409
Other industrialised countries	42	-	274	95	602	5 078	-	147	6 010	-	4	12 252
Emerging markets	-	2	1 541	351	25	-	-	1 154	-	-	551	3 624
Total	**11 023**	**49**	**8 618 372**	**1 587 560**	**4 753 699**	**3 680 250**	**246 820**	**86 511**	**7 740**	**94 339**	**1 961 286**	**21 047 649**

31.12.2019		Financial assets at amortised cost										
			Loans and advances to customers									
EUR ths.	Cash and cash balances - other demand deposits	Loans and advances to banks	of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others	Debt securities	Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
Slovakia	-	29	8 066 677	1 785 642	4 195 427	3 215 229	217 757	74 428	3 163	35 861	1 766 177	19 360 390
Central and Eastern Europe	9 729	13	2 073	454	25 453	36 301	-	13 398	-	22 062	49 816	159 299
Austria	4 153	9	262	56	2	-	-	5 768	-	21 965	12 505	44 720
Czech Republic	254	1	1 243	263	25 446	36 301	-	5 084	-	97	34 344	103 033
Hungary	5 304	3	56	19	2	-	-	1 839	-	-	2 957	10 180
Croatia	13	-	109	36	-	-	-	159	-	-	2	319
Romania	5	-	226	46	1	-	-	497	-	-	6	781
Serbia	-	-	177	34	2	-	-	51	-	-	2	266
Other EU	318	10	1 200	246	44 550	280 242	-	19 867	13	6 520	8 231	361 197
Other industrialised countries	177	-	286	72	4 888	5 077	-	1 251	-	-	5	11 756
Emerging markets	-	3	1 625	354	38	-	-	1 778	-	-	1 063	4 861
Total	**10 224**	**55**	**8 071 861**	**1 786 768**	**4 270 356**	**3 536 849**	**217 757**	**110 722**	**3 176**	**64 443**	**1 825 292**	**19 897 503**

Credit risk exposure by region and risk category

EUR ths.	Credit risk exposure				Gross carrying amount
	Low Risk	Management attention	Substandard	Non-performing	
31.12.2020					
Slovakia	17 259 162	1 428 574	1 442 693	391 343	20 521 772
Central and Eastern Europe	146 083	750	4 413	346	151 592
Austria	57 642	-	14	-	57 656
Czech Republic	84 437	740	4 399	318	89 894
Hungary	2 840	10	-	2	2 852
Croatia	369	-	-	-	369
Romania	533	-	-	5	538
Serbia	262	-	-	21	283
Other EU	329 448	7 689	2 344	18 928	358 409
Other industrialised countries	6 031	8	6 010	203	12 252
Emerging markets	1 781	1 756	76	11	3 624
Total	**17 742 505**	**1 438 777**	**1 455 536**	**410 831**	**21 047 649**

EUR ths.	Credit risk exposure				Gross carrying amount
	Low Risk	Management attention	Substandard	Non-performing	
31.12.2019					
Slovakia	16 088 106	1 272 401	1 545 938	453 945	19 360 390
Central and Eastern Europe	140 839	17 293	899	268	159 299
Austria	44 421	175	121	-	44 717
Czech Republic	85 266	17 112	470	191	103 039
Hungary	9 825	-	308	46	10 179
Croatia	319	-	-	-	319
Romania	767	6	-	7	780
Serbia	241	-	-	24	265
Other EU	336 097	36	5 890	19 175	361 198
Other industrialised countries	11 539	4	212	-	11 755
Emerging markets	3 572	1 130	149	10	4 861
Total	**16 580 153**	**1 290 864**	**1 553 088**	**473 398**	**19 897 503**

Credit risk exposure by region and IFRS 9 stage:

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2020						
Slovakia	17 026 966	2 682 780	301 363	110 897	399 766	20 521 772
Central and Eastern Europe	76 064	17 650	342	3	57 533	151 592
Austria	11 357	-	-	-	46 299	57 656
Czech Republic	60 820	17 522	315	3	11 234	89 894
Hungary	2 851	-	1	-	-	2 852
Croatia	241	128	-	-	-	369
Romania	533	-	5	-	-	538
Serbia	262	-	21	-	-	283
Other EU	318 609	8 079	26	18 902	12 793	358 409
Other industrialised countries	6 038	-	203	-	6 010	12 251
Emerging markets	2 842	272	11	-	500	3 625
Total	**17 430 519**	**2 708 781**	**301 945**	**129 802**	**476 602**	**21 047 649**

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2019						
Slovakia	18 003 025	490 748	359 180	112 062	395 375	19 360 390
Central and Eastern Europe	98 850	9 299	264	4	50 882	159 299
Austria	10 150	100	-	-	34 467	44 717
Czech Republic	79 405	9 084	187	4	14 359	103 039
Hungary	7 962	115	46	-	2 056	10 179
Croatia	319	-	-	-	-	319
Romania	773	-	7	-	-	780
Serbia	241	-	24	-	-	265
Other EU	326 627	653	273	18 902	14 743	361 198
Other industrialised countries	11 542	213	-	-	-	11 755
Emerging markets	3 741	97	10	-	1 013	4 861
Total	**18 443 785**	**501 010**	**359 727**	**130 968**	**462 013**	**19 897 503**

Credit risk exposure according to impairment view:

31.12.2020	Non-impaired loans								
EUR ths.	Total past due non Impaired	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due	Neither past due nor Impaired	Impaired loans	Total Credit risk exposure
Cash and cash balances - other demand deposits	-	-	-	-	-	-	11 023	-	11 023
Financial assets at amortised cost	264 431	241 674	12 279	6 087	2 631	1 759	18 024 550	350 948	18 639 930
Loans and advances to banks	49	49	-	-	-	-	-	-	49
Loans and advances to customers	264 382	241 625	12 279	6 087	2 631	1 759	14 344 300	350 948	14 959 631
of which: Lending for house purchase	78 659	66 836	7 044	2 064	1 644	1 070	8 400 704	139 008	8 618 372
of which: Credit for consumption	48 831	42 445	3 526	1 692	851	318	1 456 490	82 239	1 587 560
of which: Corporate loans and others	136 892	132 344	1 709	2 331	136	371	4 487 106	129 701	4 753 699
Debt securities	-	-	-	-	-	-	3 680 250	-	3 680 250
Finance lease receivables	9 266	8 953	231	82	-	-	228 718	8 837	246 820
Trade and other receivables	6 677	4 975	1 339	211	153	-	75 434	4 399	86 511
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	-	-	-	7 740	-	7 740
Financial assets - held for trading	-	-	-	-	-	-	59 994	-	59 994
Positive fair value of derivatives	-	-	-	-	-	-	34 345	-	34 345
Total credit risk exposure on-balance	**280 374**	**255 602**	**13 849**	**6 380**	**2 784**	**1 759**	**18 441 804**	**364 184**	**19 086 363**
Off-balance	-	-	-	-	-	-	1 914 638	46 648	1 961 286
Total credit risk exposure	**280 374**	**255 602**	**13 849**	**6 380**	**2 784**	**1 759**	**20 356 442**	**410 832**	**21 047 649**

31.12.2019	Non-impaired loans								
EUR ths.	Total past due non Impaired	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due	Neither past due nor Impaired	Impaired loans	Total Credit risk exposure
Cash and cash balances - other demand deposits	-	-	-	-	-	-	10 224	-	10 224
Financial assets at amortised cost	375 374	344 675	18 120	8 155	4 389	34	16 880 360	410 153	17 665 885
Loans and advances to banks	54	54	-	-	-	-	1	-	54
Loans and advances to customers	375 320	344 621	18 120	8 155	4 389	34	13 343 510	410 153	14 128 982
of which: Lending for house purchase	133 458	118 686	8 516	3 277	2 978	-	7 768 635	169 768	8 071 861
of which: Credit for consumption	75 734	66 022	5 242	3 479	991	-	1 591 150	119 882	1 786 766
of which: Corporate loans and others	166 128	159 913	4 362	1 399	420	34	3 983 725	120 503	4 270 355
Debt securities	-	-	-	-	-	-	3 536 849	-	3 536 849
Finance lease receivables	5 693	4 397	958	242	92	4	201 950	10 115	217 757
Trade and other receivables	11 719	9 589	1 423	236	470	-	93 087	5 922	110 728
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	-	-	-	3 175	-	3 175
Financial assets - held for trading	-	-	-	-	-	-	41 423	-	41 423
Positive fair value of derivatives	-	-	-	-	-	-	23 020	-	23 020
Total credit risk exposure on-balance	**392 786**	**358 661**	**20 501**	**8 633**	**4 951**	**38**	**17 253 239**	**426 190**	**18 072 212**
Off-balance	-	-	-	-	-	-	1 778 083	47 208	1 825 291
Total credit risk exposure	**392 786**	**358 661**	**20 501**	**8 633**	**4 951**	**38**	**19 031 322**	**473 398**	**19 897 503**

Credit quality for exposures, which are neither past due non impaired:

EUR ths.	Low Risk	Management attention	Substandard	Non-performing	Total
31.12.2020					
Cash and cash balances - other demand deposits	11 023	-	-	-	11 023
Financial assets at amortised cost	15 860 466	1 147 193	1 016 892	-	18 024 551
Loans and advances to banks	-	-	-	-	-
Loans and advances to customers	12 180 216	1 147 193	1 016 892	-	14 344 301
of which: Lending for house purchase	7 676 067	541 466	183 172	-	8 400 705
of which: Credit for consumption	1 191 600	189 110	75 780	-	1 456 490
of which: Corporate loans and others	3 312 549	416 617	757 940	-	4 487 106
Debt securities	3 680 250	-	-	-	3 680 250
Finance lease receivables	188 394	26 437	13 886	-	228 717
Trade and other receivables	58 135	3 695	13 604	-	75 434
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	7 740	-	7 740
Derrivatives - held for trading	13 131	41 860	5 003	-	59 994
Positive fair value of derivatives - hedge accounting	34 345	-	-	-	34 345
Total credit risk exposure on-balance	**16 165 494**	**1 219 185**	**1 057 125**	**-**	**18 441 804**
Off-balance	1 518 400	169 760	226 478	-	1 914 638
Total credit risk exposure	**17 683 894**	**1 388 945**	**1 283 603**	**-**	**20 356 442**

EUR ths.	Low Risk	Management attention	Substandard	Non-performing	Total
31.12.2019					
Cash and cash balances - other demand deposits	10 224	-	-	-	10 224
Financial assets at amortised cost	14 623 508	1 093 847	1 163 005	-	16 880 360
Loans and advances to banks	1	-	-	-	1
Loans and advances to customers	11 170 427	1 093 847	1 079 236	-	13 343 510
of which: Lending for house purchase	6 989 816	571 392	207 427	-	7 768 635
of which: Credit for consumption	1 271 003	225 504	94 642	-	1 591 149
of which: Corporate loans and others	2 909 607	296 950	777 167	-	3 983 724
Debt securities	3 453 080	-	83 769	-	3 536 849
Finance lease receivables	179 137	17 960	4 852	-	201 949
Trade and other receivables	73 411	2 211	17 465	-	93 087
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	3 175	-	3 175
Derrivatives - held for trading	35 590	261	5 572	1	41 424
Positive fair value of derivatives - hedge accounting	23 020	-	-	-	23 020
Total credit risk exposure on-balance	**14 944 890**	**1 114 279**	**1 194 069**	**1**	**17 253 239**
Off-balance	1 509 201	116 100	152 782	-	1 778 083
Total credit risk exposure	**16 454 091**	**1 230 379**	**1 346 851**	**1**	**19 031 322**

Credit risk exposure by Basel 3 exposure class and financial instrument:

EUR ths.	Sovereigns	Institutions	Corporates	Retail	Total
31.12.2020					
Cash and cash balances - other demand deposits	-	11 023	-	-	11 023
Financial assets at amortised cost	3 644 081	183 023	3 818 782	10 994 044	18 639 930
Loans and advances to banks	-	49	-	-	49
Loans and advances to customers	272 329	-	3 693 258	10 994 044	14 959 631
of which: Lending for house purchase	-	-	-	8 618 372	8 618 372
of which: Credit for consumption	-	-	-	1 587 560	1 587 560
of which: Corporate loans and others	272 329	-	3 693 258	788 112	4 753 699
Debt securities	3 371 752	182 974	125 524	-	3 680 250
Finance lease receivables	517	-	230 635	15 668	246 820
Trade and other receivables	330	2 013	83 522	646	86 511
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	7 740	-	7 740
Derrivatives - held for trading	-	8 347	51 554	93	59 994
Positive fair value of derivatives - hedge accounting	-	34 345	-	-	34 345
Total credit risk exposure on-balance	**3 644 928**	**238 751**	**4 192 233**	**11 010 451**	**19 086 363**
Off-balance	33 299	44 919	1 362 531	520 537	1 961 286
Total credit risk exposure	**3 678 227**	**283 670**	**5 554 764**	**11 530 988**	**21 047 649**

EUR ths.	Sovereigns	Institutions	Corporates	Retail	Total
31.12.2019					
Cash and cash balances - other demand deposits	-	10 224	-	-	10 224
Financial assets at amortised cost	3 468 675	194 903	3 383 226	10 619 080	17 665 885
Loans and advances to banks	-	54	-	-	54
Loans and advances to customers	245 084	-	3 264 818	10 619 080	14 128 982
of which: Lending for house purchase	-	-	-	8 071 862	8 071 862
of which: Credit for consumption	-	-	-	1 786 766	1 786 766
of which: Corporate loans and others	245 084	-	3 264 818	760 453	4 270 355
Debt securities	3 223 591	194 849	118 408	-	3 536 849
Finance lease receivables	541	-	194 067	23 149	217 757
Trade and other receivables	391	4 492	104 940	905	110 728
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	3 175	-	3 175
Derrivatives - held for trading	-	5 464	35 914	44	41 422
Positive fair value of derivatives - hedge accounting	-	23 020	-	-	23 020
Total credit risk exposure on-balance	**3 469 607**	**238 103**	**3 721 322**	**10 643 178**	**18 072 211**
Off-balance	27 513	58 725	1 218 337	520 717	1 825 292
Total credit risk exposure	**3 497 120**	**296 828**	**4 939 659**	**11 163 895**	**19 897 503**

The assignment of obligors to Basel 3 exposure classes is based on legal regulations. For reasons of clarity, individual Basel 3 exposure classes are presented in aggregated form. The aggregated exposure class 'sovereigns' also contains regional and local governments as well as public sector entities in addition to central governments, central banks, international organisations and multinational development banks. Institutions include banks and recognised investment firms.

Covid-19

The Covid-19 pandemic has been causing high uncertainty in the global economy and on the global markets. Social distancing rules and lockdown restrictions imposed by governments led to economic slow-down and a significant drop of revenues across industries. Unprecedented state aid packages (e.g. state guarantees, bridge financing, the state temporarily paying workers' salaries to avoid redundancies, hardship funds for one-person and micro businesses) and moratoria programs were introduced to support citizens and companies (similar measures have been introduced also for other markets where parent company of the Group operates). While such measures mitigate the negative economic effects, they complicate a timely reflection of a potential deterioration of the loan portfolios.

Effect on customers

Immediately upon the crisis showing severe economic impacts in our region (governmental decisions on lockdowns), initiatives were started aiming to, on the one hand support Bank´s clients to the utmost extent, and on the other hand, manage the respective risks and bearing the responsibility of Bank towards all stakeholders in mind.

In these circumstances, in order to minimize the medium- and long-term economic impacts of the efforts taken to contain the COVID-19 pandemic, Slovak government have implemented several support measures. These measures introduced in Act. 67/2020 include moratorium on payments of credit obligations (1. EBA-compliant legislative moratoria) or giving financial support through loans with state guarantee (2. Public guarantee schemes). In cases where clients did not meet all predefined criteria required by legislation, individual solutions could be agreed (3. Other Covid-19 related measures).

In order to qualify moratorium on payments as EBA-compliant moratoria several conditions must be met:

a) The moratorium was launched in response to the COVID-19 pandemic,
b) The moratorium has to be broadly applied,
c) The moratorium has to apply to a broad range of obligors,
d) The same moratorium offers the same conditions,
e) The moratorium changes only schedule of payments,
f) The moratorium does not apply to new loans granted after the launch of the moratorium.

Credit risk exposure of non-financial corporations by industry – measures applied in response to the COVID-19 crisis:

EUR ths.	Loans and advances subject to EBA-compliant moratoria	Other loans and advances subject to Covid-19-related forbearance measures	Newly originated loans and advances subject to public guarantee schemes in the context of the Covid-19 crisis
31.12.2020			
Agriculture and forestry	10 923	1 201	3 973
Mining	0	0	0
Manufacturing	35 408	30	38 181
Energy and water supply	229	0	2 768
Construction	19 825	392	20 128
Trade	14 279	1 713	41 188
Transport and communication	18 845	63	14 195
Hotels and restaurants	11 227	11 440	7 066
Financial and insurance services	0	0	0
Real estate and housing	100 028	807	1 604
Services	6 231	83	7 860
Public administration	0	0	0
Education, health and art	3 818	11	1 940
Total	**220 813**	**15 740**	**138 905**

Loans and advances of non-financial corporations to which the measures applied in the response to Covid-19 were granted and are currently valid (have not been expired), amounted to 375 mil. EUR as of 31 December 2020. Measures mostly refer to EBA-compliant moratoria.

Credit risk exposure of households and other financial institutions – measures applied in response to the COVID-19 crisis:

EUR ths.	Loans and advances subject to EBA-compliant moratoria	Other loans and advances subject to Covid-19-related forbearance measures	Newly originated loans and advances subject to public guarantee schemes in the context of the Covid-19 crisis
31.12.2020			
Private households	994 091	78 152	6 918
Financial and insurance services	364	0	111
Total	**994 455**	**78 152**	**7 029**

Loans and advances of households to which the measures applied in the response to Covid-19 were granted and are currently valid (have not been expired), amounted to 1 079 mil. EUR and loans and advances of other financial institutions amounted to 475 mil. EUR as of 31 December 2020.

Loans and advances to which the measures applied in the response to Covid-19 have been treated as modified from the view of IFRS 9. However the effect of the modified contractual cash flows discounted by original effective interest rate compared to net present value of original cash flows was considered as immaterial. Due to this the Group does not recognize any modification gain or loss.

Effect on business

In March, Risk and Business divisions started a joint initiative aiming to quickly provide a harmonized guidance for a focused industry approach within Erste Group, reflecting the changed economic environment. Industries and sub-industries were categorized into critical, high, medium and low expected impacts due to Covid-19 creating an "Industry Heat Map". Critical and high industries equal to "High risk" category that is further used in tables presented below. The categorization is based on a combination of research material, feedback collected from client meetings and single name analyses, both centrally as well as in the entities. The Industry Heat Map is reassessed on quarterly basis.

Main drivers for assigning corresponding green (low impact), yellow (medium impact), amber (high impact) and red (critical impact) industry classification was the assessment of both, short-term as well as medium-term impacts of the crisis on the specific (sub)industry. E.g. a complete lock-down of businesses like hotels or passenger air transport resulted in "red" classification on short-term view and based on expected re-opening/recovery remained on "amber" or "red" or was assessed as "yellow" or "green" on medium-term view. A respective business and risk strategy for the (sub)industries was formulated based on the assessment. The assessed risk for the specific (sub)industry can lead to strategic recommendations (e.g. to temporarily limit financing for specific categories to existing clients only) and/or the revision of underwriting standards.

In order to address COVID-19 pandemic induced crisis, the Group introduced COVID-19 SICR overlays (described in detail below in section Effect on Expected Credit Loss) where exposures were moved from Stage 1 to Stage 2 based on certain rules. Compared to 2019 this movement created specific situation where exposures with worse rating grades moved from Stage 1 to Stage 2 thus lowering the provision coverage ratio in Stage 1. However, these exposures that moved from Stage 1 to Stage 2 have better rating grades than exposures that would be in Stage 2 without the COVID-19 SICR overlays which resulted in lower provision coverage also in Stage 2. This situation is observed on Retail portfolio whereas provision coverage on Corporate portfolio remained same in Stage 2 and is significantly higher in Stage 1. Overall the movement caused by COVID-19 SICR overlays caused increase in the total coverage ratio due to high provision creation. Stage 3 coverage remains stable and overall NPL coverage increased due to high provision creation.

Credit risk exposure and credit loss allowances by industry and IFRS9 treatment – industry heatmap:

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total	Credit loss allowances
31.12.2020								
Agriculture and forestry	106 910	58 945	25 977	954	192 787	227	193 014	18 576
Mining	66 454	3 500	0	0	69 954	92	70 046	176
of which high risk	62 563	87	0	0	62 650		62 650	157
Manufacturing	816 909	536 018	4 161	1 934	1 359 022	68 981	1 428 003	24 692
of which high risk	237 648	423 315	1 370	1 238	663 571	26 175	689 746	14 541
Energy and water supply	414 016	115 275	908	0	530 199	63 530	593 729	16 749
Construction	231 513	66 423	4 050	581	302 567	142 282	444 849	9 398
Trade	439 282	273 780	22 791	4 615	740 468	38 120	778 588	30 596
of which high risk	115 810	183 967	5 119	3 730	308 626	13 879	322 505	12 141
Transport and communication	553 659	226 218	3 533	310	783 720	27 445	811 165	11 930
of which high risk	156 808	78 129	273	0	235 210	1 079	236 289	1 998
Hotels and restaurants	2 710	80 860	1 512	14 170	99 252	828	100 080	7 325
of which high risk	2 710	80 860	1 512	14 170	99 252	828	100 080	7 325
Financial and insurance services	345 877	23 997	99	20	369 993	104 039	474 032	1 424
Real estate and housing	996 992	338 304	2 043	102 911	1 440 250	8 057	1 448 307	71 267
of which high risk	444 716	316 259	631	84 009	845 615	7 728	853 343	48 667
Services	103 445	105 866	11 513	1 321	222 145	22 857	245 002	13 597
of which high risk	65 828	98 922	10 539	1 103	176 392	4 494	180 886	11 846
Public administration	3 676 286	889	0	0	3 677 175	0	3 677 175	733
Education, health and art	68 278	52 078	308	23	120 687	51	120 738	4 006
of which high risk	14 287	17 005	154	0	31 446	51	31 497	754
Private households	9 607 937	826 436	225 052	2 963	10 662 388	92	10 662 480	198 201
Other	247	192	0	0	439	0	439	23
Total	**17 430 516**	**2 708 781**	**301 947**	**129 802**	**20 571 046**	**476 601**	**21 047 647**	**408 693**

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total	Credit loss allowances
31.12.2019								
Agriculture and forestry	174 702	21 234	26 051	242	222 229	593	222 822	14 092
Mining	75 962	47	21	0	76 030	122	76 152	97
Manufacturing	1 060 784	38 698	5 338	1 649	1 106 469	63 921	1 170 390	9 148
Energy and water supply	313 047	110 112	420	0	423 579	40 896	464 475	2 935
Construction	250 877	6 397	2 820	430	260 525	162 481	423 006	4 821
Trade	650 514	33 077	19 050	4 429	707 070	47 179	754 249	21 283
Transport and communication	728 120	11 070	3 208	311	742 709	27 131	769 840	4 291
Hotels and restaurants	72 762	2 414	1 477	14 325	90 978	793	91 771	2 159
Financial and insurance services	369 256	801	286	0	370 343	102 028	472 370	719
Real estate and housing	1 151 369	40 988	727	105 417	1 298 502	3 278	1 301 780	51 744
Services	176 503	7 104	6 419	750	190 776	12 044	202 819	4 649
Public administration	3 493 749	613	0	0	3 494 362	1 107	3 495 469	551
Education, health and art	118 850	1 628	285	23	120 786	177	120 963	612
Private households	9 806 828	226 825	293 625	3 392	10 330 670	44	10 330 714	233 945
Other	461	0	0	0	461	221	682	8
Total	**18 443 784**	**501 009**	**359 727**	**130 969**	**19 435 489**	**462 014**	**19 897 503**	**351 053**

Effect on Expected Credit Loss

The Group kept its model for ECL (expected credit loss) consistent with prior periods. The Group has enhanced few areas mainly in the credit risk parameters and SICR (significant increase in credit risk) assessment process in order to address COVID-19 pandemic induced crisis.

Credit risk parameters were affected by the macroeconomic development. The Group is using macro shift translation models whichthe Group has implemented for purposes of external and internal stress test to translate macro variables to parameters' shifts. Unprecedented state support measures lead to a significant delay in the observed defaults. Therefore, the Group decided to adjust credit risk parameters to a different point in time (PiT) value – financial crisis 2008-2009. Additionally, various expected macroeconomic developments are incorporated as forward-looking information (FLI).

The Group uses three scenarios as a basis for the credit risk parameters' shift incorporation. The Baseline scenario is constructed by the Erste Group macro research team which leverages on the network of local macroeconomic experts in our core markets. The baseline scenario is generally aligned with other available external forecasts (e.g.: ECB, IMF, EU Commission).

Upside and downside scenarios are generated using internal statistical methodology based on the long-time horizon time series of macroeconomic variables.

Erste Group has also used its internal COVID-19 related stress test scenario in constructing the downside scenarios. Due to higher volatility of the macro predictions, for the first time, the Group assigned for year 2021 euqal or higher probability to the downside scenario rather than to the baseline scenario.

The Eurozone assumptions by Erste Group used for the forward-looking-information calculation are broadly aligned with the published December ECB forecasts for the Eurozone. Although these assumptions are broadly aligned with other external forecasts, there might be certain differences on individual country level. Nevertheless, stronger relative drop/increase in one year usually implies also stronger/lower relative increase in the subsequent year, decreasing differences between the cumulative multiple years impact. Also, external forecasts typically fall within the FLI scenario range between the downside and upside scenarios.

For years 2021-2023, the projected growth is relatively high from the historical perspective (considering strong real GDP drop in 2020 and strong base effect) and in this case model assigns higher probability to downside scenarios. Assignment of higher probabilities to the downside scenarios also reflects pronounced downside risks reflected in more severe probability weighted scenarios compared to the sole baseline scenario.

The Group uses a 1-year period forward looking prediction to be incorporated into credit risk parameters. After the first year the Bank reverses to using through the cycle observed values. During current ECL estimation the Group used point in time shift from crisis in 2008-2009 and as forward-looking prediction we used macro prediction for 2021.

The Group has kept all the standard triggers for SICR assessment and has added additional ones such as COVID-19 SICR overlays. In order to properly identify portfolios with higher risk of default and addressing drawbacks in SICR identification due to the current COVID-19 situation and COVID-19 measures, the Group has decided to implement COVID-19 SICR overlays. They follow standard SICR assessment process and identify additional portfolios to be migrated to lifetime ECL measurement - Stage 2 (they cannot be used to over-ride standard stage 2 migrations back to stage 1).

In order to quantify COVID-19 SICR overlay, the Group uses 3 negative information:
1. COVID-19 flag
2. Industry Heat Map information (not relevant for private individuals)
3. the level of the current 1Y IFRS PD

as factors which combination leads to COVID-19 SICR overlay assessment.

The Group established a COVID-19 flag in the systems. The COVID-19 flag indicates any supporting measure granted to the customer irrespective whether legal or private moratorium, EBA guideline compliant or not. All these flags are considered as relevant and are referred to as COVID-19 flag for the purpose of COVID-19 SICR overlay. Applying for COVID-19 measures, even if not by itself, in combination with other negative information would point to current weakness and higher vulnerability to default in our view.

In order to distinguish between opportunistic applicants and those who really need the measure to cover a worsened situation, the Group set 1Y IFRS PD threshold of 250 bps as second negative information (i.e. if the Group has only industry heat map negative information or COVID-19 flag as the negative information). In case there exists already a combination of two negative information, the Group does not need any PD discriminator – i.e. COVID-19 flag and high-risk industry combination would result to Stage 2 migration irrespective of current PD. Critical industry segment designation is the only criteria that would lead to Stage 2 on its own.

To summarize COVID-19 SICR overlay rules that would result to Stage 2 migration are as follows:

1. Private individuals
   a. COVID-19 flag + PD
2. Non-private individuals
   a. COVID-19 flag + medium risk industry + PD
   b. COVID-19 flag + high risk industry (irrespective of PD)
   c. High risk industry + PD (irrespective of COVID-19 flag)
   d. Critical risk industry (irrespective of PD and COVID-19 flag)

The sensitivity analyses tables below present staging splits of the current performing exposures and ECL. Movements of exposures between Stage 1 and Stage 2 and resulting changes in ECL triggered by effect of Covid-19 SICR overlays and FLI macro overlays is shown. Effects on industry segments and high-risk industry subsegments (high risk and critically impacted industries) are disclosed. For the ECL change a positive sign (+) equals a release while a negative sign (-) equals an allocation. For Exposure a positive sign (+) equals increase of exposure while a negative sign (-) equals decrease of exposure. Values presented as sensitivities are results of internal simulations.

Sensitivity analyses – Forward looking information (FLI) and stage overlays due to the Covid-19 pandemic

Impact on credit risk exposure by industry

EUR ths.	Current status – parameters (FLI shifted)		Current status without stage overlays due to Covid-19		Point in time parameters (before FLI shift)	
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
31.12.2020						
Agriculture and forestry	106 828	58 944	18 824	-18 824	16 275	-16 275
Mining	66 454	3 500	1 548	-1 548	166	-166
of which high risk	62 563	87	3	-3	60	-60
Manufacturing	816 909	536 018	326 700	-326 700	23 801	-23 801
of which high risk	237 648	423 315	267 664	-267 664	9 881	-9 881
Energy and water supply	414 016	115 275	3 817	-3 817	313	-313
Construction	231 513	66 423	9 879	-9 879	9 699	-9 699
Trade	439 282	273 769	223 569	-223 569	27 100	-27 100
of which high risk	115 810	183 967	163 833	-163 833	13 796	-13 796
Transport and communication	553 558	226 218	120 413	-120 413	6 085	-6 085
of which high risk	156 808	78 129	44 921	-44 921	124	-124
Hotels and restaurants	2 701	80 860	53 040	-53 040	1 154	-1 154
of which high risk	2 701	80 860	53 040	-53 040	1 154	-1 154
Financial and insurance services	345 885	23 997	21	-21	341	-341
Real estate and housing	1 023 561	338 304	190 758	-190 758	14 789	-14 789
of which high risk	444 716	316 259	190 758	-190 758	14 680	-14 680
Services	103 452	105 866	87 179	-87 179	3 969	-3 969
of which high risk	65 828	98 922	85 424	-85 424	1 640	-1 640
Public administration	3 676 286	889	0	0	0	0
Education, health and art	68 278	52 078	20 989	-20 989	386	-386
of which high risk	14 287	17 005	16 037	-16 037	106	-106
Households	9 607 937	826 436	478 785	-478 785	-1 139	1 139
Other	247	203	0	0	151	-151
Total	**17 456 907**	**2 708 780**	**1 535 522**	**-1 535 522**	**103 090**	**-103 090**

Impact on credit loss allowances by industry

EUR ths.	Current status – parameters (FLI shifted)		Current status without stage overlays due to Covid-19		Point in time parameters (before FLI shift)	
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
31.12.2020						
Agriculture and forestry	1 168	5 480	-568	1 275	462	2 104
Mining	160	16	-1	4	-1	11
of which high risk	154	4	0	0	-1	3
Manufacturing	2 847	17 323	-2 388	6 560	2 071	1 331
of which high risk	919	11 425	-1 893	5 313	1 255	416
Energy and water supply	1 425	14 611	-22	90	428	192
Construction	2 106	3 964	-182	372	871	911
Trade	1 913	11 469	-2 000	7 145	1 506	1 655
of which high risk	340	6 767	-1 333	4 725	672	782
Transport and communication	1 449	7 456	-1 239	4 336	1 107	437
of which high risk	207	1 571	-245	894	127	9
Hotels and restaurants	28	4 456	-574	1 976	199	86
of which high risk	28	4 456	-574	1 976	199	86
Financial and insurance services	588	767	0	0	224	20
Real estate and housing	3 197	16 557	-2 049	6 916	519	479
of which high risk	1 933	13 170	-2 049	6 916	506	465
Services	498	4 454	-995	2 656	546	340
of which high risk	210	3 813	-976	2 564	394	135
Public administration	699	34	0	0	0	0
Education, health and art	277	3 486	-207	797	185	42
of which high risk	60	570	-120	524	81	3
Households	18 716	49 732	-3 483	19 232	4 592	-4 512
Other	5	21	0	0	-4	17
Total	**35 077**	**139 824**	**-13 708**	**51 359**	**12 704**	**3 112**

In case of FLI macro shifts and PiT parameters the Group was given a choice either to use 2020 macro values for year 2021 for FLI or adjust PiT parameters to a crisis period and use standard FLI. The Group decided to opt for the second option and adjusted PiT parameters to latest observed crisis in years 2008-2009.

The following tables present sensitivity analyses taking into consideration only changes due to the different values of PDs according to the baseline, upside and downside FLI scenarios. Covid-19 SICR overlays are ignored. Sensitivities of these scenarios are calculated in comparison to current production i.e. - weighted scenarios FLI shifted (weights and scenarios are disclosed in the "Expected credit loss measurement" section above). In tables below the Group is showing impacts of different scenarios on exposure and ECL, where each particular scenario has 100% weight.

Total exposure in Stage 2 decreases by 103 mil. EUR before the PiT adjustment and ECL decreases by 15,8 mil. EUR (values shown in tables refer to PiT risk parameters before the adjustment to the latest observed crisis). In case of baseline and upside scenarios total exposure in Stage 2 decreases by 4,8 mil. EUR and 8,5 mil. respectively and ECL decreases by 2,6 mil. EUR and 4,6 mil. EUR respectively. In case of downside scenario total exposure in Stage 2 increases by 5,3 mil. EUR and ECL increases by 4,9 mil. EUR.

Sensitivity analyses – Different probabilities of default (PD)

Impact of different scenarios on credit risk exposure by industry

EUR ths.	Point in time parameters (before FLI shift)		Upside scenario		Baseline scenario		Downside scenario	
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
31.12.2020								
Agriculture and forestry	16 275	-16 275	683	-683	127	-127	-290	290
Mining	166	-166	0	0	0	0	0	0
of which high risk	60	-60	0	0	0	0	0	0
Manufacturing	23 801	-23 801	300	-300	139	-139	-102	102
of which high risk	9 881	-9 881	107	-107	69	-69	-33	33
Energy and water supply	313	-313	0	0	0	0	0	0
Construction	9 699	-9 699	277	-277	238	-238	-230	230
Trade	27 100	-27 100	1 010	-1 010	488	-488	-667	667
of which high risk	13 796	-13 796	202	-202	82	-82	-194	194
Transport and communication	6 085	-6 085	247	-247	110	-110	-151	151
of which high risk	124	-124	0	0	0	0	-41	41
Hotels and restaurants	1 154	-1 154	39	-39	38	-38	-30	30
of which high risk	1 154	-1 154	39	-39	38	-38	-30	30
Financial and insurance services	341	-341	4	-4	4	-4	0	0
Real estate and housing	14 789	-14 789	111	-111	0	0	0	0
of which high risk	14 680	-14 680	111	-111	0	0	0	0
Services	3 969	-3 969	173	-173	106	-106	-140	140
of which high risk	1 640	-1 640	87	-87	76	-76	-98	98
Public administration	0	0	0	0	0	0	0	0
Education, health and art	386	-386	70	-70	30	-30	-16	16
of which high risk	106	-106	70	-70	30	-30	0	0
Households	-1 139	1 139	5 608	-5 608	3 486	-3 486	-3 607	3 607
Other	151	-151	0	0	0	0	-50	50
Total	**103 090**	**-103 090**	**8 522**	**-8 522**	**4 767**	**-4 767**	**-5 282**	**5 282**

Impact of different scenarios on credit loss allowances by industry

EUR ths.	Point in time (before FLI shift)		Upside scenario		Baseline scenario		Downside scenario	
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
31.12.2020								
Agriculture and forestry	462	2 104	1	73	5	21	-18	-30
Mining	-1	11	0	0	0	0	0	-1
of which high risk	-1	3	0	0	0	0	0	0
Manufacturing	2 071	1 331	22	29	15	12	-36	-16
of which high risk	1 255	416	13	4	7	3	-17	-2
Energy and water supply	428	192	1	2	1	1	-1	-2
Construction	871	911	27	55	10	35	-36	-50
Trade	1 506	1 655	39	66	22	35	-40	-67
of which high risk	672	782	16	10	10	4	-18	-10
Transport and communication	1 107	437	21	15	11	7	-26	-13
of which high risk	127	9	2	0	1	0	-1	0
Hotels and restaurants	199	86	10	5	4	5	-13	-2
of which high risk	199	86	10	5	4	5	-13	-2
Financial and insurance services	224	20	1	1	1	1	-1	-1
Real estate and housing	519	479	6	17	6	0	-13	-1
of which high risk	506	465	5	16	6	0	-11	0
Services	546	340	19	18	10	8	-16	-23
of which high risk	394	135	13	3	6	2	-8	-9
Public administration	0	0	0	0	0	0	0	0
Education, health and art	185	42	7	4	4	3	-9	-3
of which high risk	81	3	1	2	0	1	-3	0
Households	4 592	-4 512	2 665	1 525	1 482	897	-2 978	-1 511
Other	-4	17	0	1	0	1	1	-2
Total	**12 704**	**3 112**	**2 821**	**1 813**	**1 572**	**1 026**	**-3 188**	**-1 722**

Forbearance

In September 2014 the Group has implemented a forbearance definition based on the EBA definition. The forborne exposure can be identified in both, performing and non-performing portfolios:

- Performing forbearance – forborn loans for customers without financial difficulties
- Non-performing forbearance – forborn loans for customers, which defaulted after forbearance
- Defaulted forbearance – forborn loans for customers in default

The following table presents gross carrying amounts of exposures with forbearance measures:

EUR ths.	Performing exposures with forbearance measures - Instruments with modifications in their terms and conditions	Non-performing exposures with forbearance measures - Instruments with modifications in their terms and conditions	of which: Defaulted	of which: Impaired	Total
31.12.2020					
Financial assets at amortised cost - Loans and advances	**176 345**	**115 236**	115 236	115 236	**291 581**
Loan commitments given	**14 509**	**45 330**	45 330	45 330	**59 839**

In April 2020 EBA published In the context of the COVID-19 crisis Gudeline on legislative and non-legislative moratoria. If the exposures subject to the moratorium meet the conditions in this guideline such measures should not change the classification of exposures under the definition of forbearance or change whether they are treated as distressed restructuring. As of 31 December 2020 loans and advances for which payment moratoria in accordance with COVID-19 have been provided and which were not subject of forbearance amounted to 1 550,9 mil. EUR. This amount includes also loans and advances with expired EBA-compliant moratoria (335,6 mil. EUR). More detailed information about COVID-19 is provided in note 33.

Concentration

The following table presents a summary of the Group's credit risk to the Slovak Republic, companies controlled by the Slovak government, self-governing regions, guarantees issued by the Slovak government and similar exposures:

EUR ths.	Amount		Portion of total assets %	
	31.12.2019	**31.12.2020**	**31.12.2019**	**31.12.2020**
Cash and cash balances	93 129	1 354 133	0.50%	6.54%
Loans and receivables to customers	446 101	514 715	2.40%	2.49%
Securities portfolio	2 924 842	3 051 137	15.70%	14.74%
Deferred tax asset	44 727	76 980	0.24%	0.37%
Total	**3 508 799**	**4 996 965**	**18.84%**	**24.13%**

The following table presents a breakdown of state debt securities held by the Group per portfolio and type of security:

EUR ths.	31.12.2019	31.12.2020
Financial assets at amortised cost	2 924 842	3 051 137
State bonds denominated in EUR	2 894 007	3 022 996
State bonds denominated in USD	30 835	28 141
Total	**2 924 842**	**3 051 137**

The sovereign issuer rating of the Slovak Republic according to the international rating agency Moody's is A2 with stable outlook (since 27 September 2020).

Market risk

Market risk is the risk of losses in balance sheet and off-balance sheet positions arising from movements in market factors, i.e. prices, interest rates, foreign exchange rates, volatilities, etc. The risk management process comprises of the four key elements:

- risk identification – identify all risks inherent in the trading operations and in new products (new products check) and ensure these are subject to adequate procedures and controls before being introduced or undertaken
- risk measurement – calculation of risk exposure using sensitivities and value-at-risk
- limits management – comprehensive limit system and limit allocation in order to restrict the maximum risk exposure
- risk monitoring and reporting

The entire market risk management is independent from the business lines and is carried out by Strategic Risk Management (SRM). Trading and investment operations are subject to strict rules defined by SRM and approved by ALCO committee.

Methods and instruments employed

All positions of the Group, both in banking and trading books, that are subject to market risk are re-valued daily (including positions held-to-maturity), either to market or to model prices, and respective profit or loss is calculated.

The main tool to measure market risk exposure in the Group is sensitivity analysis and value-at-risk (VAR) which is complemented by back testing and stress testing programme.

VAR for trading book and investment portfolios of banking book estimates the maximum potential loss over 1-day holding period with 99% confidence interval and is based on historical simulation (2-years history window, equally weighted) while all positions are treated via full valuation in the calculation (i.e. no simplification of positions for the purpose of VAR). VAR is measured consistently across all portfolios (both banking and trading book) and considers relevant market factors.

In order to validate the value-at-risk model, daily back testing routines are applied. In the procedure the real value of closing position of the previous trading day is computed first using relevant market rates of that day. The same closing position is then revalued using the closing market rates of the current day. The difference between the two values is the so-called hypothetical profit and loss, i.e. profit and loss that would have been obtained if the position remained unchanged during the last trading day. If this profit or loss figure exceeds the value-at-risk figure, an exception is recorded and documented. Back testing is conducted not only for the whole trading book, but also for each trading desk and additionally for each applicable risk factor (interest rate, FX rate, stock price, volatility, etc.).

VAR is subject to some model assumptions (e.g. historical simulation), hence stress testing is established in order to partially tackle these shortcomings by estimating losses due to extreme changes in market factors, the probabilities of which are very small. Position or portfolios are tested under a number of potential extreme scenarios and their impact on value and hence profit and loss is computed.

Overall market risk of the entire balance sheet is also measured using economic value of equity measure based on EBA guidelines. It is a change in present value of Bank's interest rate sensitive assets and liabilities as a result of prescribed set of severe scenarios (both parallel and non-parallel, specified by EBA). The resulting sensitivity is related to the available capital.

Risk mitigation and reporting

In order to manage the maximum risk exposure, a comprehensive system of limits is established, including VAR, sensitivity, and stop-loss limits. Limits are structured according to individual portfolios (separate limits are defined for derivative trades). Limits are reviewed/proposed usually at year-end by SRM in cooperation with Treasury/BSM for the upcoming business year. Reallocations are also possible during the current year. The new limits proposal or change in approved limits is subject to approval by ALCO committee. Monitoring is performed daily by SRM. Each limit violation must be reported and explained with ALCO being the supreme decision maker on further action.

Risk reporting is done daily for relevant management and monthly for ALCO.

Market risk measures

The following tables summarize the risk measures – Value at Risk of banking book and trading book:

EUR mil.	2019	2020
Trading book VAR	0,01	0,01
Banking book VAR - ALM portfolio	7,5	13,0
Banking book VAR - Corporate portfolio	0,87	1,0
Banking book VAR – ALCO portfolio	0,13	0,15
Overall Banking book sensitivity (-200bp shock)	-29,2	11,3

VAR figure is almost fully driven by interest rate risk, whilst foreign exchange and other risks are negligible.

FX risk

Basic principle behind managing FX risk is to transfer positions stemming from banking book activities to Erste Holding. However, in reasonable cases, banking book is permitted to hold strategic FX positions. This would typically be opened in order to hedge existing FX positions that are not explicitly seen on the balance sheet.

Strategic positions are subject to ALCO approval and shall be managed on a daily basis by Balance Sheet Management. They are covered by sufficient limit structure and reporting on VAR, stop-loss limit and and are disclosed as the gain or loss (responsibility of Strategic Risk Management).

Liquidity risk

The liquidity risk is defined in the Group as the inability to meet the Group's cash obligations as they come due because of an inability to liquidate assets or obtain adequate funding. Accordingly, a distinction is made between market liquidity risk, which is the risk that the Group can not easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the Group will not be able to meet efficiently both expected and unexpected current and future cash flows and collateral needs without affecting either daily operations or the financial condition of the Group.

Liquidity risk is within the authority of ALCO. The Local Operating Liquidity Committee ('L-OLC') is responsible for operational managing and analysing of the liquidity situation of the Group.

Actual management of liquidity risk is done by Strategic Risk Management. Structural liquidity management is performed by Balance Sheet Management and daily liquidity managing and the fulfilment of minimum required reserves is performed by the Treasury department.

Liquidity strategy

The primary goal of the Funding Strategy in the year 2020 was to cover the planned funding gap coming from the core business efficiently in terms of structure and costs vs. risk tolerance. This has been successfully achieved as the Group comfortably fulfills all regulatory and internal liquidity limits and keeps sufficient liquidity buffer composed mainly of government securities.

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period (SPA) on weekly basis. This analysis determines the maximum period during which the Group can survive different crisis scenarios (severe market, idiosyncratic, or combined crisis) while relying on its pool of liquid assets. The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflow.

Liquidity ratios defined by the regulator (LCR – Liquidity Coverage Ratio, NSFR – Net Stable Funding Ration and local LCR) are periodically monitored and are all at very satisfactory levels. All limits defined by the regulator are observed with large buffer.

Additionally, the static liquidity gap is monitored regularly on weekly basis and reported monthly to ALCO. Funding concentration risk is continuously analysed in respect to counterparties and is also reported to ALCO monthly.

Strategic Risk Management provides the reverse stress testing of liquidity where several assumptions (withdrawal, rollover, reserve haircuts) are modelled in order for the Group to survive exactly one month. This is done on a monthly basis and is reported to ALCO.

Methods and instruments of risk mitigation

General standards of liquidity risk controlling and management (standards, limits and analysis) have been defined withing the Group and are continuously reviewed and improved by L-OLC and ALCO.

The short-term liquidity risk is managed by limits resulting from the survival period analysis where horizon limits are defined for each scenario as follows:

- ordinary course of business – over 3 months
- severe name crisis – over 1 months
- severe market crisis – over 6 months
- sever combined name and market crisis – over 3 months
- mild name crisis – over 3 months
- mild market crisis – over 12 months
- mild combined name and market crisis – over 6 months

For each scenario also the limit for liquidity surplus over given horizon limit is applied. The limit is set at 0 Eur with warning level in range between 0 and 200 mil. Eur.

The minimum volume of the ECB eligible securities in liquidity buffer (counter-balancing capacity) is limited by 1,5 bn Eur.

The minimum amount of highly liquid assets (cash and average balance in central bank less minimum reserve requirement) must be over 1,25 bn EUR.

The Group daily monitors its counter-balancing capacity, which consists of cash, excess minimum reserve at the central banks, as well as unencumbered central bank eligible assets. These assets can be mobilized in the short term to offset potential cash outflows in a crisis situation.

Further, short-term risk is managed by regulatory and internal (more severe) limits on LCR, NFSR, and local LCR ratios.

Funding Concentrations management - sum of top 10 biggest clients of each monitored group of wholesale funding providers (public, financial, credit institutions and corporates) may not account for more than 500 mil. Eur. Should this amount be exceeded, the minimum liquidity reserve must be increased by the amount of excess.

Based on analysis and measurement, and based on liquidity strategy, medium and long-term (structural) management of liquidity is carried out by BSM while major decisions have to be approved by ALCO. Strategic Risk Management must ensure that the execution is in line with the approved Liquidity Strategy and that the approved limits are being followed. ALCO must be informed on the status of structural liquidity within the regular ALCO liquidity reports.

The Contingency Plan ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis.

Analysis of liquidity risk

All regulatory ratios were well above the defined regulatory limits during the year 2020.

Internal analysis

Counter-balancing capacity – the minimum amount of highly-liquid ECB eligible securities to cover unexpected cash outflow was around 3,1 bil. Eur throughout 2020 (well above the 1,5 bil Eur limit).

2020 EUR mil.	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
Cash, excess reserve	1 552	-	-	-	-
Liquid assets	2 656	(9)	(117)	(5)	(20)
Retained covered bonds	-	806	-	-	-
Credit claims	-	108	(2)	(3)	(19)
Counterbalancing capacity	**4 208**	**905**	**(119)**	**(8)**	**(39)**

2019 EUR mil.	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
Cash, excess reserve	384	-	-	-	-
Liquid assets	3 516	(5)	-	(359)	(11)
Retained covered bonds	-	799	-	-	-
Counterbalancing capacity	**3 900**	**794**	**-**	**(359)**	**(11)**

Survival period analysis

During the year 2020 all SPA limits were fulfilled. The most severe scenario (combined crisis) had a value about 12 month during the whole year.

Funding concentrations

During the year 2020 the funding concentrations limits was violated just one time in March (by about 49 mil. Eur). The limit violation was caused by short-dated deposits from Erste Group Bank and was covered by temporary increase of minimum liquidity reserve by the amount of exceeding.

Operational risk

Main objectives of effective system of operational risk management are:

- set up a bank-wide framework for operational risk management and to translate this framework into specific policies, procedures or processes that can be implemented and verified within different business units
- properly identify major drivers of operational risk
- develop model for quantification of risk exposure profile and for calculation of both economic and regulatory capital
- prevent or minimize losses due to operational risk by adaptation of suitable processes, preventive measures or by selecting suitable insurance
- implement and update of insurance program
- define outsourcing and internal control system principles
- prepare ORCO meetings
- continuously improve the operational risk management process (described in subsequent chapters on risk identification, measurement and management)
- provide quality reporting and documentation

Risk identification

Comprehensive risk identification is imperative for each subsequent stages of the operational risk management life cycle. Its primary objective is to provide information needed for correct decision making within operational risk management. Prompt risk identification may lead to quick detection and correction of deficiencies in policies or processes, and may substantially reduce the potential frequency and / or severity of loss events.

Risk identification is generally forward-looking. While it is inevitable to use historical loss data, they are supported by forward-looking approaches in order to obtain better quality assessment. Whenever possible, identification factors are translatable into quantitative measures.

The most significant sources of operational risk in the Group are:

- theft and fraud (both external and internal);
- legal risks;
- conduct risk;
- human processing error;
- data, infrastructure, and system related risks;
- ICT risk, especially cyber crime
- improper practices (including incomplete or ambiguous internal guidelines)
- natural disaster and wilful damage

These sources of risk must be consistently assessed and re-evaluated using a variety of risk identification techniques, described in the following sub-sections. The results of the risk identification are regularly reported to high-level decision bodies (ORCO, Board of Directors).

Internal data

The Group maintains a central database of operational risk events and losses. This is as comprehensive as possible in that it captures all material activities throughout the Group. Data collection is conducted via a web-based application EMUS which was upgraded in 2016 and continuously finetuned every year. This application now provides more user friendly platform to deal with operational risk losses. Currently this system contains more modules which supports whole compliance and operational risk management area (whistleblowing, conflict of interests, trading of employees, regulatory compliance, third party/clients checks evidence, corrective measures for fraud management). Thanks new reporting services possibilities and fully automated reports, EMUS becomes Business Intelligence application which supports our management needs.

Operational risk event is defined as an event due to inadequate or failed processes, human factors or systems, or external events, which lead (or have the potential to lead) to losses, or have other negative impact on the Group. All organizational units and their employees are obligated to report operational risk events, encountered or potential loss (both direct and indirect) of which is higher than defined threshold, or is not quantifiable yet relevant. Reporting is done via EMUS, where every employee of the Group has an access right. Information on loss amounts, recoveries, date of event and other relevant descriptive information must be provided.

Every event reported in the EMUS application follows the acceptance procedure by expert departments. Events have two-stage acceptance procedure. Depending on the type of event, first stage is conducted by either IT Security, Physical Security, Fraud Prevention, Card Services, Internal Services or Legal Unit. Second stage is a data consistency check and is performed by Operational Risk Management. Events are categorized according to business lines. Special attention must be paid to events that span more than one business line, or events that arise in centralized function that cannot be directly mapped to a business line. Internal data collection process is covered by Operational Risk Management in an associated guideline. This guideline covers definitions, principles for event and loss classification, minimum loss threshold, event acceptance procedure, required data for each event, etc.

External data

As severe operational risk events are scarce, and may not have been captured in internal data collection, the Group also includes adequate external event data in its risk identification system. These cover infrequent severe events with relevance to the Group or financial industry. The Group systematically incorporate external data into its risk measurement methodology. External data collection is coordinated with the Erste Group efforts on this matter and will be locally conducted by Operational Risk Management.

Scenario analysis

Contrary to internal and external data collection, scenario analysis is a forward-looking tool of risk identification. The Group includes such analysis in order to evaluate its exposure to high-severity events and to derive reasonable estimates of potential severe losses. The results will in turn serve as input factors to the risk measurement process. Scenarios must be periodically reassessed for meaningfulness and should consider breakdown of assumed correlation patterns (i.e. the possibility of two or more severe events happening simultaneously). Scenario analysis is conducted by Compliance and Operational Risk Management departments.

Risk mapping and key risk indicators

The objective of this risk identification technique is to map the level of different operational risks across the Group and to set up a measurable framework known as key risk indicators ('KRI') that tracks the most important drivers of operational risk and that could subsequently be used in risk measurement. Risk mapping is a top-down approach. Compliance and Operational Risk Management, with the help of respective senior or third level manager, will conduct an analysis and grading of operational risks inherent in each unit's activities, in order to come with overall risk map of the Group. The resulting map will have three dimensions, namely:

· risk category
· business line / product
· functional process level – where applicable, this provides depth for the business line / product dimension (e.g. stages of particular process or lifecycle phases of product)

The outcome of risk mapping will provide the basis for defining KRI, which will in turn be periodically monitored. It will serve as input for risk measurement and operational risk management decision making. Reporting on KRI is the responsibility of business units.

KRI has the following properties:

· it is easy to use, i.e. available for reliable periodical measurement, cost effective to measure, and easy to understand and communicate;
· it is effective, i.e. apply to high risk points, reflect objective measurement rather than subjective judgment, and provide useful management information.

Risk measurement

The Group measures its operational risk exposure using the loss distribution approach. In this, the probability distribution of both, frequency of loss and amount of loss, is modelled and is recombined (typically using Monte Carlo simulation) into a compound distribution of yearly losses. Out of this distribution, both expected and unexpected losses could be calculated. In accordance with Basel II, the confidence interval for unexpected loss should be at least 99,9 % and the holding period should be one year.

In modelling the distribution, all outcomes of risk identification process is used, i.e. both internal and external data, scenario analysis, risk mapping, and factors reflecting the business environment and internal control systems is used. In calculating the exposure, mitigation techniques (specifically insurance) may be included. This is done via decreasing of the gross loss for individual loss events by probable insurance coverage.

The Group is able, given both adequate data and sound models are available, to arrive at sufficiently granular profile of the risk exposures, i.e. to calculate the exposures for all major drivers of operational risk (along business lines and risk types). Over time, the model is validated through comparison to actual experience and appropriate corrections are made. Design of the risk measurement model is within the responsibility of Erste Holding (for more details see the Group AMA documentation). Modelling inputs are provided by Operational Risk Management.

Managing operational risk

Management of operational risk is primarily the responsibility of each individual business unit in its daily course of operations. In addition, Operational Risk Management has a harmonization role and performs activities of global scope.

In general, operational risk can be managed via any (or a combination) of the following:

· risk mitigation, including insurance
· system of internal controls
· outsourcing
· risk acceptance
· decrease of the extent or disposal of the risky activity

Selection of the approach is by definition the responsibility of senior managers or of the Board of Directors for the activities and risks of global scope. For risks identified as significant, senior managers are required to present the selected risk management tactics to a high-level decision body (ORCO, the Board of Directors) for approval.

The following sub-sections give an overview of the main activities regarding operational risk management within the Group.

Operational Risk and Compliance Committee is the ultimate decision-making body for operational risk issues. It is defined as a high-level management committee that deals with operational risk strategies and procedures, decides on risk appetite and tolerance levels, and decides on mitigation measures for, or risk acceptance of operational risk, compliance, financial crime, IT security and operations, anti-money laundering, etc.

Operational Risk Management or any other unit may present results of risk identification and risk measurement processes or other operational risk issues to ORCO for a risk acceptance/disapproval decision. It will typically happen in case high risk was identified during risk mapping or larger loss event was recorded or any substantial activity carrying possible high operational risk is planned. In case ORCO does not accept the identified risk, it assigns tasks to senior management to come up with mitigation measures. ORCO consists of selected board members, senior managers and other representatives.

System of internal controls

Each unit manager implements a system of internal controls ('ICS') within his area of competence, with the objective of identification and mitigation of operational risks. Within the system, a set of operative controls is created, in order to systematically check selected product, service, process, etc. Each unit manager is responsible for effectiveness and quality of the system. It is also his responsibility to identify problematic or risky areas that will be covered by operative controls.

Internal control system shall consist of:

- risk assessment – in order to determine what are the most important processes and what controls are needed
- written policies and procedures – all important operations must be covered by operation manuals
- control activities – control procedures itself
- review – in order to assess the appropriateness of controls
- accounting, information, and communication systems – a proper combination of such systems in order to provide detailed, accurate, and timely information

Principles to be followed when implementing ICS include, but are not limited to:

- four-eye principle
- thorough task assignment and monitoring
- substitutability of staff
- required vacation or absence from duties (for relevant units only)
- segregation of duties
- avoidance of conflict of interest

Internal Audit shall regularly conduct an audit of the Group's ICS in order to determine whether the Group is following enacted policies and procedures. Operational Risk Management issues associated Internal Control System Policy giving detailed information on the system. However, Operational Risk Management does not assume any coordination role in the implementation and execution of ICS by individual managers.

Insurance

In order to mitigate operational risk, the Group engages in a comprehensive insurance program. This covers direct or indirect losses due to all major sources of operational risk, i.e. improper use or failure of internal processes, human factor failures, system failures or external factors, and that in both the Bank and its subsidiaries. The primary objective of the insurance program is to safeguard the Group against catastrophic events. Insurance does not serve for protection against common, expected losses. Responsibility for the insurance program is given to Operational Risk Management. It shall design suitable and cost-effective insurance program with the objective of minimizing losses due to operational risk. Overall insurance program is designed on Erste Holding level. The program is to be documented in an associated guideline which, inter alia, covers procedures in case of insurance incident.

Outsourcing

Outsourcing is defined as long-term delegation of internal operation to external entity that specializes in that operation. In context of operational risk management, the primary focus is on outsourcing of banking operations.

Outsourcing is governed by the following high-level principles:

- outsourcing of any banking operation must be approved by respective decision making body
- the Group wills to bear risks brought along by this activity and to undertake the responsibility for
- special attention is to be paid to legal and regulatory issues

General outsourcing policy is defined on Erste Holding level. Operational Risk Management is responsible for local implementation of this policy, giving detailed definition of principles and procedures for outsourcing. These are documented in associated internal policy. All outsourced activities must strictly follow this policy.

Each outsourcing must have an outsourcing sponsor and an outsourcing manager (both coming from the Group) who are responsible for governance, correct functioning, operational risk, and other issues related to the outsourced activity.

Operational risk management related to outsourcing is within the responsibility of respective outsourcing sponsor and outsourcing manager. Operational Risk Management shall periodically conduct overall risk assessment of outsourcing.

Outsourcing shall be periodically checked by Internal audit.

34. Fair values of financial assets and liabilities

The best indication of a fair value of financial instrument is quoted market prices in an active market. Where such prices are available, they are used to measure the fair value (Level 1 of the fair value hierarchy).

In case a quoted market price is used for a valuation, but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators), the instrument is classified as Level 2 of the fair value hierarchy. In case no market prices are available, the fair value is determined by using valuation models, which are based on observable market data. If all the significant inputs in a valuation model are observable, the instrument is classified as Level 2 of the fair value hierarchy. For Level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters.

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor using valuation models that rely entirely on observable market data. In these cases individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently, the instrument is classified as Level 3 of the fair value hierarchy. For Level 3 valuations, typically credit spreads derived from both external sources (similar securities or issuers) and internal sources (risk parameters such as rating, PD or LGD) are used besides observable parameters.

Financial instruments measured at fair value

All financial instruments of this category are measured at fair value on a recurring basis.

In the Group the measurement of fair value is primarily based on external sources of data (stock market prices or broker quotes in highly liquid market segments). The financial instruments for which fair value is determined on the basis of quoted market prices are mainly listed securities, liquid OTC bonds and derivatives.

Description of the valuation models and inputs

The Group uses only valuation models which have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently.

Securities
For plain vanilla debt securities (fixed and floating) the fair value is calculated by discounting the future cash flows using a discounting curve depending on the interest rate for the respective issuance currency and a spread adjustment. The spread adjustment is usually derived from the credit spread curve of the issuer. If no issuer curve is available the spread is derived from a proxy instrument and adjusted for differences in the risk profile of the instrument. If no close proxy instrument is available, the spread adjustment is estimated using other information, including estimation of the credit spread based on internal ratings and PDs or management judgment. For more complex debt securities (e.g. including option-like features as callable, cap/floor, index-linked) the fair value is determined using combinations of discounted cash-flow models and more sophisticated modelling techniques including also methods described for OTC-derivatives. All securities are valued using the bid/ask levels (depending whether asset or liability), i.e. more conservative then the mid level.

OTC-derivative financial instruments
Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps, commodity swaps) are valued by standard valuation models. These models include discounting cash flow models, option models of Black-Scholes-type and Hull-White-type. Models are calibrated on quoted market data (including implied volatilities). Valuation model for more complex instruments also use Monte-Carlo-techniques. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used. The Group values derivatives at mid-market levels.

Credit value adjustments (CVA) for counterparty risk and debt value adjustments (DVA) for the own default credit risk are applied to OTC-derivatives. For CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and the Group's credit quality. The Group has implemented an approach, where the modelling of the expected exposure is based on option replication strategies. This modelling approach is considered for the most relevant products and portfolios. The methodology for the remaining entities and products is determined by market value plus add-on considerations. The probability of default of counterparties, which are not traded in an active market, is determined from internal PDs mapped to a basket of liquid titles being present in the central European market. Thereby market based valuation concepts have been incorporated.

Counterparties with liquid bond or CDS markets are valued by the respective single-name market based PD derived from the prices. The Group's probability of default has been derived from the buy-back levels of the Group's issuances. Netting has only been considered for a few counterparties where the impact was material. For those netting has been applied for both CVA and DVA. The methodology and the calculation itself are carried out by Erste Holding. For collateralised derivatives the effect of collateral received is considered and reduces the amount of CVA accordingly. For counterparties with CSA-agreements in place no CVA was taken into account for all cases with immaterial threshold amounts.

As at 31 December 2020 the cumulative CVA adjustment amounted 2,3 mil. Eur (2019: 1,8 mil. Eur) and the cumulative DVA adjustment amounted 0,6 mil. Eur (2019: 0,1 mil. Eur).

The responsibility for valuation of exposures measured at fair value is carried by Risk management unit, which is independent from all trading, sales and investment units.

Fair value hierarchy

Financial assets and financial liabilities measured at fair value are categorized under the three levels of the IFRS fair value hierarchy.

Level 1
The fair value of financial instruments assigned to Level 1 of the fair value hierarchy is determined based on quoted prices in active markets for identical financial assets and liabilities. More particular, the evaluated fair value can qualify as Level 1 if transactions occur with sufficient frequency, volume and pricing consistency on an ongoing basis. These include exchange traded derivatives (futures, options), shares, government bonds as well as other bonds and funds, which are traded in highly liquid and active markets.

Level 2
In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as Level 2. If no market prices are available the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the instrument is classified as Level 2 of the fair value hierarchy. For Level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters. These include OTC derivatives, less liquid shares, bonds and funds as well as asset backed securities (ABS), collateralized debt obligations (CDO) and own issues.

Level 3
In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor of valuation models that rely entirely on observable market data. In these cases individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as Level 3 of the fair value hierarchy. For Level 3 valuations besides observable parameters typically credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures are used as unobservable parameters. These include shares and funds not quoted, illiquid bonds as well as illiquid asset backed securities (ABS) and collateralized debt obligations (CDO).

A reclassification from Level 1 into Level 2 or Level 3 as well as vice versa will be performed if the financial instrument does no longer meet the criteria described above for the respective level.

The methods used to determine fair values with respect to the levels of fair value hierarchy were as follows:

EUR ths.	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3	Total	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3	Total
	31.12.2019				31.12.2020			
Assets								
Financial assets - held for trading	-	41 423	-	41 423	-	59 994	-	59 994
Derivatives	-	41 423	-	41 423	-	59 994	-	59 994
Non-trading financial assets at fair value through profit or loss	-	-	19 632	19 632	-	-	15 287	15 287
Equity instruments	-	-	16 457	16 457	-	-	7 547	7 547
Debt securities	-	-	3 175	3 175	-	-	7 740	7 740
Financial assets at fair value through other comprehensive income	-	-	89 262	89 262	-	-	-	-
Equity instruments	-	-	89 262	89 262	-	-	-	-
Hedge accounting derivatives	-	23 020	-	23 020	-	34 345	-	34 345
Total assets	**-**	**64 443**	**108 894**	**173 337**	**-**	**94 339**	**15 287**	**109 626**
Liabilities								
Financial liabilities - held for trading	-	36 020	4 004	40 024	-	56 524	-	56 524
Derivatives	-	36 020	4 004	40 024	-	56 524	-	56 524
Hedge accounting derivatives	-	48 041	-	48 041	-	48 373	-	48 373
Total liabilities	**-**	**84 061**	**4 004**	**88 065**	**-**	**104 897**	**-**	**104 897**

Allocation of positions to the levels of fair value hierarchy and any changes between these levels are reflected at the end of the reporting period.

Description of the valuation process within Level 3

Level 3 position involves one or more significant inputs that are not directly observable on the market. Additional price verification steps need to be done. These may include reviewing relevant historical data and benchmarking to similar transactions, estimationes and expert judgments.

The responsibility for valuation of a position of measured at fair value is carried out by risk management unit which is independent from all trading, sales or investment units.

Changes in volumes of Level 1 and Level 2
There were no significant transfers between Level 1 and Level 2 of financial instruments measured at fair value on the balance sheet.

Movements in Level 3 of financial Instruments rated at fair value

The development of fair value of the securities for which valuation models are based on non-observable inputs was as follows:

EUR ths.	01.01.2020	Gain/loss in profit or loss	Gain/loss in other compre-hensive income	Purchases	Sales	Settlements	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	31.12.2020
Assets												
Non-trading financial assets at fair value through profit or loss	19 632	635	-	22 049	(18 901)	(8 128)	-	-	-	-	-	15 287
Equity instruments	16 457	565	-	8 126	(17 601)	-	-	-	-	-	-	7 547
Debt securities	3 175	70	-	13 923	(1 300)	(8 128)	-	-	-	-	-	7 740
Financial assets at fair value through other comprehensive income	89 262	-	10 406	-	(85 745)	(13 923)	-	-	-	-	-	-
Equity instruments	89 262	-	10 406	-	(85 745)	(13 923)	-	-	-	-	-	-
Total assets	**108 894**	**635**	**10 406**	**22 049**	**(104 646)**	**(22 051)**	**-**	**-**	**-**	**-**	**-**	**15 287**
Liabilities												
Financial liabilities held for trading	4 004	-	-	-	(4 004)	-	-	-	-	-	-	-
Derivatives	4 004	-	-	-	(4 004)	-	-	-	-	-	-	-
Total liabilities	**4 004**	**-**	**-**	**-**	**(4 004)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

EUR ths.	01.01.2019	Gain/loss in profit or loss	Gain/loss in other comprehensive income	Purchases	Sales	Settlements	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	31.12.2019
Assets												
Non-trading financial assets at fair value through profit or loss	29 242	(3 645)	-	-	(500)	(10 090)	14 714	-	1	(10 089)	-	19 632
Equity instruments	5 620	(3 877)	-	-	-	-	14 714	-	1	-	-	16 457
Debt securities	23 622	232	-	-	(500)	(10 090)	-	-	-	(10 089)	-	3 175
Financial assets at fair value through other comprehensive income	56 395	-	32 758	-	-	-	-	-	-	-	109	89 262
Equity instruments	56 395	-	32 758	-	-	-	-	-	-	-	109	89 262
Total assets	**85 637**	**(3 645)**	**32 758**	**-**	**(500)**	**(10 090)**	**14 714**	**-**	**1**	**(10 089)**	**109**	**108 894**
Liabilities												
Financial liabilities held for trading	-	(5 632)	-	-	-	-	9 636	-	-	-	-	4 004
Derivatives	-	(5 632)	-	-	-	-	9 636	-	-	-	-	4 004
Total liabilities	**-**	**(5 632)**	**-**	**-**	**-**	**-**	**9 636**	**-**	**-**	**-**	**-**	**4 004**

Gains or losses on Level 3 financial instruments held at the end of the reporting period, which are included in the income statement were as follows:

EUR ths.	31.12.2019	31.12.2020
Assets		
Non-trading financial assets at fair value through profit or loss	(3 715)	482
Equity instruments	(3 877)	565
Debt securities	162	(83)
Total assets	**(3 715)**	**482**
Liabilities		
Financial liabilities - held for trading	5 632	4 004
Derivatives	5 632	4 004
Total liabilities	**5 632**	**4 004**

The volume of Level 3 financial assets consists solely of a few positions in illiquid securities and can be allocated to the following three categories:

- Market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).
- Illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.
- Non-SPPI compliant loans.

Unobservable inputs and sensitivity analysis for Level 3 measurements

In case the fair value measurement of a financial asset or liabilities is retrieved from inputs parameters which are not observable in the market, those parameters can be derived from similar market observable parameters or set on an expert opinion.

Range of unobservable valuation parameters used in Level 3 measurements

Financial assets	Type of instrument	Fair value in Eur mil.	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
31.12.2020					
Financial assets at FVTPL	Non-trading equity instruments (participations)	1,7	Published NAV adjusted by assessed impairment value	Repayment dates for the worst and for the current scenario	2021-2028
				risk spreads	50-300bp

Investments in real estate funds with fair value of 1,7 mil. Eur are assessed by adjusting of their NAV (the latest NAV published by the Assets Management company) by the impairment value. The assessment of the impairment value is based on the estimated time of redemption and estimated decline in value under negative scenario.

Sensitivity analysis using reasonably possible alternatives per product type

Eur mil.	31.12.2020 Fair value changes Positive	 Negative
Equity instruments	0,05	-0,03
Income statement	0,05	-0,03
Total	0,05	-0,03
Other comprehensive income	0,05	-0,03

The following ranges of reasonably possible alternatives of the unobservable inputs were considered in the sensitivity analysis of Equity Instruments (investments in real estate funds):

- Change in estimated risk spread by 50bp.
- Prolongation or shortening of estimated redemption time by two years in the worst scenario.

Fair value of financial instruments disclosed in the notes

The following table shows fair values of the financial instruments disclosed in the notes as at 31 December 2020 and 31 December 2019:

EUR ths.	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets			31.12.2019					31.12.2020		
Cash and cash balances	501 441	501 441	501 441	-	-	1 717 486	1 717 486	1 717 486	-	-
Financial assets at amortised cost	17 329 196	17 796 677	2 848 142	1 128 346	13 820 188	18 258 897	20 206 626	2 673 284	1 474 376	16 058 966
Loans and advances to banks	54	54	-	-	54	49	49	-	-	49
Loans and advances to customers	13 792 678	13 786 999	-	-	13 786 999	14 579 144	15 992 602	-	-	15 992 602
of which: Lending for house purchase	7 968 721	7 966 527	-	-	7 966 527	8 512 258	9 557 547	-	-	9 557 547
of which: Credit for consumption	1 663 998	1 662 093	-	-	1 662 093	1 503 312	1 678 086	-	-	1 678 086
of which: Corporate loans and others	4 159 959	4 158 379	-	-	4 158 379	4 563 574	4 756 969	-	-	4 756 969
Debt securities	3 536 464	4 009 624	2 848 142	1 128 346	33 135	3 679 704	4 213 975	2 673 284	1 474 376	66 315
Finance lease receivables	213 191	210 555	-	-	210 555	241 012	251 748	-	-	251 748
Trade and other receivables	107 139	107 139	-	-	107 139	81 774	81 927	-	-	81 927
Liabilities										
Financial liabilities at amortised cost	16 770 901	17 022 762	501 678	1 516 307	15 004 777	18 653 506	18 828 256	511 497	1 365 149	16 951 610
Deposits from banks	263 287	260 981	-	-	260 981	1 710 255	1 722 698	-	-	1 722 698
Deposits from customers	14 392 424	14 610 470	-	-	14 610 470	14 869 015	14 993 431	-	-	14 993 431
Debt securities in issue	2 070 975	2 107 096	501 678	1 516 307	89 111	2 051 731	2 089 622	511 497	1 365 149	212 976
Other financial liabilities	44 215	44 215	-	-	44 215	22 505	22 505	-	-	22 505

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. Analogical fair valuation method was also applied to all Level 3 assets and liabilities. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PD's used for internal risk calculations. For the calculation of fair value loans and advances were aggregated into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted.

For liabilities without contractual maturities (e.g. demand deposits), the carrying amount represents the minimum of their fair value.

The fair value of securities issued and subordinated liabilities measured at amortised cost is based on market prices or on observable market parameters, where available. Otherwise it is estimated by taking into consideration the actual interest rate environment and they are transferred to Level 3.

The fair value of other liabilities measured at amortised cost is estimated by taking into consideration the actual interest rate environment and own credit spreads and these are allocated to Level 3.

The fair value of off-balance sheet liabilities (i.e. financial guarantees and unused loan commitments) is estimated with the help of regulatory credit conversion factors. The difference between the calculated market value and the notional amount of the hypothetical loan equivalents represents the fair value of these contingent liabilities. In case, when the total market value is higher than the notional amount of the hypothetical loan equivalent, the fair value of contingent liability is reported in negative value. Fair value of financial guarantees and unused loan commitments approximates their carrying value.

Fair value of non-financial assets

The fair values of non-financial assets are determined by experts with recognised and relevant professional qualification.

Property, equipment and other assets

Property, equipment and other assets are measured at fair value on non-recurring basis when their carrying amount is impaired down to fair value less costs to sell.

Fair values of non-financial assets owned by the Group are based on valuation reports relying essentially on observable market inputs (such as selling price per square meter charged in recent market observable transactions for similar assets). Such measurements are disclosed as Level 2 of the fair value hierarchy. If fair values of non-financial assets result from valuation models using expected future rental income method they are presented in Level 3 of the fair value hierarchy.

For non-financial assets owned by the Group the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenants and other material factors. Such measurements are presented in Level 3 of the fair value hierarchy.

Investment property

Investment property is measured at fair value on recurring basis.

As at 31 December 2020 the estimated fair value of investment property was in amount of 1,9 mil. Eur (2019: 1,8 mil. Eur). The Group uses its own model for determining the fair value of investment property, which is based on discounting future rental income decreased by direct operating expenses. Future rental income was determined using market rental rates for buildings with similar conditions and location. Such measurements are presented in Level 3 of the fair value hierarchy.

35. Current and non-current assets and liabilities

The classification of assets, liabilities and equity to current (due within 1 year) and non-current (due over 1 year) based on their expected maturity is shown in the following table:

EUR ths.	< 1 year	> 1 year	< 1 year	> 1 year
	31.12.2019		31.12.2020	
Assets				
Cash and cash balances	501 441	-	1 717 486	-
Financial assets held for trading	1 603	39 820	2 084	57 910
Derivatives	1 603	39 820	2 084	57 910
Non-trading financial assets at fair value through profit or loss	9 082	10 551	-	15 287
Equity instruments	9 082	7 376	-	7 547
Debt securities	-	3 175	-	7 740
Financial assets at fair value through other comprehensive income	-	89 262	-	-
Equity instruments	-	89 262	-	-
Financial assets at amortised cost	2 163 630	15 165 566	2 112 619	16 146 278
Debt securities	373 424	3 163 040	159 354	3 520 350
Loans and advances to banks	54	-	49	-
Loans and advances to customers	1 790 152	12 002 526	1 953 216	12 625 928
Finance lease receivables	55 506	157 685	67 297	173 715
Hedge accounting derivatives	-	23 020	-	34 345
Property and equipment, right-of-use assets	-	156 097	-	150 155
Investment properties	-	1 828	-	1 898
Intangible assets	-	23 755	-	18 947
Investments in subsidiaries and associates	-	33 455	-	27 773
Current tax assets	786	-	8	-
Deferred tax assets	-	44 727	-	76 980
Trade and other receivables	107 139	-	81 774	-
Other assets	784	33 286	793	20 945
Total assets	**2 839 971**	**15 779 052**	**3 982 061**	**16 724 233**

EUR ths.	< 1 year	> 1 year	< 1 year	> 1 year
	31.12.2019		31.12.2020	
Liabilities				
Financial liabilities held for trading	5 842	34 182	1 938	54 586
Derivatives	5 842	34 182	1 938	54 586
Financial liabilities at amortised costs	14 677 704	2 093 197	15 185 885	3 467 621
Deposits from banks	77 458	185 829	32 664	1 677 591
Deposits from customers	14 335 398	57 026	14 831 000	38 015
Debt securities in issue	220 633	1 850 342	299 716	1 752 015
Other financial liabilities	44 215	-	22 505	-
Lease liabilities	5 484	12 900	6 038	14 539
Hedge accounting derivatives	-	48 041	2 320	46 053
Provisions	11 568	5 946	18 663	13 173
Current tax liabilities	2 076	-	22 600	-
Other Liabilities	102 140	-	80 584	-
Total liabilities	**14 804 814**	**2 194 266**	**15 318 028**	**3 595 972**

The following table details the Group's non-derivative financial liabilities based on their remaining contractual maturity (calculated as undiscounted cash flows):

31.12.2020 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Financial liabilities at amortised costs	14 122 992	333 353	733 960	2 848 124	667 874	18 706 303
Deposits from banks	4 397	3 144	25 161	1 644 829	45 734	1 723 265
Deposits from customers	14 095 983	249 099	486 113	38 036	-	14 869 231
Debt securities issued	107	81 110	222 686	1 165 259	622 140	2 091 302
Other financial liabilities	22 505	-	-	-	-	22 505
Lease liabilities	427	774	4 837	13 847	692	20 577
Guarantees provided	377 184	-	-	-	-	377 184
Guarantees from letter of credit	637	1 463	2 815	1 622	-	6 537
Loan commitments and undrawn loans	1 577 565	-	-	-	-	1 577 565
Total	**15 705 985**	**366 813**	**860 079**	**3 071 414**	**683 875**	**20 688 166**

31.12.2019 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Financial liabilities at amortised costs	13 448 650	399 830	835 216	1 091 892	1 063 286	16 838 874
Deposits from banks	40 071	18 148	19 270	135 257	52 461	265 207
Deposits from customers	13 362 013	373 812	600 357	56 820	69	14 393 071
Debt securities issued	2 351	7 870	215 589	899 815	1 010 756	2 136 381
Other financial liabilities	44 215	-	-	-	-	44 215
Lease liabilities	189	784	4 512	11 627	1 272	18 384
Guarantees provided	399 866	-	-	-	-	399 866
Guarantees from letter of credit	956	3 085	461	-	-	4 502
Loan commitments and undrawn loans	1 420 923	-	-	-	-	1 420 923
Total	**14 877 444**	**440 474**	**1 011 488**	**1 271 997**	**1 081 146**	**18 682 549**

The following table details the Group's derivative financial liabilities based on their remaining contractual maturity (calculated as undiscounted cash flows):

31.12.2020 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Derivatives held for tradeing	79 523	32 278	24 509	89 257	118	225 685
Hedge accounting derivatives	2 625	3 517	7 497	39 883	13 970	67 492
Total	**82 148**	**35 795**	**32 006**	**129 140**	**14 088**	**293 177**

31.12.2019 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Derivatives held for tradeing	110 642	13 778	12 616	43 516	51 100	231 652
Hedge accounting derivatives	2 625	3 494	7 508	46 305	21 070	81 002
Total	**113 267**	**17 272**	**20 124**	**89 821**	**72 170**	**312 654**

36. Own funds and capital requirements

Regulatory scope of application

Hereby Slovenská sporiteľňa, a.s. fulfills the disclosure requirements according to the Capital Requirements Regulation issued by European Parliament and Council (EU) no.575/2013 (CRR) and Articles 437 (1) (a), (d) and (e) CRR.

Regulatory requirements

Since 1 January 2014 the Group has been calculating the regulatory capital and the regulatory capital requirements according to Basel 3. The requirements were implemented within the EU by the Capital Requirements Regulation no. 575/2013 (CRR) and the Capital Requirement Directive no. 36/2013 (CRD IV) that were enacted in national legislation, as well as within various technical standards issued by the European Banking Authority (EBA).

All requirements as defined in the CRR and the aforementioned technical standards are fully applied by the Group for regulatory purposes and for the disclosure of regulatory information.

The Group fulfilled all regulatory capital requirements in both years 2020 and 2019 consisting from Pillar 1 requirement, Pillar 2 requirement and combined buffer requirement.

Accounting principles

The financial and regulatory figures published by the Group are based on IFRS regulatory capital components. Eligible capital components derive from the balance sheet and income statement which were prepared in accordance with IFRS. Adjustments to the accounting figures are considered due to the different definitions in the scopes of consolidation for items where the regulatory treatment is not equal to the accounting requirements.

The unified reporting date of the consolidated financial statements and consolidated regulatory figures of the Group is 31 December of each respective year.

Comparison of consolidation for accounting purposes and regulatory purposes

Disclosure requirements: Art. 436 (b) CRR

Scope of consolidation

The regulatory scope of consolidation is used as a synonym for the scope of consolidation that follows the regulatory requirements for consolidation as defined by the CRR.

Regulatory scope of consolidation

The regulatory scope of consolidation is defined in Part One, Title II, chapter 2 Section 3 of the CRR.
The definition of entities to be consolidated for regulatory purposes are mainly defined in Article 4 (1) (3) and (16) to (27) CRR. Based on the relevant sections in Article 4 CRR, entities to be consolidated are determined based on the business activity of the relevant entities.

Main differences between the accounting scope and the regulatory scope based on the different requirements as defined within IFRS and CRR:

- Based on the CRR, mainly credit institutions pursuant to Article 4 (1) (1) CRR, investment firms pursuant to Article 4 (1) (2) CRR, ancillary services undertakings pursuant to Article 4 (1) (18) CRR and financial institutions pursuant to Article 4 (1) (26) CRR have to be considered within the regulatory scope of consolidation. Under IFRS all other entities not required to be consolidated under CRR, such as insurance undertakings, must be included in the financial scope of consolidation.

- Exclusion of entities from the regulatory scope of consolidation can be applied based on Article 19 CRR. According to Article 19 (1) CRR, entities can be excluded from the regulatory scope if their total assets and off-balance sheet items are less than the lower amount of either EUR 10 mil. or 1% of the total amount and off-balance sheet items of the parent company. SLSP Group makes use of Article 19 (1) CRR.

- According to Article 19 (2) CRR, entities can also be excluded if the limits defined in Article 19 (1) CRR are exceeded, but are not relevant for regulatory purposes. Exclusion of entities based on Article 19 (2) CRR needs the prior approval of the competent authorities. For entities that exceed the limits as defined in Article 19 (1) CRR by insignificant amounts, SLSP Group does not make use of Article 19 (2) CRR and follows the requirements for the approval process as defined within this article. SLSP Group does not apply Article 19 (2) CRR for credit institutions and investment firms.

Consolidation methods

Main differences between the financial consolidation method and the regulatory consolidation method, considering regulatory adjustments

- For the calculation of consolidated own funds, SLSP Group generally applies the same consolidation methods as used for accounting purposes. The difference applies only to Article 18 (4) CRR, which requires proportional consolidation of entities and financial institutions managed by an undertaking included in the consolidation together with one or more undertakings not included in the consolidation, where the liability of those undertakings is limited to the share of the equity held by the institution. SLSP Group does not apply proportional consolidation for any entity.

Consideration of consolidation methods for the calculation of consolidated own funds pursuant to the CRR

The amounts used for the calculation of the own funds derive from the balance sheet according to IFRS. The amounts that are used as the basis for the calculation of own funds are recalculated based on the definition of the regulatory scope of consolidation pursuant to the CRR. The difference between the IFRS balance sheet and the regulatory balance sheet is the difference in the scope of consolidation. Amounts that relate to the own shares as well as to the minority interests in fully consolidated entities are therefore determined based on the regulatory scope of consolidation according to CRR. Minority interests are calculated based on the requirements as defined in Articles 81 to 88 CRR. Minority interests that relate to entities other than credit institutions are excluded from the own funds. Minority interests that relate to credit institutions are limited to capital requirements that relate to the minority interests in the relevant credit institutions. SLSP Group did not make use of Article 84 CRR.

Presentation of the scope of consolidation

The following table shows list of subsidiaries and associates, accounting treatment within the scope of consolidation and classification according to CRR:

Entity Name	Sector	Relationship	Accounting treatment IFRS	Accounting treatment CRR scope	Classification acc to Article 4 (27) CRR
LANED a.s.	Non-financial corporations	subsidiary	fully consolidated	fully consolidated	Ancillary service undertaking
Služby SLSP, s.r.o.	Non-financial corporations	subsidiary	fully consolidated	at equity method	Other than Financial sector entity
S Slovensko, spol. s r.o.	Other financial corporation	subsidiary	fully consolidated	fully consolidated	Financial institution
Prva stavebna sporitelna, a.s.	Credit institutions	associated company	at equity method	at equity method	Credit institutions
Slovak Banking Credit Bureau, s.r.o.	Non-financial corporations	associated company	at equity method	at equity method	Ancillary service undertaking
Holding Card Service, s.r.o.	Other financial corporation	associated company	at equity method	at equity method	Financial institution
Procurement Services SK, s.r.o.	Non-financial corporations	subsidiary	fully consolidated	not consolidated according to article 19 CRR	Ancillary service undertaking
Social Financing SK, s.r.o.	Non-financial corporations	subsidiary	fully consolidated	at equity method	Other than Financial sector entity
Dostupný Domov j.s.a.	Non-financial corporations	associated company of Social Financing SK, s.r.o.	at equity method	at equity method	Other than Financial sector entity

As of 31 December 2020 the number of companies consolidated pursuant to IFRS was 9. As of 31 December 2020 the number of companies consolidated pursuant to regulatory capital requirements, except those entities which are covered by Art. 19 (1) and (2) CRR) was 8.

Six entities are part of the regulatory scope of consolidation consolidated at equity method. Four of them are consolidated at equity also in the IFRS scope of consolidation. These entities are Prvá stavebná sporiteľňa, a.s. , Slovak Banking Credit Bureau, s.r.o., Holding Card Service, spol. s r.o. and Dostupný Domov j.s.a.

Služby SLSP, s.r.o. is a subsidiary fully consolidated in IFRS scope of consolidation but it is consolidated at equity for regulatory purposes and classified as other company according to CRR.

In February 2020, Social Financing SK, s. r.o. was established as a subsidiary of the Bank fully consolidated in IFRS scope of consolidation. This entity is not Financial sector entity and is consolidated at equity in regulatory scope of consolidation.

In March 2020 an associate, Dostupný Domov j.s.a. was established by the Bank´s subsidiary Social Financing SK, s. r. o. which has an ownership interest in the associate 49,88 % share of the company's share capital. Dostupný Domov j.s.a. is consolidated at equity by the Bank´s subsidiary Social Financing SK, s. r. o.

Own funds

Own funds of an institution according to CRR consist of the sum of the Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital of the institution. To assess the capital adequacy, each Tier of the capital after applying all prudential filters and deductions is expressed as a percentage of the total risk exposure amount.

The following table shows the structure of own funds according to implementing technical standards with regard to disclosure of own funds requirements for institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (the positions not relevant for the Group were excluded):

EUR ths.	Article pursuant to CRR	31.12.2019	31.12.2020
Common equity tier 1 capital (CET1)			
Capital instruments eligible as CET1	26 (1) (a) (b), 27 to 30, 36 (1) (f), 42	212 000	212 000
Own CET1 instruments	36 (1) (f), 42	-	-
Retained earnings	26 (1) (c), 26 (2)	1 013 040	1 171 261
Interim profit	26 (2)	-	-
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	65 144	(1 860)
Minority interest recognised in CET1	4 (1) (120) 84	-	-
Transitional adjustments due to additional minority interests	479, 480	-	-
Prudential filter: cash flow hedge reserve	33 (1) (a)	-	-
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	-	-
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	117	(630)
Value adjustments due to the requirements for prudent valuation	34, 105	(3 105)	(3 441)
Goodwill	4 (1) (113), 36 (1) (b), 37	-	-
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	(23 755)	(18 947)
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	36 (1) (c), 38	(175)	-
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	(20 598)	-
Development of unaudited risk provisions during the year (EU No 183/2014)		(42 723)	(107 939)
Excess of deduction from AT1 items over AT1	36 (1) (j)	-	-
Common equity tier 1 capital (CET1)	**50**	**1 199 945**	**1 250 444**
Additional tier 1 capital (AT1)			
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a), 57	150 000	300 000
Own AT1 instruments	52 (1) (b), 56 (a), 57	-	-
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	-	-
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484 to 487, 489, 491	-	-
AT1 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 56 (d), 59, 79	-	-
Excess of deduction from T2 items over T2	36 (1) (j)	-	-
Additional tier 1 capital (AT1)	**61**	**150 000**	**300 000**
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**1 349 945**	**1 550 444**

Table continues on the following page.

continued EUR ths.	Article pursuant to CRR	31.12.2019	31.12.2020
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**1 349 945**	**1 550 444**
Tier 2 capital (T2)			
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	33 741	25 699
Own T2 instruments	63 (b) (i), 66 (a), 67	-	-
Instruments issued by subsidiaries recognised in T2	87, 88	-	-
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	-	-
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	-	-
IRB excess of provisions over expected losses eligible	62 (d)	42 337	45 219
Standardised approach general credit risk adjustments	62 (c)	-	-
Other transitional adjustments to T2	476, 477, 478, 481	-	-
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	(5 255)	(5 248)
Tier 2 capital (T2)	**71**	**70 823**	**65 670**
Total own funds	**4 (1) (118) and 72**	**1 420 768**	**1 616 113**
Capital requirement	**92 (3), 95, 96, 98**	**657 705**	**690 281**
CET1 capital ratio	**92 (2) (a)**	**14.60%**	**14.49%**
Tier 1 capital ratio	**92 (2) (b)**	**16.42%**	**17.97%**
Total capital ratio	**92 (2) (c)**	**17.28%**	**18.73%**

The Following table shows risk exposure amounts reflecting the structure according to Regulation (EU) No 575/2013:

EUR ths.	Article pursuant to CRR	Total risk	Capital requirement	Total risk	Capital requirement
Total Risk Exposure Amount	**92 (3), 95, 96, 98**	**8 221 309**	**657 705**	**8 628 518**	**690 281**
Risk weighted assets (credit risk)	92 (3) (a) (f)	7 302 603	584 208	7 745 418	619 633
Standardised approach		246 454	19 716	208 979	16 718
IRB approach		7 056 149	564 492	7 536 439	602 915
Settlement Risk	92 (3) (c) (ii), 92 (4) (b)	-	-	-	-
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) and (c) (i) and (iii), 92 (4) (b)	984	79	389	31
Operational Risk	92 (3) (e), 92 (4) (b)	892 201	71 376	858 202	68 656
Exposure for CVA	92 (3) (d)	25 521	2 042	24 509	1 961
Other exposure amounts incl. Basel 1 floor	3, 458, 459, 500	-	-	-	-

The Group uses AMA model for calculation of RWA and capital requirements arising from operational risk. The calculation is performed on ERSTE Group level.

Balance sheet reconciliation

Disclosure requirements: Art. 437 (1) (a) CRR

The table below represents the difference between the financial scope of consolidation and the regulatory scope of consolidation as at 31 December 2020:

EUR ths.	IFRS	Effects - scope of consolidation	CRR
Assets			
Cash and cash balances	1 717 486	-	1 717 486
Financial assets held for trading	59 994	-	59 994
Derivatives	59 994	-	59 994
Non-trading financial assets at fair value through profit or loss	15 287	-	15 287
Equity instruments	7 547	-	7 547
Debt securities	7 740	-	7 740
Financial assets at fair value through other comprehensive income	-	-	-
Equity investments	-	-	-
Financial assets at amortised cost	18 258 897	-	18 258 897
thereof pledged as collateral	3 540 330	-	3 540 330
Debt securities	3 679 704	-	3 679 704
Loans and advances to banks	49	-	49
Loans and advances to customers	14 579 144	-	14 579 144
Finance lease receivables	241 012	-	241 012
Hedge accounting derivatives	34 345	-	34 345
Property and equipment	150 155	-	150 155
Investment property	1 898	-	1 898
Intangible assets	18 947	-	18 947
Investments in joint ventures and associates	27 773	26 009	53 782
Current tax assets	8	-	8
Deferred tax assets	76 980	(31)	76 949
Trade and other receivables	81 774	(95)	81 680
Other assets	21 738	(21)	21 718
Total assets	**20 706 294**	**25 862**	**20 732 158**
Liabilities and equity			
Financial liabilities held for trading	56 524	-	56 524
Derivatives	56 524	-	56 524
Financial liabilities at amortised cost	18 653 506	26 171	18 679 678
Deposits from banks	1 710 255	-	1 710 255
Deposits from customers	14 869 015	26 171	14 895 187
Debt securities in issue	2 051 731	-	2 051 731
Other financial liabilities	22 505	-	22 505
Finance lease liabilities	20 577	-	20 577
Hedge accounting derivatives	48 373	-	48 373
Provisions	31 836	-	31 836
Current tax liabilities	22 600	(4)	22 596
Other liabilities	80 584	(250)	80 335
Total liabilities	**18 914 000**	**25 917**	**18 939 919**
Equity attributable to non-controlling interests	29	(29)	-
Equity attributable to owners of the parent	1 792 265	(26)	1 792 239
Subscribed capital	212 000	-	212 000
Additional equity instruments	300 000	-	300 000
Retained earning and other reserves	1 280 265	(26)	1 280 239
Total equity	**1 792 294**	**(55)**	**1 792 239**
Total liabilities and equity	**20 706 294**	**25 862**	**20 732 158**

The table below represents the difference between the financial scope of consolidation and the regulatory scope of consolidation as at 31 December 2019:

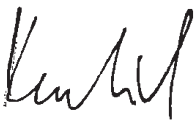
EUR ths.	IFRS	Effects - scope of consolidation	CRR
Assets			
Cash and cash balances	501 441	-	501 441
Financial assets held for trading	41 423	-	41 423
Derivatives	41 423	-	41 423
Non-trading financial assets at fair value through profit or loss	19 633	-	19 633
Equity instruments	16 458	-	16 458
Debt securities	3 175	-	3 175
Financial assets at fair value through other comprehensive income	89 262	-	89 262
Equity investments	89 262	-	89 262
Financial assets at amortised cost	17 329 197	-	17 329 197
thereof pledged as collateral	2 276 299	-	2 276 299
Debt securities	3 536 464	-	3 536 464
Loans and advances to banks	54	-	54
Loans and advances to customers	13 792 678	-	13 792 678
Finance lease receivables	213 191	-	213 191
Hedge accounting derivatives	23 020	-	23 020
Property and equipment	156 097	-	156 097
Investment property	1 828	-	1 828
Intangible assets	23 755	-	23 755
Investments in joint ventures and associates	33 455	278	33 733
Current tax assets	786	(23)	763
Deferred tax assets	44 727	(38)	44 689
Trade and other receivables	107 139	(88)	107 051
Other assets	34 070	(25)	34 045
Total assets	**18 619 024**	**104**	**18 619 128**
Liabilities and equity			
Financial liabilities held for trading	40 024	-	40 024
Derivatives	40 024	-	40 024
Financial liabilities at amortised cost	16 770 901	188	16 771 089
Deposits from banks	263 287	-	263 287
Deposits from customers	14 392 424	188	14 392 612
Debt securities in issue	2 070 975	-	2 070 975
Other financial liabilities	44 215	-	44 215
Hedge accounting derivatives	48 041	-	48 041
Provisions	17 514	-	17 514
Current tax liabilities	2 076	-	2 076
Other liabilities	102 140	(276)	101 863
Total liabilities	**16 999 080**	**(88)**	**16 998 992**
Equity attributable to non-controlling interests	30	(30)	-
Equity attributable to owners of the parent	1 619 913	223	1 620 136
Subscribed capital	212 000	-	212 000
Additional equity instruments	150 000	-	150 000
Retained earning and other reserves	1 257 913	223	1 258 136
Total equity	**1 619 944**	**193**	**1 620 136**
Total liabilities and equity	**18 619 023**	**105**	**18 619 128**

Further details regarding entities within the different scopes of consolidation are disclosed in table "Presentation scope of consolidation".

37. Events after the reporting period

From 31 December 2020 until the date of issue of these consolidated financial statements, no events have been identified that would require adjustment or recognition.

These consolidated financial statements were signed and authorised for issue by the Board of Directors of the Group on 16 February 2021.



Ing. Peter Krutil
Chairman of the Board of Directors
and Chief Executive Officer

Ing. Pavel Cetkovský
Member of the Board of Directors
and Deputy of Chief Executive Officer

Slovenská sporiteľňa, a.s.

Separate financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2020

(Translated version, original version in Slovak)

Content

Independent Auditor's Report

To the Shareholder, Supervisory Board and Board of Directors of Slovenská sporiteľňa, a.s.:

Report on the audit of the separate financial statements

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Slovenská sporiteľňa, a.s. (the "Bank") as at 31 December 2020, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 24 February 2021.

What we have audited

The Bank's separate financial statements comprise:

- the separate statement of profit or loss for the year ended 31 December 2020;
- the separate statement of comprehensive income for the year then ended;
- the separate statement of financial position as at 31 December 2020;
- the separate statement of changes in equity for the year then ended;
- the separate statement of cash flows for the year then ended; and
- the notes to the separate financial statements, which include significant accounting policies and other explanatory information.

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 Auditor's responsibilities for the audit of the separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (Code of Ethics) and the ethical requirements of the Slovak Act on Statutory Audit No. 423/2015 and on amendments and supplements to Slovak Act on Accounting No. 431/2002, as amended (hereafter the "Act on Statutory audit") that are relevant to our audit of the separate financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with the Code of Ethics and the ethical requirements of Act on Statutory audit.

To the best of our knowledge and belief, we declare that non-audit services that we have provided are in accordance with the applicable law and regulations in the Slovak Republic and that we have not provided non-audit services that are prohibited under Regulation (EU) No. 537/2014.

The non-audit services that we have provided to the Bank, in the period from 1 January 2020 to 31 December 2020, are disclosed in Note 6 to the separate financial statements.

PricewaterhouseCoopers Slovensko, s.r.o., Twin City/A, Karadžičova 2, 815 32 Bratislava, Slovak Republic
T: +421 (0) 2 59350 111, F: +421 (0) 2 59350 222, www.pwc.com/sk

Our audit approach

Overview

Materiality	Overall materiality is EUR 11.7 million, which represents approximately 5% average of the last three-year profit before income tax and levy on banking activities.
Key audit matters	Credit loss allowance estimate.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the separate financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the separate financial statements as a whole.

Overall materiality	EUR 11.7 million
How we determined it	We determined the materiality as approximately 5% average of the last three-year profit before income tax and levy on banking activities.
Rationale for the materiality benchmark applied	Performance of the Bank is most commonly evaluated by the financial statements' users based on the Bank's profitability. The quantitative threshold of approximately 5% was applied to average three-year profit before income tax and levy on banking activities recorded by the Bank during the years 2020, 2019 and 2018. Levy on banking activities was added to profit before income tax because of the similar nature to income tax. The recent economic development resulting from COVID-19 pandemic led to volatility in the Bank's profit before tax. Average three-year profit

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	before tax adjusted for the levy represents a stable materiality benchmark.

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.

Key audit matter	How our audit addressed the key audit matter
Credit loss allowance estimate	
As explained in Note 14, Note 15 and Note 17 to the separate financial statements, management estimated the total credit loss allowances for loans and advances to customers, finance lease receivables and trade and other receivables at EUR 391,031 thousand. The carrying value of loans and advances to customers, finance lease receivables and trade and other receivables measured at amortised cost may be materially misstated if individual or collective credit loss allowances are not appropriately identified and estimated. The estimates required for credit loss allowances are significant estimates, as explained in more detail in Note B.e) Significant accounting judgements, assumptions and estimates, of the separate financial statements. The identification of significant increase in credit risk or default; the estimation of credit loss including estimates of future cash flows and valuation of collateral; implementation of comprehensive credit models - all involve significant management judgement. In 2020, the estimate of credit loss allowances was significantly influenced by the COVID-19 pandemic, decrease in economic activity and uncertainty regarding the financial condition of the Bank's customers including the legislative changes regarding payment moratoria. Due to the significance of the amount of the credit loss allowances and material impact of the credit loss allowances on the net result for the year, we consider the credit	We assessed and tested design and operating effectiveness of manual and automated controls related to the timely identification of defaulted loans. We tested design and operating effectiveness of general IT controls, including access to programs and data, program changes and computer operations related to quantification of credit loss allowances. We verified that models used for accurate quantification of credit loss allowances are in line with the requirements of IFRS 9. A sample of individually significant loan exposures was selected to test accuracy of credit loss allowances calculated on an individual basis. We considered management's assumptions, including forecasts of future cash flows, by comparing them to historical performance of the customer and expected future performance as well as assessing external and internal valuations of the underlying collateral and comparing them to the values used by management in the credit loss allowances quantification. On a sample basis, we assessed the underlying models, reasonableness of assumptions, and completeness and accuracy of the underlying data, which were used by the Bank to estimate collective credit loss allowances for loans that share similar credit risk characteristics. The underlying models and expert judgement applied by the Bank in response to COVID-19 pandemic were assessed by our specialists for financial risk management and modelling. The specialists assessed the design and implementation of models in line with the applicable reporting standards, including introduction of additional criteria used for identification of significant increase in credit risk and shifts in risk parameters due to the COVID-19

Key audit matter	How our audit addressed the key audit matter
loss estimate as a key audit matter.	pandemic. The specialists assessed reasonableness of forward-looking information and its impact on the risk parameters and appropriateness of collective credit loss allowances. Our specialists also assessed a validation process implemented by the Bank and interpreted results of the validation report.

Reporting on other information including the Annual Report

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the separate and consolidated financial statements and our auditor's reports thereon).

Our opinion on the separate financial statements does not cover the other information.

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Annual Report, we considered whether it includes the disclosures required by the Slovak Act on Accounting No. 431/2002, as amended, the Slovak Act on Stock Exchanges No. 429/2002 as amended and the Slovak Act on Securities and Investment Services No. 566/2001, as amended.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Annual Report for the financial year for which the separate financial statements are prepared, is consistent with the separate financial statements; and
- the Annual Report has been prepared in accordance with the applicable legislation.

In addition, in light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Annual Report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management 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 management 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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 auditor's 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 auditor's report. However, future events or conditions may cause the Bank's 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 relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Appointment as an independent auditor

We were first appointed as auditors of the Bank in 2017. Our appointment has been renewed annually by shareholder's resolution representing a total period of uninterrupted engagement appointment of four years. Our appointment for the year ended 31 December 2020 was approved by the shareholder's resolution on 25 March 2020.

The engagement partner on the audit resulting in this independent auditor's report is Mgr. Martin Gallovič.

Slovenská komora audítorov SKAU č. licencie 161 PricewaterhouseCoopers Slovensko, s.r.o.

PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No. 161

Mgr. Martin Gallovič
UDVA licence No. 1180

Bratislava, 26 February 2021, except for the section "Reporting on other information including the Annual Report" of this report, for which the date of our report is 18 March 2021.

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Separate statement of profit or loss

for the year ended 31 December 2020

EUR ths.	Notes	2019	2020
Net interest income	1	429 378	434 048
Interest income		458 730	445 560
Other similar income		11 340	18 127
Interest expense		(29 021)	(21 580)
Other similar expense		(11 671)	(8 059)
Net fee and commission income	2	145 169	147 340
Fee and commission income		171 688	170 523
Fee and commission expense		(26 519)	(23 183)
Dividend income	3	968	647
Net trading result	4	15 090	8 224
Gains/losses from financial instruments measured at fair value through profit or loss	5	1 900	1 510
Rental income from investment properties & other operating leases		293	265
Personnel expenses	6	(147 536)	(157 554)
Other administrative expenses	6	(92 864)	(92 589)
Depreciation and amortisation	6	(48 508)	(39 736)
Gains/losses from derecognition of financial assets measured at amortised cost		71	1
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss		(475)	(16)
Impairment result from financial instruments	7	(42 723)	(107 939)
Other operating result	8	(39 242)	(40 801)
thereof Levies on banking activities		(35 588)	(37 751)
Pre-tax profit from continuing operations		**221 521**	**153 400**
Taxes on income	9	(47 085)	(38 767)
Net result for the period		**174 436**	**114 633**

Earnings per share

		2019	2020
Net result attributable to owners of the parent	EUR ths.	174 436	114 633
Number of outstanding shares	pcs.	212 000	212 000
Earnings per share	**EUR**	**823**	**541**

Diluted earnings per share equal to the disclosed basic earnings per share.

The notes on pages 211 to 335 are an integral part of these separate financial statements.

Separate statement of comprehensive income
for the year ended 31 December 2020

EUR ths.	2019	2020
Net result for the period	**174 436**	**114 633**
Other comprehensive income		
Items that may not be reclassified to profit or loss		
Remeasurements of defined benefit pension liabilities	(320)	(1 012)
Fair value changes of equity instruments at fair value through other comprehensive income	32 758	10 690
Deferred taxes relating to items that may not be reclassified subsequently to profit or loss	(6 812)	(1 844)
Total other comprehensive income	**25 626**	**7 834**
Total comprehensive income	**200 062**	**122 467**

The notes on pages 211 to 335 are an integral part of these separate financial statements.

Separate statement of financial position
as at 31 December 2020

EUR ths.	Notes	31.12.2019	31.12.2020
Assets			
Cash and cash balances	10	501 441	1 717 486
Financial assets held for trading	11	41 423	59 994
Derivatives		41 423	59 994
Non-trading financial assets at fair value through profit or loss	12	10 550	15 287
Equity instruments		7 375	7 547
Debt securities		3 175	7 740
Financial assets at fair value through other comprehensive income	13	89 262	0
Equity investments		89 262	0
Financial assets at amortised cost	14	17 362 934	18 285 464
thereof pledged as collateral		*2 276 299*	*3 540 330*
Debt securities		3 536 464	3 679 704
Loans and advances to banks		54	49
Loans and advances to customers		13 826 416	14 605 711
Finance lease receivables	15	213 191	241 012
Hedge accounting derivatives	16	23 020	34 345
Property and equipment, right-of-use assets	21	128 344	119 345
Investment property	21	1 828	1 898
Intangible assets	22	23 739	18 947
Investments in subsidiaries and associates	18	47 896	75 753
Deferred tax assets	19	44 146	75 666
Trade and other receivables	17	106 693	81 597
Other assets	20	33 286	20 947
Total assets		**18 627 753**	**20 747 741**
Liabilities and Equity			
Financial liabilities held for trading	11	36 020	56 524
Derivatives		36 020	56 524
Financial liabilities at amortised cost	23	16 797 583	18 709 308
Deposits from banks		263 287	1 710 255
Deposits from customers		14 419 106	14 924 817
Debt securities issued		2 070 975	2 051 731
Other financial liabilities		44 215	22 505
Lease liabilities	21	44 703	39 878
Hedge accounting derivatives	16	48 041	48 373
Provisions	24	17 514	31 836
Current tax liabilities	19	2 076	21 908
Other liabilities	25	101 190	79 910
Total liabilities		**17 047 127**	**18 987 737**
Equity attributable to owners of the parent	26	1 580 626	1 760 004
Subscribed capital		212 000	212 000
Additional paid-in capital		150 000	300 000
Retained earning and other reserves		1 218 626	1 248 004
Total equity		**1 580 626**	**1 760 004**
Total liabilities and equity		**18 627 753**	**20 747 741**

The notes on pages 211 to 335 are an integral part of these separate financial statements.

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

EUR ths.	Subscribed capital	Other capital instruments	Legal reserve fund	Other funds	Retained earnings	Fair value reserve	Remeasurements of defined benefit pension liabilities	Equity attributable to owners of the parent
As of 1.1.2019	**212 000**	**150 000**	**79 795**	**39 104**	**959 527**	**40 084**	**(638)**	**1 479 872**
Dividends paid / Distribution for Investment certificate	-	-	-	-	(99 308)	-	-	(99 308)
Total comprehensive income	**-**	**-**	**-**	**-**	**174 436**	**25 879**	**(253)**	**200 062**
Net result for the period	-	-	-	-	174 436	-	-	174 436
Other comprehensive income	-	-	-	-	-	25 879	(253)	25 626
Remeasurements of defined benefit pension liabilities	-	-	-	-	-	-	(253)	(253)
Change in fair value reserve	-	-	-	-	-	25 879	-	25 879
As of 31.12.2019	**212 000**	**150 000**	**79 795**	**39 104**	**1 034 655**	**65 963**	**(891)**	**1 580 626**
As of 1.1.2020	**212 000**	**150 000**	**79 795**	**39 104**	**1 034 655**	**65 963**	**(891)**	**1 580 626**
Dividends paid / Distribution for Investment certificate	-	-	-	-	(93 089)	-	-	(93 089)
Capital increases	-	300 000	-	-	-	-	-	300 000
Capital decreases	-	(150 000)	-	-	-	-	-	(150 000)
Reclassification from OCI to RE	-	-	-	-	74 597	(74 597)	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**114 633**	**8 634**	**(800)**	**122 467**
Net result for the period	-	-	-	-	114 633	-	-	114 633
Other comprehensive income	-	-	-	-	-	8 634	(800)	7 834
Remeasurements of defined benefit pension liabilities	-	-	-	-	-	-	(800)	(800)
Change in fair value reserve	-	-	-	-	-	8 634	-	8 634
As of 31.12.2020	**212 000**	**300 000**	**79 795**	**39 104**	**1 130 796**	**-**	**(1 691)**	**1 760 004**

As at 31 December 2020 the impact of deferred tax included in ´Fair value reserve´ amounts -17,5 mil. Eur (2019: 6,9 mil. Eur) and the impact of deferred tax included in ´Remeasurement of net liability of defined pension plans´ amounts 0,2 mil. Eur (2019: 0,1 mil. Eur) . For more datails on deferred tax please refer to note 19.

For more details on the transaction of AT1 certificate issue included in the line item ´Capital increases´ and ´Capital decreases´ please refer to note 26 and for the description of transactions inlcuded in the line item ´Reclassification from OCI to RE´ please refer to note 13.

The notes on pages 211 to 335 are an integral part of these separate financial statements.

Separate statement of cash flows

for the year ended 31 December 2020

EUR ths.	2019	2020
Profit before income taxes	**221 521**	**153 400**
Non-cash adjustments for:		
Loss allowances for loans and advances, Provisions for off-balance sheet	42 696	107 918
Provisions for liabilities and other liabilities	(3 484)	(1 989)
Impairment of tangible and intangible assets net	(1 125)	(1 812)
Depreciation and amortization	48 508	39 736
Profit/(loss) on disposal of fixed assets	2 366	2 749
Gains/(losses) from measurement and derecognition of financial assets and financial liabilities	(1 664)	(87)
Accrued interest, amortisation of discount and premium	27 011	(3 268)
Transfer of dividends received to investing activities	(951)	(724)
Cash flows from operations before changes in operating assets and liabilities	**334 878**	**295 923**
(Increase)/decrease in operating assets:		
Minimum reserve deposits with the central bank	(86 213)	(1 266 247)
Financial assets held for trading	1 518	(18 571)
Non-trading financial assets at fair value through profit or loss	20 356	(8 441)
Equity instruments	-	(83)
Debt securities	20 356	(8 358)
Financial assets at fair value through other comprehensive income	(109)	(10 406)
Financial assets at amortised cost	(1 002 748)	(1 022 859)
Debt securities	13 946	(153 206)
Loans and advances to banks	47 744	6
Loans and advances to customers	(1 064 438)	(869 659)
Finance lease receivables	(83 675)	(27 821)
Hedge accounting derivatives	(13 115)	(11 325)
Trade and other receivables	(10 681)	25 096
Other assets from operating activities	(10 605)	12 128
Increase / (decrease) in operating liabilities:		
Financial liabilities held for trading	(5 042)	20 504
Financial liabilities at amortised cost	783 859	1 932 072
Deposits from banks	11 987	1 446 968
Deposits from customers	762 846	506 814
Other financial liabilities	9 026	(21 710)
Hedge accounting derivatives	6 693	332
Provisions	(5 830)	12 397
Other liabilities from operating activities	17 645	(63)
Net cash flows provided by / (used in) operating activities before income tax	***(53 069)***	***(67 281)***

Table continues on the following page.

EUR ths.	2019	2020
Net cash flows provided by / (used in) operating activities before income tax	**(53 069)**	**(67 281)**
Income taxes paid	(44 798)	(50 793)
Net cash flows provided by / (used in) operating activities	**(97 867)**	**(118 074)**
Cash flows from investing activities		
Dividends received from subsidiaries, associates and other investments	951	724
Purchase of share in subsidiaries and associates	(24 848)	(27 858)
Proceeds from sale of other investments	-	94 560
Purchase of intangible assets, property and equipment	(27 616)	(21 616)
Proceeds from sale of intangible assets, property and equipment	1 641	3 815
Net cash flows provided by / (used in) investing activities	**(49 872)**	**49 625**
Cash flows from financing activities		
Dividends paid	(99 308)	(93 089)
AT1 certificate - issue	-	150 000
Repayment of subordinated debt	-	(10 000)
Issue of subordinated debt	-	30 000
Issue of the bonds	530 079	161 739
Repayment of the bonds	(269 618)	(205 455)
Lease liabilities	(14 504)	(13 968)
Net cash flows provided by / (used in) financing activities	**146 649**	**19 227**
Effect of foreign exchange rate changes on cash and cash equivalents	224	(980)
Net increase / (decrease) in cash and cash equivalents	**(866)**	**(50 202)**
Cash and cash equivalents at beginning of period	**414 419**	**413 554**
Cash and cash equivalents at end of period	**413 553**	**363 352**
Operating cash flows from interest and dividends (included in cash flow from operating activities)	414 026	386 115
Income taxes paid	(44 798)	(50 793)
Interest paid	(17 911)	(12 631)
Interest received	475 784	448 815
Dividends received	951	724

Cash and cash equivalents are equal to cash in hand, cash balances at central banks and other demand deposits. Further information related to net debt reconciliation are provided in note 23.

The notes on pages 211 to 335 are an integral part of these separate financial statements.

Notes to the separate financial statements

A. GENERAL INFORMATION

Slovenská sporiteľňa, a.s. (hereafter 'the Bank') has its registered office at Tomášikova 48, 832 37 Bratislava, Slovak Republic. The Bank was incorporated on 15 March 1994 and registered in the Commercial Register on 1 April 1994. The identification number of the Bank is 00 151 653. The tax identification number of the Bank is 2020411536.

The Bank is a universal bank offering a wide range of banking and financial services to commercial, financial and private customers, principally in the Slovak Republic.

As of 31 December 2020, DIE ERSTE oesterreichische Spar-Casse Privatstiftung ('ERSTE Foundation'), a foundation, holds together with its partners in shareholder agreements the share in Erste Group Bank AG and represents the main shareholder. Besides the direct holding of ERSTE Foundation, the indirect participation of the ERSTE Foundation is held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated company of the ERSTE Foundation, and also by Austrian savings banks and their foundations acting together with the ERSTE Foundation and affiliated with Erste Group Bank AG through the Haftungsverbund. Further part of the subscribed capital is held by the ERSTE Foundation on the basis of a shareholder agreement with CaixaBank S.A. and residual share represents minority direct holdings held by other partners to other shareholder agreements.

The Board of Directors of the Bank had five members as at 31 December 2020:
Ing. Peter Krutil (chairman), Ing. Pavel Cetkovský (member), Mgr. Ing. Zdeněk Románek, MBA (member), RNDr. Milan Hain, PhD. (member) and Mgr. Ing. Norbert Hovančák (member}.

The chairman of the Board of Directors is also the Chief Executive Officer (CEO) of the Bank. The deputy chairman of the Board of Directors is the first deputy of the Chief Executive Officer. Other members of the Board of Directors are the deputies of the Chief Executive Officer.

The Supervisory Board of the Bank had six members as at 31 December 2020:
Ing. Stefan Dörfler (chairman), Mag. Jan Homan (vice-chairman), Paul Formanko, MBA (member), JUDr. Vazil Hudák (member), Mgr. Alena Adamcová (member) and JUDr. Beatrica Melichárová (member).

The Bank is subject to the regulatory requirements of the National bank of Slovakia and other regulatory bodies defined by the Slovak legislation.

Since 4 November 2014 the Bank operates under a direct supervision of the European Central Bank within a Single Supervision Mechanism.

B. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

Pursuant to the Article 17a of the Act no. 431/2002 Coll. on Accounting, effective from 1 January 2006 banks are required to prepare separate financial statements, consolidated financial statements and annual report according to the special regulations – Regulation (EC) no. 1606/2002 of the European Parliament and of the Council on Application of International Accounting Standards. As a result, the financial statements prepared in accordance with International Financial Reporting Standards effectively replaced the financial statements prepared under Slovak Accounting Standards.

These separate financial statements for the year ended 31 December 2020 are prepared in accordance with International Financial Reporting Standards ('IFRS' or 'IAS') as adopted by the European Union ('EU') on the basis of the regulation no. 1606/2002.

IFRS as adopted by the EU do not currently differ from IFRS and interpretations as issued by the International Accounting Standards Board (IASB), except for certain standards issued but not yet effective. The Bank has assessed that the standards not endorsed by the EU would not impact significantly these separate financial statements if they were applicable as at the presented balance sheet date. Information on application of new and amended IAS / IFRS standards are detailed in the note f).

b) Basis of preparation

These separate financial statements do not include consolidation of assets, liabilities and operational results of subsidiaries. As required by the law, the Bank issued Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2020, which were signed and authorised for issue by the Board of Directors of the Bank on 16 February 2021 and are available at its registered office or on the web page.

The Bank's separate financial statements for the prior period (the year ended 31 December 2019) were signed and authorised for issue on 11 February 2020.

The Bank holds controlling interests in the subsidiaries and significant influence in the associates described in note 18. In these separate financial statements the subsidiaries and associates are recognised at cost, less any impairment losses.

These separate financial statements are prepared on the basis of the going concern assumption that the Bank will continue to operate in the foreseeable future.

After the consideration of all potential impacts of the COVID-19 (Coronavirus) on the business activities the Bank concluded that they have no significant impact on the ability of the Bank to continue as going concern.

These separate financial statements are presented in Euro, which is the functional currency of the Bank. The functional currency represents the currency of primary economic area, in which the entity exists.

The measurement unit is thousands of Eur ('Eur ths.'), unless stated otherwise. The amounts in parentheses represent negative values. The tables in these separate financial statements and notes may contain rounding differences.

The comparative amounts presented in these separate financial statements are those presented in the Separate statement of financial positions as at 31 December 2019 and the Separate statement of profit or loss and and the Separate statement of other comprehensive income for the year ended 31 December 2019.

In the following notes, the Statement of financial position may be referred to as 'balance sheet' and the Statement of profit or loss may be referred to as 'income statement'.

c) Subsidiaries and associates

These separate financial statements present accounts and results of the Bank only.

Subsidiaries

The Bank holds controlling interests in the subsidiaries described in note 18. In these separate financial statements the subsidiaries are recognised at cost, less any impairment losses.

Subsidiaries are recognized on the balance sheet from the date when control is obtained until the date when control is lost. Control is achieved when the Bank is exposed to, or has rights to, variable returns from its involvement with the subsidiary (the investee) and has the ability to affect those returns through its power to govern the relevant activities of this company. Relevant activities of the company are those which most significantly affect the variable returns of an entity.

Investments in associates

The Bank has significant influence in the associates described in note 18. In these separate financial statements the investments in associates are recognised at cost, less any impairment losses.

Investments in associates ('associates') represent entities over which the Bank exercises significant influence. Significant influence is the power to participate in financial and operating policy decisions of the investee but is not control or joint control of those policies.

Acquisitions, sales and mergers during the presented period

The group structure of Slovenská sporiteľňa, a.s. is presented in note 18. This note also provides information on acquisitions, sales, mergers and other transactions relating to the investments of the Bank in subsidiaries and associates undertaken during the years 2020 and 2019.

d) Accounting and measurement methods

Financial instruments

A financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party. In accordance with IFRS 9, all financial assets and financial liabilities, including derivative financial instruments, have to be recognised on the balance sheet and measured in accordance with their assigned categories.

Measurement methods for financial instruments

Measurement of financial assets and financial liabilities is subject to two primary measurement methods.

i. Amortised cost and effective interest rate

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. For financial assets the amount is adjusted for any loss allowance.

The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash payments or receipts through the contractual life of the financial asset or financial liability to the gross carrying amount of the financial asset (i.e. its amortised cost before adjusting for any loss allowance) or to the amortised cost of the financial liability. The estimated cash flows consider all the contractual terms of the financial instrument but disregard the expected credit losses. The calculation includes transaction costs, origination fees that are an integral part of the EIR (apart from financial instruments at fair value through profit or loss) and all other premiums and discounts to the par amount.

For purchased or originated credit-impaired financial assets ("POCI", see part 'Impairment of financial instruments') credit-adjusted EIR is used. It is the rate that exactly discounts the estimated future cash flows which consider expected credit losses to the amortised cost of a financial asset.

The EIR is used for recognition of interest income and interest expense. Interest income is calculated in the following way:

- EIR applied to the gross carrying amount for financial assets which are not credit-impaired (Stage 1 and Stage 2, see part 'Impairment of financial instruments');
- EIR applied to the amortised cost for financial assets which are credit-impaired (Stage 3, see part 'Impairment of financial instruments'); and
- credit-adjusted EIR applied to the amortised cost for POCI financial assets.

Interest expense is calculated by applying the effective interest rate to the amortised cost of a financial liability.

ii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The definition also applies to fair value measurements of non-financial assets and liabilities. Details on valuation techniques applied for fair value measurement and on the fair value hierarchy are disclosed in note 33.

Initial recognition and measurement

i. Initial recognition

Financial instruments are initially recognised when the Bank becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised at the settlement date, which is the date when an asset is delivered.

ii. Initial measurement

Financial instruments are measured initially at their fair value including transaction costs. In case of financial instruments at fair value through profit or loss, for which transaction costs are not taken into consideration at initial measurement, are recognised directly in profit or loss. The fair value at initial recognition equals the transaction price, i.e. the price transferred to originate or acquire a financial asset or the price received to issue or incur a financial liability.

Classification and subsequent measurement of financial assets

In accordance with IFRS 9, the classification and subsequent measurement of financial assets depend on the following two criteria:

1. the business model for managing the financial assets - the assessment is focused on whether the financial asset is part of a portfolio,
   - where the assets are held in order to collect contractual cash flows,
   - to both collect the contractual cash flows and sell the financial assets, or
   - they are held in other business models,
2. the cash flow characteristics of the financial assets - the assessment is focused on whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Application of these criteria leads to classification of financial assets into three measurement categories described in the following sections.

i. Financial assets at amortised cost

Financial assets are measured at amortised cost if they are held in a business model whose objective is to collect contractual cash flows and their contractual cash flows meet the SPPI criteria.

On the balance sheet, these assets are carried at amortised cost, i.e. the gross carrying amount net of the credit loss allowance. They are presented under the line 'Financial assets at amortised cost', 'Finance lease receivables', 'Trade and other receivables' and 'Cash and cash balances'. Cash balances include only deposits against central banks and credit institutions that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours. Mandatory minimum reserves are also disclosed as cash balances.

Interest income on these financial assets is calculated by effective interest method and is included under the line 'Net interest income' in the income statement. Impairment gains or losses are included in the line 'Impairment result from financial instruments'. Gains and losses from derecognition (such as sales) of the financial assets are reported under the line item 'Other gains/losses from derecognition of financial Instruments not measured at fair value through profit of loss'.

The financial assets of the Bank measured at amortised cost constitute the largest measurement category which includes the vast majority of loan business to customers (except for certain loans measured at fair value through profit or loss), interbank lending business (including reverse repo transactions), deposits with central banks, investments in debt securities, unsettled receivables, trade and other receivables.

Investments in debt securities measured at amortised cost may be acquired with different business objectives (such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationship, substitution of loan business or other yield generating activities). Significant and frequent sales of such securities are not expected by the Bank. For a description of what sales are considered as compliant with the held to collect contractual cash flows business model see the "Business model assessment" part in chapter d) Significant accounting judgements, assumptions and estimates.

ii. Financial assets at fair value through other comprehensive income

For certain investments in equity instruments which are not held for trading, the Bank can use the option to measure them at FVOCI. This election is made at initial recognition and is not revocable. This election is applied to strategic, significant banking business relationship investments (except for insurance business). The fair value gains or losses for the period are reported as OCI in the line 'Fair value changes of equity instruments' of the statement of comprehensive income. The cumulative gains or losses are included under 'Fair value reserve' in the statement of changes in equity. The amount recognised in OCI is never reclassified to profit or loss. Dividends received on these investments are reported under the line 'Dividend income' of the income statement. On the balance sheet financial assets measured at fair value through OCI are included as 'Equity instruments' under the line 'Financial asset at fair value through other comprehensive income'.

iii. Financial assets at fair value through profit or loss

There are different reasons for assigning the fair value through profit or loss (FVPL) measurement category to financial assets.

Financial assets whose contractual cash flows are not considered as SPPI have to be measured at FVPL.

Other source of FVPL measurement relates to financial assets which are part of residual business models, i.e. they are neither held to collect contractual cash flows, nor held either to collect contractual cash flows, or sell the assets. These financial assets are generally expected to be sold before their maturity or they are managed and their performance is evaluated on a fair value basis. Such business models are typical for assets which are held for trading (i.e. financial assets held for the purpose of the active trading), or for assets whose value is expected to be primarily realised through sales.

The Bank can use the option to designate some financial assets as measured at FVPL at initial recognition. Such a classification is used if it eliminates or significantly reduces an accounting mismatch between the financial asset, which in the absence of such a classification would be measured at amortised cost or at FVOCI, and the related derivative measured at FVPL.

On the balance sheet, debt instrument financial assets measured at FVPL are presented as 'Financial assets held for trading' and 'Non-trading financial assets at fair value through profit or loss', (sub-items 'Debt securities' and 'Equity instruments'). Non-trading financial assets consist of two sub-categories disclosed in note 12 which are 'mandatorily at fair value through profit or loss' and 'designated at fair value through profit or loss'. Financial assets are mandatorily measured at fair value through profit or loss either because their contractual cash flows are not SPPI or they are held as part of residual business models which are other thanheld for trading model.

Investments in equity instruments which are not held for trading are also measured at FVPL (unless they are designated at FVOCI). They are presented in the balance sheet under 'Non-trading financial assets at fair value through profit or loss', sub-item 'Equity instruments', sub-category 'mandatorily at fair value through profit or loss' in note 12.

In the income statement, the profit or loss effects of financial assets measured at FVPL are split into interest income or dividend income and fair value gains and losses. The interest income on debt instruments is presented in the line 'Net interest income' and is calculated by applying the EIR to the amortised cost component of the financial assets. The dividend income on equity instruments is presented in the line 'Dividend income'. The fair value gains or losses are calculated net of the interest or dividend income and they also include transaction costs and origination fees. They are reported in the line 'Net trading result' for financial assets held for trading and in the line 'Gains/losses from financial instruments measured at fair value through profit or loss' in case of non-trading financial assets at FVPL. For investments in funds, which are not consolidated, the interest or dividend component is not separated from the fair value gains or losses.

Classification and subsequent measurement of financial liabilities

Financial liabilities are measured at amortised cost, if they are not measured at fair value through profit and loss.

i. Financial liabilities at amortised cost

For presentation on the balance sheet, the line item 'Financial liabilities at amortised cost' is used. The liabilities are further broken down into 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

Interest expenses incurred from financial liabilities are calculated using effective interest method and are reported in the line item 'Net interest income' in the income statement. Gains and losses from derecognition (mainly repurchase) are reported under the line item 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

ii. Financial liabilities at fair value through profit or lossát

Financial liabilities at FVPL consist of financial liabilities held for trading that are presented under line item 'Financial liabilities held for trading'.

Impairment of financial instruments

The Bank recognises loss allowances for impairment on demand deposits, debt instrument financial assets, other than those measured at FVPL, loan and advances, lease receivables, trade and other receivables and off-balance credit risk exposures arising from financial guarantees and loan commitments given. The impairment is based on expected credit losses whose measurement reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The amount of the impairment loss is recognised as a loss allowance. For the purpose of the measurement of the amount of expected credit loss and recognition of interest income the Bank distinguishes between three stages of impairment.

Stage 1 relates to financial instruments for which no significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the 12-month expected credit loss. Interest income is recognised by effective interest rate applied to the gross carrying amount of the financial asset.

Financial instruments in Stage 2 are subject to significant increase in credit risk since their initial recognition. The impairment is measured in the amount of the lifetime expected credit loss. Interest income is recognised by effective interest rate applied to the gross carrying amount of the financial asset (as for Stage 1).

Financial assets in Stage 3 are credit-impaired. In respect of applying the 'credit-impaired' concept of IFRS 9, the Bank generally adopted the approach of aligning it with the regulatory concept of 'default' for lending exposures. The impairment for such financial assets is measured in the amount of lifetime expected credit loss. Interest income is recognised by EIR applied to the amortised cost (i.e. the net carrying amount) of the financial asset. From balance sheet perspective, interest is accrued based on the financial assets' gross carrying amount. The difference between the interest accrued on the assets and the interest income recognised is reflected through the allowance account (without impacting the impairment loss).

12-month expected credit loss is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. More detailed information about identification of significant increases in credit risk including collective assessment, estimation techniques used to measure 12-month and lifetime expected credit losses and definition of default is provided in note 32.

The loss allowances decrease the value of the financial assets measured at amortised cost. i.e. for financial assets measured at amortised cost the net carrying amount of the financial asset presented on the balance sheet is the difference between the gross carrying amount and the cumulative loss allowance. For financial assets measured at FVOCI the change of credit risk (impairment loss) is recognised as part of revaluation of that asset and presented in accumulated OCI, specifically under 'Fair value reserve' in the statement of changes in equity and presented under the line ´Retained earning and other reserves´ on the balance sheet. Loss allowances for loan commitments and financial guarantees are presented under the balance sheet line item 'Provisions'.

For financial assets which are credit-impaired at initial recognition (purchased or originated credit-impaired – POCI - financial assets) lifetime expected credit losses are initially reflected in the credit-adjusted effective interest rate. As a result, no loss allowance is recognised at inception. Subsequently only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss allowance, whilst favourable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets. No impairment stages are distinguished for the POCI financial assets.

In the income statement, impairment losses and their reversals (gains) on all kinds of financial instruments are presented in the line item 'Impairment result from financial instruments'.

Contingent liabilities

Provisions for credit losses from contingent liabilities (particularly financial guarantees and loan commitments) are reported on the balance sheet line item 'Provisions'. The related expenses or their reversals are reported in the income statement line item 'Impairment result from financial instruments'.

Write-offs of financial assets

The Bank writes off a financial asset or a part of it when it has no reasonable expectations of recovering the respective cash flows. When performing the write-off, the gross carrying amount of the asset is reduced simultaneously with the related loss allowance balance.

Derecognition of financial instruments

i. Derecognition of financial assets

A financial asset (or part of a financial asset, or part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired, or
- the Bank transferred its contractual rights to receive cash flows from the asset to third party, or
- the Bank has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement,
- and the Bank either:
  - it has transferred substantially all the risks and rewards connected with the ownership of the asset, or
  - it has neither transferred nor retained substantially all the risks and rewards connected with the ownership of the asset but has transferred control of the asset.

The difference between the carrying amount of the derecognised asset and the consideration received is presented in the income statement in the line 'Gains/losses from derecognition of financial assets measured at amortised cost' or, for financial assets at FVOCI, in the line 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'. For financial assets measured at FVPL the derecognition gains or losses are recognised together with the measurement result in the lines 'Net trading result' or 'Gains/losses from financial instruments measured at fair value through profit or loss'.

ii. Contractual modifications

In the normal course of running its lending business and in agreement with the respective debtors, the Bank may renegotiate or otherwise modify some terms or conditions of the underlying contracts. This can involve either market-driven commercial renegotiations or contractual changes aimed at alleviating or preventing borrower's financial difficulty.

Substantial modifications lead to derecognition of the original financial asset and initial recognition of the modified financial asset as a new financial instrument. If the modification is not considered as substantial then original financial asset is not derecognized but is treated as modified. In such case the gross carrying amount of the asset is adjusted against recognising a modification gain or loss in profit or loss. The modification gain or loss equals the difference between the gross carrying amount before the modification and the present value of the cash flows based on the modified terms discounted with the original EIR. In the income statement, the modification gain or loss is presented in the line 'Interest income' under 'Net interest income' if the modification relates to financial assets in Stage 1. For financial assets in Stage 2 and 3 and POCI financial assets, the modification gain or loss is presented in the line 'Impairment result from financial instruments'. However, to the extent that the contractual modification involves the Bank giving up its rights of collecting cash flows in respect of an outstanding amount of the asset, such as waiving (part of) principal or accrued interest amount, it is treated as a write-off.

iii. Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Derivative financial instruments

The Bank uses different derivative financial Instruments. Derivatives used by the Bank mainly include interest rate swaps and currency swaps, forwards, futures, interest rate options and currency options.

For presentation purposes derivatives are split into:

- Derivatives – held for trading
- Derivatives – hedge accounting

Derivative financial instruments are carried at fair value (dirty price) on the balance sheet. Derivatives are carried as assets if their fair value is positive and as liabilities if their fair value is negative.

Derivatives – held for trading are those, which are not designated as hedging instruments for hedge accounting. They are presented in the balance sheet line item 'Derivatives' under the heading 'Financial assets / Financial liabilities held for trading'. All types of non-hedging derivatives regardless to their internal classification, i.e. both derivatives held in the trading book and banking book, are presented in this line item.

Derivatives – hedge accounting are those which are designated as hedging instruments in hedge accounting relationships fulfilling the conditions of IAS 39. On the balance sheet, they are presented in the line item 'Hedge accounting derivatives' on the asset or liability side.

Changes in the fair value (clean price) of derivatives – held for trading as well as of derivatives designated as hedging instruments in fair value hedges are reported in the income statement in the line item 'Net trading result'. Interest income/expense related both to held-for-trading and hedging derivatives is presented in the income statement under the line item 'Net interest income'.

The effective part of changes in the fair value (dirty price) of derivatives in cash flow hedges is reported as other comprehensive income in the line item 'Cash flow hedge reserve' of the statement of comprehensive income. The ineffective part of changes in the fair value (dirty price) of derivatives in cash flow hedges is reported in the income statement under the line item 'Net trading result'.

Embedded derivatives

As a part of ordinary business activity the Bank issues complex debt instruments, which contain embedded derivatives.

Embedded derivatives are separated from the host debt instruments if:

- the embedded derivative meets the definition of a derivative,
- the economic characteristics of the derivatives are not closely related to the economic characteristics and risks of the host debt Instruments,
- the hybrid instrument is not a financial asset or liability held for trading or designated at fair value through profit or loss.

Embedded derivatives that are separated are accounted for as stand-alone derivatives and presented on the balance sheet under the line item 'Derivatives' in financial assets held for trading and financial liabilities held for trading. Derivatives that are not closely related and are separated relate to bonds and deposits.

Repo transactions and reversal repo transactions

Transactions involving sales of securities under an agreement to repurchase them at a specified future date are also known as 'repos' or 'sale and repurchase agreements'. Securities sold in such transactions are not derecognised from the balance sheet, as the Bank retains substantially all the risks and rewards of ownership, because the securities are repurchased at a fixed price when the repo transaction ends. Financial assets transferred to another person under a repurchase agreement remain in the Bank's balance sheet and are measured according to the rules that are valid for the balance sheet item. Furthermore, the Bank is the beneficiary of all the coupons and other income payments received on the transferred assets over the period of the repo transactions. These payments are remitted to the Bank or are reflected in the repurchase price.

The cash received upon sale of securities is recognised on the balance sheet with a corresponding obligation to return under the line item 'Financial liabilities at amortised cost', sub-items 'Deposits from banks' or 'Deposits from customers' reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and recorded in the income statement under the line item 'Net interest income' and is accrued over the life of the agreement.

Financial assets transferred out by the Bank under repurchase agreements remain on the Bank's balance sheet and are presented separately under the original balance sheet items in the 'thereof pledged as collateral' lines. The measurement of the transferred financial assets does not change.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised on the balance sheet. Such transactions are also known as 'reverse repos'. The consideration paid is recorded on the balance sheet under the line items 'Loans and advances to banks' and 'Loans and advances to customers' reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement and recorded in the income statement under the line item 'Net interest income'.

Securities lending and borrowing

In securities lending transactions, the lender transfers ownership of securities to the borrower on the condition that the borrower will retransfer, at the end of the agreed loan term, ownership of instruments of the same type, quality and quantity and will pay a fee determined by the duration of the lending. The transfer of the securities to counterparties via securities lending does not result in derecognition. Substantially all the risks and rewards of ownership are retained by the Bank as a lender because the securities are received at the end of the securities lending transaction. Furthermore, the Bank is the beneficiary of all the coupons and other income payments received on the transferred assets over the period of the securities lending. Securities lent are presented separately under the original balance sheet items in the 'thereof pledged as collateral' lines. Fee income from securities lending transactions is presented in the income statement under the line 'Net fee and commission income'.

Securities borrowed are not recognised on the balance sheet unless they are then sold to third parties. The obligation to return the securities is recorded on the balance sheet within 'Financial liabilities held for trading', sub-item 'Other financial liabilities'. Fee expense incurred on securities borrowing transactions is presented in the income statement in the line 'Net fee and commission income'.

Hedge accounting

The Bank makes use of derivative instruments to hedge exposures to interest rate risk and foreign currency risk. In order for the derivatives and the exposures to qualify for hedge accounting, at inception of a hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. A hedge is considered to be highly effective if the changes in fair value or cash flows attributable to the hedged risk offset the fair value changes of the hedging instrument in a range of 80% to 125%. Hedge effectiveness is assessed at inception and throughout the term of each hedging relationship. Exact conditions for particular types of hedges and for testing the hedge effectiveness by the Bank are specified internally in the hedge accounting guidance. As permitted by the transitional provisions of IFRS 9, the Bank has elected to continue to apply hedge accounting requirements of IAS 39.

The Bank uses fair value hedges for decrease of market risk. For qualifying and designated fair value hedges, the change in the fair value (clean price) of a hedging instrument is recognised in the income statement under the line item 'Net trading result'. Interest income and expenses on hedging derivatives are reported under the line item 'Net interest income'. The change in the fair value of the hedged item attributable to the hedged risk is also recognised in the income statement under the line item 'Net trading result' and adjusts the carrying amount of the hedged item. Interest income / expenses from hedged item are recognised in the income statement under the line item 'Net interest income'.

If the hedging instrument expires, is sold, is terminated or is exercised, or when the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. In this case, the fair value adjustment of the hedged item is amortised to the income statement under the line item 'Net interest income' until maturity of the financial instrument.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported on the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously

Financial guarantees

In the ordinary course of business, the Bank provides financial guarantees, consisting of various types of letters of credit and guarantees. According to IFRS 9 the financial guarantee is a contract that requires the guarantor to make specified payments to reimburse the holder for a loss it incurs in case a specified debtor fails to make a payment when due in accordance with the original or modified terms of a debt instrument.

If the Bank is in the position of being a guarantee holder, the financial guarantee is not recorded on the balance sheet but is taken into consideration as collateral when determining the impairment of the guaranteed asset.

The Bank as a guarantor recognises financial guarantees as soon as it becomes a contracting party. Financial guarantees are initially measured at fair value. Generally, the initial measurement is the premium received for a guarantee. Subsequent to initial recognition, provisions are recognised based on the expected credit loss impairment model if the amount is higher than the unamortised balance of the initial premium. They are presented on the balance sheet under the line 'Provisions'. The premium received is recognised in the income statement under the line item 'Net fee and commission income' on a straight-line basis over the life of the guarantee.

Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

i. The Bank as a lessor

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. In the case of a finance lease, the lessor reports a receivable from the lessee under the line item 'Finance lease receivables'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the state-ment of income in the line item 'Other similar income' under 'Net interest income'.

In the case of operating leases, which are leases other than finance leases, the leased asset is reported by the Bank in 'Property and equipment' or in 'Investment property' and is depreciated in accordance with the principles applicable to the assets involved. Lease income is recognised on a straight-line basis over the lease term in the income statement under the line item 'Rental income from investment properties and other operating leases'. Operating leases mainly include the leasing of commercial real estate.

The Bank as a lessor is mitigating the risk associated with any rights it retains in underlying assets. This is achieved especially by means of residual value guarantees, variable lease payments for use in excess of specified limits and buy-back agreements with third parties.

The vast majority of lease agreements in which the Bank operates as a lessor are finance leases. For the gross carrying amount and credit loss allowance to finance lease receivables including the reconciliation of the gross investment in leases to the present value of the minimum lease payments please refer to note 15.

ii. Leases where the Bank is a lessee

Under IFRS 16, a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases (less than 12 months) and leases of low-value items.

The right-of-use asset is initially measured at cost. The cost comprises the amount of the initial measurement of the lease liability and also includes other elements such as initial direct costs incurred by the lessee. Subsequently, the right-of-use asset is depreciated to the earlier of the end of its useful life or the end of the lease term. The Bank uses the straight-line method of depreciation. The right-of-use assets are presented on the balance sheet as part of 'Property and equipment, right-of-use assets'.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments represent fixed lease payments.

Subsequently, the carrying amount of the lease liability is increased by interest accrued using the applicable discount rate, reduced by lease payments made, and possible other reassessment or lease modification. The incremental borrowing rate for leases consists of Euribor as a base rate and credit risk adjustment applicable for the Bank. On the balance sheet the lease liabilities are presented in the line item 'Lease liabilities'.

Foreign currency translations

These separate financial statements are presented in Euro (´Eur´), which is the functional currency of the Bank. The functional currency is the currency of the primary business environment in which an entity operates.

Transactions in foreign currencies are initially recorded at the functional currency exchange rate effective as of the date of the transaction. Subsequently, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate as of the balance sheet date. All resulting exchange differences that arise are recognised in the income statement under the line item 'Net trading result'. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

For foreign currency translation, exchange rates quoted by the European Central Bank are used.

Trade and other receivables

Trade and other receivables are a residual category under loans and advances. They do not involve typical loan business. In the balance sheet of the Bank they are presented in a separate line item. The Bank recognises factoring receivables in this category.

Property and equipment

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment. Borrowing costs for qualifying assets are capitalised into the costs of property and equipment.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives and is recognised in the income statement line item 'Depreciation and amortisation'. Impairment losses on property and equipment is recognized in the income statement line item 'Other operating result'. Land is not depreciated.

The estimated useful lives are as follows:

Type of property and equipment	Useful life in years 2019 and 2020
Own buildings and structures	30 years
Rented premises	per contract
Office furniture and equipment	4 – 6 years
Computer hardware	4 years
Passenger cars	4 years
Fixture and fittings	6 – 12 years

Property and equipment is derecognised on its disposal or when no future economic benefits are expected from its use. Gain or loss arising on disposal of the asset is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income statement line item 'Other operating result'.

Investment property

Investment property is a property (land and buildings or part of them) held for the purpose of earning rental income or for capital appreciation. If such a property is partially used by the Bank, it is considered as investment property only if the owner-occupied portion is insignificant. Investments in land and buildings under construction, where their future use is expected to be the same as for investment property, are also classified in this category.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and impairment. Investment property is presented on the balance sheet as a separate line item 'Investment properties'.

Depreciation of investment property is recognised in the income statement line item 'Depreciation and amortisation' and is calculated using the straight-line method over an estimated useful life. Rental income is recognised in the income statement line item 'Rental income from investment properties and other operating leases'.

Intangible assets

The Bank`s intangible assets include mostly computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that future economic benefits attributable to it will flow to the Bank.

Intangible assets with finite lives are amortised over their useful economic lives using the straight-line method. The amortisation period and method are reviewed at least at each financial year-end and adjusted if necessary. The amortisation expense on intangible assets with finite lives is recognised in the income statement line item 'Depreciation and amortisation'. Intangible assets with infinite lives are not amortised.

The estimated useful lives are as follows:

Type of intangible assets	Useful life in years 2019 and 2020
Core banking system and related applications	8 years
Computer software	4 - 8 years

Impairment of non-financial assets (property and equipment, investment properties, intangible assets, right-of-use assets)

The Bank assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. Testing for impairment is performed at individual asset level if the asset generates cash inflows that are largely independent of those from other assets. The typical case is investment property. Otherwise, the impairment test is carried out at the level of cash-generating unit ('CGU') to which the asset belongs. CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of those from other assets or groups of assets.

When an asset is tested for impairment annually or if any indication of impairment exists, the Bank estimates its recoverable amount. The carrying amount is the higher of the asset's or the CGU's fair value less costs of disposal and its value in use. If the carrying amount of the non-financial asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In measuring value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

At each reporting date, assessment of non-financial assets is performed as to whether there is any indication that previously recognised impairment losses may have decreased. If such an indication exists, the Bank estimates the asset's or CGU's recoverable amount. The previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. However, impairment on goodwill cannot be reversed.

Impairments and their reversals are recognised in the income statement line item 'Other operating result'.

Defined employee pension plans

Defined employee pension plans operated by the Bank are for pensions and working anniversary benefits. According to IAS 19 categorisation, perspective pension benefits qualify as post-employment defined pension plans, whereas working anniversary benefits are other long-term employee benefits.

Obligations resulting from the defined employee pension plans are reported on the balance sheet line item 'Provisions'. Future obligations are determined based on an actuarial expert opinion using the projected unit credit method. The calculation takes into account various assumptions known as at the balance sheet date, such as discount rates, expected rates of return on assets, future salary increases, future pension increases, fluctuation, mortality rates and retirement age.

The key assumptions used in remeasurement of net liability of defined pension plans and the amount of respective provisions are disclosed in note 24.

The employee benefit costs are determined by an actuarial valuation using the projected unit credit method. They are measured as the present value of the estimated future cash outflows discounted by the interest yield on investment grade fixed income securities, which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses from the working anniversary benefits are charged to the income statement line item 'Personnel expenses'. Actuarial gains and losses from post-employment defined pension plans are recognised directly in the equity line item 'Remeasurement of net liability of defined pension plans' in the period in which they occur.

Provisions

Provisions are recognised when the Bank has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reported on the balance sheet line item 'Provisions'. Expense or income related to provisions are reported in the income statement line item 'Other operating result'. Information on provisions are detailed in note 24.

Levies

The Bank recognises a liability or a provision for the levy of selected bank institutions in accordance with IFRIC 21.

Taxes

i. Current tax

Current tax assets and liabilities for the current and prior years are measured as the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those enacted by the balance sheet date.

ii. Deferred tax

Deferred tax is recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as at the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences and carried forward unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced by the extent that it is no longer probable that a sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. The unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that a future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at the balance sheet date.

Deferred tax relating to the items recognised in the other comprehensive income is also recognised in the other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right to offset exists and the deferred taxes relate to the same taxation authority.

Fiduciary assets

The Bank provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the separate financial statements, as they are not the assets of the Bank.

Dividends on ordinary shares

Dividends on ordinary shares are deducted from the equity when they are paid to the Bank's shareholders.

Recognition of income and expenses

Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the Bank and the amount of revenue can be measured reliably.

The description and recognition criteria of the income statement line items are as follows:

i. Net interest income

Net interest income is broken down into line items of interest income, other similar income, interest expenses and other similar expenses. The distinguishing factor is whether the EIR method is mandatorily applied for recognition of interest income or expense in accordance with IFRS 9.

'Interest income' relates to interest revenue from financial assets measured at amortised cost and at fair value through other comprehensive income. It is calculated using the EIR method as described in part 'Financial instruments', 'Measurement methods for financial instruments', note i.) ´Amortised cost and effective interest rate' in the note Bd).

'Other similar income' captures interest-like sources of income resulting from non-derivative financial assets measured at fair value through profit or loss, held for trading derivatives, hedge accounting derivatives, finance lease receivables and negative interest on financial liabilities.

'Interest expenses' relate to interest expense from financial liabilities at amortised cost calculated using effective interest rate as described in part 'Financial instruments', 'Measurement methods for financial instruments', note i.) ´Amortised cost and effective interest rate' in the note Bd).

'Other similar expenses' capture interest-like sources of expense resulting from non-derivative financial liabilities measured at fair value through profit or loss, held for trading derivatives, hedge accounting derivatives, negative interest on financial assets, lease liabilities, provisions recognised under IFRS 9 and IAS 37 (unwinding of the time value of the money effect due to passage of time) and net defined liabilities (net interest cost on severance payments, pensions and jubilee obligations) under IAS 19.

As regards types of financial instruments, interest income and other similar income include interest income on loans and advances to banks and customers, on cash balances, on debt securities in all measurement categories of financial assets, on trade and other receivables and on finance lease receivables. Interest expenses and other similar expenses include interest paid on deposits from customers, deposits from banks, debt securities issued and other financial liabilities in all measurement categories of financial liabilities and interest paid on lease liabilities. Net interest income also includes interest on derivative financial instruments.

ii. Net fee and commission income

The Bank earns fee and commission income from a diverse range of services provided to its customers. The determination of the timing and amount of income recognition follows the five step model of IFRS 15.

Fee and commission income is measured based on the consideration specified in the contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include fees from lending business, payment services, securities transactions, as well as commissions from collective investment, custody and insurance products distribution.

Fees earned for providing transaction services and commission income earned from services such as the sale of collective investments and insurance products are recognised upon completion of the underlying transaction.

A contract with a customer that results in the recognition of a financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. Fees and commission income that are integral to the effective interest rate of a financial instrument are in the scope of IFRS 9 and are included in the net interest income.

The Bank provides services of insurance products distribution. Once the insurance contract is signed, the performance obligation is fulfilled and the Bank is entitled for the transaction price. Transaction price consists of consideration received in the year when the insurance contract is signed and consideration received in the subsequent years. Consideration received in the first year is subject of claw backs in the current year or in the future. Considerations received in the subsequent years are variable considerations depending on the early cancellation of the insurance contract.

The Bank shall include in the transaction price some or all of an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Dispite the performance obligation is fulfilled in the first year, variable consideration is recognized only once uncertainty is resolved. Based on IFRS 15, the Bank recognizes fee and commission income from insurance products distribution on the ´cash flow basis´ subject to claw back adjustments.

iii. Dividend income

Dividend income is recognised when the right to receive the payment is established. This line item includes dividends from all shares and other equity investments, i.e. from those that are held for trading, non-trading equity instruments at FVPL and at FVOCI.

iv. Net trading result

Results arising from trading activities include all gains and losses from changes in the fair value (clean price) of financial assets and financial liabilities classified as held for trading, including all derivatives not designated as hedging instruments. The net trading result also includes foreign exchange gains and losses.

This item also includes any ineffective portions recorded in fair value and cash flow hedge transactions.

v. Gains/losses from financial instruments measured at fair value through profit or loss

Under this line item the changes in fair value (clean price) of non-trading financial assets at fair value through profit or loss are presented.

vi. Rental income from investment properties and other operating leases

Rental income from investment properties is recognised on a straight-line basis over the lease term.

vii. Personnel expenses

Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes and levies.

Furthermore, restructuring provisions expenses may be part of personnel expenses (severance payments and jubilee obligations).

viii. Other administrative expenses

Other administrative expenses include primarily information technology expenses, expenses for office space, office operating expenses, advertising and marketing and expenditures for legal and other consultants.

Furthermore, the line item contains deposit insurance contributions expenses.

ix. Depreciation and amortisation

This line item comprises depreciation of property and equipment, depreciation of investment property and amortisation of intangible assets.

x. Gains/losses from derecognition of financial assets measured at amortised cost

This line item includes selling and other derecognition gains or losses on financial assets measured at amortised cost. However, if such gains/losses relate to derecognition of financial assets in Stage 3 they are included in the line item 'Impairment result from financial instruments'.

xi. Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss

This line item includes selling and other derecognition gains or losses on financial assets at FVOCI, financial liabilities at amortised cost and other financial instruments not measured at FVPL, such as finance lease receivables or financial guarantees. However, if such gains/losses relate to financial assets in Stage 3 they are included in the line item 'Impairment result from financial instruments'.

xii. Impairment result from financial instruments

Net impairment losses on financial instruments comprise impairment losses and reversals of impairment on all kinds of financial instruments, to which the IFRS 9 expected credit loss impairment model applies. The impairment result also includes recoveries on written-off financial assets. Gains and losses recognised on financial assets in Stage 2 and Stage 3 and POCI assets are also presented as the impairment result in this line item. Moreover, gains/losses from derecognition of financial assets in Stage 3 and POCI assets are included presented as part of the impairment result.

xiii. Other operating result

Other operating result reflects all other income and expenses not directly attributable to the Bank's ordinary activities. Furthermore, levies on banking activities are considered as part of the other operating result.

Other operating result includes impairment losses or any reversal of impairment losses as well as results on the sale of property and equipment and intangible assets.

In addition, other operating result encompasses the following: expenses for other taxes; income from the release of and expenses for allocations to provisions; impairment losses (and their reversal if any) as well as selling gains and losses on equity investments accounted for using the equity method; and gains or losses from derecognition of subsidiaries.

e) Significant accounting judgements, assumptions and estimates

The separate financial statements contain amounts that have been determined on the basis of judgements and by the use of estimates and assumptions. The estimates and assumptions used are based on historical experience and other factors, such as planning as well as expectations and forecasts of future events that are currently deemed to be reasonable. As a consequence of the uncertainty associated with these assumptions and estimates, actual results could in future periods lead to adjustments in the carrying amounts of the related assets or liabilities. The most significant uses of judgements, assumptions and estimates are related to the following areas:

SPPI assessment

The assessment of whether the contractual cash flows of financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) is subject to the application of accounting judgements. These judgements are crucial in the classification and measurement process as they determine whether the asset has to be measured at FVPL or, depending on the business model assessment, at amortised cost or at FVOCI. When taking into consideration specific features of loans in the business of the Bank, significant areas of judgement are prepayment fees, project financing loans and benchmark test for loans with interest mismatches features.

The assessment whether the prepayment fees applied to loans can be considered as a reasonable compensation for early terminations or prepayments is based on comparing the level of the fees with the economic costs incurred by the Bank upon the early termination. For these purposes, the Bank uses a quantitative test where the costs relate to the lost interest margin and the lost interest differential due to a decrease in the interest rates upon early termination or prepayment. The evaluation is normally performed on a portfolio level. The adequacy of the fees can also be defended on a qualitative basis such as common market practice regarding level prepayment fees and their acceptance by authorities.

For project financing loans the Bank assesses whether they represent basic loan agreements rather than investments in the financed projects. In this respect credit rating, level of collateralisation, existing sponsor guarantees and the extent of equity funding of the financed projects are considered.

The most critical area of SPPI judgements in the business of the Bank comprises loans with interest mismatch features. Interest mismatches relate to floating rate financial assets (loans and some debt securities, also referred to as 'deals') where:

- the reference rate's – type of variable interest rate of tenor different to the rate reset frequency (such as 3-month EURIBOR for other than three month interest period,
- the interest rate is fixed prior to the start of the interest period (such as 3-month EURIBOR fixed 2 months before the interest period starts), or interest rate arise from average rates over previous periods,or
- combinations of these features.

For this purpose, the Bank has developed a so called 'benchmark test' to assess whether the interest mismatch feature could result in contractual cash flows from financial assets that are significantly different from contractual cash flows from benchmark assets. The benchmark deal does not have the interest mismatch feature, but otherwise its terms correspond to the financial asset in the test.

For assets with interest mismatches resulting only from prior and average rates the SPPI compliance is considered to be met based on a qualitative assessment if the time lag between the fixation of the rate and the start of the interest period does not exceed one month. This is supported by a quantitative analysis performed by the Bank for this purpose.

The quantitative benchmark test is performed at the deal's initial recognition and uses 250 forward-looking simulations of future market interest rates over the life of the deal. Ratios between the simulated cash flows from the actual deal and the benchmark deal are calculated for each quarter (so called 'periodic cash flow ratio'), and cumulatively over the life of the deal ('cumulative cash flow ratio'). The 5% of outcomes with the highest deviations are considered as extreme and are disregarded. The significance threshold for the periodic cash flow ratio is set to 10%. If simulated cash flows of the tested deal in a specific quarter are less than 1% of the total cash flows over the life of the deal ('de minimis threshold') they are disregarded. For the cumulative cash flow ratio the quantitative significance threshold is set to 5%. If any of the two significance thresholds is breached, the benchmark test is not passed and the financial asset has to be measured at fair value through profit or loss.

Generally, the quantitative benchmark test results are more sensitive to the level of the periodic quantitative significance threshold compared to the cumulative one. Decreasing the periodic cash flow ratio threshold to 5% could lead to a significant increase in the volume of loans measured at fair value through profit or loss. The Bank does not consider that lowering the threshold would properly capture those interest mismatch features which should lead to FVPL measurement since, based on a quantitative study performed for this purpose, it could lead fair value measurement even for loans which are generally deemed as basic lending agreements. The Bank has prepared qualitative studies to document the accuraccy of significance threshold used as reasonable.

Business model assessment

For each SPPI-compliant financial asset at initial recognition, the Bank has to assess whether it is part of a business model where the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets, or they are held in other business models. As a consequence, the critical aspect in distinguishing the business models is frequency and significance of sales of assets in the respective business model. Since the asset allocation to business models is based on the initial assessment, it may happen that in subsequent periods cash flows are realised differently than originally expected and a different measurement method may seem to be appropriate. In accordance with IFRS 9 such subsequent changes do not generally lead to reclassifications or prior period error corrections in respect of existing financial assets. The new information on how cash flows are realised may, however, indicate that the business model and thus the measurement method changes for newly acquired or newly originated financial assets.

At the Bank, certain sales or other derecognition events are considered as not contradicting the held to collect contractual cash flows business model. Examples are sales due to increases in credit risk, sales close to assets' maturity, infrequent sales triggered by a non-recurring event (such as changes in regulatory or tax environment, major internal reorganisation or a business combination, severe liquidity crisis, etc.) or derecognitions resulting from replacements of bonds based on an issuer´s offer. Other kinds of sales carried out in the 'held to collect' business model are assessed retrospectively and if they exceed certain quantitative thresholds, or whenever it is considered necessary with regard to new expectations, the Bank performs a prospective test. If the outcome was that the carrying amount of assets expected to be sold over the expected life of the current business model portfolio, for reasons other than the cases above, exceeds 10% of the carrying amount of the portfolio, any new acquisitions or originations of assets in the portfolio would be classified in a different business model.

Impairment of financial instruments

The expected credit loss impairment model is inherently based on judgement since it requires assessment of significant increases in credit risk and measurement of expected credit losses without providing detailed guidance. In respect of significant increases in credit risk, the Bank has determined specific assessment rules consisting of qualitative information and quantitative thresholds. Another area of complexity relates to establishing groups of similar assets when credit risk deterioration has to be assessed on a collective basis before specific information is available at individual instrument level. Measurement of expected credit losses involves complex models relying on historical statistic of probabilities of default and loss rates in case of defaults, their extrapolations in case of insufficient observations, individual estimates of credit-adjusted cash flows and probabilities of different scenarios including forward-looking information. In addition, the life of the instruments has to be modelled in respect of prepayment possibilities and in respect of behavioural life of revolving credit facilities.

Since 2018 the Bank uses the methodology for impairment of financial instruments according IFRS 9, wchich is based on staging resulting from assessment of relevant credit risk parameters. IFRS 9 establishes a three stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. Disclosures on methodology for impairment of financial Instruments are described in note 32.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible. Where observable market data are not available judgement is required to establish fair values. Disclosures on valuation models, the fair value hierarchy and fair values of financial instruments can be found in note 33.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

f) Application of new and amended IAS / IFRS

The Bank has adopted all the standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC), as adopted by the European Union, which are valid for the current reporting period and relevant for its business.

Effective standards and interpretations

The following standards, their amendments and interpretation have become mandatory for the financial year 2020 and have been endorsed by the EU:

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendment to IFRS 16: Leases Covid-19 Related Rent Concessions
- Amendments to IAS 1 and IAS 8: Definition of Material

The amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform were applied early in 2019. Application of the above mentioned amendments in 2020 did not have a significant impact on Bank's financial statements.

Standards and interpretations not yet effective

The standards, amendments and interpretations shown below were issued by the IASB but are not yet effective (mandatory for the annual periods beginning on or after 1 January 2021 or later).

Following amendments to standards are already endorsed by the EU:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

Following standards and amendments and interpretations have not yet been endorsed by the EU until the date of approval of these financial statements:

- IFRS 17: Insurance contracts
- Annual Improvements to IFRSs 2018-2020 Cycle

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2. The amendments were issued in August 2020 and are effective for annual periods beginning on or after 1 January 2021. The amendments introduce a practical expedient that modifications of financial assets and financial liabilities required by the reform are accounted for by updating the effective interest rate. A similar practical expedient is provided for lessee accounting applying IFRS 16. Regarding hedge accounting the hedge designation and documentation is amended and the effects of the benchmark rate change are included in the measurement of the hedging instrument and the hedged item. IFRS 7 disclosures requirements have been extended in order to allow users to understand the nature, extent and management of risks arising from the IBOR reform as well as progress in transitioning to alternative benchmark rates.

Application of these amendments will simplify the treatment compared to previous IFRS requirements which would have led to a more complex modification gain/loss or derecognition accounting or hedge accounting discontinuations. The less complex treatment is not expected to have a significant impact on the Bank's financial statements. However, the amendments will result in new disclosures.

IFRS 17: Insurance contracts. IFRS 17 was issued in May 2017 and is effective for annual periods beginning on or after 1 January 2023. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithful-ly represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The Bank does not expect that any of its contracts will fall in scope of IFRS 17.

Annual Improvements to IFRSs 2018 2020 Cycle. In May 2020, the IASB issued a set of amendments to various standards. The amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. Applica-tion of these amendments is not expected to have a significant impact on Bank's financial statements.

C. NOTES

1. Net interest income

EUR ths.	2019	2020
Interest and other similar income		
Financial assets at amortised cost	458 730	445 560
Demand deposits	7	9
Loans and advances	355 297	350 188
Debt securities	103 426	95 363
Interest income	**458 730**	**445 560**
Non-trading financial assets at fair value through profit or loss	86	-
Financial assets - held for trading	15 579	15 152
Derivatives - hedge accounting, interest rate risk	(9 263)	(9 409)
Other assets	3 918	5 431
Negative interest from financial liabilities	1 020	6 953
Other similar income	**11 340**	**18 127**
Total interest income	**470 070**	**463 687**
Interest and other similar expenses		
Financial liabilities at amortised cost	(29 021)	(21 580)
Deposits	(12 108)	(5 888)
Debt securities in issue	(16 913)	(15 692)
Interest expenses	**(29 021)**	**(21 580)**
Financial liabilities - held for trading	(14 157)	(13 245)
Derivatives - hedge accounting, interest rate risk	4 994	5 581
Other liabilities	(2 508)	(34)
Negative Interest from financial assets	-	(361)
Other similar expenses	**(11 671)**	**(8 059)**
Total Interest expenses	**(40 692)**	**(29 639)**
Net interest income	**429 378**	**434 048**

Interest income for the year ended 31 December 2020 included interests related to impaired financial assets in the amount of 7,5 mil. Eur (31.12.2019: 8,4 mil. Eur).

Interest income from hedging instruments relates to the hedged items presented in the line item 'Financial assets at amortised cost'. Interest expense from hedging instruments relates to the hedged items presented in the line item 'Financial liabilities at amortised cost'.

Interest expense from TLTRO, presented in line item 'Negative interest from financial liabilities' should be in general reduced if banks reach certain lending thresholds. At the TLTRO inception, the original effective interest rate is determined by considering the contractual terms and assessing whether the eligibility conditions for the reduced interest will be fulfilled. The scenario which is considered more likely is used for the original effective interest rate calculation. The Bank assesses on an ongoing basis how it meets the eligibility criteria for the lower interest rate. The Bank does not expect, at the reporting date, that it will meet the eligibility criteria for lower interest rate other then those already considered in original effective interest rate.

2. Net fee and commission income

EUR ths.	2019	2020
Fee and commission income		
Securities	3 016	3 887
Issuances	245	143
Transfer orders	1 153	1 828
Other	1 618	1 916
Asset management	8 649	-
Custody	1 437	2 457
Collective investment	468	578
Other	969	1 879
Payment services	100 492	98 862
Card business	42 194	38 698
Others	58 298	60 164
Customer resources distributed but not managed	32 790	48 239
Collective investment	-	11 554
Insurance products (as agent)	32 770	36 674
Other	20	11
Lending Business	24 045	16 711
Loan commitments given	2 851	3 229
Financial guarantees given	3 949	4 029
Other lending business	17 245	9 453
Other	1 259	367
Total fee and commission income	**171 688**	**170 523**
Fee and commission expense		
Securities	(831)	(1 415)
Transfer orders	(827)	(1 408)
Other	(4)	(7)
Custody	(1 114)	(1 300)
Payment services	(17 872)	(15 524)
Card business	(13 561)	(11 467)
Others	(4 311)	(4 057)
Customer resources distributed but not managed	(1 176)	(1 190)
Insurance products (as agent)	(1 176)	(1 190)
Lending Business	(5 455)	(3 581)
Financial guarantees received	(15)	(14)
Other lending business	(5 440)	(3 567)
Other	(71)	(173)
Total fee and commission expense	**(26 519)**	**(23 183)**
Net fee and commission income	**145 169**	**147 340**

In 2020 the Bank started to disclose fee income for the ´Asset management´ in the line item ´Customer resources distributed but not managed´ in the part ´Collective investment´ in the amount of 11,6 mil. EUR.

3. Dividend income

EUR ths.	2019	2020
Non-trading financial assets at fair value through profit or loss	512	493
Financial assets at fair value through other comprehensive income	439	135
Financial assets at amortised cost	17	19
Dividend income	**968**	**647**

4. Net trading result

The Bank has adopted a business model of centralised financial markets trading in cooperation with its parent company. Within this model Erste Group Bank AG conducts all trading operations on a central trading book in order to manage effectively market risks from the group trading activities (i.e. transactions with retail, corporate and other institutional clients), with the exception of equity risk trading and transactions for the Bank's liquidity management purposes.

Trading gains from the market positions of Erste Group Bank AG are distributed according to the approved rules to local banks within the Bank based on their financial results and are reported in the income statement line item 'Net trading result'. The basic principle underlying these rules is that Erste Group Bank AG absorbes potential losses in individual groups of assets in exchange for the risk premium derived from the VaR indicator. This business model of financial markets trading also includes reallocation of trading costs to the participating subsidiaries of Erste Group Bank AG based on their cost/income ratio.

EUR ths.	2019	2020
Securities trading	3 632	1 492
Derivatives trading	11 403	6 393
Result from hedge accounting	55	339
Net trading result	**15 090**	**8 224**

The line item 'Securities trading' includes net gains from the Erste Group Bank AG's market positions attributable to the Bank.

5. Gains / losses from financial instruments measured at fair value through profit or loss

EUR ths.	2019	2020
Result from measurement/sale of financial assets mandatorily at fair value through profit or loss	1 900	1 510
Gains/losses from financial instruments measured at fair value through profit or loss	**1 900**	**1 510**

6. General administrative expenses

EUR ths.	2019	2020
Personnel expenses	**(147 536)**	**(157 554)**
Wages and salaries	(104 957)	(112 692)
Compulsory social security	(35 933)	(37 950)
Long-term employee provisions	(2 538)	(1 068)
Other personnel expenses	(4 108)	(5 844)
Other administrative expenses	**(92 864)**	**(92 589)**
Deposit insurance contribution	(962)	(1 058)
IT expenses	(38 700)	(43 612)
Expenses for office premises	(13 086)	(12 459)
Office operating expenses	(11 523)	(11 729)
Advertising/marketing	(14 994)	(14 247)
Legal and consulting costs	(4 212)	(3 322)
Sundry administrative expenses	(9 387)	(6 162)
Depreciation and amortisation	**(48 508)**	**(39 736)**
Software and other intangible assets	(20 840)	(11 117)
Owner occupied real estate	(18 442)	(19 968)
Investment properties	(218)	(215)
Office furniture and equipment and sundry property and equipment	(9 008)	(8 436)
General administrative expenses	**(288 908)**	**(289 879)**

As at 31 December 2020 the Bank had 3 758 employees, thereof five members of the Board of Directors. As at 31 December 2019 the Bank had 4 070 employees, thereof five members of the Board of Directors.

The right-of-use asset is depreciated on the straight line basis till the end of contracted period and is disclosed as part of depreciation for ´Owner occupied real estate´ in line item ´Depreciation and amortisation´ in total amount of of 13,8 mil. Eur (2019: 11,6 mil. Eur). Expenses for leases complying with recognition exemptions for short-term leases (less than 12 months) and leases of low-value items under IFRS 16 are disclosed in the category ´Other administrative expenses´ under the line item ´ Expenses for office premises´ in total amount of 0,8 mil. Eur (2019: 1,5 mil. Eur).

The Bank is legally obliged to make a contribution to the Deposit Protection Fund, which is accounted for in accordance with the IFRIC 21. The amount of this annual contribution is calculated based on the Bank's customer deposit liabilities. The contribution to the Deposit Protection Fund was paid in June 2020.

Expenses for audit and other advisory services provided by the audit company are disclosed in the line item 'Legal and consulting costs' and were as follows:

EUR ths.	2019	2020
Audit of statutory financial statements	(491)	(525)
Other assurance services	(98)	(144)
Other non-audit services	(25)	(3)
Total	**(614)**	**(672)**

Other assurance services in the amount of 144 ths. Eur (2019: 98 ths. Eur) related to a review of the special-purpose standard reporting forms; reports ISAE 3000 and ISAE 3402 prepared in acordance with International Standard on Assurance Engagements. Other non-audit services in the amount of 3 ths. Eur (2019: 25 ths. Eur) related to agreed-upon procedures on the Bank's compliance with the covenants of the loan agreement between the Bank and the European Bank for Reconstruction and Development.

7. Impairment result from financial instruments

EUR ths.	2019	2020
Financial assets at amortised cost	(44 884)	(95 717)
Net allocation of loss allowances	(51 778)	(97 535)
Direct write-offs	(1 959)	(775)
Recoveries recorded directly to the income statement	8 853	2 593
Finance lease	(3 801)	(1 293)
Net allocation of loss allowances for commitments and guarantees given	5 962	(10 929)
Impairment result from financial instruments	**(42 723)**	**(107 939)**

Impairment result from financial instruments relates those instruments that are accounted under IFRS 9. Additional impairment results from financial instruments that are not accounted under IFRS 9 is disclosed in note 8.

The following table reconcilies the movements of credit risk allowances disclosed in notes 14, 15, 17 and 24 to the income statement line item ´Impariment result from financial instruments´. The table specifies also items that represent movements in credit risk allowances, but are not recognized through income statement.

EUR ths.	2019	2020
Net movements from notes 14, 15, 17 and 24	**15 609**	**(57 662)**
Financial assets at amortised cost	14 044	(44 345)
Finance lease receivables	(4 375)	(1 242)
Trade and other receivables	(22)	(1 146)
Commitments and financial guarantees given	5 962	(10 929)
Items not recognized through income statement - use	83 278	68 071
Financial assets at amortised cost	83 683	65 987
Finance lease receivables	(596)	-
Trade and other receivables	191	2 084
Commitments and financial guarantees given	-	-
Items recognized through income statement – net allocations and releases	(67 669)	(125 733)
Financial assets at amortised cost	(69 639)	(110 332)
Finance lease receivables	(3 779)	(1 242)
Trade and other receivables	(213)	(3 230)
Commitments and financial guarantees given	5 962	(10 929)
Impairment result from financial instruments	**(42 723)**	**(107 939)**
Items recognized as movement in notes 14, 15, 17 and 24	(67 669)	(125 733)
Net allocation of loss allowances	(73 631)	(114 804)
Net allocation of loss allowances for commitments and guarantees given	5 962	(10 929)
Items not recognized as movement in notes 14, 15, 17 and 24	24 946	17 794
Unwinding correction	18 052	15 976
Direct write-offs	(1 959)	(775)
Recoveries recorded directly to the income statement	8 853	2 593

8. Other operating result

EUR ths.	2019	2020
Other operating expenses	**(44 880)**	**(50 874)**
Allocation to other provisions	(1 075)	(6 308)
Levies on banking activities	(35 588)	(37 751)
Banking tax	(32 521)	(33 757)
Resolution fund	(3 067)	(3 994)
Other taxes	(165)	(167)
Other	(8 052)	(6 648)
Other operating income	**5 638**	**10 073**
Release of other provisions	1 077	5 884
Gains from derecognition of tangible and intagible assets	400	221
Other	4 161	3 968
Other operating result	**(39 242)**	**(40 801)**

The Bank is legally obliged to make a contribution to the National resolution fund ('Resolution fund'), which is accounted for in accordance with the IFRIC 21.

9. Taxes on income

The actual tax on the Bank's profit before tax differs from the theoretical amount, that would be calculated using the basic tax rate valid in Slovak Republic, due to the following adjustments:

EUR ths.	2019	2020
Pre-tax profit / loss	221 521	153 401
Statutory tax rate	21%	21%
Theoretical income tax expense	46 519	32 214
Impact of tax-exempt earnings	(4 133)	(2 546)
Impact of tax non-deductible expenses	2 819	9 117
Tax expenses / earnings not attributable to the reporting period	1 880	(18)
Total	**47 085**	**38 767**

EUR ths.	2019	2020
Current tax expense / income	(53 347)	(52 540)
current period	(53 347)	(52 540)
Deferred tax expense / income	6 262	13 773
current period	6 262	13 773
Total	**(47 085)**	**(38 767)**

Expiration of tax losses

EUR ths.	2019	2020
2020	769	-
2021	-	-
2022	-	-
2023	-	-
2024	-	-
Total	**769**	**-**

Tax losses carried forward represent results of the former subsidiaries, which were merged with the Bank during prior years.

Further information on tax assets and liabilities are disclosed in note 19.

10. Cash and cash balances

EUR ths.	31.12.2019	31.12.2020
Cash on hand	398 088	352 330
Cash balances at central banks	93 129	1 354 133
Other demand deposits to credit institutions	10 224	11 023
Cash and cash balances	**501 441**	**1 717 486**

Cash balances at central banks include only claims (deposits) against central banks that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours. Mandatory minimum reserves are also shown under this item.

As at 31 December 2020 the balances at central banks included a mandatory minimum reserve deposit in the amount of 1 354,1 mil. Eur (2019: 87,9 mil. Eur). For the period covering the year-end 2020 the prescribed balance of the mandatory minimum reserve deposit amounted 144,1 mil. Eur (2019: 141,1 mil. Eur).

For the purpose of the Statement of cash flows, cash and cash equivalents include accounts with central banks and accounts with other credit institutions repayable on demand. The mandatory minimum reserve deposit is excluded from cash and cash equivalents. This deposit is repayable on demand, however it is not used for a day-to-day operation, as the Bank is required to meet a defined average balance during a monitored period.

11. Derivatives held for trading

	31.12.2019			31.12.2020		
EUR ths.	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	**2 476 840**	**41 112**	**35 709**	**2 405 271**	**59 994**	**56 524**
Interest rate derivatives	2 132 669	15 594	14 084	2 066 927	21 952	20 708
Foreign exchange derivatives	344 171	25 518	21 625	338 344	38 042	35 816
Derivatives held in the banking book	**101 637**	**311**	**311**	**-**	**-**	**-**
Equity derivatives	101 637	311	311	-	-	-
Total gross amounts	**2 578 477**	**41 423**	**36 020**	**2 405 271**	**59 994**	**56 524**

The Bank disclosed derivative instruments in the banking book that are used for economical hedging of financial instruments on asset or liability side and are not designated as hedge accounting.

The Bank maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as a part of the overall lending limits vis-à-vis customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except for trading with clients, where the Bank in most cases requires margin deposits.

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

	31.12.2019		31.12.2020	
EUR ths.	Designated at fair value	Mandatorily at fair value	Designated at fair value	Mandatorily at fair value
Equity instruments	-	7 375	-	7 547
Debt securities	-	3 175	-	7 740
Other financial corporations	-	3 175	-	7 740
Non-trading financial assets at fair value through profit or loss	**-**	**10 550**	**-**	**15 287**

´Equity Instruments´ classified under category ´Mandatorily at fair value´ represents such equity Instruments that the Bank does not hold for strategic business decisions.

´Debt securities´ classified under category ´Mandatorily at fair value´ represents financial assets, which do not comply with the SPPI criteria under IFRS 9.

13. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income included only Equity Instruments in amount of 0,0 mil. Eur (2019: 89,3 mil. Eur) that the Bank held for strategic business decisions and were not subject to any impairment requirements. All the accumulated fair value movements for these investments are presented solely in other comprehensive income (OCI) with no subsequent presentation in Profit or loss at any time point allowed.

During the year 2020 the Bank sold its share in the company Mastercard Incorporated and Visa Inc. due to the fact that the reasons for holding of this share as a strategic business decision of the Bank have passed. Additionally, the Bank also reclassified Class C convertible shares of Visa Inc. from equity instrument under ´Financial assets at fair value through other comprehensive income´ category to the debt instrument under ´Non-trading financial assets at fair value through profit or loss´ category as a result of classification reassessment after new technical interpretations of contractual features.

14. Financial assets at amortised cost

Gross carrying amounts and credit loss allowances

EUR ths.	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2020											
Debt securities	**3 680 250**	**-**	**-**	**-**	**3 680 250**	**(546)**	**-**	**-**	**-**	**(546)**	**3 679 704**
General governments	3 371 752	-	-	-	3 371 752	(283)	-	-	-	(283)	3 371 469
Credit institutions	182 974	-	-	-	182 974	(113)	-	-	-	(113)	182 861
Other financial corporations	10 131	-	-	-	10 131	(21)	-	-	-	(21)	10 110
Non-financial corporations	115 393	-	-	-	115 393	(129)	-	-	-	(129)	115 264
Loans and advances to banks	**47**	**2**	**-**	**-**	**49**	**-**	**-**	**-**	**-**	**-**	**49**
Credit institutions	47	2	-	-	49	-	-	-	-	-	49
Loans and advances to customers	**12 313 488**	**2 301 148**	**287 785**	**83 777**	**14 986 198**	**(29 858)**	**(126 974)**	**(166 302)**	**(57 353)**	**(380 487)**	**14 605 711**
General governments	270 863	1 063	-	-	271 926	(368)	(40)	-	-	(408)	271 518
Other financial corporations	78 647	25 825	99	1	104 572	(380)	(787)	(60)	-	(1 227)	103 345
Non-financial corporations	2 286 561	1 413 659	56 949	80 179	3 837 348	(10 595)	(74 321)	(33 579)	(55 646)	(174 141)	3 663 207
Households	9 677 417	860 601	230 737	3 597	10 772 352	(18 515)	(51 826)	(132 663)	(1 707)	(204 711)	10 567 641
Total	**15 993 785**	**2 301 150**	**287 785**	**83 777**	**18 666 497**	**(30 404)**	**(126 974)**	**(166 302)**	**(57 353)**	**(381 033)**	**18 285 464**

The amounts represent the maximum exposure to credit risk. As at 31 December 2020 the Bank had no reverse repo agreements.

As at 31 December 2020, 15 largest customers accounted for 5,8% of the gross loan portfolio amounting to 863,9 mil. Eur.

EUR ths.	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2019											
Debt securities	**3 536 848**	**-**	**-**	**-**	**3 536 848**	**(384)**	**-**	**-**	**-**	**(384)**	**3 536 464**
General governments	3 223 591	-	-	-	3 223 591	(247)	-	-	-	(247)	3 223 344
Credit institutions	194 849	-	-	-	194 849	(106)	-	-	-	(106)	194 743
Other financial corporations	25 283	-	-	-	25 283	(15)	-	-	-	(15)	25 268
Non-financial corporations	93 125	-	-	-	93 125	(16)	-	-	-	(16)	93 109
Loans and advances to banks	**52**	**2**	**-**	**-**	**54**	**-**	**-**	**-**	**-**	**-**	**54**
Credit institutions	52	2	-	-	54	-	-	-	-	-	54
Loans and advances to customers	**13 263 683**	**471 725**	**341 898**	**85 414**	**14 162 720**	**(34 322)**	**(36 177)**	**(212 655)**	**(53 150)**	**(336 304)**	**13 826 416**
General governments	243 829	607	-	-	244 436	(248)	(23)	-	-	(271)	244 165
Other financial corporations	106 486	773	108	-	107 367	(288)	(67)	(76)	-	(431)	106 936
Non-financial corporations	3 030 477	238 260	41 051	81 261	3 391 049	(8 455)	(11 648)	(24 501)	(50 957)	(95 561)	3 295 488
Households	9 882 891	232 085	300 739	4 153	10 419 868	(25 331)	(24 439)	(188 078)	(2 193)	(240 041)	10 179 827
Total	**16 800 583**	**471 727**	**341 898**	**85 414**	**17 699 622**	**(34 706)**	**(36 177)**	**(212 655)**	**(53 150)**	**(336 688)**	**17 362 934**

As at 31 December 2019, 15 largest customers accounted for 5,2% of the gross loan portfolio amounting to 733,7 mil. Eur.

Allowances for financial assets at amortised cost

EUR ths.	01.01.2020	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2020
Debt securities									
Stage 1	**(384)**	**(44)**	**7**	**(125)**	**-**	**-**	**-**	**-**	**(546)**
General governments	(247)	(32)	-	(4)	-	-	-	-	(283)
Credit institutions	(106)	-	7	(14)	-	-	-	-	(113)
Other financial corporations	(15)	-	-	(6)	-	-	-	-	(21)
Non-financial corporations	(16)	(12)	-	(101)	-	-	-	-	(129)
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-
POCI	-	-	-	-	-	-	-	-	-
Total allowances for debt securities	**(384)**	**(44)**	**7**	**(125)**	**-**	**-**	**-**	**-**	**(546)**

EUR ths.	01.01.2020	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2020
Loans and advances to banks									
Stage 1	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-
POCI	-	-	-	-	-	-	-	-	-
Total allowances for loans and advances to banks	-	-	-	-	-	-	-	-	-

EUR ths.	01.01.2020	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2020
Loans and advances to customers									
Stage 1	**(34 323)**	**(19 343)**	**917**	**7 825**	**14 842**	**-**	**222**	**-**	**(29 860)**
General governments	(249)	(354)	-	113	120	-	-	-	(370)
Other financial corporations	(287)	(156)	1	(236)	299	-	-	-	(379)
Non-financial corporations	(8 455)	(12 520)	220	7 947	2 212	-	1	-	(10 595)
Households	(25 332)	(6 313)	696	1	12 211	-	221	-	(18 516)
Stage 2	**(36 177)**	**(27 588)**	**625**	**(5 600)**	**(58 465)**	**-**	**233**	**-**	**(126 972)**
General governments	(22)	(1)	-	(6)	(9)	-	-	-	(38)
Other financial corporations	(68)	(12)	-	(165)	(543)	-	-	-	(788)
Non-financial corporations	(11 649)	(22 805)	301	(5 738)	(34 434)	-	4	-	(74 321)
Households	(24 438)	(4 770)	324	309	(23 479)	-	229	-	(51 825)
Stage 3	**(212 655)**	**(5 373)**	**54 203**	**(5 081)**	**(6 385)**	**-**	**8 989**	**-**	**(166 302)**
Other financial corporations	(76)	(4)	23	(3)	-	-	-	-	(60)
Non-financial corporations	(24 500)	(2 925)	5 210	(11 434)	(1 886)	-	1 956	-	(33 579)
Households	(188 079)	(2 444)	48 970	6 356	(4 499)	-	7 033	-	(132 663)
POCI	**(53 149)**	**-**	**1 493**	**(8 509)**	**-**	**-**	**2 812**	**-**	**(57 353)**
Non-financial corporations	(50 957)	-	1 238	(8 370)	-	-	2 443	-	(55 646)
Households	(2 192)	-	255	(139)	-	-	369	-	(1 707)
Total allowances for loans and advances to customers	**(336 304)**	**(52 304)**	**57 238**	**(11 365)**	**(50 008)**	**-**	**12 256**	**-**	**(380 487)**

Movement table of credit loss allowances above represents changes in allowances disclosed based on the reason of the change and is prepared as at the end of the reporting period in comparison to the balance as at 1 January of the relevant reporting period. The table contains allocations, releases, reclassifications between stages as well as use of the credit loss allowances. Reconciliation of such movements to income statement line item „Impairment result from financial instruments" is disclosed in note 7. More detailed information about the development of credit loss allowances due to COVID-19 is provided in note 32.

In column 'Additions' increases of credit risk allowances due to the initial recognition of loans at amortised cost during the current reporting period are disclosed. Releases of credit risk allowances following the derecognition of the related loans at amortised cost are reported in column 'Derecognitions'. Use of credit risk allowances in this table is reported in column 'Decrease in allowance account due to write-offs'.

In column 'Transfers between stages' credit risk allowances net changes due to changes in credit risk that triggered re-assignments of the related amortised cost loans from Stage 1 (as at 1 January or initial recognition date) to Stages 2 or 3 as at 31 December or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related credit risk allowances are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related credit risk allowances are favourable and presented in line 'Stage 1'. The income statement-neutral effect from cross-stage transferring of the related credit risk allowances amounts recognized prior to stage re-assignments are presented above in columns 'Net changes due to modifications without derecognition' and ´Decrease in allowance account due to write-offs´.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Other adjustments´.

EUR ths.	01.01.2019	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2019
Debt securities									
Stage 1	**(383)**	**(37)**	**17**	**19**	**-**	**-**	**-**	**-**	**(384)**
General governments	(262)	(3)	10	8	-	-	-	-	(247)
Credit institutions	(75)	(34)	7	(4)	-	-	-	-	(106)
Other financial corporations	(26)	-	-	11	-	-	-	-	(15)
Non-financial corporations	(20)	-	-	4	-	-	-	-	(16)
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-
POCI	-	-	-	-	-	-	-	-	-
Total allowances for debt securities	**(383)**	**(37)**	**17**	**19**	**-**	**-**	**-**	**-**	**(384)**

EUR ths.	01.01.2019	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2019
Loans and advances to banks									
Stage 1	**(23)**	**(3 313)**	**3 442**	**(106)**	**-**	**-**	**-**	**-**	**-**
Credit institutions	(23)	(3 313)	3 442	(106)	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-
POCI	-	-	-	-	-	-	-	-	-
Total allowances for loans and advances to banks	**(23)**	**(3 313)**	**3 442**	**(106)**	**-**	**-**	**-**	**-**	**-**

EUR ths.	01.01.2019	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2019
Loans and advances to customers									
Stage 1	**(35 401)**	**(27 792)**	**1 239**	**13 290**	**14 403**	**-**	**67**	**(129)**	**(34 323)**
General governments	(193)	(195)	10	107	22	-	-	-	(249)
Other financial corporations	(164)	(1 435)	1	1 272	39	-	-	-	(287)
Non-financial corporations	(6 972)	(14 158)	311	11 505	1 021	-	1	(163)	(8 455)
Households	(28 072)	(12 004)	917	406	13 321	-	66	34	(25 332)
Stage 2	**(33 865)**	**(7 327)**	**479**	**22 306**	**(17 100)**	**-**	**126**	**(796)**	**(36 177)**
General governments	(2)	-	-	52	(72)	-	-	-	(22)
Other financial corporations	(12)	(38)	1	6	(25)	-	-	-	(68)
Non-financial corporations	(4 084)	(3 323)	61	4 709	(8 153)	-	7	(866)	(11 649)
Households	(29 767)	(3 966)	417	17 539	(8 850)	-	119	70	(24 438)
Stage 3	**(229 724)**	**(5 812)**	**73 314**	**(42 212)**	**(12 143)**	**-**	**8 979**	**(5 057)**	**(212 655)**
Other financial corporations	(8)	-	8	(72)	(4)	-	-	-	(76)
Non-financial corporations	(16 905)	(1 822)	6 544	(7 219)	(1 300)	-	1 802	(5 600)	(24 500)
Households	(212 811)	(3 990)	66 762	(34 921)	(10 839)	-	7 177	543	(188 079)
POCI	**(51 336)**	**-**	**8 874**	**(12 549)**	**-**	**-**	**1 862**	**-**	**(53 149)**
Non-financial corporations	(48 396)	-	8 090	(12 207)	-	-	1 556	-	(50 957)
Households	(2 940)	-	784	(342)	-	-	306	-	(2 192)
Total allowances for loans and advances to customers	**(350 326)**	**(40 931)**	**83 906**	**(19 165)**	**(14 840)**	**-**	**11 034**	**(5 982)**	**(336 304)**

In 2019 the column ´Other adjustments´contains loss allowances acquired in connection with acquisition of part of business from subsidiary S Slovensko, spol. s r.o.

Transfers of gross carrying amount between impairment stages

EUR ths.	2019	2020
Transfers between Stage 1 and Stage 2	**436 091**	**2 014 597**
To Stage 2 from Stage 1	333 496	1 954 409
To Stage 1 from Stage 2	102 595	60 188
Transfers between Stage 2 and Stage 3	**68 555**	**61 899**
To Stage 3 from Stage 2	58 714	31 620
To Stage 2 from Stage 3	9 841	30 279
Transfers between Stage 1 and Stage 3	**95 063**	**70 322**
To Stage 3 from Stage 1	76 753	56 021
To Stage 1 from Stage 3	18 310	14 301

Mandate loans

During the year 2020 the Bank cooperated with 5 external companies (2019: 4 companies). Based on the mandate contracts the management and administration of certain non-performing receivables is outsourced to the external company temporary. In case of mandate loans, the Bank maintains risks and rewards associated with the underlying exposures. External service providers are rewarded by commission from the claimed amount of loans, which are subject to the mandate contracts.

As at 31 December 2020 the total amount of gross loans outsourced was 94,4 mil. Eur (2019: 119,1 mil. Eur).

Write off and sale of receivables

During the year 2020 the Bank sold loan receivables in the amount of 61,2 mil. Eur (2019: 93,0 mil. Eur) for a consideration of 9,2 mil. Eur (2019: 22,9 mil. Eur) and used the corresponding allowances amounting 53,7 mil. Eur (2019: 78,6 mil. Eur). Once loan receivables are sold, the Bank transfers all risks and rewards attributable to them and does not have any continuing involvement in the loan receivables subsequent to their sale.

In the year 2020 the Bank has written off loans and finance lease receivables in the amount of 15,1 mil. Eur (2019: 17,9 mil. Eur) and used the respective allowances amounting 14,3 mil. Eur (2019: 16,0 mil. Eur).

15. Finance lease receivables

The principal assets held under lease arrangements include cars and other technical equipment.

Gross carrying amounts and credit loss allowances

EUR ths.	Gross carrying amount						Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total		Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2020												
General governments	510	-	-	-	510		(1)	-	-	-	(1)	509
Other financial corporations	102	-	-	-	102		-	-	-	-	-	102
Non-financial corporations	146 690	86 430	7 262	-	240 382		(417)	(1 174)	(3 321)	-	(4 912)	235 470
Households	3 013	1 238	1 575	-	5 826		(8)	(11)	(876)	-	(895)	4 931
Total	**150 315**	**87 668**	**8 837**	**-**	**246 820**		**(426)**	**(1 185)**	**(4 197)**	**-**	**(5 808)**	**241 012**

EUR ths.	Gross carrying amount						Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total		Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2019												
General governments	541	-	-	-	541		(1)	-	-	-	(1)	540
Other financial corporations	281	-	-	-	281		-	-	-	-	-	281
Non-financial corporations	197 722	952	7 991	-	206 665		(238)	(5)	(3 313)	-	(3 556)	203 109
Households	7 814	332	2 124	-	10 270		(15)	-	(994)	-	(1 009)	9 261
Total	**206 358**	**1 284**	**10 115**	**-**	**217 757**	**-**	**(254)**	**(5)**	**(4 307)**	**-**	**(4 566)**	**213 191**

As at 12 April 2019 the Bank acquired new leasing contracts from its subsidiary S Slovensko, spol. s r.o. The impact of this transaction represented increase in finance lease receivables by 44,8 mil. EUR in 2019.

Allowances for finance lease receivables

EUR ths.	01.01.2020	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2020
Stage 1	**(253)**	**(983)**	**30**	**685**	**96**	**-**	**-**	**-**	**(425)**
General governments	(1)	(1)	-	1	-	-	-	-	(1)
Non-financial corporations	(239)	(979)	24	683	93	-	-	-	(418)
Households	(13)	(3)	6	1	3	-	-	-	(6)
Stage 2	**(6)**	**-**	**5**	**(1 200)**	**16**	**-**	**-**	**-**	**(1 185)**
Non-financial corporations	(5)	-	5	(1 188)	14	-	-	-	(1 174)
Households	(1)	-	-	(12)	2	-	-	-	(11)
Stage 3	**(4 307)**	**-**	**500**	**(35)**	**(356)**	**-**	**-**	**-**	**(4 198)**
Non-financial corporations	(3 312)	-	463	(167)	(304)	-	-	-	(3 320)
Households	(995)	-	37	132	(52)	-	-	-	(878)
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(4 566)**	**(983)**	**535**	**(550)**	**(244)**	**-**	**-**	**-**	**(5 808)**

Movement table of credit loss allowances above represents changes in allowances disclosed based on the reason of the change and is prepared as at the end of the reporting period in comparison to the balance as at 1 January of the relevant reporting period. The table contains allocations, releases, reclassifications between stages as well as use of the credit loss allowances. Reconciliation of such movements to income statement line item „Impairment result from financial instruments" is disclosed in note 7. More detailed information about the development of credit loss allowances due to COVID-19 is provided in note 32.

Detail description of columns from the above table are disclosed in the note 14.

EUR ths.	01.01.2019	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2019
Stage 1	**(81)**	**(574)**	**53**	**194**	**247**	**-**	**-**	**(92)**	**(253)**
General governments	-	(6)	-	5	-	-	-	-	(1)
Other financial corporations	-	(1)	-	1	-	-	-	-	-
Non-financial corporations	(80)	(565)	52	165	242	-	-	(53)	(239)
Households	(1)	(2)	1	23	5	-	-	(39)	(13)
Stage 2	**-**	**-**	**1**	**198**	**46**	**-**	**-**	**(251)**	**(6)**
Non-financial corporations	-	-	1	180	(2)	-	-	(184)	(5)
Households	-	-	-	18	48	-	-	(67)	(1)
Stage 3	**(110)**	**-**	**1 008**	**(4 547)**	**(413)**	**-**	**4 388**	**(4 633)**	**(4 307)**
Non-financial corporations	(107)	-	877	(3 625)	(222)	-	4 023	(4 258)	(3 312)
Households	(3)	-	131	(922)	(191)	-	365	(375)	(995)
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(191)**	**(574)**	**1 062**	**(4 155)**	**(120)**	**-**	**4 388**	**(4 976)**	**(4 566)**

In 2019 the column ´Other adjustments´contains loss allowances acquired in connection with acquisition of part of business from subsidiary S Slovensko, spol. s r.o.

Transfers of gross carrying amount between impairment stages

EUR ths.	2019	2020
Transfers between Stage 1 and Stage 2	**2 625**	**83 440**
To Stage 2 from Stage 1	1 228	83 278
To Stage 1 from Stage 2	1 397	162
Transfers between Stage 2 and Stage 3	**3 121**	**541**
To Stage 3 from Stage 2	3 121	470
To Stage 2 from Stage 3	-	71
Transfers between Stage 1 and Stage 3	**5 014**	**2 618**
To Stage 3 from Stage 1	5 014	2 552
To Stage 1 from Stage 3	-	66

Maturity analysis of finance lease receivables by residual maturities:

EUR ths.	31.12.2019	31.12.2020
Gross investment in finance leases	**225 922**	**261 671**
Thereof:		
< 1 year	59 174	77 769
1-2 years	51 352	52 928
2-3 years	38 658	39 655
3-4 years	25 380	29 141
4-5 years	17 227	22 473
> 5 years	34 131	39 705
Unearned income	**(8 165)**	**(14 851)**
Net investment in finance leases	**217 757**	**246 820**
Thereof:		
< 1 year	58 072	73 106
1-2 years	50 119	49 564
2-3 years	36 510	37 299
3-4 years	23 985	27 496
4-5 years	16 290	21 336
> 5 years	32 781	38 019

16. Hedge accounting derivatives

	31.12.2019			31.12.2020		
EUR ths.	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Fair value hedges	**1 145 521**	**23 020**	**48 041**	**1 145 521**	**34 345**	**48 373**
Interest rate	1 145 521	23 020	48 041	1 145 521	34 345	48 373
Total gross amounts	**1 145 521**	**23 020**	**48 041**	**1 145 521**	**34 345**	**48 373**

Fair value hedge of assets

As at 31 December 2020 the Bank held in portfolio of financial assets at amortised cost fixed rate bonds denominated in Eur with nominal value of 381,2 mil. Eur (2019: 381,2 mil. Eur). As the purchases of these bonds increased exposure to interest rate risk in the period from five to fifteen years, the Bank entered into interest rate swap deals in order to hedge the changes of fair value caused by changes of risk-free interest rates, paying fixed and receiving floating rates.

During the year 2020 the hedges were effective in hedging fair value exposure to interest rate movements. During the period the Bank recognised a net loss on the hedging instruments in the amount of 0,3 mil. Eur (2019: net loss 6,6 mil. Eur). On the other hand, a net gain on the hedged item attributable to the hedged risk amounted to 0,5 mil. Eur (2019: net gain 6,4 mil. Eur).

Fair value hedge of liabilities

The Bank uses hedging to secure its issued fixed rate covered bonds (former mortgage bonds). The list of bonds is disclosed in the note 23. As at 31 December 2020 the Bank holds covered bonds in total nominal value of 764,3 mil. Eur (2019: 764,3 mil. Eur).

During the year 2020 the hedges were effective in hedging fair value exposure to interest rate movements. During the period the Bank recognised a net gain on the hedging instruments in the amount of 11,3 mil. Eur (2019: net gain 12,6 mil. Eur). On the other hand, a net loss on the hedged item attributable to the hedged risk amounted to 11,2 mil. Eur (2019: net loss 12,5 mil. Eur).

17. Trade and other receivables

Gross carrying amounts and credit loss allowances

	Gross carrying amount					Credit loss allowances					Carrying amount
EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2020											
Credit institutions	2 013	-	-	-	2 013	-	-	-	-	-	2 013
Other financial corporations	1 623	41	-	-	1 664	(12)	(1)	-	-	(13)	1 651
Non-financial corporations	76 822	1 435	3 968	-	82 225	(423)	(8)	(3 861)	-	(4 292)	77 933
Households	-	-	431	-	431	-	-	(431)	-	(431)	-
Total	**80 458**	**1 476**	**4 399**	**-**	**86 333**	**(435)**	**(9)**	**(4 292)**	**-**	**(4 736)**	**81 597**

	Gross carrying amount					Credit loss allowances					Carrying amount
EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
As of 31.12.2019											
Credit institutions	4 493	-	-	-	4 493	-	-	-	-	-	4 493
Other financial corporations	1 021	-	157	-	1 178	-	-	(8)	-	(8)	1 170
Non-financial corporations	97 504	1 342	5 351	-	104 197	(193)	(3)	(2 972)	-	(3 168)	101 029
Households	1	-	414	-	415	-	-	(414)	-	(414)	1
Total	**103 019**	**1 342**	**5 922**	**-**	**110 283**	**(193)**	**(3)**	**(3 394)**	**-**	**(3 590)**	**106 693**

The trade and other receivables comprise receivables from factoring transactions and other trade receivables.

Allowances for trade and other receivables

EUR ths.	01.01.2020	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2020
Stage 1	**(194)**	**(492)**	**-**	**251**	**-**	**-**	**-**	**-**	**(435)**
Other financial corporations	-	(7)	-	(4)	-	-	-	-	(11)
Non-financial corporations	(194)	(468)	-	238	-	-	-	-	(424)
Households	-	(17)	-	17	-	-	-	-	-
Stage 2	**(2)**	**-**	**-**	**(2)**	**(5)**	**-**	**-**	**-**	**(9)**
Other financial corporations	-	-	-	-	(1)	-	-	-	(1)
Non-financial corporations	(2)	-	-	(2)	(4)	-	-	-	(8)
Stage 3	**(3 394)**	**-**	**8**	**(2 968)**	**(22)**	**-**	**2 084**	**-**	**(4 292)**
Other financial corporations	(8)	-	8	-	-	-	-	-	-
Non-financial corporations	(2 972)	-	-	(2 950)	(22)	-	2 084	-	(3 860)
Households	(414)	-	-	(18)	-	-	-	-	(432)
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(3 590)**	**(492)**	**8**	**(2 719)**	**(27)**	**-**	**2 084**	**-**	**(4 736)**

Movement table of credit loss allowances above represents changes in allowances disclosed based on the reason of the change and is prepared as at the end of the reporting period in comparison to the balance as at 1 January of the relevant reporting period. The table contains allocations, releases, reclassifications between stages as well as use of the credit loss allowances. Reconciliation of such movements to income statement line item „Impairment result from financial instruments" is disclosed in note. 7.

Detail description of columns from the above table are disclosed in the note 14.

EUR ths.	01.01.2019	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2019
Stage 1	**(307)**	**(1 357)**	**1**	**1 469**	**-**	**-**	**-**	**-**	**(194)**
Other financial corporations	-	(4)	-	4	-	-	-	-	-
Non-financial corporations	(307)	(1 353)	1	1 465	-	-	-	-	(194)
Stage 2	**(8)**	**-**	**-**	**6**	**-**	**-**	**-**	**-**	**(2)**
Non-financial corporations	(8)	-	-	6	-	-	-	-	(2)
Stage 3	**(3 253)**	**(53)**	**-**	**8**	**(287)**	**-**	**546**	**(355)**	**(3 394)**
Other financial corporations	-	-	-	92	(100)	-	-	-	(8)
Non-financial corporations	(2 856)	(37)	-	(83)	(187)	-	546	(355)	(2 972)
Households	(397)	(16)	-	(1)	-	-	-	-	(414)
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(3 568)**	**(1 410)**	**1**	**1 483**	**(287)**	**-**	**546**	**(355)**	**(3 590)**

In 2019 the column ´Other adjustments´contains loss allowances acquired in connection with acquisition of part of business from subsidiary S Slovensko, spol. s r.o.

Transfers of gross carrying amount between impairment stages

EUR ths.	2019	2020
Transfers between Stage 1 and Stage 2	**1 343**	**1 448**
To Stage 2 from Stage 1	1 342	1 448
To Stage 1 from Stage 2	1	-
Transfers between Stage 2 and Stage 3	**58**	**-**
To Stage 3 from Stage 2	58	-
To Stage 2 from Stage 3	-	-
Transfers between Stage 1 and Stage 3	**2 555**	**1 022**
To Stage 3 from Stage 1	2 555	1 022
To Stage 1 from Stage 3	-	-

18. Investments in subsidiaries and associates

EUR ths.	31.12.2019	31.12.2020
Investment in subsidiaries	39 754	67 611
Investment in associate	8 142	8 142
Total	**47 896**	**75 753**

The folowing table presents the carrying amounts of investments in subsidiaries and asociates:

EUR ths.	Cost		Impairment		Net book value	
	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Subsidiaries	**39 754**	**67 611**	**-**	**-**	**39 754**	**67 611**
Procurement Services SK, s.r.o.	3	3	-	-	3	3
Služby SLSP, s. r. o. v likvidácii	14 903	14 903	-	-	14 903	14 903
S Slovensko, spol. s r.o.	24 848	24 848	-	-	24 848	24 848
Social financing SK, s.r.o.	-	2 050	-	-	-	2 050
LANED a.s.	-	25 807	-	-	-	25 807
Associates	**8 142**	**8 142**	**-**	**-**	**8 142**	**8 142**
Prvá stavebná sporiteľňa, a.s.	1 093	1 093	-	-	1 093	1 093
Slovak Banking Credit Bureau, s.r.o.	3	3	-	-	3	3
Holding Card Service s.r.o.	7 046	7 046	-	-	7 046	7 046
Total	**47 896**	**75 753**	**-**	**-**	**47 896**	**75 753**

The Bank performs impairment review of investments in subsidiaries and associates. Impairment losses and their reversals are recognized in the income statement line item 'Other operating result'.

Investments in subsidiaries of Slovenská sporiteľňa, a.s.

EUR ths.	Služby SLSP, s. r. o. v likvidácii		Realitná spoločnosť Slovenskej sporiteľne, a.s. v likvidácii (100% subsidiary of Služby SLSP, s.r.o. - ceased to exist as of 24. August 2020)		LANED,a.s.		Procurement Services SK, s.r.o.		S Slovensko, spol. s r.o.		Social Financing SK, s.r.o.	
	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Place of business	Tomášikova 48, 832 01 Bratislava, Slovenská republika		Tomášikova 48, 832 10 Bratislava, Slovenská republika		Tomášikova 48, 832 71 Bratislava, Slovenská republika		Tomášikova 48, 832 75 Bratislava, Slovenská republika		Tomášikova 48, 831 04 Bratislava, Slovenská republika		Tomášikova 48, 832 01 Bratislava, Slovenská republika	
Main business activity	Ancillary bank services		Real estate agency		Real estate company		Procurement		Leasing company		Advisory services	
Ownership held	100%		100%		100%		51%		100%		100%	
Voting rights held	100%		100%		100%		51%		100%		100%	
IFRS Classification	Subsidiary		Subsidiary		Subsidiary		Subsidiary		Subsidiary		Subsidiary	
Reporting currency	EURO		EURO		EURO		EURO		EURO		EURO	
Dividend income received	-	-	-	-	-	-	17	19	-	-	-	-
Investee's key financial information for the reporting year												
Cash and cash balances	211	25 964	26	-	6 265	4 028	161	166	20 018	25 631	-	56
Other current assets	-	-	-	-	5	9	89	102	513	217	-	-
Non-current assets	22 812	-	1	-	55 221	52 299	61	31	10 527	440	-	1 980
Current liabilities	-	-	-	-	33 738	26 567	-	-	4 526	-	-	-
Non-current liabilities	1	14	2	-	152	302	250	238	-	785	-	-
Operating result	(12)	(84)	(14)	-	6 623	2 445	44	(918)	154	(825)	-	(15)
Post-tax result from continuing operations	(12)	(342)	(14)	-	1 878	1 866	38	36	1 684	(1 029)	-	(15)
Total comprehensive income	(12)	(342)	(14)	-	1 878	1 866	38	36	1 684	(1 029)	-	(15)
Depreciation and amortization	-	-	-	-	(3 646)	(3 683)	-	-	(867)	(29)	-	-
Interest income	-	-	-	-	-	-	-	-	1 763	-	-	-
Interest expense	-	-	-	-	(600)	(485)	-	-	(285)	-	-	-
Tax expense/income	-	-	-	-	(499)	(496)	(6)	(11)	920	(262)	-	-

Investments in associates of Slovenská sporiteľňa, a.s.

	Prvá stavebná sporiteľňa, a.s.		Slovak Banking Credit Bureau, s.r.o.		Holding Card Service s.r.o.		Dostupný Domov j.s.a. (49,88% associate of Social Financing SK, s.r.o.)	
EUR ths.	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Place of business	Bajkalská 30 829 48 Bratislava, Slovenská republika		Mlynské nivy 14 821 09 Bratislava, Slovenská republika		Olbrachtova 1929/62 140 00 Praha 4, Česká republika		Farská 48 949 01 Nitra, Slovenská republika	
Main business activity	Banking		Retail credit register		Equity release company		Rental of real estate and related services	
Ownership held	9.98%	9.98%	33.33%	33.33%	24.62%	24.62%	-	49.88%
Voting rights held	35.00%	35.00%	33.33%	33.33%	24.62%	24.62%	-	49.88%
IFRS Classification	Associate		Associate		Associate		Associate	
Reporting currency	EURO		EURO		EURO		EURO	
Investee's key financial information for the reporting year								
Cash and cash balances	685	925	267	263	8	7	-	2 329
Other financial assets	2 908 491	2 860 315	3	9	-	-	-	1
Non-financial assets	85 060	89 732	-	-	30 384	29 419	-	1 625
Current liabilities	2 717 299	2 667 611	19	24	-	-	-	(94)
Non-current liabilities	18 789	16 912	-	-	-	-	-	(37)
Operating Income	33 212	38 399	37	25	1	(1)	-	(144)
Post-tax result from continuing operations	14 767	7 602	36	24	1	(1)	-	(146)
Total comprehensive income	14 767	7 602	36	24	1	(1)	-	(146)
Depreciation and amortization	(4 761)	(5 734)	-	-	-	-	-	(17)
Interest income	92 544	88 695	-	-	-	-	-	-
Interest expense	(35 258)	(28 997)	(1)	(1)	-	-	-	-
Tax expense/income	(4 546)	(2 746)	-	-	-	-	-	-

Changes during the year 2020

In February 2020 a subsidiary, Social Financing SK, s. r. o., was established in which the Bank has an ownership interest in the amount 2 050 ths. Eur and therefore represents a 100% share of the company's share capital. In April 2020 the Bank also acquired the ownership interest in the company LANED a.s. as a 100% share in the equity of the company at cost in the form of cash consideration in amount of 25,8 mil. EUR from its subsidiary Služby SLSP, s. r. o. In March 2020 an associate, Dostupný Domov j.s.a. was established by the Bank´s subsidiary Social Financing SK, s. r. o. which has an ownership interest in the associate in the amount 1 980 ths. Eur and represents a 49,88% share of the company's share capital.

Changes during the year 2019

As at 1 March 2019 the Bank acquired 100 % share in the company S Slovensko, spol. s r.o. This share was acquired from parent company Erste Group Bank AG in total amount of 24,8 mil. Eur. The procurement price represented the fair value of the subsidiary.

As at 12 April 2019 the Bank acquired part of a business from its subsidiary S Slovensko, spol. s r.o. and took over total assets amounting 142,5 mil. Eur and total liabilities amounting to 124,9 mil. Eur for the cash consideration in fair value of the acquired part of business in amount of 17,6 mil. Eur. Subsequently respective assets and liabilities were recognised in historical cost. Detail breakdown of Statement of financial position of the took over part of business is disclosed in the table below:

Assets	
Financial assets at amortised cost	96 273
Loans and advances to banks	18
Loans and advances to customers	96 255
Finance lease receivables	44 810
Property and equipment	174
Deferred tax assets	709
Trade and other receivables	140
Other assets	461
Total assets	**142 567**
Liabilities	
Financial liabilities at amortised cost	-124 063
Deposits from banks	-124 063
Provisions	-26
Other liabilities	-867
Total liabilities	**-124 956**

Split of exposures of S Slovensko, spol. s r.o. is disclosed in the following table:

	On-balance exposure			Loss allowance			Off-balance exposure			Provision		
EUR ths.	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Loans and advances to customers	62 747	19 919	17 480	(304)	(368)	(4 421)	3 304	370	99	(1)	-	-
Finance lease receivables	37 407	6 447	6 941	(156)	(130)	(4 497)	-	-	-	-	-	-

19. Tax assets and liabilities

The structure of tax assets and liabilities was as follows:

	Tax assets		Tax liabilities		Through PL	Through OCI	Through other equity	Total
EUR ths.	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	Net variance			
Temporary differences related to the following items:								
Assets								
Financial assets at fair value through profit or loss	-	88	-	-	(88)	-	-	(88)
Financial assets at fair value through other comprehensive income	-	-	(17 446)	-	88	2 057	(19 592)	(17 447)
Financial assets at amortised cost	51 014	63 059	-	-	(12 044)	-	-	(12 044)
Property and equipment and investment property	-	-	(1 143)	(830)	(313)	-	-	(313)
RoU Assets	75	27	-	-	47	-	-	47
Other assets	12	1	-	-	11	-	-	11
Liabilities								
Long-term employee provisions	1 249	1 600	-	-	(139)	(213)	-	(352)
Other provisions	1 454	3 743	-	-	(2 289)	-	-	(2 289)
Other liabilities	8 771	7 978	-	-	793	-	-	793
Total deferred tax	**62 575**	**76 496**	**(18 589)**	**(830)**	**(13 934)**	**1 844**	**(19 592)**	**(31 682)**
Tax loss carried forward	162	-	-	-	162	-	-	162
Total deferred taxes	**44 146**	**75 666**	**-**	**-**	**(13 772)**	**1 844**	**(19 592)**	**(31 520)**
Total current taxes	**-**	**-**	**(2 076)**	**(21 908)**	**52 540**	**-**	**-**	**52 540**
Total taxes	**44 146**	**75 666**	**(2 076)**	**(21 908)**	**38 768**	**1 844**	**(19 592)**	**21 020**

The Bank applies conservative approach for the recognition of deferred tax assets and liabilities. Deferred tax liabilities are recognised in their full amount. Deferred tax assets are recognised only up to the amount, in which the Bank expects realisation of tax benefits in the future. Deferred tax assets and liabilities are offset in accordance with the Bank's accounting policy.

Further information on taxes on income are disclosed in the note 9.

20. Other assets

EUR ths.	**31.12.2019**	**31.12.2020**
Client settlement	22 859	11 643
Personnel balances	8 260	17
State budget, social and health insurance, taxes	1 855	-
Sundry assets	312	9 287
Other assets	**33 286**	**20 947**

21. Property, equipment, investment properties and right-of-use assets

Cost

EUR ths.	Land and buildings	Office equipment / other fixed assets	IT assets (hardware)	Right-of-use assets - Land and buildings	Property and equipment total	Investment properties
Balance as at 1 January 2019	**165 098**	**55 230**	**53 254**	**-**	**273 582**	**6 266**
Initial application of IFRS 16	-	-	-	45 119	45 119	-
Additions	5 429	3 547	8 002	34 684	51 662	-
Disposals	(11 520)	(9 432)	(12 201)	(29 021)	(62 174)	(161)
Reclassification	(394)	-	-	-	(394)	394
Balance as at 31 December 2019	**158 613**	**49 345**	**49 055**	**50 782**	**307 795**	**6 499**
Additions	5 082	2 419	7 488	9 191	24 180	-
Disposals	(19 627)	(5 921)	(142)	(1 416)	(27 106)	(17)
Reclassification	(113)	-	-	-	(113)	113
Balance as at 31 December 2020	**143 955**	**45 843**	**56 401**	**58 557**	**304 756**	**6 595**

Accumulated depreciation

EUR ths.	Land and buildings	Office equipment / other fixed assets	IT assets (hardware)	Right-of-use assets - Land and buildings	Property and equipment total	Investment properties
Balance as at 1 January 2019	**(102 304)**	**(46 168)**	**(39 391)**	**-**	**(187 863)**	**(4 386)**
Depreciation	(6 838)	(3 668)	(5 341)	(11 604)	(27 451)	(218)
Disposals	8 755	9 279	12 183	5 169	35 386	106
Impairment	(1 861)	-	-	-	(1 861)	(25)
Reversal of impairment	2 099	-	-	-	2 099	90
Reclassification	239	-	-	-	239	(239)
Balance as at 31 December 2019	**(99 910)**	**(40 557)**	**(32 549)**	**(6 435)**	**(179 451)**	**(4 672)**
Depreciation	(6 217)	(3 359)	(5 077)	(13 751)	(28 404)	(214)
Disposals	15 562	5 793	138	1 376	22 869	12
Impairment	(3 073)	-	-	-	(3 073)	-
Reversal of impairment	2 601	-	-	-	2 601	224
Reclassification	47	-	-	-	47	(47)
Balance as at 31 December 2020	**(90 990)**	**(38 123)**	**(37 488)**	**(18 810)**	**(185 411)**	**(4 697)**

Carrying amount

EUR ths.	Land and buildings	Office equipment / other fixed assets	IT assets (hardware)	Right-of-use assets - Land and buildings	Property and equipment total	Investment properties
Balance as at 31 December 2019	**58 708**	**8 788**	**16 502**	**44 347**	**128 344**	**1 828**
Balance as at 31 December 2020	**52 965**	**7 720**	**18 913**	**39 747**	**119 345**	**1 898**

Cost of property and equipment, which are fully depreciated but still used by the Bank as at 31 December 2020 amounted 67,4 mil. Eur (2019: 60,3 mil. Eur) and includes various types of tangible fixed assets.

As at 31 December 2020 the Bank owned property and equipment not yet put in use in the amount of 1,4 mil. Eur (2019: 2,7 mil. Eur).

Tangible assets are insured for standard risks, such as theft, robbery, vandalism, natural disasters etc.

Investment properties

As at 31 December 2020 the carrying amount of investment properties was 1,9 mil. Eur (2019: 1,8 mil. Eur). Total rental income earned on this property for the year 2020 amounted 0,3 mil. Eur (2019: 0,3 mil. Eur) and is separately presented in the line item 'Rental income from investment properties and other operating leases'. Depreciation of rented property for the year 2020 amounted 0,2 mil. Eur (2019: 0,2 mil. Eur) and is presented in the line item 'Depreciation'.

22. Intangible assets

Cost

EUR ths.	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as at 1 January 2019	**284 657**	**2 661**	**3 207**	**290 525**
Additions	5 541	-	-	5 541
Disposals	(15 134)	-	(513)	(15 647)
Reclassification	-	-	-	-
Balance as at 31 December 2019	**275 064**	**2 661**	**2 694**	**280 419**
Additions	6 297	-	29	6 326
Disposals	-	-	-	-
Balance as at 31 December 2020	**281 361**	**2 661**	**2 723**	**286 745**

Accumulated amortisation

EUR ths.	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as at 1 January 2019	**(246 584)**	**(1 783)**	**(3 119)**	**(251 486)**
Amortisation	(20 320)	(488)	(32)	(20 840)
Disposals	15 130	-	513	15 643
Balance as at 31 December 2019	**(251 774)**	**(2 271)**	**(2 638)**	**(256 683)**
Amortisation	(10 729)	(360)	(26)	(11 115)
Balance as at 31 December 2020	**(262 503)**	**(2 631)**	**(2 664)**	**(267 798)**

Carrying amount

EUR ths.	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as at 31 December 2019	**23 292**	**391**	**56**	**23 739**
Balance as at 31 December 2020	**18 858**	**30**	**59**	**18 947**

Cost of intangible assets, which are fully depreciated but still used by the Bank as at 31 December 2020 amounted 247,3 mil. Eur (2019: 172,8 mil. Eur).

As at 31 December 2020 the Bank owned intangible assets not yet put in use in the amount of 3,4 mil. Eur (2019: 2,5 mil. Eur).

During the year 2020 the Bank put in use upgrade of the core banking system, which amounted 4,1 mil. Eur (2019: 4,0 mil. Eur).

Intangible assets are insured for standard risks, such as theft, robbery, vandalism, natural disasters etc.

23. Financial liabilities at amortised cost

The balance sheet line item 'Financial liabilities at amortised cost' is broken down into subcategories 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

Deposits from banks

EUR ths.	31.12.2019	31.12.2020
Overnight deposits	9 449	3 859
Term deposits	202 982	1 655 547
Repurchase agreements	50 856	50 849
Deposits from banks	**263 287**	**1 710 255**

In 2020 the Bank entered into Targeted Long Term Refinancing Operation (TLTRO) with central bank and is present under line item Term deposits. Details for respective tranches and collateral information is disclosed in note 28. As at 31 December 2020 the Bank has a liability in form of cash received in TLTRO in amount of 1,5 bil. EUR.

The Bank assessed an appropriate accounting treatment of the TLTRO. The conclusion was that such instruments do not qualify as below-market interest rate loans and therefore are not related to IAS 20 government grants accounting. The reason was that the TLTRO is considered as a separate market organised by the ECB as part of its monetary policy. As a result, the IFRS 9 amortised cost accounting treatment applies.

Deposits from customers

EUR ths.	31.12.2019	31.12.2020
Overnight deposits	**9 160 066**	**9 913 221**
Non-savings deposits	9 160 066	9 913 221
General governments	96 438	128 017
Other financial corporations	599 682	325 859
Non-financial corporations	1 867 099	1 831 802
Households	6 596 847	7 627 543
Term deposits	**5 259 040**	**5 011 596**
Deposits with agreed maturity	1 605 060	1 107 931
Non-savings deposits	1 605 060	1 107 931
General governments	749	478
Other financial corporations	209 072	25 793
Non-financial corporations	167 816	103 462
Households	1 227 423	978 198
Deposits redeemable at notice	3 653 980	3 903 665
Households	3 653 980	3 903 665
Deposits from customers	**14 419 106**	**14 924 817**
General governments	97 187	128 495
Other financial corporations	808 754	351 652
Non-financial corporations	2 034 915	1 935 264
Households	11 478 250	12 509 406

As at 31 December 2020, no embedded derivatives were included in deposits from customers (neither at the year end 2019).

As at 31 December 2020, no deposits from customers were collateralised by securities (neither at the year end 2019).

As at 31 December 2020 liabilities related to settlement of securities transactions and clearing of payment transactions in the amount of 22,5 mil. Eur are disclosed in the line item 'Other finacial liabilities' (2019: 44,2 mil. Eur).

Debt securities issued

EUR ths.	31.12.2019	31.12.2020
Subordinated issues	75 366	63 534
Senior non-preferred bonds	-	30 848
Other debt securities issued	1 995 609	1 957 349
Bonds	152 259	299 719
Covered bonds	1 843 350	1 657 630
Debt securities issued	**2 070 975**	**2 051 731**

Net debt reconciliation

The table below presents an analysis of debt of the Bank and the movements in the debt. The debt items are those that are reported under the financing activities in the statement of cash flows of the Bank.

EUR ths.	31.12.2019	31.12.2020
Debt securities issued		
Opening balance as at 1 January	1 803 287	2 070 975
Cash-flows reported within financing activities	260 460	(23 715)
Non-cash adjustments	7 228	4 471
Closing balance as at 31 December	2 070 975	2 051 731
Lease liability		
Opening balance as at 1 January	-	44 703
Initial application of IFRS 16	45 119	-
Cash-flows reported within financing activities	(14 504)	(13 968)
Non-cash adjustments	14 088	9 143
Closing balance as at 31 December	44 703	39 878

Subordinated debt securities issued

The subordinated debt securities issued listed in the following table do not include embedded derivatives, which should be separated and disclosed under the balance sheet line item 'Financial liabilities – held for trading'.

The interest rate shown below represents actual interest expense of the Bank.

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2019	2020
Subordinated Bonds	August 2010	August 2020	-	-	1 000	EUR	13 981	-
Subordinated Bonds	August 2011	August 2021	4,30%	10 000	1 000	EUR	13 436	13 977
Subordinated Bonds	November 2011	November 2023	4,58%	4 250	1 000	EUR	5 577	5 825
Subordinated Bonds	June 2012	June 2022	5,80%	11 000	1 000	EUR	15 271	16 113
Subordinated Bonds	November 2012	November 2022	4,30%	9 000	1 000	EUR	11 339	11 858
Subordinated Bonds	September 2018	September 2028	2,88%	33	100 000	EUR	3 326	3 327
Subordinated Bonds	September 2018	September 2028	1,54%	33	100 000	EUR	3 315	3 314
Subordinated Bonds	November 2018	November 2028	2,45%	91	100 000	EUR	9 120	9 120
Total							**75 366**	**63 534**

Senior non-preferred bonds

In February 2020 the Bank issued senior non-preferred bonds in the number of 300 securities with the notional value of 0,1 mil. EUR, interest rate 0,61% and maturity date in February 2026 in the total amount of 30,8 mil. EUR as at 31 December 2020.

Other debt securities issued

All securities listed in the following table are issued in book-entry form as bearer or registered securities with annual or semiannual coupon payments. Their transferability is not limited. There are no pre-emptive rights, exchange rights or early redemption rights related to these securities. The bonds are traded on the Bratislava Stock Exchange.

As at 31 December 2020 other debt securities issued included embedded derivatives (equity and commodities) in the amount of 0,0 mil. Eur (2019: 0,3 mil. Eur), which were separated and disclosed in the line items 'Financial assets – held for trading' and 'Financial liabilities – held for trading'.

The stated interest rate corresponds with the actual interest costs of the Bank.

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2019	2020
Covered Bonds	July 2007	July 2027	4.95%	250	66 388	EUR	23 100	22 872
Covered Bonds	April 2008	April 2021	5.00%	250	66 388	EUR	17 182	17 184
Covered Bonds	January 2013	January 2025	3.10%	87	50 000	EUR	4 411	4 412
Covered Bonds	June 2013	June 2028	3.00%	132	50 000	EUR	6 615	6 615
Covered Bonds	July 2013	January 2020	-	-	1 000	EUR	2 218	-
Covered Bonds	February 2014	August 2020	-	-	1 000	EUR	9 907	-
Covered Bonds	February 2014	February 2029	2.80%	97	50 000	EUR	4 899	4 899
Covered Bonds	March 2014	March 2021	2.00%	8 204	1 000	EUR	8 280	8 249
Covered Bonds	March 2014	March 2022	2.00%	220	50 000	EUR	11 138	11 152
Covered Bonds	May 2014	May 2021	1.90%	4 764	1 000	EUR	4 857	4 777
Covered Bonds	June 2014	June 2021	1.75%	9 314	1 000	EUR	9 387	9 324
Covered Bonds	July 2014	July 2021	1.55%	3 397	1 000	EUR	3 498	3 421
Covered Bonds	November 2014	November 2020	-	-	100 000	EUR	15 017	-
Covered Bonds	February 2015	February 2022	0.88%	350	100 000	EUR	35 267	35 273
Covered Bonds	March 2015	March 2020	-	-	1 000	EUR	4 198	-
Covered Bonds	June 2015	June 2020	-	-	1 000	EUR	4 835	-
Covered Bonds	July 2015	July 2020	-	-	1 000	EUR	4 845	-
Covered Bonds	July 2015	July 2020	-	-	100 000	EUR	50 169	-
Covered Bonds	August 2015	August 2025	1.38%	100	100 000	EUR	10 012	10 020
Covered Bonds	August 2015	August 2022	1.00%	100	100 000	EUR	10 024	10 031
Covered Bonds	August 2015	August 2020	-	-	1 000	EUR	4 915	-
Covered Bonds	September 2015	September 2020	-	-	1 000	EUR	4 292	-
Covered Bonds	October 2015	October 2020	-	-	1 000	EUR	3 536	-
Covered Bonds	November 2015	November 2020	-	-	100 000	EUR	40 035	-
Covered Bonds	November 2015	November 2020	-	-	1 000	EUR	2 962	-
Covered Bonds	December 2015	December 2021	0.63%	170	100 000	EUR	17 003	17 005
Investment Certificates	February 2016	February 2020	-	-	5 000	EUR	618	-
Covered Bonds	February 2016	February 2021	0.50%	500	100 000	EUR	50 220	50 223
Investment Certificates	February 2016	February 2020	-	-	1 000	EUR	215	-
Covered Bonds	March 2016	March 2021	1.05%	6 787	1 000	EUR	6 948	6 809
Covered Bonds	March 2016	March 2026	1.00%	90	100 000	EUR	9 006	9 016
Covered Bonds	April 2016	April 2021	1.05%	4 879	1 000	EUR	4 958	4 891
Covered Bonds	May 2016	May 2021	1.00%	4 889	1 000	EUR	4 947	4 897
Covered Bonds	May 2016	November 2020	-	-	100 000	EUR	50 004	-
Covered Bonds	June 2016	June 2021	0.00%	3 828	1 000	EUR	3 850	3 813
Investment Certificates	June 2016	June 2020	-	-	1 000	EUR	408	-
Covered Bonds	July 2016	July 2021	0.90%	4 834	1 000	EUR	4 881	4 855
Covered Bonds	August 2016	August 2021	0.80%	4 864	1 000	EUR	4 934	4 880
Covered Bonds	August 2016	August 2021	0.75%	4 760	1 000	EUR	4 873	4 772
Investment Certificates	August 2016	August 2020	-	-	1 000	EUR	350	-
Covered Bonds	September 2016	September 2021	0.70%	4 843	1 000	EUR	4 905	4 852
Covered Bonds	October 2016	October 2021	0.65%	4 886	1 000	EUR	4 941	4 892
Covered Bonds	November 2016	November 2021	0.25%	1 000	100 000	EUR	100 011	100 017
Covered Bonds	December 2016	December 2021	0.65%	9 591	1 000	EUR	9 791	9 593

The table continues on the following page.

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2019	2020
Senior Unsecured Bonds	December 2016	December 2021	0,65%	4 090	1 000	EUR	4 245	4 091
Covered Bonds	March 2017	March 2025	0,75%	1 000	100 000	EUR	100 390	100 433
Senior Unsecured Bonds	March 2017	March 2022	0,60%	4 452	1 000	EUR	4 668	4 472
Senior Unsecured Bonds	April 2017	April 2022	0,60%	30	100 000	EUR	3 013	3 013
Senior Unsecured Bonds	April 2017	April 2022	0,60%	4 532	1 000	EUR	4 687	4 550
Senior Unsecured Bonds	May 2017	May 2022	0,60%	4 404	1 000	EUR	4 594	4 420
Covered Bonds	June 2017	June 2022	0,38%	50	100 000	EUR	5 002	5 005
Senior Unsecured Bonds	July 2017	July 2022	0,60%	4 506	1 000	EUR	4 631	4 518
Senior Unsecured Bonds	August 2017	August 2022	0,63%	4 478	1 000	EUR	4 567	4 488
Senior Unsecured Bonds	September 2017	September 2022	0,63%	4 610	1 000	EUR	4 797	4 618
Senior Unsecured Bonds	September 2017	September 2022	0,63%	9 186	1 000	EUR	9 466	9 201
Covered Bonds	October 2017	October 2022	0,50%	1 500	100 000	EUR	150 025	150 078
Senior Unsecured Bonds	November 2017	November 2027	1,38%	44	100 000	EUR	4 400	4 402
Senior Unsecured Bonds	November 2017	November 2022	2,00%	4 863	1 000	USD	4 393	3 973
Senior Unsecured Bonds	February 2018	February 2023	2,15%	3 601	1 000	USD	3 311	2 991
Senior Unsecured Bonds	February 2018	February 2023	0,65%	9 281	1 000	EUR	9 705	9 335
Senior Unsecured Bonds	March 2018	March 2021	0,25%	142	100 000	EUR	14 222	14 229
Senior Unsecured Bonds	March 2018	March 2023	0,65%	9 641	1 000	EUR	9 818	9 689
Senior Unsecured Bonds	April 2018	April 2021	2,30%	3 584	1 000	USD	3 280	2 966
Senior Unsecured Bonds	June 2018	June 2020	-	-	1 000	USD	1 695	-
Senior Unsecured Bonds	June 2018	June 2024	0,75%	4 885	1 000	EUR	5 037	4 904
Covered Bonds	August 2018	August 2025	0,63%	2 500	100 000	EUR	258 815	262 050
Senior Unsecured Bonds	August 2018	August 2024	0,70%	4 862	1 000	EUR	4 946	4 874
Senior Unsecured Bonds	September 2018	September 2024	0,70%	4 674	1 000	EUR	4 810	4 683
Senior Unsecured Bonds	November 2018	November 2024	0,75%	4 850	1 000	EUR	4 896	4 853
Covered Bonds	December 2018	December 2024	0,50%	2 500	100 000	EUR	255 352	258 011
Senior Unsecured Bonds	December 2018	December 2024	0,75%	4 854	1 000	EUR	4 950	4 857
Senior Unsecured Bonds	February 2019	February 2025	0,70%	9 864	1 000	EUR	10 007	9 924
Senior Unsecured Bonds	March 2019	March 2025	0,00%	100	50 000	EUR	4 823	4 857
Investment Certificates	March 2019	March 2020	-	-	5 000	EUR	909	-
Covered Bonds	June 2019	June 2026	0,13%	5 000	100 000	EUR	496 896	503 312
Senior Unsecured Bonds	June 2019	December 2025	0,60%	5 711	1 000	EUR	5 940	5 713
Senior Unsecured Bonds	June 2019	June 2022	2,00%	3 696	1 000	USD	3 335	3 045
Investment Certificates	July 2019	July 2020	-	-	5 000	EUR	550	-
Investment Certificates	August 2019	August 2020	-	-	25 000	CZK	1 674	-
Investment Certificates	August 2019	August 2020	-	-	5 000	EUR	1 224	-
Investment Certificates	September 2019	September 2020	-	-	1 000	EUR	1 219	-
Investment Certificates	December 2019	December 2020	-	-	1 000	EUR	859	-
Senior Unsecured Bonds	February 2020	February 2024	0,00%	170	100 000	EUR	-	17 000
Senior Unsecured Bonds	March 2020	March 2025	0,00%	53	2 000 000	CZK	-	3 842
Senior Unsecured Bonds	June 2020	June 2025	0,63%	150	100 000	EUR	-	15 001
Senior Unsecured Bonds	June 2020	June 2023	0,70%	5 000	1 000	EUR	-	5 018
Senior Unsecured Bonds	June 2020	June 2025	0,80%	5 000	1 000	EUR	-	5 020
Senior Unsecured Bonds	August 2020	August 2023	0,35%	5 000	1 000	EUR	-	5 006
Senior Unsecured Bonds	August 2020	August 2025	0,26%	214	50 000	EUR	-	10 710
Senior Unsecured Bonds	October 2020	October 2025	0,25%	1 000	100 000	EUR	-	99 456
Total							**1 995 609**	**1 957 349**

In May 2020 the Bank issued covered bond in the value of 500 mil. EUR with interest rate 0,125% and maturity of 7 years, which was not placed in the market and according IFRS is therefore not possible to disclose this bond in the balance sheet. Subsequently this covered bond was used as collateral for obtaining term deposit from TLTRO. For more details please refer to note 28.

24. Provisions

EUR ths.	31.12.2019	31.12.2020
Commitments and guarantees given	6 208	16 284
Long-term employee benefits provisions	5 946	7 620
Pending legal issues and tax litigation	5 281	5 553
Other provisions	79	2 379
Restructuring	77	1 547
Other	2	832
Provisions	**17 514**	**31 836**

Provision for commitments and financial guarantees given

Provisions for commitments and financial guarantees were created to cover losses expected in unused loan commitments, guarantees and letters of credits. The amount of these provisions is estimated with respect to credit risk relating to affected items, as well as time value of money (i.e. current market interest rates used for discounting).

The following table presents movements in the provision for commitments and financial guarantees:

EUR ths.	01.01.2020	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between stages	31.12.2020
Provisions for commitments and guarantees given						
Stage 1	3 363	30 837	(9 906)	(20 463)	(19)	3 812
Stage 2	1 718	-	(2 548)	3 994	8 494	11 658
Stage 3	957	-	(336)	(203)	121	539
POCI	170	-	(59)	164	-	275
Total	**6 208**	**30 837**	**(12 849)**	**(16 508)**	**8 596**	**16 284**

EUR ths.	01.01.2019	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between stages	31.12.2019
Provisions for commitments and guarantees given						
Stage 1	3 143	36 992	(7 864)	(28 908)	51	(3 363)
Stage 2	723	-	(1 019)	2 014	1 014	(1 718)
Stage 3	601	-	(299)	655	270	(957)
POCI	7 598	-	(7 833)	405	-	(170)
Total	**12 065**	**36 992**	**(17 015)**	**(25 834)**	**1 335**	**6 208**

Movement table of credit loss allowances above represents changes in allowances disclosed based on the reason of the change and is prepared as at the end of the reporting period in comparison to the balance as at 1 January of the relevant reporting period. The table contains allocations, releases of the credit loss allowances and reclassifications between stages. Reconciliation of such movements to income statement line „Impairment result from financial instruments" is disclosed in note. 7.

In column 'Additions' increases of credit risk allowances due to the initial recognition of commitments and guarantees given during the current reporting period are disclosed. Releases of credit risk allowances following the derecognition of the related commitments and guarantees given are reported in column 'Derecognitions'.

Long-term employee pension provisions

The Bank has a defined employee benefit program under which all employees are entitled to a lump-sum payment upon working anniversaries or retirement. The number of employees under this program is disclosed in the note 6.

The amount of long-term employee pension provisions is calculated using an actuarial model based on the projected unit credit method. The Bank performes annual review of the long-term employee benefits provisions using updated data in order to recognize the provisions in appropriate amounts.

The amounts relating to long-term employee pension provisions recognised on the balance sheet, in the income statement and in the statement of other comprehensive income were as follows:

EUR ths.	Pension provision	Working anniversaries provision	Total
As at 1 January 2019	**2 787**	**391**	**3 178**
Service cost	193	240	433
Interest cost	40	6	46
Payments	(117)	(18)	(135)
Actuarial (gains)/losses	320	2 104	2 424
from changes in financial assumptions	320	2 104	2 424
As at 31 December 2019	**3 223**	**2 723**	**5 946**
Service cost	309	299	608
Interest cost	-	8	8
Payments	(182)	(235)	(417)
Actuarial (gains)/losses	1 014	461	1 475
from changes in experience assumptions	1 014	461	1 475
As at 31 December 2020	**4 364**	**3 256**	**7 620**

The actuarial calculation of pension provision used the following assumptions:

Pension provision	2019	2020
Annual discount rate	0.01%	0.01%
Annual rate of salary increase in future	0.00%	0.00%
Annual employee turnover	5,43 % - 13,32 %	3,73 % - 9,65 %
Retirement age	64 years	64 years

The actuarial calculation of working anniversaries provision used the following assumptions:

Working anniversary provision	2019	2020
Annual discount rate	0.01%	0.01%
Annual rate of salary increase in future	0.00%	0.00%
Annual employee turnover	5,43 % - 13,32 %	3,73 % - 9,65 %
Retirement age	64 years	64 years

In the calculation of long-term employee pension provisions official mortality tables published by the Statistical Office were used.

Sensitivity to key assumption

The following table presents a sensitivity analysis for the most significant actuarial assumption showing how the defined benefit obligation would have been affected by the change on the pension provision recognized in the balance sheet. The analysis is based on relative change in employee turnover by 10%.

EUR ths.	31.12.2019	31.12.2020
Change in the annual employee turnover +10%	3 017	4 151
Change in the annual employee turnover -10%	3 450	4 384

Provisions for pending legal issues and tax litigation and other provisions

Provisions for legal issues relate to legal cases where the Bank is sued and which arose from normal banking activities. During the reporting period the Bank does not participate in any new passive legal cases.

The item 'Other provisions' includes provision on contribution to Resolution fund and provision on contribution to Deposit protection fund during the year. When the actual amount of contributions is announced, the payment is accounted for as utilisation of particular provision. Both contributions for the year 2020 were paid in full amount, therefore the Bank does not disclose these items as other provisions.

The folowing table presents development of legal issues and tax litigation as well as other provisions:

EUR ths.	01.01.2020	Additions	Use	Release	31.12.2020
Restructuring provision	77	1 470	-	-	1 547
Pending legal issues and tax litigation	5 281	523	(2)	(249)	5 553
Other provisions	2	6 465	-	(5 635)	832
Total	**5 360**	**8 458**	**(2)**	**(5 884)**	**7 932**

EUR ths.	1.1.2019	Additions	Use	Release	31.12.2019
Restructuring provision	77	-	-	-	77
Pending legal issues and tax litigation	5 353	986	-	(1 058)	5 281
Other provisions	4	17	-	(19)	2
Total	**5 434**	**1 003**	**-**	**(1 077)**	**5 360**

The movement of other provisions related to the provisions for Deposit protection fund and Resolution fund accounted for in accordance with IFRIC 21.

25. Other liabilities

EUR ths.	31.12.2019	31.12.2020
Client settlement	11 649	2 716
Trade payables	51 259	38 596
Personnel balances and social fund	32 907	32 395
State budget, social and health insurance, taxes	4 789	6 203
Sundry liabilities	586	-
Other liabilities	**101 190**	**79 910**

Social fund liability, which is included in the line item 'Other liabilities', developed as follows:

EUR ths.	2019	2020
As at 1 January	**2 019**	**2 242**
Additions	2 152	4 336
Withdrawals	(1 930)	(2 220)
As at 31 December	**2 242**	**4 359**

26. Equity

Share capital

The approved share capital was fully paid and consists of the following:

	31.12.2019	31.12.2020
Nominal value of share (in EUR)	1 000	1 000
Number of shares (in pcs.)	212 000	212 000
Share capital (in EUR)	**212 000 000**	**212 000 000**

The following table presents distribution of individual profits of the Bank for the years 2019 (approved) and 2020 (proposed):

Profit distribution	31.12.2019	31.12.2020
Profit for the year (in EUR ths.)	174 436	114 633
Coupon payment for Investment certificate 2015 SLSP AT1 PNC5	11 700	-
Coupon payment for Investment certificate SLSP AT1 PNC5 2020	-	6 225
Coupon payment for Investment certificate SLSP AT1 PNC5 2020 II	-	7 230
Dividends paid to shareholder from profit for the year	78 276	40 471
Transfer to retained earnings	84 460	60 707
Number of shares with nominal value of EUR 1 000 (in pcs.)	212 000	212 000
Dividend per share (in EUR)	**369**	**191**

Dividends for the year 2019 were paid in March 2020 following the resolution of General Assembly of the Bank dated 25 March 2020. The first portion of coupon payment for investment certificate 2015 SLSP AT1 PNC5 was paid in amount of 5,9 mil. Eur as at 25 May 2020. The second portion was paid in amount of 5,9 mil. Eur as at 23. November 2020.

Additionally the first portion of coupon payment from investment certificate SLSP AT1 PNC5 2020 in amount of 3,1 mil. Eur was paid from retained earnings as at 27 August 2020.

Other capital instruments

During the year 2015 the Bank has issued an investment certificate (2015 SLSP AT1 PNC5) in the amount of 150 mil. Eur that is classified as equity instrument according to the standard IAS 32. This certificate is a perpetual instrument with the agreed interest rate of 7,8% p.a. paid semi-annually. In the year 2020 the Bank has issued a second investment certificate (SLSP AT1 PNC5 2020) in the amount of 150 mil. Eur which is classified similarly. This certificate is also a perpetual instrument with the agreed interest rate of 4,15% p.a. paid semi-annually.

Additionally in 2020, the Bank recalled investment certificate from 2015 (2015 SLSP AT1 PNC5) and replaced it by new investment certificate (SLSP AT1 PNC5 2020 II) with same contractual features, however with new interest rate of 4,82% p.a. paid semi-annually. This replacement does not represent cash flow transaction and as such is not disclosed in the separate statement of cash flows.

Legal reserve fund

According to Commercial Code all companies are required to create a legal reserve fund to cover adverse financial conditions in the future. The Bank is obliged to contribute to the fund the amount, which is not less than 10% of its annual net profit until the cumulative amount of annual contributions reaches 20% of its share capital. As at 31 December 2020 Legal reserve fund amounted to 79,8 mil. Eur (2019: 79,8 mil. Eur) and in both years exceeded the required 20% of the share capital. Legal reserve fund is not available for distribution to the shareholder.

Other funds

Other funds include only Statutory fund created from distributable profits to strengthen the Bank's capital base. This fund is not available for distribution to the shareholder. Once the Bank's share capital or legal reserve fund is increased, Statutory fund may be terminated and transferred back to the distributable profits with the approval of the Supervisory Board and of the General Assembly. As at 31 December 2020 Statutory fund amounted 39,1 mil. Eur (2019: 39,1 mil. Eur).

Fair value reserve

Fair value reserve represents the unrealised revaluation of financial assets measured at fair value through other comprehensive income. This reserve is not available for distribution to the sharefolder. As at 31 December 2020 the revaluation of financial assets measured at fair value through other comprehensive income amounted to 0,0 mil. Eur (2019: 66,0 mil. Eur), net of deferred tax.

Remeasurements of defined benefit pension liabilities

This equity component reflects the results of actuarial calculations related to the pension provision. As at 31 December 2020 the remeasurement of the pension provision amounted 1,7 mil. Eur (2019: 0,8 mil. Eur), net of deferred tax.

27. Related party transactions

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is controlled by the only shareholder Erste Group Bank AG, which directly owns 100% share on the voting rights of the Bank. Further related parties include subsidiaries, which are under control of the Bank and associates, over which the Bank has significant influence. Moreover, other members of the Erste group are also related parties of the Bank.

Transactions with related parties occur in the normal course of business and primarily include loans and deposits. These transactions are performed at arm's length, i.e. the terms and conditions applied respect market conditions.

Assets and liabilities include accounting balances with related parties, as follows:

	Erste Group Bank AG		Companies of Erste Group		Subsidiaries		Associates	
EUR ths.	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**
Assets								
Cash and cash balances	4 153	7 681	5 576	3 155	-	-	-	-
Derivatives	4 962	7 996	-	-	-	-	-	-
Derivatives – Hedge accounting	16 501	28 095	-	-	-	-	-	-
Securities	-	-	-	-	-	-	5 255	5 255
Loans and advances to banks	4 354	1 934	147	85	-	-	-	3
Loans and advances to customers	-	-	16 244	1 904	33 740	26 583	-	-
Property and equipment, right-of-use assets	-	-	-	-	26 319	19 274	-	-
Total	**29 970**	**45 706**	**21 967**	**5 144**	**60 059**	**45 857**	**5 255**	**5 258**
Liabilities								
Derivatives held for trading	31 617	48 043	-	2	-	-	-	-
Deposits from banks	58 199	51 410	705	470	-	-	15 472	213
Deposits from customers	-	-	2 669	3 185	26 310	55 802	-	-
Debt securities issued	758 859	679 377	2 981	3 020	-	-	-	-
Derivatives – hedge accounting	48 041	48 373	-	-	-	-	-	-
Lease liabilities	-	-	-	-	26 319	19 301	-	-
Other liabilities	297	251	2 989	1 567	-	-	-	-
Total	**897 013**	**827 454**	**9 344**	**8 244**	**52 629**	**75 103**	**15 472**	**213**

Reported property and equipment and related depreciation represents right of use to asset, which is recognised in compliance with international accounting standard IFRS 16 Leases. Right of use to asset relates to rental of premises from subsidiary LANED a.s.

Income and expenses include transactions with the related parties, as follows:

	Erste Group Bank AG		Companies of Erste Group		Subsidiaries		Associates	
EUR ths.	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
Interest income	(8 247)	(7 511)	594	326	605	485	119	130
Interest expense	(1 564)	(288)	(4)	(10)	(1 382)	-	(11)	-
Net fee and commisssion income	36	(97)	6 410	8 110	-	190	1	1
Net trading and fair value result	20 733	(2 733)	-	438	-	-	-	-
General administrative expenses	(4 923)	(3 530)	(13 171)	(16 190)	(2)	(1 035)	-	-
Depreciation and amortisation	-	-	-	-	(6 236)	(7 018)	-	-
Other operating result	1 170	169	598	699	717	234	-	8
Total	**7 205**	**(13 990)**	**(5 098)**	**(6 134)**	**(6 298)**	**(7 125)**	**109**	**139**

The amounts with Erste Group Bank AG reported in the line items 'Interest income' and 'Net trading result' represent results from derivative instruments used to close positions with the clients.

All issued investment certificates disclosed as AT1 instruments in equity at 31 December 2020 were purchased by Erste Group Bank AG (see note 26).

As at 31 December 2020 the Bank does not have a guarantee from its parent company Erste Group Bank AG covering exposures towards Erste Group Immorent Slovensko s.r.o. any more, however the amount in 2019 was 23,2 mil. Eur.

The Bank received guarantees from its parent company Erste Group Bank AG covering clients' exposures in the amount of 2,2 mil. Eur as at the reporting date (2019: 2,2 mil. Eur).

The Bank has received guarantee from its sister company Česká spořitelna, a.s. covering credit exposures towards s_Autoleasing SK, s.r.o. as at 31 December 2020 in the maximum amount of the guarantee was 9,0 mil. Eur (2019: 9,0 mil. Eur).

The Bank received guarantees from its sister company Česká spořitelna, a.s. covering clients' exposures in the amount of 0,2 mil. Eur as at the reporting date (2019: 0,2 mil. Eur).

As at 31 December 2020 the Bank owned a share in real estate fund Sporo realitný fond SPF of Asset Management Slovenskej sporiteľne, a.s. in the amount of 1,7 mil. Eur (2019: 3,2 mil. Eur).

As at 31 December 2020 and in 2019, the Bank did not receive any dividends from its associates.

Transactions with key management personnel

The remuneration of the Board of Directors members and the Supervisory Board members paid during the year 2020 in form of short-term employee benefits amounted to 2,5 mil. Eur (2019: 2,6 mil. Eur). The remuneration policy of the Board of Directors members is in compliance with CRD directive as adopted in the national legislation.

28. Collaterals

The Bank holds collaterals against loans and advances to customers in form of real estates, securities, received bank guaranties and other credit enhancements. The fair values of collaterals are estimated based on their value at the time of borrowings and are regularly updated. In general, collaterals are not held against loans and advances to banks, except for securities held as a part of reverse repurchase agreements commented in the note 14.

Collaterals received

As at 31 December 2020 the Bank had collateralized loans in the amount of 10 475,7 mil. Eur (2019: 10 192,4 mil. Eur). The uncollateralized loans amounted amounted 4 843,7 mil. Eur (2019: 4 298,4 mil. Eur).

Estimated fair values of collaterals received and other credit enhancements related to loans to customers, granted financial guarantees, letters of credit and undrawn loan commitments were as follows:

31.12.2020	Credit risk exposure	Collateral: thereof attributable to credit impaired exposure	Collateralised by			Collateral total	Credit risk exposure net of collateral
EUR ths.			Guarantees	Real estate	Other		
Cash and cash balances - other demand deposits	11 023	-	-	-	-	-	11 023
Financial assets at amortised cost	18 666 495	139 823	158 225	8 437 965	247 271	8 843 462	9 823 033
Loans and advances to banks	49	-	41	-	-	41	8
Loans and advances to customers	14 986 196	139 823	140 173	8 437 965	247 271	8 825 410	6 160 787
of which: Lending for house purchase	8 618 370	120 023	-	7 519 339	23	7 519 362	1 099 009
'of which: Credit for consumption	1 587 560	100	-	114	56	171	1 587 389
'of which: Corporate loans and others	4 780 266	19 700	140 173	918 512	247 192	1 305 877	3 474 389
Debt securities	3 680 250	-	18 011	-	-	18 011	3 662 238
Finance lease receivables	246 820	5 100	-	-	171 736	171 736	75 084
Trade and other receivables	86 333	-	-	-	-	-	86 333
Non-trading financial assets at fair value through profit or loss - Debt securities	7 740	-	-	-	-	-	7 740
Financial assets - held for trading	59 994	-	-	-	-	-	59 994
Positive fair value of derivatives	34 345	-	-	-	-	-	34 345
Total credit risk exposure on-balance	**19 112 750**	**144 923**	**158 225**	**8 437 965**	**419 007**	**9 015 198**	**10 097 552**
Off-balance	1 961 286	71	42 325	76 939	31 238	150 502	1 810 784
Total credit risk exposure	**21 074 036**	**144 994**	**200 550**	**8 514 904**	**450 245**	**9 165 700**	**11 908 336**

31.12.2019 EUR ths.	Credit risk exposure	Collateral: thereof attributable to credit impaired exposure	Collateralised by			Collateral total	Credit risk exposure net of collateral
			Guarantees	Real estate	Other		
Cash and cash balances - other demand deposits	10 224	-	-	-	-	-	10 224
Financial assets at amortised cost	17 699 624	163 119	35 774	8 249 903	267 742	8 553 419	9 146 204
Loans and advances to banks	54	-	46	-	-	46	9
Loans and advances to customers	14 162 721	163 119	17 715	8 249 903	267 742	8 535 360	5 627 359
of which: Lending for house purchase	8 071 862	145 104	-	7 298 979	37	7 299 016	772 844
'of which: Credit for consumption	1 786 766	28	-	45	106	151	1 786 615
'of which: Corporate loans and others	4 304 093	17 987	17 715	950 879	267 599	1 236 193	3 067 900
Debt securities	3 536 849	-	18 013	-	-	18 013	3 518 836
Finance lease receivables	217 757	6 036	-	119	153 185	153 305	64 452
Trade and other receivables	110 282	-	-	-	-	-	110 282
Non-trading financial assets at fair value through profit or loss - Debt securities	3 175	-	-	-	-	-	3 175
Financial assets - held for trading	41 423	-	-	-	-	-	41 423
Positive fair value of derivatives	23 020	-	-	-	-	-	23 020
Total credit risk exposure on-balance	**18 105 505**	**169 155**	**35 774**	**8 250 022**	**420 927**	**8 706 724**	**9 398 780**
Off-balance	1 825 290	267	44 707	126 831	42 307	213 845	1 611 445
Total credit risk exposure	**19 930 795**	**169 422**	**80 481**	**8 376 853**	**463 234**	**8 920 569**	**11 010 225**

Assets pledged as collaterals

The following table presents assets pledged as collaterals for the Bank's liabilities:

EUR ths.	Carrying amount of transferred assets					Carrying amount of associated liabilities		
	Total	Repurchase agreements	Assets pledged for derivatives	Assets pledged for covered bonds	Other transferred assets	Total	Repurchase agreements	Other associated liabilities
As of 31.12.2020								
Financial assets at amortised cost								
Debt securities	1 156 351	45 350	47 391	114 757	948 853	1 187 403	50 849	1 136 554
Loans and advances to customers	2 383 979	-	-	1 831 526	552 453	2 096 767	-	2 096 767
Assets pledged as collateral	**3 540 330**	**45 350**	**47 391**	**1 946 283**	**1 501 306**	**3 284 170**	**50 849**	**3 233 321**

EUR ths.	Carrying amount of transferred assets					Carrying amount of associated liabilities		
	Total	Repurchase agreements	Assets pledged for derivatives	Assets pledged for covered bonds	Other transferred assets	Total	Repurchase agreements	Other associated liabilities
As of 31.12.2019								
Financial assets at amortised cost								
Debt securities	204 946	45 596	40 252	113 699	5 399	230 836	50 856	179 980
Loans and advances to customers	2 071 353	-	-	2 071 353	-	1 747 431	-	1 747 431
Assets pledged as collateral	**2 276 299**	**45 596**	**40 252**	**2 185 052**	**5 399**	**1 978 267**	**50 856**	**1 927 411**

In June 2020, the Bank entered into Targeted Long Term Refinancing Operation (TLTRO) with central bank. As at 31 December 2020 the Bank has a liability in form of cash received in TLTRO shown within other associated liabilities (500 mil. EUR). The Bank has pledged SK government bond (58,3 mil. EUR) and own retained covered bond (500 mil. EUR) where mortgage loans are shown as encumbered assets (552,5 mil. EUR) as collateral to TLTRO. The collateral is shown within other transferred assets.

In September 2020, the Bank entered into Targeted Long Term Refinancing Operation (TLTRO) with central bank again. As at 31 December 2020 the Bank has a liability in form of cash received in TLTRO shown within other associated liabilities (1 bil. EUR). The Bank has pledged SK government bonds (883 mil. EUR) as collateral to TLTRO. The collateral is shown within other transferred assets.

29. Offsetting of financial assets and financial liabilities

31.12.2020 EUR ths.	Gross amounts of recognised financial instruments	Net amounts of financial instruments in the balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting Non-cash financial collateral pledged	Net amount after potential offsetting
Assets				
Derivatives	59 994	59 994	-	59 994
Derivatives - hedge accounting	34 345	34 345	-	34 345
Total assets	**94 339**	**94 339**	**-**	**94 339**
Liabilities				
Derivatives	56 524	56 524	47 301	9 223
Derivatives - hedge accounting	48 373	48 373	30 813	17 560
Repurchase agreements	50 849	50 849	50 849	-
Total liabilities	**155 746**	**155 746**	**128 963**	**26 783**

31.12.2019 EUR ths.	Gross amounts of recognised financial instruments	Net amounts of financial instruments in the balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting Non-cash financial collateral pledged	Net amount after potential offsetting
Assets				
Derivatives	41 423	41 423	-	41 423
Derivatives - hedge accounting	23 020	23 020	-	23 020
Total assets	**64 443**	**64 443**	**-**	**64 443**
Liabilities				
Derivatives	36 020	36 020	29 683	6 337
Derivatives - hedge accounting	48 041	48 041	27 941	20 100
Repurchase agreements	50 856	50 856	50 856	-
Total liabilities	**134 917**	**134 917**	**108 480**	**26 437**

30. Assets under administration

The Bank provides custody, trustee, investment management and advisory services to third parties, which involves making decisions on distribution, purchase and sale related to a wide range of financial instruments. The assets held in a fiduciary capacity are not included in these financial statements.

As at 31 December 2020 the Bank held assets for collective investment undertakings in the amount of 4 909,2 mil. Eur (2019: 3 918,7 mil. Eur).

As at 31 December 2020 the Bank also held assets for customers other than collective investment undertakings in the amount of 7 220,9 mil. Eur (2019: 7 509,0 mil. Eur).

31. Segment reporting

The segment reporting of the Bank is based on IFRS 8 - Operating Segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal management reporting that is regularly reviewed by the chief operating decision maker to assess the performance of the segments and make decisions regarding the allocation of resources. Within the Bank the function of the chief operating decision maker is executed by the Board of Directors. In addition, the Bank's segment reporting follows the standards of the Erste Group issued for the purpose to unify presentation, measurement and steering of the group.

Business segments

Bank's Segment reporting was aligned with Erste Group segment principles in order to present the Bank structure in a transparent way reflecting internal steering and allocations of sources. The Bank is divided into the following business segments:

- Retail,
- Corporates
- Assets and Liabilities Management (ALM) and Local Corporate Centre (LCC) and Free Capital (FCAP),
- Group Markets (GM),

The Bank applies account manager principle for the definition of segments / business lines. It means that each client has assigned one account manager from a particular segment / business line. Subsequently, profit or loss on business transactions with the client is allocated to that account manager.

Retail segment comprises the entire business activities with private individuals, free professionals and micros, which are in the responsibility of account managers in the Retail network. Retail products and services, including current accounts and savings, loans pledged by real estate, mortgage and consumer loans, credit cards, investment and cross selling products (e.g. insurance, asset management products and building society products) are offered via various distribution channels, such as branch network and digital banking. The Retail segment is divided into 8 regions, 90 areas and 203 branches (status as at 31 December 2020).

Corporates segment The Corporates segment comprises business done with corporate customers of different turnover size (small and medium-sized enterprises and Large Corporate customers) as well as commercial real estate and public sector business.

Asset Liability Management (ALM), Local Corporate Center (LCC) segment and Free Capital (FCAP) Segment comprises on the one side the management of Bank's assets and liabilities in the light of uncertainty of cash flows, cost of funds and return on investments in order to determine the optimal trade-off between risk, return and liquidity. Furthermore it comprises funding transactions, hedging activities, investments into securities other than held for trading purpose, management of own issues and FX positions. On the other side it also includes the local corporate center which comprises all non-core banking business activities such as non-profit servicing participations, intragroup eliminations within the respective partial group, dividends, refinancing costs of participations, all non-banking balance sheet positions (e.g. fixed assets) which cannot be allocated to other business segments. Apart from that the Local Corporate Center includes received dividends and reconciliations to the accounting result. The segment comprises also Free Capital which is defined as the difference of the total average IFRS equity and the average economical equity allocated to all operating segments.

Group Markets (GM) segment comprises trading and markets services, as well as business with financial institutions. This segment is divided into Treasury trading aand market services (GMT) and Financial institutions (GMFI):

- Treasury trading and Market services (GMT) comprises all activities related to active risk taking and managing in regulatory trading books of the Bank, additional to that the execution of trades against the market using the trading books of the Bank group for market making, short-term liquidity management and warehousing purposes. Specifically revenues and fair value results not directly attributable to client transactions (which can be valid also for ALM deals) and generally risk premiums and execution fees are taken into account. It also includes 20% compensation fee from Retail for the treasury sales services.

- Financial institutions (GMFI) are companies that provide financial services for their clients or members and act as professional and active participant on financial markets for the purpose of proprietary trading or on behalf of their clients (banks, central banks, development banks, investment banks, investment funds, brokerages, insurance companies, pension funds, credit unions, building societies, asset management companies, government debt agencies, sovereign wealth funds, exchanges).

Measurement and reporting

The segment reporting of the Bank, as well as internal management reporting is prepared in accordance with IFRS. It means, that accounting policies and measurement methods used in the segment reporting are the same as those applied in the separate financial statement.

Separate statement of profit or loss presented in the Bank's segment report is based on the measures reported to the Bank's Board of Directors for the purpose of resource allocation and segments' performance assessment. In line with the regular internal reporting prepared for the Board of Directors, total assets, total liabilities, as well as risk weighted assets and allocated equity are disclosed per segment.

The capital consumption per segment is regularly reviewed by the management of the Bank to assess the performance of the segments. The average allocated equity is determined by credit risk, market risk and operational risk.

For measuring and assessing the profitability of segments within the Bank, a rate of return on allocated equity and cost/income ratio are used. ROE (return on allocated capital) is defined as the net result for the period before minorities in relation to the average allocated equity of the respective segment. Cost/income ratio is calculated for each segment and is defined as operating expenses (general administrative expenses) in relation to operating income (total of net interest income, net fee and commission income, dividend income, net trading result, gains/ losses from financial instruments measured at fair value through profit or loss, net result from equity method investments, rental income from investment properties & other operating leases).

Business Segments	Retail		Corporates		Group markets		Asset Liability Management, Local Corporate Center and Free Capital		Total	
EUR ths.	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
Net interest income	344 740	317 215	77 652	84 747	5 524	1 506	1 462	30 579	429 378	434 048
Net fee and commission income	125 450	123 301	18 471	20 043	7 417	9 703	(6 169)	(5 706)	145 169	147 341
Dividend income	-	-	17	-	-	-	951	647	968	647
Net trading result	3 764	3 179	7 451	2 592	4 147	1 991	(271)	462	15 090	8 224
Gains/losses from financial instruments measured at FVPL	-	-	-	-	-	-	1 900	1 510	1 900	1 510
Rental income from investment properties & other operating leases	-	-	-	-	-	-	293	265	293	265
General administrative expenses	(246 662)	(248 889)	(36 442)	(33 966)	(5 151)	(5 007)	(653)	(2 013)	(288 908)	(289 880)
Gains/losses from derecognition of financial assets at AC	-	-	-	-	-	-	71	1	71	1
Other gains/losses from derecognition of financial instruments not at FVPL	-	-	-	-	-	-	(475)	(16)	(475)	(16)
Impairment result from financial instruments	(23 273)	(13 033)	(19 553)	(95 490)	77	47	26	537	(42 723)	(107 939)
Other operating result	(23 277)	(24 904)	(3 910)	(3 807)	(1 859)	(1 693)	(10 196)	(10 397)	(39 242)	(40 801)
Levies on banking activities	(23 277)	(24 903)	(3 912)	(3 799)	(1 859)	(1 722)	(6 540)	(7 327)	(35 588)	(37 751)
Pre-tax profit from continuing operations	**180 742**	**156 869**	**43 686**	**(25 881)**	**10 155**	**6 547**	**(13 061)**	**15 869**	**221 521**	**153 400**
Taxes on income	(37 963)	(32 919)	(9 174)	5 436	(2 132)	(1 375)	2 185	(9 909)	(47 085)	(38 767)
Net result for the period	**142 779**	**123 950**	**34 512**	**(20 445)**	**8 023**	**5 172**	**(10 876)**	**5 960**	**174 436**	**114 633**
Net result attributable to owners of the parent	**142 779**	**123 950**	**34 512**	**(20 445)**	**8 023**	**5 172**	**(10 876)**	**5 960**	**174 436**	**114 633**
Operating income	473 954	443 695	103 592	107 383	17 087	13 200	(1 833)	27 757	592 799	592 034
Operating expenses	(246 662)	(248 890)	(36 442)	(33 967)	(5 151)	(5 008)	(653)	(2 013)	(288 908)	(289 878)
Operating result	**227 292**	**194 805**	**67 150**	**73 416**	**11 936**	**8 192**	**(2 486)**	**25 744**	**303 891**	**302 156**
Risk-weighted assets (credit risk, eop)*	2 795 578	3 036 640	3 450 373	4 012 681	51 746	6 332	572 400	483 913	6 870 097	7 539 566
Average allocated capital**	404 865	419 823	307 965	361 790	8 889	5 682	330 014	306 054	1 051 733	1 093 348
Cost/income ratio	52.04%	56.09%	35.18%	31.63%	30.15%	37.94%	-35.61%	7.25%	48.74%	48.96%
Return on allocated capital	35.27%	29.52%	11.21%	-5.65%	90.24%	91.02%	-3.30%	1.95%	16.59%	10.48%
Total assets (eop)	10 384 225	10 782 824	3 891 768	4 300 739	16 106	19 455	4 335 655	5 644 723	18 627 753	20 747 741
Total liabilities excluding equity (eop)	12 086 728	13 182 843	1 619 206	1 508 373	812 033	310 261	2 529 159	3 986 260	17 047 126	18 987 737
Impairments										
Net impairment loss on financial instruments AC	(20 864)	(12 570)	(24 068)	(83 259)	62	36	(13)	238	(44 883)	(95 555)
Net impairment loss on financial instruments Leasing	(1 949)	213	(1 879)	(1 859)	-	-	27	352	(3 801)	(1 293)
Impairments and provisions for commitments and guarantees given	(460)	(677)	6 394	(10 264)	15	11	12	-	5 961	(10 929)
Net impairment on other non-financial assets	-	-	-	(109)	-	-	96	(53)	96	(162)

* Credit RWA (eop) after inter company transactions according to Pillar 1, calculated by Erste group for the purpose of segment report and management purposes (without subsidiaries Credit RWA)
** Average allocated capital is calculated based on Erste group controlling methodology.

32. Risk management

Risk strategy and policy

The Bank takes a prudent and responsible approach to risk and risk-adjusted approach to revenues. Risk appetite of the Bank (the maximum level of risk that the Bank is willing to undertake) is clearly defined, measurable and widely understood. The Bank offsets its risk appetite with sufficient amount of internal capital to cover unexpected losses.

The Bank prefers sustainability to short-term high-risk returns. The risk / return profile and the balance of risks follow this principle in order to generate sustainable and adequate return on capital.

Risk functions are independent from the commercial business lines. Risk management is centralized and the Bank strives for an integrated risk management framework where all relevant risks are managed comprehensively and where dependencies between different risk types are accounted for.

The Bank shall make sure that risk management is properly supported in terms of human, IT and other resources needed for comprehensive coverage of all major drivers of risk.

The primary risk management objective of the Bank is to achieve a position where it will be able to identify all significant risks it faces, assess their potential impact and have policies in place to manage them effectively. These policies must be periodically reviewed in order to ensure their appropriateness in terms of their performance and in terms of changing circumstances of the Bank's operating environment.

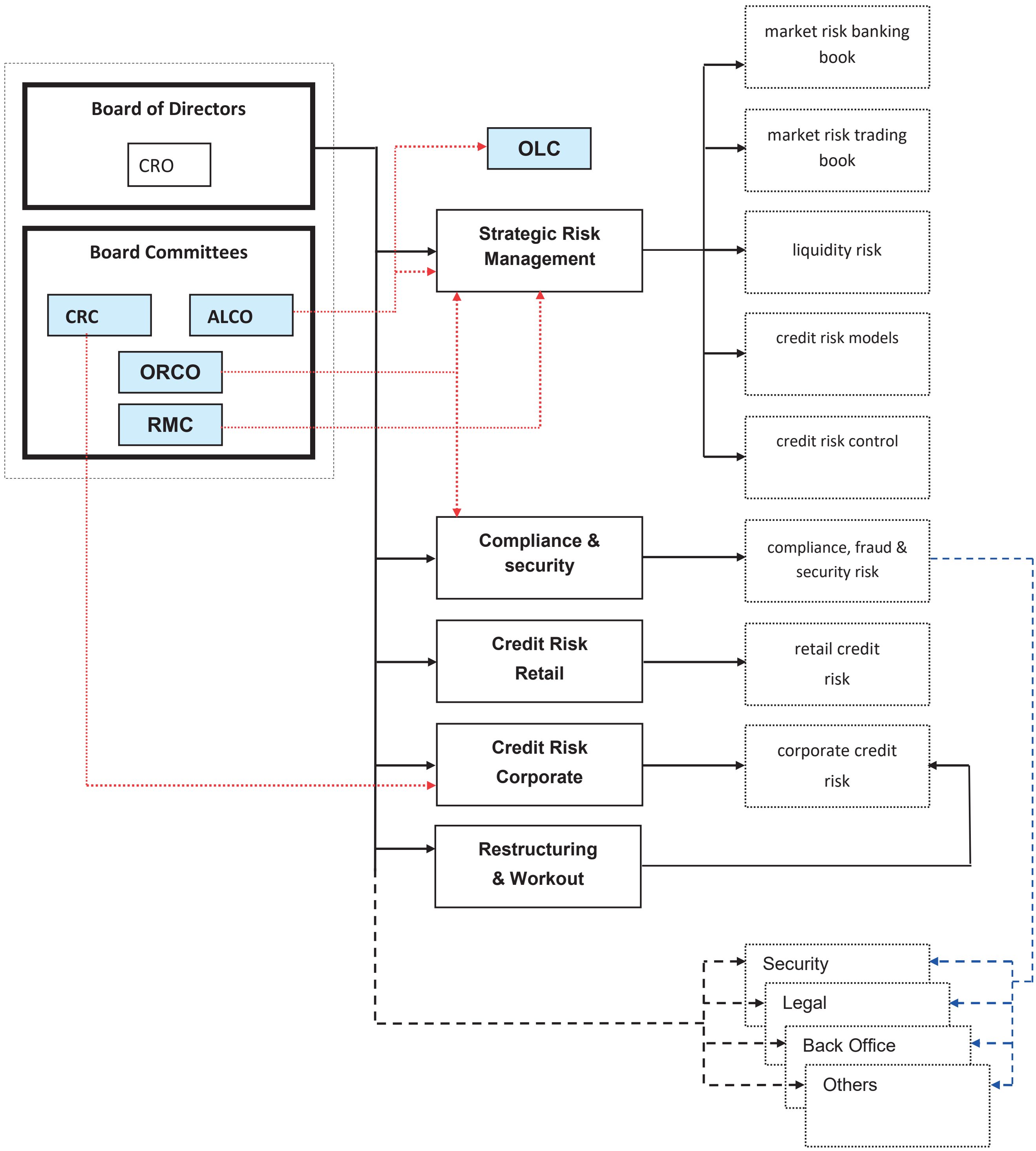
Risk taking is an inseparable part of the Bank's operations and Bank business operations inevitably carry a certain degree of risk. Proper risk management should allow for better exploitation of business opportunities. Therefore, risk management strategy must be clearly linked to the business strategies.

Ultimately, risks should be quantified to the greatest possible extent (considering reasonable effort) and performance measurement of the Bank should be risk weighted. Therefore, the model for calculation and allocation of economic capital is continuously being improved and the Bank has established an internal capital management process (ICAAP).

The Bank is also committed to follow the risk management provisions defined by both local, as well as international laws and regulators.

Risk management organization

Risk monitoring and control is achieved through a clear organisational structure with defined roles and responsibilities, delegated authorities and risk limits. The following chart presents the organizational structure of risk in the Bank:



Risk management structure

The ultimate risk management body is the Board of Directors. However, it may delegate some of its authority for particular risk management areas to the respective committees. The Board of Directors also designates one of its members to serve as the Chief Risk Officer ('CRO').

Asset & Liability Committee ('ALCO') has the ultimate authority over market risk of both trading and banking books (including interest rate risk) and over liquidity risk.

Credit Risk Committee ('CRC') is the ultimate decision making body for corporate credit risk.

Operational Risk and Compliance Committee ('ORCO') is the authorized body to make decisions on operational risk strategies and procedures, risk appetite and tolerance levels, also decides on mitigation measures for operational risk, compliance, financial crime, security, and anti-money laundering issues.

ALCO, CRC and ORCO are composed of the members of the Board of Directors and senior managers. The Chief Risk Officer is a member of all three committees.

Operating Liquidity Committee ('OLC') governs the execution of liquidity management. OLC reports directly to ALCO. It analyses the liquidity situation of the Bank on a regular basis and proposes measures to be taken. OLC consists of members of Treasury, Balance Sheet Management (BSM) and Strategic Risk Management (SRM).

Risk Management Committee ('RMC') is a committee consisting of selected members of the Board of Directors and senior managers. It is responsible for the development and maintenance of effective system of risk management, approval and monitoring of risk management strategy and procedures, ICAAP and risk appetite, as well as for comprehensive stress testing.

The bottom (executive) level of the risk management organization consists of five crucial units:

- Corporate Credit Risk Management Division carries out all activities concerning operative credit risk of corporate clients.
- Retail Credit Risk Management Division is responsible for management of credit risk for retail lending, specifically credit policy, organization of lending process, early collection process, collateral management and portfolio management of the retail segment.
- Strategic Risk Management ('SRM') is responsible for integrated risk management ('ICAAP'), liquidity risk, market risk (overall, as well as particular trading and banking books), credit risk control, provisioning, credit risk statistical and rating models.
- Compliance & Security is responsible for compliance risk management (e.g. code of ethics, full compliance with legal requirements, anti-money laundering program, MiFID rules), for fraud risk management (prevention, detection, investigation, deterrence and recovery of financial fraud) and operational risk. Within operational risk, it coordinates activities of global scope of other relevant departments (blue / dashed lines in the chart).
- Restructuring & Work out is responsible for effective debt recovery and write-off management of corporate clients. It is also responsible for monitoring, restructuring of receivables over-due, specific provisions and collateral management.

In the chart above, black lines show the assignment of different risk types to the respective units. Solid black lines show he areas directly subordinated to the Chief Risk Officer. Strategic Risk Management and Corporate Credit Risk Management may also report directly to their respective committees as shown by red / dotted lines.

Risk management is not limited to risk management units only. Rather, all organizational units have to be risk-aware and should contribute to risk management.

All responsibilities regarding risk management are in detail described in the Bank's risk management strategy.

Comprehensive risk and capital management

Internal Capital Adequacy Assessment Process ('ICAAP') is a process in which all significant risks that the Bank faces must be covered by internal capital (i.e. coverage potential). This means that all material risks are determined, quantified, aggregated, and compared to the coverage potential. Limits and lower trigger levels are defined and regularly monitored, so that corrective actions may be taken, thus avoiding situations when risk exposures are not sufficiently covered by capital.

Objectives of ICAAP are to integrate risk management for different risk types into a single high-level process, which then enables to continuously monitor and adjust capital levels to changing risk profiles. It is a comprehensive process that within the Bank consists of the following steps:

- Risk materiality assessment
- – identification of the most important risk types which are to be the major focus and which will be included into economic capital calculation
- Risk-bearing capacity calculation
- – calculation of the risk exposure for each particular material risk
- – aggregation of the individual risks into a single economic capital figure
- – calculation of internal capital (coverage potential)
- – relating economic to internal capital
- Stress testing
- – verification of economic capital figures via severe, yet plausible stress scenarios
- Capital management
- – management of consistency between economic and internal capital including forecasting

In addition to the ICAAP's ultimate goal of assuring capital adequacy and sustainability at all times, the whole process serves to support the Bank's management in pursuing its strategy.

Risk materiality assessment

The risk materiality assessment serves the purpose of identification of the most important risk types which are to be the major focus and which will be included in the economic capital calculation. It is an annual process based on both, quantitative and qualitative factors, which is conducted for each identified risk type the Bank faces.

The output of the risk materiality assessment is the set of material risks, which have to be quantified and covered by capital. It also includes other risk management practices to control and mitigate the identified risks (material or non-material).

Risk-bearing capacity calculation

The risk-bearing capacity calculation ('RCC') is ultimately the tool to define capital adequacy required by the ICAAP. Within the RCC, risk exposure for each particular material risk is quantified. The figures are aggregated into a capital requirement and compared to the coverage potential and the Bank´s own funds. The integral forecast, risk appetite limit, as well as a traffic light system support management in its discussions and decision processes.

The Board of Directors is briefed regularly, at least on a quarterly basis, in relation to the results of the capital adequacy calculation. The report includes movements in risks and available capital and coverage potential, the degree of risk limits' utilization and the overall status of capital adequacy. It also contains a comprehensive forecast of risk-weighted assets and capital adequacy.

Besides the Pillar 1 risk types (credit, market and operational risks) and in the context of Pillar 2, interest rate risks in the banking book, business and strategic risk, liquidity risk, residual credit risk and credit risk for sovereign counterparties are explicitly considered within the required economic capital via internal models. The economic capital requirement for unexpected losses is computed on a one-year time horizon with a 99,9 % confidence level. During the year 2020 the utilization of the economic capital was in the range 45-52%.

Other risks, namely credit concentration risk and macroeconomic risks in particular are managed by means of a proactive management framework that includes forward-looking scenarios, stress testing, trigger levels and / or are covered by capital buffer. The capital buffer is proposed by Strategic risk management typically during the risk materiality assessment process and is approved by the Board of Directors.

The coverage potential required to cover risks and unexpected losses is based on regulatory own funds combined with profit of the current year, considering subordinated liabilities and regulatory deductibles, as well. The coverage potential must be sufficient to absorb unexpected losses resulting from the Bank's operations.

Stress testing

Risk exposure calculation models carry inherent statistical error since they must work at extreme confidence interval and time horizon. 99,9% confidence on one year horizon means an extreme loss that occurs once in thousand years. At this levels the model is impossible to back test, therefore it must be stress tested.

Stress testing is also used to analyse risks which are not covered by capital as well as to identify potential vulnerabilities of covered risks which may not be properly covered by the calculation model used. Further, stress testing should also provide management with steering impulses and should yield to corrective actions, if deemed necessary.

Stress testing focuses on impact of severe, yet plausible scenarios on the Bank's positions, thus providing further assurance of internal capital adequacy. Should stress testing results show potentially higher losses than calculated risk exposures, the ICAAP profile has to be adjusted either via add-ons to risk exposures or via capital cushion.

Capital management

Within capital management, the volume of internal capital (coverage potential) is compared against the calculated risk exposures and should any discrepancies arise, measures must be taken in order to correct the situation. This is carried out quarterly, but the frequency may be increased should the situation require so, and is also forward-looking in that it considers forecasted figures.

Capital management is also part of the Bank's business strategy (worked out through budget) which determines risk appetite and capital coverage levels. Comprehensive limit framework is established for each major risk type in order to ensure day-to-day adherence to the approved risk profile and capital levels.

Risk planning and forecasting
The responsibility for risk management includes ensuring sound risk planning and forecasting processes. The forecasts determined by risk management are the result of close co-operation with all stakeholders in the overall planning process. The risk planning and forecasting process includes both, forward- and backward-looking component, focusing on portfolio and economic environment changes.

Capital allocation
An important task integral to the risk planning process is the allocation of capital to business lines. Each particular risk (Pillar I and Pillar II) is allocated to business lines based on their risk consumption. The process is done with close cooperation between Strategic Risk Management and Accounting and Controlling.

Credit risk

Credit risk, in broad terms, is the risk that a loss will be incurred if the Bank's counterparty to a transaction does not fulfill its financial obligations in a timely manner. More precisely, credit risk is the risk of financial loss arising out of entering into a particular contract or portfolio investment.

Credit risk is the largest single risk in the Bank. It results from traditional lending activities where losses are incurred by default (deteriorating creditworthiness) of borrowers, as well as from trading in market instruments. Credit risk includes also sovereign, country, concentration, settlement, counterparty and dilution risks.

The Bank shall follow the policy of long-term risk-adjusted profitability and the principle of adequate pricing (higher credit risk leads to higher risk premium).

The Bank shall annually review its credit risk tolerance, and shall set priorities, i.e. quantitative and qualitative measures, for the next term with respect to the credit risk point of view.

Three fundamental layers of documents regulate the credit activity of the Bank. Credit strategy, defined by the top management, introduces the overall orientation, areas of activity and strategic objectives of the Bank. The credit policy sets out the principles, identifies operating procedures, and specifies framework responsibilities related to credit activities. Subordinated internal provisions take the form of detailed manuals or department-specific instructions or guidelines, describing precisely responsibilities to the lowest levels, any applicable deadlines, reports and other relevant contingencies of credit process and credit risk management.

The organization of the Bank's credit activity is governed by the following principles:

- clear segregation of credit risk management function from business activities or delegation of these activities to business function with clearly defined split of responsibilities
- centralization of operative credit risk management – independent credit risk management divisions for both, corporate and retail segments
- flexibility and accuracy of credit process and quality of credit decisions
- personally assigned and clearly specified competences
- general application of four-eye principle in all critical lending processes (with justified exceptions)

- diversification of credit portfolio in order to keep the exposures within defined limits
- independent credit risk control function – Strategic Risk Management

Strategic Risk Management

Strategic Risk Management, more specifically its Credit Risk Control department, is the independent risk control unit in line with capital requirements regulation and directive. SRM is not involved in the operative credit decision-making. However it is responsible for the design of rating systems, testing and monitoring of accuracy and selectivity of internal rating grades, production and analysis of summary reports from the Bank's rating systems. SRM is also responsible for the design and implementation of models for calculation of risk parameters (PD, LGD, CCF, etc.), standard risk costs and portfolio provisions. It is also responsible for the design and implementation of models for calculation of risk-weighted assets according to capital requirements regulation and directive and model for economic capital. In addition to this, SRM has two other specific roles:

- credit exposures to banks, sovereigns and countries, which are governed centrally by Erste Holding (credit analysis, limit setting), are locally approved and monitored by SRM;
- credit lines of Treasury clients (approved by Credit Risk Corporate or Credit Committee) are determined and monitored by SRM.

Retail Credit Risk Management Division

Retail Credit Risk Management Division formulates the credit policy and internal actions on the credit approval process for retail clients and designs and oversees processes in retail lending activity. It is responsible for risk assessment of counterparties and credit facilities (rating assignment, credit transaction assessment). Furthermore, it monitors the development of credit portfolio of retail clients. It also designs, sets and monitors limits, maintains deal and limits documentation, as well as performs early and late collection and retail collateral management.

Corporate Credit Risk Management Division

Corporate Credit Risk Management Division formulates the credit policy and internal provisions on the credit approval process for corporate clients. It is responsible for risk analysis of counterparties and credit facilities (financial analysis, rating assignment, credit transaction assessment). Furthermore, it monitors the development of the credit portfolio of corporate clients. It regularly reviews assigned ratings and counterparty financial situation. It also designs, sets and monitors limits, maintains deal and limits documentation for corporate clients.

Risk grades

The classification of credit assets into risk grades is based on the Bank's internal ratings. The Bank uses two internal risk scales for risk classification for customers that have not defaulted: risk scale of 8 risk grades (for retail – private individuals) and 13 risk grades (for all other segments). Defaulted customers are classified into a separate risk grade.

Default definition

The Bank applies the definition of default on client level. If a client defaults on any of its credit risk exposure then the client rating must be set to "R" and all on- and off balance exposure including equity products is considered as defaulted.

Default is recognized when one or both of the following incidents occur:

- the obligor is past due 90 consecutive days with any material credit obligation to the Bank, the parent undertaking or any of its subsidiaries in full; or
- the obligor is considered unlikely to pay (UTP) its credit obligation to the Bank, the parent undertaking or any of its subsidiaries in full without realisation of the collateral.

In the Bank the default status triggers the credit-impairment and the Stage 3 classification under IFRS9. In addition the Bank considers all non-performing exposures as defaulted.

Client is classified as defaulted due following 5 reasons, which are linked either to unlikely to pay (UTP) or days past due:

- E1 – unlikely to pay
- E2 – 90 days overdue
- E3 –forbearance
- E4 – Credit loss
- E5 – bankruptcy

Credit Risk Model department participates on the definition of default with Late Collection and Corporate Workout departments. The definition of default fulfils EBA criteria and influences estimation of LLP, SRC, etc.

Credit risk classification

For the disclosure of asset quality the Bank assigns each customer to one of the following four risk categories:

Low risk. Typically regional customers with well-established and rather long-standing relationships with SLSP or large internationally recognised customers. Very good to satisfactory financial position and low likelihood of financial difficulties relative to the respective market in which the customers operate. Retail clients having long relationships with the Bank, or clients with a wide product pool use. No relevant late payments currently or in the most recent 12 months. New business is generally with clients in this risk category.

Management attention. Vulnerable non-retail clients, which may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term to the Bank. Retail clients with possible payment problems in the past triggering early collection reminders from the Bank side. These clients typically have a good recent payment history.

Substandard. The borrower is vulnerable to short term negative financial and economic developments and shows an elevated probability of failure. In some cases, restructuring measures are possible or already in place. As a rule, such loans are managed in specialised risk management departments.

Non-performing. There are exposure meet criteria according default definition mentioned above. The Bank applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well. Furthermore, non-performing exposures also comprise non-performing forborne transactions even in cases where the client has not defaulted.

In order to enhance the comparability of the Bank's asset quality, the Bank uses a new model for the assignment of exposures to risk categories which was developed and implemented by Erste Group in 2018. Based on the calibration of internal PDs (probabilities of default) for regulatory purposes to the default rates published by rating agencies, the equivalent external customer rating was used for the assignment to risk categories. For the agency ratings, average one-year default rates resulting from long-term time series were applied.

Credit risk under IFRS9

IFRS 9 sets out guidance to assist entities in identifying information to be used to determine when a provision for lifetime expected credit losses is required. The application guidance sets out a wide range of potential sources of such information which includes:

- Significant change in internal price
- Other changes in the rates or terms of an existing financial instrument
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same term
- An actual or expected significant change in the financial instrument's external credit rating
- An actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally
- Significant changes in operating results of the borrower
- A significant increase in credit risk on other financial instruments of the same borrower
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations
- Significant changes in the value of the collateral
- Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument
- Significant changes in the expected performance and behaviour of the borrower
- Changes in the entity's credit management approach in relation to the financial instrument

The IFRS 9 standard contains a rebuttable presumption that credit risk has increased significantly when contractual payments are more than predefined threshold days past due. This means that when payments are more than predefined threshold days past due, the financial asset is considered to have moved from Stage 1 to Stage 2, and lifetime expected credit losses are recognised. Past due is defined as failure to make a payment when that payment was contractually due.

For financial assets that are measured at amortised cost or FVOCI and other instruments in scope of IFRS 9 impairment requirements, the Bank will always recognise (at a minimum) 12 months expected losses in profit or loss. Lifetime expected losses will be recognised on instruments for which there is a significant increase in credit risk after initial recognition. The following financial assets and other instruments are included within the scope of the impairment requirements:

- Originated, purchased, reclassified or modified debt instruments (including trade receivables) that are measured at amortised cost in accordance with IFRS 9
- Debt instrument assets that are required to be measured at fair value through other comprehensive income (FVOCI) in accordance with IFRS 9
- Other debt instruments in the scope of IFRS9 impairment requirements (finance/operating lease)
- Loan commitments given (including loan commitments which would result in non-trading loans measured mandatorily at FVPL)
- Financial guarantees contracts to which IFRS 9 applied (except those measured at FVPL)

IFRS 9 establishes a three stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognised (as well as the amount of interest revenue):

- STAGE 1: If credit risk for a financial instrument has not increased significantly since initial recognition an entity shall measure the loss allowance for instrument at an amount equal to 12-month expected credit losses (ECLs)
- STAGE 2: For non-defaulted financial instruments whose credit risk has significantly increased since initial recognition, lifetime ECLs shall be recognised, i.e. estimated lifetime losses from default events that are possible over the entire residual life of the instruments. In this stage, interest revenues are recognised based on the gross carrying amount of the financial assets.
- STAGE 3: A financial asset reaches stage 3 if it is specifically identified as credit-impaired. As for Stage 2, the loss allowance equals full lifetime ECLs. In this stage, recognition of interest revenue is based on the net carrying amount. In general the Bank classifies defaulted exposures as being in Stage 3. From this perspective also defaulted off-balance exposures - loan commitments and financial guarantees – can belong to Stage 3 even when they generate no interest revenue.

The 12-month expected credit loss is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. From risk management perspective 12-month probabilities of default are relvant for the calculation.

Lifetime expected credit loss is defined as the expected credit losses that result from all possible default events over the expected life of a financial instrument. i.e. from credit risk management perspective it reflects the probabilities of default throughout the expected maturity of the instrument.

In case of product without contractual maturity (typically revolving product such as credit card and overdraft) the expected lifetime credit losses is defined based on expected maturity.

IFRS 9 guideline indicates that an entity should measure expected credit losses with all reasonable and supportable information that is available without undue cost or effort at the reporting date. This includes information about past events, current conditions and forecasts of future economic conditions. Forecasts of future economic conditions are available at Erste Group and are therefore included in the IFRS 9 ECL calculation.

In addition to that, the IFRS Transition Resource Group for Impairment of Financial Instruments (ITG) noted in 2015 that, if there is a nonlinear relationship between the different forward-looking scenarios and their associated credit losses, using a single forward-looking scenario would not result in an unbiased estimator of the ECL. Instead, more than one forward-looking scenario would need to be incorporated into the measurement of expected credit losses.

Credit risk exposure

Credit risk exposure relates to the following balance sheet items:

- cash and cash balances - other demand deposits;
- financial assets held for trading – derivatives (without equity instruments);
- non-trading financial assets at fair value through profit or loss (FVTPL) (without equity instruments);
- financial assets at fair value through other comprehensive income (FVTOCI) (without equity instruments);
- financial assets at amortised cost;
- finance lease receivables;
- positive fair value of derivatives – hedge accounting;
- trade and other receivables;
- off-balance sheet positions (financial guarantees, irrevocable loan and other commitments).

The credit risk exposure comprises the gross carrying amount (or nominal value in the case of off-balance-sheet positions) without taking into account loan loss allowances, provisions for guarantees, any collateral held (including risk transfer to guarantors), other credit enhancements or credit risk mitigating transactions.

The gross carrying amount of the credit risk exposure increased by 5,73% to 21,074 bil. Eur (2019: EUR 19,931 bil. Eur).

Expected credit loss measurement

Measurement of expected credit losses ("ECL") is a significant estimate that involves determination of methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, Significant Increase of Credit Risk ("SICR"), probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios.

The Bank regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. The Bank used supportable forward looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. The most significant forward looking assumptions that correlate with ECL level and their assigned weights were as follows at 31 December 2020.

Parameter	Scenario		2020	2021	2022	2023
GDP - real growth (in %)	**Macro down**	**40%**	-7,10	-1,16	-0,01	0,94
	Macro base	**35%**	-7,10	6,00	4,50	4,20
	Macro up	**25%**	-7,10	8,17	6,67	6,37
GDP - Nominal growth (in %)	**Macro down**	**40%**	-5,39	3,55	2,95	2,85
	Macro base	**35%**	-5,39	7,00	6,40	6,30
	Macro up	**25%**	-5,39	9,43	8,83	8,73
Unemployment rate (in %)	**Macro down**	**40%**	7,19	10,89	11,17	10,76
	Macro base	**35%**	7,19	7,08	6,24	5,70
	Macro up	**25%**	7,19	5,62	4,78	4,25
Inflation - CPI (in %)	**Macro down**	**40%**	1,49	-0,11	0,39	0,59
	Macro base	**35%**	1,49	0,90	1,90	2,00
	Macro up	**25%**	1,49	1,85	2,85	2,95
Unemployment rate - shift 12 months (in %)	**Macro down**	**40%**	5,87	7,19	10,89	11,17
	Macro base	**35%**	5,87	7,19	7,08	6,24
	Macro up	**25%**	5,87	7,19	5,62	4,78
GDP - YtY (in %)	**Macro down**	**40%**	-8,93	5,94	1,15	0,95
	Macro base	**35%**	-8,93	13,10	-1,50	-0,30
	Macro up	**25%**	-8,93	15,27	-1,50	-0,30

Off-balance sheet exposures

In the normal course of business, the Bank enters various contracts and transactions, which are not reflected on the balance sheet and are referred to as off-balance sheet financial instruments. The following information represents notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

Loan comitments, guarantees and letters of credit

Bank guarantees and letters of credit are used by customers to cover their liabilities (payment and non-payment) against third parties, who are beneficiaries in these transactions. The primary purpose of these instruments is to ensure that funds are available to the customers as required.

Bank guarantee represents an irrevocable liability of the Bank to pay the agreed amount in case that the debtor fails to fulfil an obligation or other conditions as stated in the guarantee.

Letter of credit represents a written obligation of the Bank to pay the agreed amount to the seller based on the instruction of the buyer against the documents specified in the letter of credit conditions. The Bank deals with letters of credit in accordance with the 'Unified Rules and Customs for Documentary Letter-of-credit' as published by the International Chamber of Commerce.

Guarantees and standby letters of credit are irrevocable assurances that the Bank will make payments in the event when the customer cannot meet its obligations against a third party and therefore these carry the same credit risk as loans. Documentary and commercial letters of credit are written undertakings of the Bank to provide a third party with the agreed amount on behalf of the customer under specific conditions. As these are collateralised by the underlying shipment of goods (or transfer of the right to use), they carry less credit risk than direct borrowings.

Loan commitment represent an unused portion of the authorised credit limit, which can be drawn in the form of loan, guarantee or letter of credit. In relation to loan commitments, the Bank is exposed to credit risk and a potential loss equals to the total amount of the loan commitment. However, most of the loan commitments are contingent upon maintaining specific credit standards by customers and therefore the likely amount of loss is less than the total amount of loan commitments.

The following table presents off-balance sheet credit exposures:

EUR ths.	31.12.2019	31.12.2020
Financial guarantees and Other Commitments	404 368	383 721
Loan Commitments	1 420 923	1 577 565
Total	**1 825 290**	**1 961 286**

The amount of financial guaranties as at 31 December 2020 represented 9,972 mil € (2019: 9,198 mil. Eur).

As at 31 December 2020 the value of payment guarantees represented 128,52 mil. Eur (2019: 73,89 mil. Eur), the value of non-payment guarantees represented 239,84 mil. Eur (2019: 311,87 mil. Eur) and the value of other guarantees represented 8,82 mil. Eur (2019: 14,10 mil. Eur).

Reconciliation between the gross carrying amount and the carrying amount of the separate components of the credit risk exposure:

31.12.2020	Gross carrying amount	Credit loss allowances				Not subject to IFRS 9 impairment	Net carrying amount
EUR ths.		Stage 1	Stage 2	Stage 3	POCI		
Cash and cash balances - other demand deposits	11 023	-	-	-	-	-	11 023
Financial assets at amortised cost	18 666 495	30 403	126 973	166 302	57 353	-	18 285 464
Loans and advances to banks	49	0	0	-	-	-	49
Loans and advances to customers	14 986 196	29 858	126 973	166 302	57 353	-	14 605 711
of which: Lending for house purchase	8 618 370	14 480	29 515	61 976	141	-	8 512 258
of which: Credit for consumption	1 587 560	3 020	18 440	62 702	85	-	1 503 312
of which: Corporate loans and others	4 780 266	12 357	79 017	41 624	57 128	-	4 590 141
Debt securities	3 680 250	546	-	-	-	-	3 679 704
Finance lease receivables	246 820	426	1 185	4 198	-	-	241 012
Trade and other receivables	86 333	435	9	4 293	-	-	81 597
Non-trading financial assets at fair value through profit or loss - Debt securities	7 740	-	-	-	-	-	7 740
Financial assets - held for trading	59 994	-	-	-	-	-	59 994
Positive fair value of derivatives-hedge accounting	34 345	-	-	-	-	-	34 345
Total credit risk exposure on-balance	**19 112 750**	**31 264**	**128 166**	**174 792**	**57 353**	**-**	**18 721 175**
Off-balance	1 961 286	3 813	11 657	539	274	832	1 944 169
Total credit risk exposure	**21 074 036**	**35 077**	**139 823**	**175 331**	**57 628**	**832**	**20 665 344**

Allocation of credit loss allowances is affected by the moratoria of installments related to COVID-19. The Bank allocated credit loss allowances for the customers with higher risk profile based on their ratings and in case of corporates, the industry was also used. More detailed information about COVID-19 is provided in note 32.

31.12.2019 EUR ths.	Gross carrying amount	Credit loss allowances					Net carrying amount
		Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	
Cash and cash balances - other demand deposits	10 224	-	-	-	-	-	10 224
Financial assets at amortised cost	17 699 625	34 706	36 177	212 655	53 150	-	17 362 936
Loans and advances to banks	55	0	0	-	-	-	55
Loans and advances to customers	14 162 720	34 321	36 177	212 655	53 150	-	13 826 416
of which: Lending for house purchase	8 071 861	12 229	10 343	80 259	308	-	7 968 721
of which: Credit for consumption	1 786 766	11 990	12 355	98 251	172	-	1 663 998
of which: Corporate loans and others	4 304 093	10 102	13 479	34 145	52 670	-	4 193 697
Debt securities	3 536 849	385	-	-	-	-	3 536 464
Finance lease receivables	217 757	253	6	4 307	-	-	213 191
Trade and other receivables	110 282	193	3	3 394	-	-	106 693
Non-trading financial assets at fair value through profit or loss - 'Debt securities	3 175	-	-	-	-	-	3 175
Financial assets - held for trading	41 423	-	-	-	-	-	41 423
Positive fair value of derivatives-hedge accounting	23 020	-	-	-	-	-	23 020
Total credit risk exposure on-balance	**18 105 507**	**35 152**	**36 185**	**220 356**	**53 150**	**-**	**17 760 662**
Off-balance	1 825 288	2 610	1 503	957	151	989	1 819 081
Total credit risk exposure	**19 930 795**	**37 763**	**37 687**	**221 313**	**53 301**	**989**	**19 579 743**

Stage 1 and Stage 2 comprise not impaired credit risks while Stage 3 includes impaired credit risks. POCI (purchased or originated credit impaired) consists of credit risks already impaired when purchased or originated.

The defaulted part of POCI amounted to 108,817 mil. Eur, the non-defaulted part to 24,63 mil. Eur.

On the next pages the credit risk exposure is presented according to the following criteria:

- counterparty sector and financial instrument;
- financial instrument and risk category;
- financial instrument and IFRS 9 stage;
- industry and financial instrument;
- industry and risk category;
- industry and IFRS 9 stage;
- region and financial instrument;
- region and risk category;
- region and IFRS 9 stage;
- impairment view;
- neither past due, not impaired;
- Basel 3 exposure class and financial instrument.

Credit risk exposure by counterparty sector and financial instrument:

EUR ths.	Central banks	General governemnts	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
31.12.2020							
Cash and cash balances - other demand deposits	-	-	11 023	-	-	-	11 023
Financial assets at amortised cost	-	3 643 677	183 023	114 703	3 952 741	10 772 351	18 666 495
Loans and advances to banks	-	-	49	-	-	-	49
Loans and advances to customers	-	271 925	-	104 572	3 837 348	10 772 351	14 986 196
of which: Lending for house purchase	-	-	-	-	-	8 618 370	8 618 370
of which: Credit for consumption	-	-	-	-	-	1 587 560	1 587 560
of which: Corporate loans and others	-	271 925	-	104 572	3 837 348	566 421	4 780 266
Debt securities	-	3 371 752	182 974	10 131	115 393	-	3 680 250
Finance lease receivables	-	510	-	102	240 381	5 826	246 820
Trade and other receivables	-	-	2 013	1 663	82 226	431	86 333
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	-	7 740	-	-	7 740
Derrivatives - held for trading	-	-	8 347	16	51 539	93	59 994
Positive fair value of derivatives - hedge accounting	-	-	34 345	-	0	-	34 345
Total credit risk exposure on-balance	**-**	**3 644 188**	**238 751**	**124 224**	**4 326 886**	**10 778 701**	**19 112 750**
Off-balance	-	33 299	44 914	9 611	1 423 288	450 174	1 961 286
Total credit risk exposure	**0**	**3 677 486**	**283 665**	**133 834**	**5 750 175**	**11 228 875**	**21 074 036**

EUR ths.	Central banks	General governemnts	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
31.12.2019							
Cash and cash balances - other demand deposits	-	-	10 224	-	-	-	10 224
Financial assets at amortised cost	-	3 468 028	194 905	132 650	3 484 173	10 419 867	17 699 623
Loans and advances to banks	-	-	55	-	-	-	55
Loans and advances to customers	-	244 436	-	107 366	3 391 049	10 419 867	14 162 718
of which: Lending for house purchase	-	-	-	-	-	8 071 860	8 071 860
of which: Credit for consumption	-	-	-	-	-	1 786 766	1 786 766
of which: Corporate loans and others	-	244 436	-	107 366	3 391 049	561 242	4 304 093
Debt securities	-	3 223 591	194 849	25 283	93 125	-	3 536 849
Finance lease receivables	-	541	-	281	206 664	10 271	217 757
Trade and other receivables	-	-	4 492	1 177	104 199	415	110 283
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	-	3 175	-	-	3 175
Derrivatives - held for trading	-	-	5 464	328	35 586	44	41 423
Positive fair value of derivatives - hedge accounting	-	-	23 020	-	-	-	23 020
Total credit risk exposure on-balance	**-**	**3 468 568**	**238 106**	**137 612**	**3 830 622**	**10 430 597**	**18 105 506**
Off-balance	-	27 513	58 720	57 174	1 224 737	457 146	1 825 289
Total credit risk exposure	**0**	**3 496 081**	**296 826**	**194 786**	**5 055 359**	**10 887 743**	**19 930 795**

Credit risk exposure by financial instrument and risk category:

EUR ths.	Credit risk exposure				Gross carrying amount
	Low Risk	Management attention	Substandard	Non-performing	
31.12.2020					
Cash and cash balances - other demand deposits	11 023	-	-	-	11 023
Financial assets at amortised cost	15 936 299	1 193 277	1 185 971	350 948	18 666 495
Loans and advances to banks	47	2	-	-	49
Loans and advances to customers	12 256 002	1 193 275	1 185 971	350 948	14 986 196
of which: Lending for house purchase	7 682 482	555 906	240 974	139 008	8 618 370
of which: Credit for consumption	1 194 071	195 969	115 282	82 239	1 587 561
of which: Corporate loans and others	3 379 449	441 400	829 715	129 701	4 780 265
Debt securities	3 680 250	-	-	-	3 680 250
Finance lease receivables	192 425	29 671	15 887	8 837	246 820
Trade and other receivables	63 337	4 208	14 389	4 399	86 333
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	7 740	-	7 740
Derrivatives - held for trading	13 130	41 860	5 003	1	59 994
Positive fair value of derivatives - hedge accounting	34 345	-	-	-	34 345
Total credit risk exposure on-balance	**16 250 559**	**1 269 016**	**1 228 990**	**364 185**	**19 112 750**
Off-balance	1 518 402	169 759	226 478	46 647	1 961 286
Total credit risk exposure	**17 768 961**	**1 438 775**	**1 455 468**	**410 832**	**21 074 036**

EUR ths.	Credit risk exposure				Gross carrying amount
	Low Risk	Management attention	Substandard	Non-performing	
31.12.2019					
Cash and cash balances - other demand deposits	10 224	-	-	-	10 224
Financial assets at amortised cost	14 772 625	1 149 292	1 367 554	410 153	17 699 624
Loans and advances to banks	52	3	-	-	55
Loans and advances to customers	11 319 493	1 149 289	1 283 785	410 153	14 162 720
of which: Lending for house purchase	7 006 258	593 559	302 275	169 768	8 071 860
of which: Credit for consumption	1 275 683	236 391	154 810	119 882	1 786 766
of which: Corporate loans and others	3 037 552	319 339	826 700	120 503	4 304 094
Debt securities	3 453 080	-	83 769	-	3 536 849
Finance lease receivables	181 283	20 649	5 710	10 115	217 757
Trade and other receivables	81 856	4 563	17 941	5 922	110 282
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	3 175	-	3 175
Derrivatives - held for trading	35 590	261	5 572	1	41 424
Positive fair value of derivatives - hedge accounting	23 020	-	-	-	23 020
Total credit risk exposure on-balance	**15 104 598**	**1 174 765**	**1 399 952**	**426 191**	**18 105 506**
Off-balance	1 509 200	116 100	152 782	47 207	1 825 289
Total credit risk exposure	**16 613 798**	**1 290 865**	**1 552 734**	**473 398**	**19 930 795**

Credit risk exposure by financial instrument and IFRS 9 stage:

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2020						
Cash and cash balances - other demand deposits	11 023	-	-	-	-	11 023
Financial assets at amortised cost	15 993 783	2 301 151	287 784	83 777	-	18 666 495
Loans and advances to banks	47	2	-	-	-	49
Loans and advances to customers	12 313 486	2 301 149	287 784	83 777	-	14 986 196
of which: Lending for house purchase	7 927 682	550 414	138 640	1 634	-	8 618 370
of which: Credit for consumption	1 247 428	257 796	82 135	201	-	1 587 560
of which: Corporate loans and others	3 138 376	1 492 939	67 009	81 942	-	4 780 266
Debt securities	3 680 250	-	-	-	-	3 680 250
Finance lease receivables	150 316	87 668	8 837	-	-	246 821
Trade and other receivables	80 458	1 475	4 399	-	-	86 332
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	-	-	7 740	7 740
Derrivatives - held for trading	-	-	-	-	59 994	59 994
Positive fair value of derivatives - hedge accounting	-	-	-	-	34 345	34 345
Total credit risk exposure on-balance	**16 235 580**	**2 390 294**	**301 020**	**83 777**	**102 079**	**19 112 750**
Off-balance	1 221 327	318 486	926	46 025	374 522	1 961 286
Total credit risk exposure	**17 456 907**	**2 708 780**	**301 946**	**129 802**	**476 601**	**21 074 036**

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2019						
Cash and cash balances - other demand deposits	10 224	-	-	-	-	10 224
Financial assets at amortised cost	16 800 584	471 729	341 898	85 413	-	17 699 624
Loans and advances to banks	53	2	-	-	-	55
Loans and advances to customers	13 263 682	471 727	341 898	85 413	-	14 162 720
of which: Lending for house purchase	7 786 905	113 805	169 135	2 016	-	8 071 861
of which: Credit for consumption	1 566 433	100 377	119 694	262	-	1 786 766
of which: Corporate loans and others	3 910 345	257 545	53 069	83 135	-	4 304 094
Debt securities	3 536 849	-	-	-	-	3 536 849
Finance lease receivables	206 359	1 283	10 115	-	-	217 757
Trade and other receivables	103 018	1 342	5 922	-	-	110 282
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	-	3 175	3 175
Derrivatives - held for trading	-	-	-	-	41 424	41 424
Positive fair value of derivatives - hedge accounting	-	-	-	-	23 020	23 020
Total credit risk exposure on-balance	**17 120 185**	**474 354**	**357 935**	**85 413**	**67 619**	**18 105 506**
Off-balance	1 356 894	26 653	1 792	45 555	394 395	1 825 289
Total credit risk exposure	**18 477 079**	**501 007**	**359 727**	**130 968**	**462 014**	**19 930 795**

“Not subject to IFRS 9 impairment” means that those balance sheet items are out of IFRS9 rules.

Credit risk exposure by industry and financial instrument:

31.12.2020		Financial assets at amortised cost										
			Loans and advances to customers									
EUR ths.	Cash and cash balances - other demand deposits	Loans and advances to banks	of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others	Debt securities	Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
Agriculture and forestry	-	-	-	-	143 880	-	25 066	360	-	25	23 600	192 931
Mining	-	-	-	-	46 683	-	1 927	136	-	12	21 289	70 047
Manufacturing	-	-	-	-	994 434	9 356	49 226	43 784	-	1 081	330 122	1 428 003
Energy and water supply	-	-	-	-	437 725	-	4 339	882	-	41 957	108 828	593 731
Construction	-	-	-	-	199 723	-	4 564	2 847	-	135	237 579	444 848
Development of building projects	-	-	-	-	25 780	-	-	-	-	-	85	25 865
Trade	-	-	-	-	515 585	-	15 177	26 238	-	813	220 774	778 587
Transport and communication	-	-	-	-	429 475	90 876	129 625	4 042	-	2 165	154 878	811 061
Hotels and restaurants	-	-	-	-	87 558	-	190	89	-	771	11 464	100 072
Financial and insurance services	11 023	49	-	-	102 836	208 265	136	3 676	7 740	42 708	97 606	474 039
Holding companies	-	-	-	-	39 604	15 160	85	568	-	-	49 136	104 553
Real estate and housing	-	-	-	-	1 223 333	-	1 526	338	-	4 510	245 169	1 474 876
Services	-	-	-	-	161 197	-	7 804	3 270	-	19	72 720	245 010
Public administration	-	-	-	-	271 614	3 371 753	510	-	-	-	33 299	3 677 176
Education, health and art	-	-	-	-	99 767	-	6 590	671	-	51	13 659	120 738
Private households	-	-	8 618 370	1 587 560	66 079	-	140	-	-	92	390 236	10 662 477
Other	-	-	-	-	377	-	-	-	-	-	63	440
Total Credit risk exposure	**11 023**	**49**	**8 618 370**	**1 587 560**	**4 780 266**	**3 680 250**	**246 820**	**86 333**	**7 740**	**94 339**	**1 961 286**	**21 074 036**

31.12.2019 EUR ths.	Cash and cash balances - other demand deposits	Financial assets at amortised cost: Loans and advances to banks	Financial assets at amortised cost: Loans and advances to customers: of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others	Financial assets at amortised cost: Debt securities	Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
Agriculture and forestry	-	-	-	-	170 964	-	30 779	303	-	54	20 367	222 467
Mining	-	-	-	-	54 027	-	335	225	-	29	21 536	76 152
Manufacturing	-	-	-	-	787 770	9 355	43 597	57 423	-	696	271 549	1 170 390
Energy and water supply	-	-	-	-	365 100	-	4 992	2 043	-	28 049	64 291	464 475
Construction	-	-	-	-	149 074	-	4 674	1 438	-	307	267 513	423 006
Development of building projects	-	-	-	-	31 144	-	-	20	-	216	3 054	34 434
Trade	-	-	-	-	504 453	-	16 552	34 538	-	393	198 313	754 249
Transport and communication	-	-	-	-	411 382	83 769	102 335	5 628	-	1 655	165 070	769 839
Hotels and restaurants	-	-	-	-	72 917	-	220	3	-	753	17 874	91 767
Financial and insurance services	10 224	55	-	-	88 562	220 133	82	5 670	3 175	28 813	115 658	472 372
Holding companies	-	-	-	-	32 423	15 153	-	446	-	-	51 846	99 868
Real estate and housing	-	-	-	-	1 147 703	-	896	385	-	3 116	183 419	1 335 519
Services	-	-	-	-	137 241	-	9 013	1 807	-	172	54 498	202 731
Public administration	-	-	-	-	243 811	3 223 591	521	-	-	-	27 545	3 495 468
Education, health and art	-	-	-	-	98 375	-	3 614	821	-	52	18 102	120 964
Private households	-	-	8 071 861	1 786 766	72 402	-	146	-	-	44	399 495	10 330 714
Other	-	-	-	-	313	-	-	-	-	311	58	682
Total Credit risk exposure	**10 224**	**55**	**8 071 861**	**1 786 766**	**4 304 094**	**3 536 848**	**217 756**	**110 284**	**3 175**	**64 444**	**1 825 288**	**19 930 795**

Credit risk exposure by industry and risk category:

EUR ths.	Low Risk	Management attention	Substandard	Non-performing loans	Total
31.12.2020					
Agriculture and forestry	91 517	23 895	51 508	26 011	192 931
Mining	69 837	104	106	-	70 047
Manufacturing	1 236 854	82 378	103 170	5 600	1 428 002
Energy and water supply	407 736	160 807	24 279	908	593 730
Construction	248 593	79 505	112 411	4 339	444 848
Development of building projects	14 901	47	10 913	3	25 864
Trade	607 571	105 454	41 047	24 515	778 587
Transport and communication	731 797	55 950	19 473	3 843	811 063
Hotels and restaurants	31 991	9 078	57 379	1 624	100 072
Financial and insurance services	455 604	9 280	9 056	99	474 039
Holding companies	96 447	7 770	336	-	104 553
Real estate and housing	739 425	27 519	602 987	104 945	1 474 876
Services	144 242	41 270	47 287	12 211	245 010
Public administration	3 675 357	967	851	-	3 677 175
Education, health and art	70 901	40 357	9 171	308	120 737
Private households	9 257 523	801 956	376 573	226 428	10 662 480
Other	14	254	171	-	439
Total	**17 768 962**	**1 438 774**	**1 455 469**	**410 831**	**21 074 036**

EUR ths.	Low Risk	Management attention	Substandard	Non-performing loans	Total
31.12.2019					
Agriculture and forestry	108 677	63 972	23 712	26 106	222 467
Mining	73 608	281	2 243	21	76 153
Manufacturing	1 045 941	74 788	42 721	6 940	1 170 390
Energy and water supply	396 537	2 933	64 584	420	464 474
Construction	288 749	30 616	100 395	3 246	423 006
Development of building projects	375	45	34 007	8	34 435
Trade	578 972	125 205	27 004	23 068	754 249
Transport and communication	643 065	31 487	91 769	3 519	769 840
Hotels and restaurants	29 587	9 181	51 510	1 487	91 765
Financial and insurance services	460 090	1 868	10 129	286	472 373
Holding companies	99 683	4	24	157	99 868
Real estate and housing	608 993	18 603	601 778	106 145	1 335 519
Services	125 927	31 790	38 488	6 525	202 730
Public administration	3 488 389	7 023	57	-	3 495 469
Education, health and art	98 200	5 708	16 770	286	120 964
Private households	8 666 854	887 378	481 132	295 350	10 330 714
Other	208	32	442	-	682
Total	**16 613 797**	**1 290 865**	**1 552 734**	**473 399**	**19 930 795**

Credit risk exposure by industry and IFRS9 stage:

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2020						
Agriculture and forestry	106 828	58 944	25 977	954	227	192 930
Mining	66 454	3 500	-	-	92	70 046
Manufacturing	816 909	536 018	4 161	1 934	68 981	1 428 003
Energy and water supply	414 016	115 275	908	-	63 530	593 729
Construction	231 513	66 423	4 050	581	142 282	444 849
Development of building projects	14 914	10 948	3	-	-	25 865
Trade	439 282	273 780	22 791	4 615	38 120	778 588
Transport and communication	553 558	226 218	3 532	310	27 445	811 063
Hotels and restaurants	2 701	80 860	1 512	14 170	828	100 071
Financial and insurance services	345 885	23 997	99	20	104 039	474 040
Holding companies	72 528	23 415	-	-	8 609	104 552
Real estate and housing	1 023 561	338 304	2 043	102 911	8 057	1 474 876
Services	103 452	105 866	11 513	1 321	22 857	245 009
Public administration	3 676 286	889	-	-	-	3 677 175
Education, health and art	68 278	52 078	308	23	51	120 738
Private households	9 607 937	826 436	225 052	2 963	92	10 662 480
Other	247	192	-	-	-	439
Total	**17 456 907**	**2 708 780**	**301 946**	**129 802**	**476 601**	**21 074 036**

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2019						
Agriculture and forestry	174 350	21 231	26 051	242	593	222 467
Mining	75 962	47	21	-	122	76 152
Manufacturing	1 060 784	38 698	5 338	1 649	63 921	1 170 390
Energy and water supply	313 047	110 112	420	0	40 896	464 475
Construction	250 877	6 397	2 820	430	162 481	423 006
Development of building projects	34 180	31	7	0	216	34 434
Trade	650 515	33 077	19 050	4 429	47 179	754 249
Transport and communication	728 120	11 070	3 208	311	27 131	769 840
Hotels and restaurants	72 757	2 414	1 477	14 325	793	91 766
Financial and insurance services	369 257	801	286	0	102 028	472 372
Holding companies	88 388	4	157	-	11 320	99 868
Real estate and housing	1 185 109	40 988	727	105 417	3 278	1 335 519
Services	176 415	7 104	6 419	750	12 044	202 731
Public administration	3 493 748	613	-	-	1 107	3 495 468
Education, health and art	118 850	1 628	285	23	177	120 963
Private households	9 806 828	226 825	293 625	3 392	44	10 330 714
Other	461	-	-	-	221	682
Total	**18 477 079**	**501 006**	**359 727**	**130 969**	**462 014**	**19 930 795**

Credit risk exposure by region and financial instrument:

31.12.2020 EUR ths.	Financial assets at amortised cost						Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
	Cash and cash balances - other demand deposits	Loans and advances to banks	Loans and advances to customers			Debt securities						
			of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others							
Slovakia	-	29	8 613 331	1 586 587	4 727 261	3 336 786	246 820	57 813	1 718	51 544	1 926 373	20 548 262
Central and Eastern Europe	10 837	10	2 050	358	12 257	46 878	-	15 096	-	36 545	27 459	151 490
Austria	7 681	8	39	47	2	-	-	3 475	-	36 442	9 861	57 555
Czech Republic	2 979	2	1 359	206	12 235	46 878	-	9 443	-	103	16 688	89 893
Hungary	169	-	114	17	18	-	-	1 633	-	-	901	2 852
Croatia	5	-	110	39	-	-	-	214	-	-	1	369
Romania	3	-	256	20	1	-	-	253	-	-	5	538
Serbia	-	-	172	29	1	-	-	78	-	-	3	283
Other EU	144	8	1 174	169	40 121	291 508	-	12 123	12	6 250	6 899	358 408
Other industrialised countries	42	-	274	95	602	5 078	-	147	6 010	-	4	12 252
Emerging markets	-	2	1 541	351	25	-	-	1 154	-	-	551	3 624
Total	**11 023**	**49**	**8 618 370**	**1 587 560**	**4 780 266**	**3 680 250**	**246 820**	**86 333**	**7 740**	**94 339**	**1 961 286**	**21 074 036**

31.12.2019 EUR ths.	Financial assets at amortised cost						Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
	Cash and cash balances - other demand deposits	Loans and advances to banks	Loans and advances to customers			Debt securities						
			of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others							
Slovakia	-	29	8 066 677	1 785 642	4 229 165	3 215 229	217 757	74 071	3 163	35 861	1 766 177	19 393 771
Central and Eastern Europe	9 729	13	2 073	454	25 453	36 301	-	13 309	-	22 062	49 816	159 210
Austria	4 153	9	262	56	2	-	-	5 679	-	21 965	12 505	44 631
Czech Republic	254	1	1 243	263	25 446	36 301	-	5 084	-	97	34 344	103 033
Hungary	5 304	3	56	19	2	-	-	1 839	-	-	2 957	10 180
Croatia	13	-	109	36	-	-	-	159	-	-	2	319
Romania	5	-	226	46	1	-	-	497	-	-	6	781
Serbia	-	-	177	34	2	-	-	51	-	-	2	266
Other EU	318	10	1 200	246	44 550	280 242	-	19 867	13	6 520	8 231	361 197
Other industrialised countries	177	-	286	72	4 888	5 077	-	1 251	-	-	5	11 756
Emerging markets	-	3	1 625	354	38	-	-	1 778	-	-	1 063	4 861
Total	**10 224**	**55**	**8 071 861**	**1 786 768**	**4 304 094**	**3 536 849**	**217 757**	**110 276**	**3 176**	**64 443**	**1 825 292**	**19 930 795**

Credit risk exposure by region and risk category

EUR ths.	Credit risk exposure				Gross carrying amount
	Low Risk	Management attention	Substandard	Non-performing	
31.12.2020					
Slovakia	17 285 722	1 428 572	1 442 625	391 343	20 548 262
Central and Eastern Europe	145 981	750	4 413	346	151 490
Austria	57 541	-	14	-	57 555
Czech Republic	84 437	740	4 399	318	89 894
Hungary	2 840	10	-	2	2 852
Croatia	369	-	-	-	369
Romania	533	-	-	5	538
Serbia	261	-	-	21	282
Other EU	329 447	7 689	2 344	18 928	358 408
Other industrialised countries	6 031	8	6 010	203	12 252
Emerging markets	1 781	1 756	76	11	3 624
Total	**17 768 962**	**1 438 775**	**1 455 468**	**410 831**	**21 074 036**

EUR ths.	Credit risk exposure				Gross carrying amount
	Low Risk	Management attention	Substandard	Non-performing	
31.12.2019					
Slovakia	16 121 843	1 272 401	1 545 584	453 945	19 393 773
Central and Eastern Europe	140 749	17 293	899	268	159 209
Austria	44 332	175	121	-	44 628
Czech Republic	85 265	17 112	470	191	103 038
Hungary	9 825	-	308	46	10 179
Croatia	319	-	-	-	319
Romania	767	6	-	7	780
Serbia	241	-	-	24	265
Other EU	336 097	36	5 890	19 175	361 198
Other industrialised countries	11 538	4	212	-	11 754
Emerging markets	3 572	1 130	149	10	4 861
Total	**16 613 799**	**1 290 864**	**1 552 734**	**473 398**	**19 930 795**

Credit risk exposure by region and IFRS 9 stage:

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2020						
Slovakia	17 053 457	2 682 779	301 364	110 897	399 765	20 548 262
Central and Eastern Europe	75 962	17 650	342	3	57 533	151 490
Austria	11 256	-	-	-	46 299	57 555
Czech Republic	60 821	17 522	315	3	11 234	89 895
Hungary	2 851	-	1	-	-	2 852
Croatia	241	128	-	-	-	369
Romania	532	-	5	-	-	537
Serbia	261	-	21	-	-	282
Other EU	318 608	8 079	26	18 902	12 793	358 408
Other industrialised countries	6 038	-	203	-	6 010	12 251
Emerging markets	2 842	272	11	-	500	3 625
Total	**17 456 907**	**2 708 780**	**301 946**	**129 802**	**476 601**	**21 074 036**

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total credit risk exposure
31.12.2019						
Slovakia	18 036 409	490 745	359 179	112 062	395 376	19 393 771
Central and Eastern Europe	98 761	9 299	264	4	50 882	159 210
Austria	10 061	100	-	-	34 467	44 628
Czech Republic	79 405	9 084	187	4	14 359	103 039
Hungary	7 962	115	46	-	2 056	10 179
Croatia	319	-	-	-	-	319
Romania	773	-	7	-	-	780
Serbia	241	-	24	-	-	265
Other EU	326 627	653	273	18 902	14 743	361 198
Other industrialised countries	11 542	213	-	-	-	11 755
Emerging markets	3 741	97	10	-	1 013	4 861
Total	**18 477 080**	**501 007**	**359 726**	**130 968**	**462 014**	**19 930 795**

Credit risk exposure according to impairment view:

31.12.2020	Non-impaired loans								
EUR ths.	Total past due non Impaired	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due	Neither past due nor Impaired	Impaired loans	Total Credit risk exposure
Cash and cash balances - other demand deposits	-	-	-	-	-	-	11 023	-	11 023
Financial assets at amortised cost	264 431	241 674	12 279	6 087	2 631	1 759	18 051 117	350 948	18 666 495
Loans and advances to banks	49	49	-	-	-	-	-	-	49
Loans and advances to customers	264 382	241 625	12 279	6 087	2 631	1 759	14 370 867	350 948	14 986 196
of which: Lending for house purchase	78 659	66 836	7 044	2 064	1 644	1 070	8 400 704	139 008	8 618 371
of which: Credit for consumption	48 831	42 445	3 526	1 692	851	318	1 456 490	82 239	1 587 559
of which: Corporate loans and others	136 892	132 344	1 709	2 331	136	371	4 513 673	129 701	4 780 266
Debt securities	-	-	-	-	-	-	3 680 250	-	3 680 250
Finance lease receivables	9 266	8 953	231	82	-	-	228 717	8 837	246 820
Trade and other receivables	6 677	4 975	1 339	211	153	-	75 257	4 399	86 333
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	-	-	-	-	7 740	-	7 740
Financial assets - held for trading	-	-	-	-	-	-	59 994	-	59 994
Positive fair value of derivatives	-	-	-	-	-	-	34 345	-	34 345
Total credit risk exposure on-balance	**280 374**	**255 602**	**13 849**	**6 380**	**2 784**	**1 759**	**18 468 193**	**364 184**	**19 112 750**
Off-balance	-	-	-	-	-	-	1 914 639	46 647	1 961 286
Total credit risk exposure	**280 374**	**255 602**	**13 849**	**6 380**	**2 784**	**1 759**	**20 382 832**	**410 831**	**21 074 036**

31.12.2019	Non-impaired loans								
EUR ths.	Total past due non Impaired	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due	Neither past due nor Impaired	Impaired loans	Total Credit risk exposure
Cash and cash balances - other demand deposits	-	-	-	-	-	-	10 224	-	10 224
Financial assets at amortised cost	375 374	344 675	18 120	8 155	4 389	34	16 914 098	410 153	17 699 624
Loans and advances to banks	54	54	-	-	-	-	1	-	54
Loans and advances to customers	375 320	344 621	18 120	8 155	4 389	34	13 377 248	410 153	14 162 721
of which: Lending for house purchase	133 458	118 686	8 516	3 277	2 978	-	7 768 635	169 768	8 071 862
of which: Credit for consumption	75 734	66 022	5 242	3 479	991	-	1 591 150	119 882	1 786 766
of which: Corporate loans and others	166 128	159 913	4 362	1 399	420	34	4 017 463	120 503	4 304 093
Debt securities	-	-	-	-	-	-	3 536 849	-	3 536 849
Finance lease receivables	5 693	4 397	958	242	92	4	201 950	10 115	217 757
Trade and other receivables	11 719	9 589	1 423	236	470	-	92 641	5 922	110 282
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	-	-	-	-	3 175	-	3 175
Financial assets - held for trading	-	-	-	-	-	-	41 423	-	41 423
Positive fair value of derivatives	-	-	-	-	-	-	23 020	-	23 020
Total credit risk exposure on-balance	**392 786**	**358 661**	**20 501**	**8 633**	**4 951**	**38**	**17 286 531**	**426 190**	**18 105 505**
Off-balance	-	-	-	-	-	-	1 778 083	47 207	1 825 290
Total credit risk exposure	**392 786**	**358 661**	**20 501**	**8 633**	**4 951**	**38**	**19 064 614**	**473 397**	**19 930 795**

Credit quality for exposures, which are neither past due non impaired:

EUR ths.	Low Risk	Management attention	Substandard	Non-performing	Total
31.12.2020					
Cash and cash balances - other demand deposits	11 023	-	-	-	11 023
Financial assets at amortised cost	15 887 033	1 147 192	1 016 892	-	18 051 117
Loans and advances to banks	-	-	-	-	-
Loans and advances to customers	12 206 783	1 147 192	1 016 892	-	14 370 867
of which: Lending for house purchase	7 676 067	541 466	183 172	-	8 400 705
of which: Credit for consumption	1 191 600	189 110	75 780	-	1 456 490
of which: Corporate loans and others	3 339 116	416 616	757 940	-	4 513 672
Debt securities	3 680 250	-	-	-	3 680 250
Finance lease receivables	188 395	26 437	13 886	-	228 718
Trade and other receivables	58 026	3 695	13 536	-	75 257
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	7 740	-	7 740
Derrivatives - held for trading	13 131	41 860	5 003	-	59 994
Positive fair value of derivatives - hedge accounting	34 345	-	-	-	34 345
Total credit risk exposure on-balance	**16 191 953**	**1 219 184**	**1 057 057**	**-**	**18 468 194**
Off-balance	1 518 401	169 759	226 478	-	1 914 638
Total credit risk exposure	**17 710 354**	**1 388 943**	**1 283 535**	**0**	**20 382 832**

EUR ths.	Low Risk	Management attention	Substandard	Non-performing	Total
31.12.2019					
Cash and cash balances - other demand deposits	10 224	-	-	-	10 224
Financial assets at amortised cost	14 657 246	1 093 847	1 163 005	-	16 914 098
Loans and advances to banks	1	-	-	-	1
Loans and advances to customers	11 204 165	1 093 847	1 079 236	-	13 377 248
of which: Lending for house purchase	6 989 816	571 392	207 427	-	7 768 635
of which: Credit for consumption	1 271 003	225 504	94 642	-	1 591 149
of which: Corporate loans and others	2 943 346	296 950	777 167	-	4 017 463
Debt securities	3 453 080	-	83 769	-	3 536 849
Finance lease receivables	179 137	17 960	4 852	-	201 949
Trade and other receivables	73 319	2 211	17 111	-	92 641
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	3 175	-	3 175
Derrivatives - held for trading	35 590	261	5 572	1	41 424
Positive fair value of derivatives - hedge accounting	23 020	-	-	-	23 020
Total credit risk exposure on-balance	**14 978 536**	**1 114 279**	**1 193 715**	**1**	**17 286 531**
Off-balance	1 509 201	116 100	152 782	-	1 778 083
Total credit risk exposure	**16 487 737**	**1 230 379**	**1 346 497**	**1**	**19 064 614**

Credit risk exposure by Basel 3 exposure class and financial instrument:

EUR ths.	Sovereigns	Institutions	Corporates	Retail	Total
31.12.2020					
Cash and cash balances - other demand deposits	-	11 023	-	-	11 023
Financial assets at amortised cost	3 644 081	183 023	3 845 348	10 994 044	18 666 496
Loans and advances to banks	-	49	-	-	49
Loans and advances to customers	272 329	-	3 719 824	10 994 044	14 986 197
of which: Lending for house purchase	-	-	-	8 618 372	8 618 372
of which: Credit for consumption	-	-	-	1 587 560	1 587 560
of which: Corporate loans and others	272 329	-	3 719 824	788 112	4 780 265
Debt securities	3 371 752	182 974	125 524	-	3 680 250
Finance lease receivables	517	-	230 635	15 668	246 820
Trade and other receivables	330	2 013	83 344	646	86 333
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	7 740	-	7 740
Derrivatives - held for trading	-	8 347	51 554	93	59 994
Positive fair value of derivatives - hedge accounting	-	34 345	-	-	34 345
Total credit risk exposure on-balance	**3 644 928**	**238 751**	**4 218 621**	**11 010 451**	**19 112 751**
Off-balance	33 299	44 919	1 362 531	520 536	1 961 285
Total credit risk exposure	**3 678 227**	**283 670**	**5 581 152**	**11 530 987**	**21 074 036**

EUR ths.	Sovereigns	Institutions	Corporates	Retail	Total
31.12.2019					
Cash and cash balances - other demand deposits	-	10 224	-	-	10 224
Financial assets at amortised cost	3 468 675	194 904	3 416 964	10 619 079	17 699 623
Loans and advances to banks	-	55	-	-	55
Loans and advances to customers	245 084	-	3 298 556	10 619 079	14 162 719
of which: Lending for house purchase	-	-	-	8 071 861	8 071 861
of which: Credit for consumption	-	-	-	1 786 766	1 786 766
of which: Corporate loans and others	245 084	-	3 298 556	760 453	4 304 093
Debt securities	3 223 591	194 849	118 408	-	3 536 849
Finance lease receivables	541	-	194 067	23 149	217 757
Trade and other receivables	391	4 492	104 494	905	110 282
Non-trading financial assets at fair value through profit or loss - Debt securities	-	-	3 175	-	3 175
Derrivatives - held for trading	-	5 464	35 914	44	41 422
Positive fair value of derivatives - hedge accounting	-	23 020	-	-	23 020
Total credit risk exposure on-balance	**3 469 607**	**238 104**	**3 754 614**	**10 643 177**	**18 105 503**
Off-balance	27 513	58 725	1 218 337	520 717	1 825 292
Total credit risk exposure	**3 497 120**	**296 829**	**4 972 951**	**11 163 894**	**19 930 795**

The assignment of obligors to Basel 3 exposure classes is based on legal regulations. For reasons of clarity, individual Basel 3 exposure classes are presented in aggregated form. The aggregated exposure class 'sovereigns' also contains regional and local governments as well as public sector entities in addition to central governments, central banks, international organisations and multinational development banks. Institutions include banks and recognised investment firms.

Covid-19

The Covid-19 pandemic has been causing high uncertainty in the global economy and on the global markets. Social distancing rules and lockdown restrictions imposed by governments led to economic slow-down and a significant drop of revenues across industries. Unprecedented state aid packages (e.g. state guarantees, bridge financing, the state temporarily paying workers' salaries to avoid redundancies, hardship funds for one-person and micro businesses) and moratoria programs were introduced to support citizens and companies (similar measures have been introduced also for other markets where parent company of the Bank operates). While such measures mitigate the negative economic effects, they complicate a timely reflection of a potential deterioration of the loan portfolios.

Effect on customers

Immediately upon the crisis showing severe economic impacts in our region (governmental decisions on lockdowns), initiatives were started aiming to, on the one hand support Bank´s clients to the utmost extent, and on the other hand, manage the respective risks and bearing the responsibility of Bank towards all stakeholders in mind.

In these circumstances, in order to minimize the medium- and long-term economic impacts of the efforts taken to contain the COVID-19 pandemic, Slovak government have implemented several support measures. These measures introduced in Act. 67/2020 include moratorium on payments of credit obligations (1. EBA-compliant legislative moratoria) or giving financial support through loans with state guarantee (2. Public guarantee schemes). In cases where clients did not meet all predefined criteria required by legislation, individual solutions could be agreed (3. Other Covid-19 related measures).

In order to qualify moratorium on payments as EBA-compliant moratoria several conditions must be met:

a) The moratorium was launched in response to the COVID-19 pandemic,
b) The moratorium has to be broadly applied,
c) The moratorium has to apply to a broad range of obligors,
d) The same moratorium offers the same conditions,
e) The moratorium changes only schedule of payments,
f) The moratorium does not apply to new loans granted after the launch of the moratorium.

Credit risk exposure of non-financial corporations by industry – measures applied in response to the COVID-19 crisis:

EUR ths.	Loans and advances subject to EBA-compliant moratoria	Other loans and advances subject to Covid-19-related forbearance measures	Newly originated loans and advances subject to public guarantee schemes in the context of the Covid-19 crisis
31.12.2020			
Agriculture and forestry	10 923	1 201	3 973
Mining	0	0	0
Manufacturing	35 408	30	38 181
Energy and water supply	229	0	2 768
Construction	19 825	392	20 128
Trade	14 279	1 713	41 188
Transport and communication	18 845	63	14 195
Hotels and restaurants	11 227	11 440	7 066
Financial and insurance services	0	0	0
Real estate and housing	100 028	807	1 604
Services	6 231	83	7 860
Public administration	0	0	0
Education, health and art	3 818	11	1 940
Total	**220 813**	**15 740**	**138 905**

Loans and advances of non-financial corporations to which the measures applied in the response to Covid-19 were granted and are currently valid (have not been expired), amounted to 375 mil. EUR as of 31 December 2020. Measures mostly refer to EBA-compliant moratoria.

Credit risk exposure of households and other financial institutions – measures applied in response to the COVID-19 crisis:

EUR ths.	Loans and advances subject to EBA-compliant moratoria	Other loans and advances subject to Covid-19-related forbearance measures	Newly originated loans and advances subject to public guarantee schemes in the context of the Covid-19 crisis
31.12.2020			
Private households	994 091	78 152	6 918
Financial and insurance services	364	0	111
Total	**994 455**	**78 152**	**7 029**

Loans and advances of households to which the measures applied in the response to Covid-19 were granted and are currently valid (have not been expired), amounted to 1 079 mil. EUR and loans and advances of other financial institutions amounted to 475 mil. EUR as of 31 December 2020.

Loans and advances to which the measures applied in the response to Covid-19 have been treated as modified from the view of IFRS 9. However the effect of the modified contractual cash flows discounted by original effective interest rate compared to net present value of original cash flows was considered as immaterial. Due to this the Bank does not recognize any modification gain or loss.

Effect on business

In March, Risk and Business divisions started a joint initiative aiming to quickly provide a harmonized guidance for a focused industry approach within Erste Group, reflecting the changed economic environment. Industries and sub-industries were categorized into critical, high, medium and low expected impacts due to Covid-19 creating an "Industry Heat Map". Critical and high industries equal to "High risk" category that is further used in tables presented below. The categorization is based on a combination of research material, feedback collected from client meetings and single name analyses, both centrally as well as in the entities. The Industry Heat Map is reassessed on quarterly basis.

Main drivers for assigning corresponding green (low impact), yellow (medium impact), amber (high impact) and red (critical impact) industry classification was the assessment of both, short-term as well as medium-term impacts of the crisis on the specific (sub)industry. E.g. a complete lock-down of businesses like hotels or passenger air transport resulted in "red" classification on short-term view and based on expected re-opening/recovery remained on "amber" or "red" or was assessed as "yellow" or "green" on medium-term view. A respective business and risk strategy for the (sub)industries was formulated based on the assessment. The assessed risk for the specific (sub)industry can lead to strategic recommendations (e.g. to temporarily limit financing for specific categories to existing clients only) and/or the revision of underwriting standards.

In order to address COVID-19 pandemic induced crisis, the Bank introduced COVID-19 SICR overlays (described in detail below in section Effect on Expected Credit Loss) where exposures were moved from Stage 1 to Stage 2 based on certain rules. Compared to 2019 this movement created specific situation where exposures with worse rating grades moved from Stage 1 to Stage 2 thus lowering the provision coverage ratio in Stage 1. However, these exposures that moved from Stage 1 to Stage 2 have better rating grades than exposures that would be in Stage 2 without the COVID-19 SICR overlays which resulted in lower provision coverage also in Stage 2. This situation is observed on Retail portfolio whereas provision coverage on Corporate portfolio remained same in Stage 2 and is significantly higher in Stage 1. Overall the movement caused by COVID-19 SICR overlays caused increase in the total coverage ratio due to high provision creation. Stage 3 coverage remains stable and overall NPL coverage increased due to high provision creation.

Credit risk exposure and credit loss allowances by industry and IFRS9 treatment – industry heatmap:

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total	Credit loss allowances
31.12.2020								
Agriculture and forestry	106 828	58 944	25 977	954	192 704	227	192 931	18 576
Mining	66 454	3 500	0	0	69 954	92	70 047	176
of which high risk	62 563	87	0	0	62 649		62 649	157
Manufacturing	816 909	536 018	4 161	1 934	1 359 021	68 981	1 428 002	24 692
of which high risk	237 648	423 315	1 370	1 238	663 571	26 175	689 746	14 541
Energy and water supply	414 016	115 275	908	0	530 199	63 530	593 729	16 749
Construction	231 513	66 423	4 050	581	302 567	142 282	444 849	9 398
Trade	439 282	273 780	22 791	4 615	740 468	38 120	778 588	30 596
of which high risk	115 810	183 967	5 119	3 730	308 626	13 879	322 505	12 141
Transport and communication	553 558	226 218	3 533	310	783 618	27 445	811 063	11 930
of which high risk	156 808	78 129	273	0	235 209	1 079	236 289	1 998
Hotels and restaurants	2 701	80 860	1 512	14 170	99 243	828	100 072	7 325
of which high risk	2 701	80 860	1 512	14 170	99 243	828	100 072	7 325
Financial and insurance services	345 885	23 997	99	20	370 000	104 039	474 039	1 424
Real estate and housing	1 023 561	338 304	2 043	102 911	1 466 819	8 057	1 474 876	71 267
of which high risk	444 716	316 259	631	84 009	845 616	7 728	853 344	48 667
Services	103 452	105 866	11 513	1 321	222 152	22 857	245 009	13 597
of which high risk	65 828	98 922	10 539	1 103	176 392	4 494	180 886	11 846
Public administration	3 676 286	889	0	0	3 677 175	0	3 677 175	733
Education, health and art	68 278	52 078	308	23	120 687	51	120 737	4 006
of which high risk	14 287	17 005	154	0	31 446	51	31 497	754
Private households	9 607 937	826 436	225 052	2 963	10 662 387	92	10 662 479	198 201
Other	247	192	0	0	439	0	439	23
Total	**17 456 907**	**2 708 780**	**301 946**	**129 802**	**20 597 435**	**476 601**	**21 074 037**	**408 692**
31.12.2019								
Agriculture and forestry	174 349	21 231	26 051	242	221 873	593	222 466	14 092
Mining	75 962	47	21	0	76 030	122	76 152	97
Manufacturing	1 060 784	38 698	5 338	1 649	1 106 469	63 921	1 170 390	9 148
Energy and water supply	313 047	110 112	420	0	423 579	40 896	464 475	2 935
Construction	250 877	6 397	2 820	430	260 525	162 481	423 006	4 821
Trade	650 515	33 077	19 050	4 429	707 070	47 179	754 249	21 283
Transport and communication	728 120	11 070	3 208	311	742 709	27 131	769 840	4 291
Hotels and restaurants	72 757	2 414	1 477	14 325	90 973	793	91 766	2 159
Financial and insurance services	369 257	801	286	0	370 344	102 028	472 372	719
Real estate and housing	1 185 109	40 988	727	105 417	1 332 241	3 278	1 335 519	51 744
Services	176 415	7 104	6 419	750	190 688	12 044	202 731	4 649
Public administration	3 493 749	613	0	0	3 494 362	1 107	3 495 469	551
Education, health and art	118 850	1 628	285	23	120 786	177	120 963	612
Private households	9 806 828	226 825	293 625	3 392	10 330 670	44	10 330 714	233 945
Other	461	0	0	0	461	221	682	8
Total	**18 477 079**	**501 006**	**359 727**	**130 969**	**19 468 781**	**462 014**	**19 930 795**	**351 053**

Effect on Expected Credit Loss

The Bank kept its model for ECL (expected credit loss) consistent with prior periods. The Bank has enhanced few areas mainly in the credit risk parameters and SICR (significant increase in credit risk) assessment process in order to address COVID-19 pandemic induced crisis.

Credit risk parameters were affected by the macroeconomic development. The Bank is using macro shift translation models which the Bank has implemented for purposes of external and internal stress test to translate macro variables to parameters' shifts. Unprecedented state support measures lead to a significant delay in the observed defaults. Therefore, the Bank decided to adjust credit risk parameters to a different point in time (PiT) value – financial crisis 2008-2009. Additionally, various expected macroeconomic developments are incorporated as forward-looking information (FLI).

The Bank uses three scenarios as a basis for the credit risk parameters' shift incorporation. The Baseline scenario is constructed by the Erste Group macro research team which leverages on the network of local macroeconomic experts in our core markets. The baseline scenario is generally aligned with other available external forecasts (e.g.: ECB, IMF, EU Commission).

Upside and downside scenarios are generated using internal statistical methodology based on the long-time horizon time series of macroeconomic variables.

Erste Group has also used its internal COVID-19 related stress test scenario in constructing the downside scenarios. Due to higher volatility of the macro predictions, for the first time, the Bank assigned for year 2021 euqal or higher probability to the downside scenario rather than to the baseline scenario.

The Eurozone assumptions by Erste Group used for the forward-looking-information calculation are broadly aligned with the published December ECB forecasts for the Eurozone. Although these assumptions are broadly aligned with other external forecasts, there might be certain differences on individual country level. Nevertheless, stronger relative drop/increase in one year usually implies also stronger/lower relative increase in the subsequent year, decreasing differences between the cumulative multiple years impact. Also, external forecasts typically fall within the FLI scenario range between the downside and upside scenarios.

For years 2021-2023, the projected growth is relatively high from the historical perspective (considering strong real GDP drop in 2020 and strong base effect) and in this case model assigns higher probability to downside scenarios. Assignment of higher probabilities to the downside scenarios also reflects pronounced downside risks reflected in more severe probability weighted scenarios compared to the sole baseline scenario.

The Bank uses a 1-year period forward looking prediction to be incorporated into credit risk parameters. After the first year the Bank reverses to using through the cycle observed values. During current ECL estimation we used point in time shift from crisis in 2008-2009 and as forward-looking prediction we used macro prediction for 2021.

The Bank has kept all the standard triggers for SICR assessment and has added additional ones such as COVID-19 SICR overlays. In order to properly identify portfolios with higher risk of default and addressing drawbacks in SICR identification due to the current COVID-19 situation and COVID-19 measures, the Bank decided to implement COVID-19 SICR overlays. They follow standard SICR assessment process and identify additional portfolios to be migrated to lifetime ECL measurement - Stage 2 (they cannot be used to over-ride standard stage 2 migrations back to stage 1).

In order to quantify COVID-19 SICR overlay, the Bank uses 3 negative information:

1. COVID-19 flag
2. Industry Heat Map information (not relevant for private individuals)
3. the level of the current 1Y IFRS PD

as factors which combination leads to COVID-19 SICR overlay assessment.

The Bank established a COVID-19 flag in the systems. The COVID-19 flag indicates any supporting measure granted to the customer irrespective whether legal or private moratorium, EBA guideline compliant or not. All these flags are considered as relevant and are referred to as COVID-19 flag for the purpose of COVID-19 SICR overlay. Applying for COVID-19 measures, even if not by itself, in combination with other negative information would point to current weakness and higher vulnerability to default in our view.

In order to distinguish between opportunistic applicants and those who really need the measure to cover a worsened situation, the Bank set 1Y IFRS PD threshold of 250 bps as second negative information (i.e. if the Bank has only industry heat map negative information or COVID-19 flag as the negative information). In case there exists already a combination of two negative information, the Bank does not need any PD discriminator – i.e. COVID-19 flag and high-risk industry combination would result to Stage 2 migration irrespective of current PD. Critical industry segment designation is the only criteria that would lead to Stage 2 on its own.

To summarize COVID-19 SICR overlay rules that would result to Stage 2 migration are as follows:

1. Private individuals
   a. COVID-19 flag + PD
2. Non-private individuals
   a. COVID-19 flag + medium risk industry + PD
   b. COVID-19 flag + high risk industry (irrespective of PD)
   c. High risk industry + PD (irrespective of COVID-19 flag)
   d. Critical risk industry (irrespective of PD and COVID-19 flag)

The sensitivity analyses tables below present staging splits of the current performing exposure and ECL. Movements of exposures between Stage 1 and Stage 2 and resulting changes in ECL triggered by effect of COVID-19 SICR overlays and FLI macro overlays is shown. Effects on industry segments and high-risk industry subsegments (high risk and critically impacted industries) are disclosed. For the ECL change a positive sign (+) equals a release while a negative sign (-) equals an allocation. For Exposure a positive sign (+) equals increase of exposure while a negative sign (-) equals decrease of exposure. Values presented as sensitivities are results of internal simulations.

Sensitivity analyses – Forward looking information (FLI) and stage overlays due to the Covid-19 pandemic

Impact on credit risk exposure by industry

	Current status – parameters (FLI shifted)		Current status without stage overlays due to Covid-19		Point in time parameters (before FLI shift)	
EUR ths.	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
31.12.2020						
Agriculture and forestry	106 828	58 944	18 824	-18 824	16 275	-16 275
Mining	66 454	3 500	1 548	-1 548	166	-166
of which high risk	62 563	87	3	-3	60	-60
Manufacturing	816 909	536 018	326 700	-326 700	23 801	-23 801
of which high risk	237 648	423 315	267 664	-267 664	9 881	-9 881
Energy and water supply	414 016	115 275	3 817	-3 817	313	-313
Construction	231 513	66 423	9 879	-9 879	9 699	-9 699
Trade	439 282	273 769	223 569	-223 569	27 100	-27 100
of which high risk	115 810	183 967	163 833	-163 833	13 796	-13 796
Transport and communication	553 558	226 218	120 413	-120 413	6 085	-6 085
of which high risk	156 808	78 129	44 921	-44 921	124	-124
Hotels and restaurants	2 701	80 860	53 040	-53 040	1 154	-1 154
of which high risk	2 701	80 860	53 040	-53 040	1 154	-1 154
Financial and insurance services	345 885	23 997	21	-21	341	-341
Real estate and housing	1 023 561	338 304	190 758	-190 758	14 789	-14 789
of which high risk	444 716	316 259	190 758	-190 758	14 680	-14 680
Services	103 452	105 866	87 179	-87 179	3 969	-3 969
of which high risk	65 828	98 922	85 424	-85 424	1 640	-1 640
Public administration	3 676 286	889	0	0	0	0
Education, health and art	68 278	52 078	20 989	-20 989	386	-386
of which high risk	14 287	17 005	16 037	-16 037	106	-106
Households	9 607 937	826 436	478 785	-478 785	-1 139	1 139
Other	247	203	0	0	151	-151
Total	**17 456 907**	**2 708 780**	**1 535 522**	**-1 535 522**	**103 090**	**-103 090**

Impact on credit loss allowances by industry

EUR ths.	Current status – parameters (FLI shifted) Stage 1	Stage 2	Current status without stage overlays due to Covid-19 Stage 1	Stage 2	Point in time parameters (before FLI shift) Stage 1	Stage 2
31.12.2020						
Agriculture and forestry	1 168	5 480	-568	1 275	462	2 104
Mining	160	16	-1	4	-1	11
of which high risk	154	4	0	0	-1	3
Manufacturing	2 847	17 323	-2 388	6 560	2 071	1 331
of which high risk	919	11 425	-1 893	5 313	1 255	416
Energy and water supply	1 425	14 611	-22	90	428	192
Construction	2 106	3 964	-182	372	871	911
Trade	1 913	11 469	-2 000	7 145	1 506	1 655
of which high risk	340	6 767	-1 333	4 725	672	782
Transport and communication	1 449	7 456	-1 239	4 336	1 107	437
of which high risk	207	1 571	-245	894	127	9
Hotels and restaurants	28	4 456	-574	1 976	199	86
of which high risk	28	4 456	-574	1 976	199	86
Financial and insurance services	588	767	0	0	224	20
Real estate and housing	3 197	16 557	-2 049	6 916	519	479
of which high risk	1 933	13 170	-2 049	6 916	506	465
Services	498	4 454	-995	2 656	546	340
of which high risk	210	3 813	-976	2 564	394	135
Public administration	699	34	0	0	0	0
Education, health and art	277	3 486	-207	797	185	42
of which high risk	60	570	-120	524	81	3
Households	18 716	49 732	-3 483	19 232	4 592	-4 512
Other	5	21	0	0	-4	17
Total	**35 077**	**139 824**	**-13 708**	**51 359**	**12 704**	**3 112**

In case of FLI macro shifts and PiT parameters the Bank was given a choice either to use 2020 macro values for year 2021 for FLI or adjust PiT parameters to a crisis period and use standard FLI. The Bank decided to opt for the second option and adjusted PiT parameters to latest observed crisis in years 2008-2009.

The following tables present sensitivity analyses taking into consideration only changes due to the different values of PDs according to the baseline, upside and downside FLI scenarios. Covid-19 SICR overlays are ignored. Sensitivities of these scenarios are calculated in comparison to current production i.e.- weighted scenarios FLI shifted (weights and scenarios are disclosed in the "Expected credit loss measurement" section above). In tables below the Bank is showing impacts of different scenarios on exposure and ECL, where each particular scenario has 100% weight.

Total exposure in Stage 2 decreases by 103 mil. EUR before the PiT adjustment and ECL decreases by 15,8 mil. EUR (values shown in tables refer to PiT risk parameters before the adjustment to the latest observed crisis). In case of baseline and upside scenarios total exposure in Stage 2 decreases by 4,8 mil. EUR and 8,5 mil. respectively and ECL decreases by 2,6 mil. EUR and 4,6 mil. EUR respectively. In case of downside scenario total exposure in Stage 2 increases by 5,3 mil. EUR and ECL increases by 4,9 mil. EUR.

Sensitivity analyses – Different probabilities of default (PD)

Impact of different scenarios on credit risk exposure by industry

	Point in time parameters (before FLI shift)		Upside scenario		Baseline scenario		Downside scenario	
EUR ths.	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
31.12.2020								
Agriculture and forestry	16 275	-16 275	683	-683	127	-127	-290	290
Mining	166	-166	0	0	0	0	0	0
of which high risk	60	-60	0	0	0	0	0	0
Manufacturing	23 801	-23 801	300	-300	139	-139	-102	102
of which high risk	9 881	-9 881	107	-107	69	-69	-33	33
Energy and water supply	313	-313	0	0	0	0	0	0
Construction	9 699	-9 699	277	-277	238	-238	-230	230
Trade	27 100	-27 100	1 010	-1 010	488	-488	-667	667
of which high risk	13 796	-13 796	202	-202	82	-82	-194	194
Transport and communication	6 085	-6 085	247	-247	110	-110	-151	151
of which high risk	124	-124	0	0	0	0	-41	41
Hotels and restaurants	1 154	-1 154	39	-39	38	-38	-30	30
of which high risk	1 154	-1 154	39	-39	38	-38	-30	30
Financial and insurance services	341	-341	4	-4	4	-4	0	0
Real estate and housing	14 789	-14 789	111	-111	0	0	0	0
of which high risk	14 680	-14 680	111	-111	0	0	0	0
Services	3 969	-3 969	173	-173	106	-106	-140	140
of which high risk	1 640	-1 640	87	-87	76	-76	-98	98
Public administration	0	0	0	0	0	0	0	0
Education, health and art	386	-386	70	-70	30	-30	-16	16
of which high risk	106	-106	70	-70	30	-30	0	0
Households	-1 139	1 139	5 608	-5 608	3 486	-3 486	-3 607	3 607
Other	151	-151	0	0	0	0	-50	50
Total	**103 090**	**-103 090**	**8 522**	**-8 522**	**4 767**	**-4 767**	**-5 282**	**5 282**

Impact of different scenarios on credit loss allowances by industry

EUR ths.	Point in time parameters (before FLI shift)		Upside scenario		Baseline scenario		Downside scenario	
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
31.12.2020								
Agriculture and forestry	462	2 104	1	73	5	21	-18	-30
Mining	-1	11	0	0	0	0	0	-1
of which high risk	-1	3	0	0	0	0	0	0
Manufacturing	2 071	1 331	22	29	15	12	-36	-16
of which high risk	1 255	416	13	4	7	3	-17	-2
Energy and water supply	428	192	1	2	1	1	-1	-2
Construction	871	911	27	55	10	35	-36	-50
Trade	1 506	1 655	39	66	22	35	-40	-67
of which high risk	672	782	16	10	10	4	-18	-10
Transport and communication	1 107	437	21	15	11	7	-26	-13
of which high risk	127	9	2	0	1	0	-1	0
Hotels and restaurants	199	86	10	5	4	5	-13	-2
of which high risk	199	86	10	5	4	5	-13	-2
Financial and insurance services	224	20	1	1	1	1	-1	-1
Real estate and housing	519	479	6	17	6	0	-13	-1
of which high risk	506	465	5	16	6	0	-11	0
Services	546	340	19	18	10	8	-16	-23
of which high risk	394	135	13	3	6	2	-8	-9
Public administration	0	0	0	0	0	0	0	0
Education, health and art	185	42	7	4	4	3	-9	-3
of which high risk	81	3	1	2	0	1	-3	0
Households	4 592	-4 512	2 665	1 525	1 482	897	-2 978	-1 511
Other	-4	17	0	1	0	1	1	-2
Total	**12 704**	**3 112**	**2 821**	**1 813**	**1 572**	**1 026**	**-3 188**	**-1 722**

Forbearance

In September 2014 the Bank has implemented a forbearance definition based on the EBA definition. The forborne exposure can be identified in both, performing and non-performing portfolios:

- Performing forbearance – forborn loans for customers without financial difficulties
- Non-performing forbearance – forborn loans for customers, which defaulted after forbearance
- Defaulted forbearance – forborn loans for customers in default

The following table presents gross carrying amounts of exposures with forbearance measures:

EUR ths.	Performing exposures with forbearance measures - Instruments with modifications in their terms and conditions	Non-performing exposures with forbearance measures - Instruments with modifications in their terms and conditions			Total
			of which: Defaulted	of which: Impaired	
31.12.2020					
Financial assets at amortised cost - Loans and advances	**176 345**	**115 236**	115 236	115 236	**291 581**
Loan commitments given	**14 509**	**45 330**	45 330	45 330	**59 839**

In April 2020 EBA published In the context of the COVID-19 crisis Gudeline on legislative and non-legislative moratoria. If the exposures subject to the moratorium meet the conditions in this guideline such measures should not change the classification of exposures under the definition of forbearance or change whether they are treated as distressed restructuring. As of 31 December 2020 loans and advances for which payment moratoria in accordance with COVID-19 have been provided and which were not subject of forbearance amounted to 1 550,9 mil. EUR. This amount includes also loans and advances with expired EBA-compliant moratoria (335,6 mil. EUR). More detailed information about COVID-19 is provided in note 32.

Concentration

The following table presents a summary of the Bank's credit risk to the Slovak Republic, companies controlled by the Slovak government, self-governing regions, guarantees issued by the Slovak government and similar exposures:

EUR ths.	Amount		Portion of total assets %	
	31.12.2019	**31.12.2020**	**31.12.2019**	**31.12.2020**
Cash and cash balances	93 129	1 354 133	0.50%	6.53%
Loans and receivables to customers	446 101	514 715	2.39%	2.48%
Securities portfolio	2 924 842	3 051 137	15.70%	14.71%
Deferred tax asset	44 146	75 666	0.24%	0.36%
Total	**3 508 218**	**4 995 651**	**18.83%**	**24.08%**

The following table presents a breakdown of state debt securities held by the Bank per portfolio and type of security:

EUR ths.	31.12.2019	31.12.2020
Financial assets at amortised cost	2 924 842	3 051 137
State bonds denominated in EUR	2 894 007	3 022 996
State bonds denominated in USD	30 835	28 141
Total	**2 924 842**	**3 051 137**

The sovereign issuer rating of the Slovak Republic according to the international rating agency Moody's is A2 with stable outlook (since 27 September 2019).

Market risk

Market risk is the risk of losses in balance sheet and off-balance sheet positions arising from movements in market factors, i.e. prices, interest rates, foreign exchange rates, volatilities, etc. The risk management process comprises of the four key elements:

- risk identification – identify all risks inherent in the trading operations and in new products (new products check) and ensure these are subject to adequate procedures and controls before being introduced or undertaken
- risk measurement – calculation of risk exposure using sensitivities and value-at-risk
- limits management – comprehensive limit system and limit allocation in order to restrict the maximum risk exposure
- risk monitoring and reporting

The entire market risk management is independent from the business lines and is carried out by Strategic Risk Management (SRM). Trading and investment operations are subject to strict rules defined by SRM and approved by ALCO committee.

Methods and instruments employed

All positions of the Bank, both in banking and trading books, that are subject to market risk are re-valued daily (including positions held-to-maturity), either to market or to model prices, and respective profit or loss is calculated.

The main tool to measure market risk exposure in the Bank is sensitivity analysis and value-at-risk (VAR) which is complemented by back testing and stress testing programme.

VAR for trading book and investment portfolios of banking book estimates the maximum potential loss over 1-day holding period with 99% confidence interval and is based on historical simulation (2-years history window, equally weighted) while all positions are treated via full valuation in the calculation (i.e. no simplification of positions for the purpose of VAR). VAR is measured consistently across all portfolios (both banking and trading book) and considers relevant market factors.

In order to validate the value-at-risk model, daily back testing routines are applied. In the procedure the real value of closing position of the previous trading day is computed first using relevant market rates of that day. The same closing position is then revalued using the closing market rates of the current day. The difference between the two values is the so-called hypothetical profit and loss, i.e. profit and loss that would have been obtained if the position remained unchanged during the last trading day. If this profit or loss figure exceeds the value-at-risk figure, an exception is recorded and documented. Back testing is conducted not only for the whole trading book, but also for each trading desk and additionally for each applicable risk factor (interest rate, FX rate, stock price, volatility, etc.).

VAR is subject to some model assumptions (e.g. historical simulation), hence stress testing is established in order to partially tackle these shortcomings by estimating losses due to extreme changes in market factors, the probabilities of which are very small. Position or portfolios are tested under a number of potential extreme scenarios and their impact on value and hence profit and loss is computed.

Overall market risk of the entire balance sheet is also measured using economic value of equity measure based on EBA guidelines. It is a change in present value of Bank's interest rate sensitive assets and liabilities as a result of prescribed set of severe scenarios (both parallel and non-parallel, specified by EBA). The resulting sensitivity is related to the available capital.

Risk mitigation and reporting

In order to manage the maximum risk exposure, a comprehensive system of limits is established, including VAR, sensitivity, and stop-loss limits. Limits are structured according to individual portfolios (separate limits are defined for derivative trades). Limits are reviewed/proposed usually at year-end by SRM in cooperation with Treasury/BSM for the upcoming business year. Reallocations are also possible during the current year. The new limits proposal or change in approved limits is subject to approval by ALCO committee. Monitoring is performed daily by SRM. Each limit violation must be reported and explained with ALCO being the supreme decision maker on further action.

Risk reporting is done daily for relevant management and monthly for ALCO.

Market risk measures

The following tables summarize the risk measures – Value at Risk of banking book and trading book:

EUR mil.	2019	2020
Trading book VAR	0,01	0,01
Banking book VAR - ALM portfolio	7,5	13,0
Banking book VAR - Corporate portfolio	0,87	1,0
Banking book VAR – ALCO portfolio	0,13	0,15
Overall Banking book sensitivity (-200bp shock)	-29,2	11,3

VAR figure is almost fully driven by interest rate risk, whilst foreign exchange and other risks are negligible.

FX risk

Basic principle behind managing FX risk is to transfer positions stemming from banking book activities to Erste Holding. However, in reasonable cases, banking book is permitted to hold strategic FX positions. This would typically be opened in order to hedge existing FX positions that are not explicitly seen on the balance sheet.

Strategic positions are subject to ALCO approval and shall be managed on a daily basis by Balance Sheet Management. They are covered by sufficient limit structure and reporting on VAR, stop-loss limit and and are disclosed as the gain or loss (responsibility of Strategic Risk Management).

Liquidity risk

The liquidity risk is defined in the Bank as the inability to meet the Bank's cash obligations as they come due because of an inability to liquidate assets or obtain adequate funding. Accordingly, a distinction is made between market liquidity risk, which is the risk that the Bank cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the Banks will not be able to meet efficiently both expected and unexpected current and future cash flows and collateral needs without affecting either daily operations or the financial condition of Bank.

Liquidity risk is within the authority of ALCO. The Local Operating Liquidity Committee ('L-OLC') is responsible for operational managing and analysing of the liquidity situation of the Bank.

Actual management of liquidity risk is done by Strategic Risk Management. Structural liquidity management is performed by Balance Sheet Management and daily liquidity managing and the fulfilment of minimum required reserves is performed by the Treasury department.

Liquidity strategy

The primary goal of the Funding Strategy in the year 2020 was to cover the planned funding gap coming from the core business efficiently in terms of structure and costs vs. risk tolerance. This has been successfully achieved as the Bank comfortably fulfills all regulatory and internal liquidity limits and keeps sufficient liquidity buffer composed mainly of government securities.

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period (SPA) on weekly basis. This analysis determines the maximum period during which the Bank can survive different crisis scenarios (severe market, idiosyncratic, or combined crisis) while relying on its pool of liquid assets. The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflow.

Liquidity ratios defined by the regulator (LCR – Liquidity Coverage Ratio, NSFR – Net Stable Funding Ration and local LCR) are periodically monitored and are all at very satisfactory levels. All limits defined by the regulator are observed with large buffer.

Additionally, the static liquidity gap is monitored regularly on weekly basis and reported monthly to ALCO. Funding concentration risk is continuously analysed in respect to counterparties and is also reported to ALCO monthly.

Strategic Risk Management provides the reverse stress testing of liquidity where several assumptions (withdrawal, rollover, reserve haircuts) are modelled in order for the Bank to survive exactly one month. This is done on a monthly basis and is reported to ALCO.

Methods and instruments of risk mitigation

General standards of liquidity risk controlling and management (standards, limits and analysis) have been defined withing the Bank and are continuously reviewed and improved by L-OLC and ALCO.

The short-term liquidity risk is managed by limits resulting from the survival period analysis where horizon limits are defined for each scenario as follows:

- ordinary course of business – over 3 months
- severe name crisis – over 1 months
- severe market crisis – over 6 months
- sever combined name and market crisis – over 3 months
- mild name crisis – over 3 months
- mild market crisis – over 12 months
- mild combined name and market crisis – over 6 months

For each scenario also the limit for liquidity surplus over given horizon limit is applied. The limit is set at 0 Eur with warning level in range between 0 and 200 mil. Eur.

The minimum volume of the ECB eligible securities in liquidity buffer (counter-balancing capacity) is limited by 1.5 bn Eur.

The minimum amount of highly liquid assets (cash and average balance in central bank less minimum reserve requirement) must be over 1,25 bn EUR.

The Bank daily monitors its counter-balancing capacity, which consists of cash, excess minimum reserve at the central banks, as well as unencumbered central bank eligible assets. These assets can be mobilized in the short term to offset potential cash outflows in a crisis situation.

Further, short-term risk is managed by regulatory and internal (more severe) limits on LCR, NFSR, and local LCR ratios.

Funding Concentrations management - sum of top 10 biggest clients of each monitored group of wholesale funding providers (public, financial, credit institutions and corporates) may not account for more than 500 mil. Eur. Should this amount be exceeded, the minimum liquidity reserve must be increased by the amount of excess.

Based on analysis and measurement, and based on liquidity strategy, medium and long-term (structural) management of liquidity is carried out by BSM while major decisions have to be approved by ALCO. Strategic Risk Management must ensure that the execution is in line with the approved Liquidity Strategy and that the approved limits are being followed. ALCO must be informed on the status of structural liquidity within the regular ALCO liquidity reports.

The Contingency Plan ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis.

Analysis of liquidity risk

All regulatory ratios were well above the defined regulatory limits during the year 2020.

Internal analysis

Counter-balancing capacity – the minimum amount of highly-liquid ECB eligible securities to cover unexpected cash outflow was around 3,1 bil. Eur throughout 2020 (well above the 1,5 bil Eur limit).

2020 EUR mil.	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
Cash, excess reserve	1 552	-	-	-	-
Liquid assets	2 656	(9)	(117)	(5)	(20)
Retained covered bonds	-	806	-	-	-
Credit claims	-	108	(2)	(3)	(19)
Counterbalancing capacity	**4 208**	**905**	**(119)**	**(8)**	**(39)**

2019 EUR mil.	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
Cash, excess reserve	384	-	-	-	-
Liquid assets	3 516	(5)	-	(359)	(11)
Retained covered bonds	-	799	-	-	-
Counterbalancing capacity	**3 900**	**794**	**-**	**(359)**	**(11)**

Survival period analysis
During the year 2020 all SPA limits were fulfilled. The most severe scenario (combined crisis) had a value about 12 month during the whole year.

Funding concentrations
During the year 2020 the funding concentrations limits was violated just one time in March (by about 49 mil. Eur). The limit violation was caused by short-dated deposits from Erste Group Bank and was covered by temporary increase of minimum liquidity reserve by the amount of exceeding.

Operational risk

Main objectives of effective system of operational risk management are:

- set up a bank-wide framework for operational risk management and to translate this framework into specific policies, procedures or processes that can be implemented and verified within different business units
- properly identify major drivers of operational risk
- develop model for quantification of risk exposure profile and for calculation of both economic and regulatory capital
- prevent or minimize losses due to operational risk by adaptation of suitable processes, preventive measures or by selecting suitable insurance
- implement and update of insurance program
- define outsourcing and internal control system principles
- prepare ORCO meetings
- continuously improve the operational risk management process (described in subsequent chapters on risk identification, measurement and management)
- provide quality reporting and documentation

Risk identification

Comprehensive risk identification is imperative for each subsequent stages of the operational risk management life cycle. Its primary objective is to provide information needed for correct decision making within operational risk management. Prompt risk identification may lead to quick detection and correction of deficiencies in policies or processes, and may substantially reduce the potential frequency and / or severity of loss events.

Risk identification is generally forward-looking. While it is inevitable to use historical loss data, they are supported by forward-looking approaches in order to obtain better quality assessment. Whenever possible, identification factors are translatable into quantitative measures.

The most significant sources of operational risk in the Bank are:

- theft and fraud (both external and internal);
- legal risks;
- conduct risk;
- human processing error;
- data, infrastructure, and system related risks;
- ICT risk, especially cyber crime
- improper practices (including incomplete or ambiguous internal guidelines)
- natural disaster and wilful damage

These sources of risk must be consistently assessed and re-evaluated using a variety of risk identification techniques, described in the following sub-sections. The results of the risk identification are regularly reported to high-level decision bodies (ORCO, Board of Directors).

Internal data

The Bank maintains a central database of operational risk events and losses. This is as comprehensive as possible in that it captures all material activities throughout the Bank. Data collection is conducted via a web-based application EMUS which was upgraded in 2016 and continuously finetuned every year. This application now provides more user friendly platform to deal with operational risk losses. Currently this system contains more modules which supports whole compliance and operational risk management area (whistleblowing, conflict of interests, trading of employees, regulatory compliance, third party/clients checks evidence, corrective measures for fraud management). Thanks new reporting services possibilities and fully automated reports, EMUS becomes Business Intelligence application which supports our management needs.

Operational risk event is defined as an event due to inadequate or failed processes, human factors or systems, or external events, which lead (or have the potential to lead) to losses, or have other negative impact on the Bank. All organizational units and their employees are obligated to report operational risk events, encountered or potential loss (both direct and indirect) of which is higher than defined threshold, or is not quantifiable yet relevant. Reporting is done via EMUS, where every employee of the Bank has an access right. Information on loss amounts, recoveries, date of event and other relevant descriptive information must be provided.

Every event reported in the EMUS application follows the acceptance procedure by expert departments. Events have two-stage acceptance procedure. Depending on the type of event, first stage is conducted by either IT Security, Physical Security, Fraud Prevention, Card Services, Internal Services or Legal Unit. Second stage is a data consistency check and is performed by Operational Risk Management. Events are categorized according to business lines. Special attention must be paid to events that span more than one business line, or events that arise in centralized function that cannot be directly mapped to a business line. Internal data collection process is covered by Operational Risk Management in an associated guideline. This guideline covers definitions, principles for event and loss classification, minimum loss threshold, event acceptance procedure, required data for each event, etc.

External data

As severe operational risk events are scarce, and may not have been captured in internal data collection, the Bank also includes adequate external event data in its risk identification system. These cover infrequent severe events with relevance to the Bank or financial industry. The Bank systematically incorporate external data into its risk measurement methodology. External data collection is coordinated with the Erste group efforts on this matter and will be locally conducted by Operational Risk Management.

Scenario analysis

Contrary to internal and external data collection, scenario analysis is a forward-looking tool of risk identification. The Bank includes such analysis in order to evaluate its exposure to high-severity events and to derive reasonable estimates of potential severe losses. The results will in turn serve as input factors to the risk measurement process. Scenarios must be periodically reassessed for meaningfulness and should consider breakdown of assumed correlation patterns (i.e. the possibility of two or more severe events happening simultaneously). Scenario analysis is conducted by Compliance and Operational Risk Management departments.

Risk mapping and key risk indicators

The objective of this risk identification technique is to map the level of different operational risks across the Bank and to set up a measurable framework known as key risk indicators ('KRI') that tracks the most important drivers of operational risk and that could subsequently be used in risk measurement. Risk mapping is a top-down approach. Compliance and Operational Risk Management, with the help of respective senior or third level manager, will conduct an analysis and grading of operational risks inherent in each unit's activities, in order to come with overall risk map of the Bank. The resulting map will have three dimensions, namely:

- risk category
- business line / product
- functional process level – where applicable, this provides depth for the business line / product dimension (e.g. stages of particular process or lifecycle phases of product)

The outcome of risk mapping will provide the basis for defining KRI, which will in turn be periodically monitored. It will serve as input for risk measurement and operational risk management decision making. Reporting on KRI is the responsibility of business units.

KRI has the following properties:

- it is easy to use, i.e. available for reliable periodical measurement, cost effective to measure, and easy to understand and communicate;
- it is effective, i.e. apply to high risk points, reflect objective measurement rather than subjective judgment, and provide useful management information.

Risk measurement

The Bank measures its operational risk exposure using the loss distribution approach. In this, the probability distribution of both, frequency of loss and amount of loss, is modelled and is recombined (typically using Monte Carlo simulation) into a compound distribution of yearly losses. Out of this distribution, both expected and unexpected losses could be calculated. In accordance with Basel II, the confidence interval for unexpected loss should be at least 99,9 % and the holding period should be one year.

In modelling the distribution, all outcomes of risk identification process is used, i.e. both internal and external data, scenario analysis, risk mapping, and factors reflecting the business environment and internal control systems is used. In calculating the exposure, mitigation techniques (specifically insurance) may be included. This is done via decreasing of the gross loss for individual loss events by probable insurance coverage.

The Bank is able, given both adequate data and sound models are available, to arrive at sufficiently granular profile of the risk exposures, i.e. to calculate the exposures for all major drivers of operational risk (along business lines and risk types). Over time, the model is validated through comparison to actual experience and appropriate corrections are made. Design of the risk measurement model is within the responsibility of Erste Holding (for more details see the group AMA documentation). Modelling inputs are provided by Operational Risk Management.

Managing operational risk

Management of operational risk is primarily the responsibility of each individual business unit in its daily course of operations. In addition, Operational Risk Management has a harmonization role and performs activities of global scope.

In general, operational risk can be managed via any (or a combination) of the following:

- risk mitigation, including insurance
- system of internal controls
- outsourcing
- risk acceptance
- decrease of the extent or disposal of the risky activity

Selection of the approach is the responsibility of senior managers or of the Board of Directors for the activities and risks of global scope. For risks identified as significant, senior managers are required to present the selected risk management tactics to a high-level decision body (ORCO, the Board of Directors) for approval.

The following sub-sections give an overview of the main activities regarding operational risk management within the Bank.

Operational Risk and Compliance Committee is the ultimate decision-making body for operational risk issues. It is defined as a high-level management committee that deals with operational risk strategies and procedures, decides on risk appetite and tolerance levels, and decides on mitigation measures for, or risk acceptance of operational risk, compliance, financial crime, IT security and operations, anti-money laundering, etc.

Operational Risk Management or any other unit may present results of risk identification and risk measurement processes or other operational risk issues to ORCO for a risk acceptance/disapproval decision. It will typically happen in case high risk was identified during risk mapping or larger loss event was recorded or any substantial activity carrying possible high operational risk is planned. In case ORCO does not accept the identified risk, it assigns tasks to senior management to come up with mitigation measures. ORCO consists of selected board members, senior managers and other representatives.

System of internal controls

Each unit manager implements a system of internal controls ('ICS') within his area of competence, with the objective of identification and mitigation of operational risks. Within the system, a set of operative controls is created, in order to systematically check selected product, service, process, etc. Each unit manager is responsible for effectiveness and quality of the system. It is also his responsibility to identify problematic or risky areas that will be covered by operative controls.

Internal control system shall consist of:

- risk assessment – in order to determine what are the most important processes and what controls are needed
- written policies and procedures – all important operations must be covered by operation manuals
- control activities – control procedures itself
- review – in order to assess the appropriateness of controls
- accounting, information, and communication systems – a proper combination of such systems in order to provide detailed, accurate, and timely information

Principles to be followed when implementing ICS include, but are not limited to:

- four-eye principle
- thorough task assignment and monitoring
- substitutability of staff
- required vacation or absence from duties (for relevant units only)
- segregation of duties
- avoidance of conflict of interest

Internal Audit shall regularly conduct an audit of the Bank's ICS in order to determine whether the Bank is following enacted policies and procedures. Operational Risk Management issues associated Internal Control System Policy giving detailed information on the system. However, Operational Risk Management does not assume any coordination role in the implementation and execution of ICS by individual managers.

Insurance

In order to mitigate operational risk, the Bank engages in a comprehensive insurance program. This covers direct or indirect losses due to all major sources of operational risk, i.e. improper use or failure of internal processes, human factor failures, system failures or external factors, and that in both the Bank and its subsidiaries. The primary objective of the insurance program is to safeguard the Bank against catastrophic events. Insurance does not serve for protection against common, expected losses. Responsibility for the insurance program is given to Operational Risk Management. It shall design suitable and cost-effective insurance program with the objective of minimizing losses due to operational risk. Overall insurance program is designed on Erste Holding level. The program is to be documented in an associated guideline which, inter alia, covers procedures in case of insurance incident.

Outsourcing

Outsourcing is defined as long-term delegation of internal operation to external entity that specializes in that operation. In context of operational risk management, the primary focus is on outsourcing of banking operations.

Outsourcing is governed by the following high-level principles:

- outsourcing of any banking operation must be approved by respective decision making body
- the Bank wills to bear risks brought along by this activity and to undertake the responsibility for
- special attention is to be paid to legal and regulatory issues

General outsourcing policy is defined on Erste Holding level. Operational Risk Management is responsible for local implementation of this policy, giving detailed definition of principles and procedures for outsourcing. These are documented in associated internal policy. All outsourced activities must strictly follow this policy.

Each outsourcing must have an outsourcing sponsor and an outsourcing manager (both coming from the Bank) who are responsible for governance, correct functioning, operational risk, and other issues related to the outsourced activity.

Operational risk management related to outsourcing is within the responsibility of respective outsourcing sponsor and outsourcing manager. Operational Risk Management shall periodically conduct overall risk assessment of outsourcing.

Outsourcing shall be periodically checked by Internal audit.

33. Fair values of financial assets and liabilities

The best indication of a fair value of financial instrument is quoted market prices in an active market. Where such prices are available, they are used to measure the fair value (Level 1 of the fair value hierarchy).

In case a quoted market price is used for a valuation, but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators), the instrument is classified as Level 2 of the fair value hierarchy. In case no market prices are available, the fair value is determined by using valuation models, which are based on observable market data. If all the significant inputs in a valuation model are observable, the instrument is classified as Level 2 of the fair value hierarchy. For Level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters.

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor using valuation models that rely entirely on observable market data. In these cases individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently, the instrument is classified as Level 3 of the fair value hierarchy. For Level 3 valuations, typically credit spreads derived from both external sources (similar securities or issuers) and internal sources (risk parameters such as rating, PD or LGD) are used besides observable parameters.

Financial instruments measured at fair value

All financial instruments of this category are measured at fair value on a recurring basis.

In the Bank the measurement of fair value is primarily based on external sources of data (stock market prices or broker quotes in highly liquid market segments). The financial instruments for which fair value is determined on the basis of quoted market prices are mainly listed securities, liquid OTC bonds and derivatives.

Description of the valuation models and inputs

The Bank uses only valuation models which have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently.

Securities
For plain vanilla debt securities (fixed and floating) the fair value is calculated by discounting the future cash flows using a discounting curve depending on the interest rate for the respective issuance currency and a spread adjustment. The spread adjustment is usually derived from the credit spread curve of the issuer. If no issuer curve is available the spread is derived from a proxy instrument and adjusted for differences in the risk profile of the instrument. If no close proxy instrument is available, the spread adjustment is estimated using other information, including estimation of the credit spread based on internal ratings and PDs or management judgment. For more complex debt securities (e.g. including option-like features as callable, cap/floor, index-linked) the fair value is determined using combinations of discounted cash-flow models and more sophisticated modelling techniques including also methods described for OTC-derivatives. All securities are valued using the bid/ask levels (depending whether asset or liability), i.e. more conservative then the mid level.

OTC-derivative financial instruments
Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps, commodity swaps) are valued by standard valuation models. These models include discounting cash flow models, option models of Black-Scholes-type and Hull-White-type. Models are calibrated on quoted market data (including implied volatilities). Valuation model for more complex instruments also use Monte-Carlo-techniques. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used. The Bank values derivatives at mid-market levels.

Credit value adjustments (CVA) for counterparty risk and debt value adjustments (DVA) for the own default credit risk are applied to OTC-derivatives. For CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and the Banks's credit quality. The Bank has implemented an approach, where the modelling of the expected exposure is based on option replication strategies. This modelling approach is considered for the most relevant products and portfolios. The methodology for the remaining entities and products is determined by market value plus add-on considerations. The probability of default of counterparties, which are not traded in an active market, is determined from internal PDs mapped to a basket of liquid titles being present in the central European market. Thereby market based valuation concepts have been incorporated.

Counterparties with liquid bond or CDS markets are valued by the respective single-name market based PD derived from the prices. The Banks's probability of default has been derived from the buy-back levels of the Banks's issuances. Netting has only been considered for a few counterparties where the impact was material. For those netting has been applied for both CVA and DVA. The methodology and the calculation itself are carried out by Erste Holding. For collateralised derivatives the effect of collateral received is considered and reduces the amount of CVA accordingly. For counterparties with CSA-agreements in place no CVA was taken into account for all cases with immaterial threshold amounts.

As at 31 December 2020 the cumulative CVA adjustment amounted 2,3 mil. Eur (2019: 1,8 mil. Eur) and the cumulative DVA adjustment amounted 0,6 mil. Eur (2019: 0,1 mil. Eur).

The responsibility for valuation of exposures measured at fair value is carried by Risk management unit, which is independent from all trading, sales and investment units.

Fair value hierarchy

Financial assets and financial liabilities measured at fair value are categorized under the three levels of the IFRS fair value hierarchy.

Level 1
The fair value of financial instruments assigned to Level 1 of the fair value hierarchy is determined based on quoted prices in active markets for identical financial assets and liabilities. More particular, the evaluated fair value can qualify as Level 1 if transactions occur with sufficient frequency, volume and pricing consistency on an ongoing basis. These include exchange traded derivatives (futures, options), shares, government bonds as well as other bonds and funds, which are traded in highly liquid and active markets.

Level 2
In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as Level 2. If no market prices are available the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the instrument is classified as Level 2 of the fair value hierarchy. For Level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters. These include OTC derivatives, less liquid shares, bonds and funds as well as asset backed securities (ABS), collateralized debt obligations (CDO) and own issues.

Level 3
In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor of valuation models that rely entirely on observable market data. In these cases individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as Level 3 of the fair value hierarchy. For Level 3 valuations besides observable parameters typically credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures are used as unobservable parameters. These include shares and funds not quoted, illiquid bonds as well as illiquid asset backed securities (ABS) and collateralized debt obligations (CDO).

A reclassification from Level 1 into Level 2 or Level 3 as well as vice versa will be performed if the financial instrument does no longer meet the criteria described above for the respective level.

The methods used to determine fair values with respect to the levels of fair value hierarchy were as follows:

EUR ths.	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3	Total	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3	Total
	31.12.2019				31.12.2020			
Assets								
Financial assets - held for trading	-	41 423	-	41 423	-	59 994	-	59 994
Derivatives	-	41 423	-	41 423	-	59 994	-	59 994
Non-trading financial assets at fair value through profit or loss	-	-	10 550	10 550	-	-	15 287	15 287
Equity instruments	-	-	7 375	7 375	-	-	7 547	7 547
Debt securities	-	-	3 175	3 175	-	-	7 740	7 740
Financial assets at fair value through other comprehensive income	-	-	89 262	89 262	-	-	-	-
Equity instruments	-	-	89 262	89 262	-	-	-	-
Hedge accounting derivatives	-	23 020	-	23 020	-	34 345	-	34 345
Total assets	**-**	**64 443**	**99 812**	**164 255**	**-**	**94 339**	**15 287**	**109 626**
Liabilities								
Financial liabilities - held for trading	-	36 020	-	36 020	-	56 524	-	56 524
Derivatives	-	36 020	-	36 020	-	56 524	-	56 524
Hedge accounting derivatives	-	48 041	-	48 041	-	48 373	-	48 373
Total liabilities	**-**	**84 061**	**-**	**84 061**	**-**	**104 897**	**-**	**104 897**

Allocation of positions to the levels of fair value hierarchy and any changes between these levels are reflected at the end of the reporting period.

Description of the valuation process within Level 3

Level 3 position involves one or more significant inputs that are not directly observable on the market. Additional price verification steps need to be done. These may include reviewing relevant historical data and benchmarking to similar transactions, estimationes and expert judgments.

The responsibility for valuation of a position of measured at fair value is carried out by risk management unit which is independent from all trading, sales or investment units.

Changes in volumes of Level 1 and Level 2
There were no significant transfers between Level 1 and Level 2 of financial instruments measured at fair value on the balance sheet.

Movements in Level 3 of financial Instruments rated at fair value

The development of fair value of the securities for which valuation models are based on non-observable inputs was as follows:

EUR ths.	01.01.2020	Gain/loss in profit or loss	Gain/loss in other compre-hensive income	Purchases	Sales	Settlements	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	31.12.2020
Assets												
Non-trading financial assets at fair value through profit or loss	10 550	635	-	22 049	(9 819)	(8 128)	-	-	-	-	-	15 287
Equity instruments	7 375	565	-	8 126	(8 519)	-	-	-	-	-	-	7 547
Debt securities	3 175	70	-	13 923	(1 300)	(8 128)	-	-	-	-	-	7 740
Financial assets at fair value through other comprehensive income	89 262	-	10 406	-	(85 745)	(13 923)	-	-	-	-	-	-
Equity instruments	89 262	-	10 406	-	(85 745)	(13 923)	-	-	-	-	-	-
Total assets	**99 812**	**635**	**10 406**	**22 049**	**(95 564)**	**(22 051)**	**-**	**-**	**-**	**-**	**-**	**15 287**

EUR ths.	01.01.2019	Gain/loss in profit or loss	Gain/loss in other comprehensive income	Purchases	Sales	Settlements	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	31.12.2019
Assets												
Non-trading financial assets at fair value through profit or loss	29 242	1 987	-	-	(500)	(10 090)	-	-	1	(10 089)	-	10 550
Equity instruments	5 620	1 755	-	-	-	-	-	-	1	-	-	7 375
Debt securities	23 622	232	-	-	(500)	(10 090)	-	-	-	(10 089)	-	3 175
Financial assets at fair value through other comprehensive income	56 395	-	32 758	-	-	-	-	-	-	-	109	89 262
Equity instruments	56 395	-	32 758	-	-	-	-	-	-	-	109	89 262
Total assets	**85 637**	**1 987**	**32 758**	**-**	**(500)**	**(10 090)**	**-**	**-**	**1**	**(10 089)**	**109**	**99 812**

Gains or losses on Level 3 financial instruments held at the end of the reporting period, which are included in the income statement were as follows:

EUR ths.	31.12.2019	31.12.2020
Assets		
Non-trading financial assets at fair value through profit or loss	1 917	482
Equity instruments	1 755	565
Debt securities	162	(83)
Total assets	**1 917**	**482**

The volume of Level 3 financial assets consists solely of a few positions in illiquid securities and can be allocated to the following three categories:

- Market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).
- Illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.
- Non-SPPI compliant loans.

Unobservable inputs and sensitivity analysis for Level 3 measurements

In case the fair value measurement of a financial asset or liabilities is retrieved from inputs parameters which are not observable in the market, those parameters can be derived from similar market observable parameters or set on an expert opinion.

Range of unobservable valuation parameters used in Level 3 measurements

Financial assets	Type of instrument	Fair value in Eur mil.	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
31.12.2020					
Financial assets at FVTPL	Non-trading equity instruments (participations)	1,7	Published NAV adjusted by assessed impairment value	Repayment dates for the worst and for the current scenario	2021-2028
				risk spreads	50-300bp

Investments in real estate funds with fair value of 1,7 mil. Eur are assessed by adjusting of their NAV (the latest NAV published by the Assets Management company) by the impairment value. The assessment of the impairment value is based on the estimated time of redemption and estimated decline in value under negative scenario.

Sensitivity analysis using reasonably possible alternatives per product type

Eur mil.	31.12.2020 Fair value changes Positive	31.12.2020 Fair value changes Negative
Equity instruments	0,05	-0,03
Income statement	0,05	-0,03
Total	0,05	-0,03
Other comprehensive income	0,05	-0,03

The following ranges of reasonably possible alternatives of the unobservable inputs were considered in the sensitivity analysis of Equity Instruments (investments in real estate funds):

- Change in estimated risk spread by 50bp.
- Prolongation or shortening of estimated redemption time by two years in the worst scenario.

Fair value of financial instruments disclosed in the notes

The following table shows fair values of the financial instruments disclosed in the notes as at 31 December 2020 and 31 December 2019:

EUR ths.	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets			**31.12.2019**					**31.12.2020**		
Cash and cash balances	501 441	501 441	501 441	-	-	1 717 486	1 717 486	1 717 486	-	-
Financial assets at amortised cost	17 362 934	17 830 779	2 848 142	1 128 346	13 854 290	18 285 464	20 233 193	2 673 284	1 474 376	16 085 533
Loans and advances to banks	54	54	-	-	54	49	49	-	-	49
Loans and advances to customers	13 826 416	13 821 101	-	-	13 821 101	14 605 711	16 019 169	-	-	16 019 169
of which: Lending for house purchase	7 968 721	7 966 527	-	-	7 966 527	8 512 258	9 557 547	-	-	9 557 547
of which: Credit for consumption	1 663 998	1 662 093	-	-	1 662 093	1 503 312	1 678 086	-	-	1 678 086
of which: Corporate loans and others	4 193 697	4 192 481	-	-	4 192 481	4 590 141	4 783 536	-	-	4 783 536
Debt securities	3 536 464	4 009 624	2 848 142	1 128 346	33 135	3 679 704	4 213 975	2 673 284	1 474 376	66 315
Finance lease receivables	213 191	210 555	-	-	210 555	241 012	251 748	-	-	251 748
Trade and other receivables	106 693	106 693	-	-	106 693	81 597	81 749	-	-	81 749
Liabilities										
Financial liabilities at amortised cost	16 797 583	17 050 387	501 678	1 516 307	15 032 402	18 709 308	18 883 858	511 497	1 365 149	17 007 212
Deposits from banks	263 287	260 981	-	-	260 981	1 710 255	1 722 498	-	-	1 722 498
Deposits from customers	14 419 106	14 638 095	-	-	14 638 095	14 924 817	15 049 233	-	-	15 049 233
Debt securities in issue	2 070 975	2 107 096	501 678	1 516 307	89 111	2 051 731	2 089 622	511 497	1 365 149	212 976
Other financial liabilities	44 215	44 215	-	-	44 215	22 505	22 505	-	-	22 505

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. Analogical fair valuation method was also applied to all Level 3 assets and liabilities. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PD's used for internal risk calculations. For the calculation of fair value loans and advances were aggregated into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted.

For liabilities without contractual maturities (e.g. demand deposits), the carrying amount represents the minimum of their fair value.

The fair value of securities issued and subordinated liabilities measured at amortised cost is based on market prices or on observable market parameters, where available. Otherwise it is estimated by taking into consideration the actual interest rate environment and they are transferred to Level 3.

The fair value of other liabilities measured at amortised cost is estimated by taking into consideration the actual interest rate environment and own credit spreads and these are allocated to Level 3.

The fair value of off-balance sheet liabilities (i.e. financial guarantees and unused loan commitments) is estimated with the help of regulatory credit conversion factors. The difference between the calculated market value and the notional amount of the hypothetical loan equivalents represents the fair value of these contingent liabilities. In case, when the total market value is higher than the notional amount of the hypothetical loan equivalent, the fair value of contingent liability is reported in negative value. Fair value of financial guarantees and unused loan commitments approximates their carrying value.

Fair value of non-financial assets

The fair values of non-financial assets are determined by experts with recognised and relevant professional qualification.

Property, equipment and other assets

Property, equipment and other assets are measured at fair value on non-recurring basis when their carrying amount is impaired down to fair value less costs to sell.

Fair values of non-financial assets owned by the Bank are based on valuation reports relying essentially on observable market inputs (such as selling price per square meter charged in recent market observable transactions for similar assets). Such measurements are disclosed as Level 2 of the fair value hierarchy. If fair values of non-financial assets result from valuation models using expected future rental income method they are presented in Level 3 of the fair value hierarchy.

For non-financial assets owned by the Bank the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenants and other material factors. Such measurements are presented in Level 3 of the fair value hierarchy.

Investment property

Investment property is measured at fair value on recurring basis.

As at 31 December 2020 the estimated fair value of investment property was in amount of 1,9 mil. Eur (2019: 1,8 mil. Eur). The Bank uses its own model for determining the fair value of investment property, which is based on discounting future rental income decreased by direct operating expenses. Future rental income was determined using market rental rates for buildings with similar conditions and location. Such measurements are presented in Level 3 of the fair value hierarchy.

34. Current and non-current assets and liabilities

The classification of assets, liabilities and equity to current (due within 1 year) and non-current (due over 1 year) based on their expected maturity is shown in the following table:

EUR ths.	< 1 year	> 1 year	< 1 year	> 1 year
	31.12.2019		31.12.2020	
Assets				
Cash and cash balances	501 441	-	1 717 486	-
Financial assets held for trading	1 603	39 820	2 084	57 910
Derivatives	1 603	39 820	2 084	57 910
Non-trading financial assets at fair value through profit or loss	-	10 550	-	15 287
Equity instruments	-	7 375	-	7 547
Debt securities	-	3 175	-	7 740
Financial assets at fair value through other comprehensive income	-	89 262	-	-
Equity instruments	-	89 262	-	-
Financial assets at amortised cost	2 165 306	15 197 628	2 114 337	16 171 127
Debt securities	373 424	3 163 040	159 354	3 520 350
Loans and advances to banks	54	-	49	-
Loans and advances to customers	1 791 828	12 034 588	1 954 934	12 650 777
Finance lease receivables	55 506	157 685	67 297	173 715
Hedge accounting derivatives	-	23 020	-	34 345
Property, plant, equipment	-	128 344	-	119 345
Investment properties	-	1 828	-	1 898
Intangible assets	-	23 739	-	18 947
Investments in subsidiaries and associates	-	47 896	-	75 753
Current tax assets	-	-	-	-
Deferred tax assets	-	44 146	-	75 666
Trade and other receivables	106 693	-	81 597	-
Other assets	-	33 286	-	20 947
Total	**2 830 549**	**15 797 204**	**3 982 801**	**16 764 940**

EUR ths.	< 1 year	> 1 year	< 1 year	> 1 year
	31.12.2019		31.12.2020	
Liabilities				
Financial liabilities held for trading	1 838	34 182	1 938	54 586
Derivatives	1 838	34 182	1 938	54 586
Financial liabilities at amortised costs	14 704 386	2 093 197	15 241 687	3 467 621
Deposits from banks	77 458	185 829	32 664	1 677 591
Deposits from customers	14 362 080	57 026	14 886 802	38 015
Debt securities in issue	220 633	1 850 342	299 716	1 752 015
Other financial liabilities	44 215	-	22 505	-
Lease liabilities	12 503	32 200	13 057	26 821
Hedge accounting derivatives	-	48 041	2 320	46 053
Provisions	11 568	5 946	18 663	13 173
Current tax liabilities	2 076	-	21 908	-
Other Liabilities	101 190	-	79 910	-
Total	**14 833 561**	**2 213 566**	**15 379 483**	**3 608 254**

The following table details the Bank's non-derivative financial liabilities based on their remaining contractual maturity (calculated as undiscounted cash flows):

31.12.2020 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Financial liabilities at amortised costs	14 178 794	333 353	733 960	2 848 124	667 874	18 762 105
Deposits from banks	4 397	3 144	25 161	1 644 829	45 734	1 723 265
Deposits from customers	14 151 785	249 099	486 113	38 036	-	14 925 033
Debt securities issued	107	81 110	222 686	1 165 259	622 140	2 091 302
Other financial liabilities	22 505	-	-	-	-	22 505
Lease liabilities	1 012	1 944	10 101	26 129	692	39 878
Guarantees provided	377 184	-	-	-	-	377 184
Guarantees from letter of credit	637	1 463	2 815	1 622	-	6 537
Loan commitments and undrawn loans	1 577 565	-	-	-	-	1 577 565
Total	**15 762 372**	**367 983**	**865 343**	**3 083 696**	**683 875**	**20 763 269**

31.12.2019 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Financial liabilities at amortised costs	13 475 333	399 830	835 216	1 091 892	1 063 286	16 865 557
Deposits from banks	40 071	18 148	19 270	135 257	52 461	265 207
Deposits from customers	13 388 696	373 812	600 357	56 820	69	14 419 754
Debt securities issued	2 351	7 870	215 589	899 815	1 010 756	2 136 381
Other financial liabilities	44 215	-	-	-	-	44 215
Lease liabilities	773	1 954	9 776	30 928	1 272	44 703
Guarantees provided	399 866	-	-	-	-	399 866
Guarantees from letter of credit	956	3 085	461	-	-	4 502
Loan commitments and undrawn loans	1 420 923	-	-	-	-	1 420 923
Total	**14 904 711**	**441 644**	**1 016 752**	**1 291 298**	**1 081 146**	**18 735 551**

The following table details the Bank's derivative financial liabilities based on their remaining contractual maturity (calculated as undiscounted cash flows):

31.12.2020 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Derivatives held for tradeing	79 523	32 278	24 509	89 257	118	225 685
Hedge accounting derivatives	2 625	3 517	7 497	39 883	13 970	67 492
Total	**82 148**	**35 795**	**32 006**	**129 140**	**14 088**	**293 177**

31.12.2019 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Derivatives held for tradeing	110 642	13 778	12 616	43 516	51 100	231 652
Hedge accounting derivatives	2 625	3 494	7 508	46 305	21 070	81 002
Total	**113 267**	**17 272**	**20 124**	**89 821**	**72 170**	**312 654**

35. Own funds and capital requirements

Regulatory scope of application

Hereby Slovenská sporiteľňa, a.s. fulfills the disclosure requirements according to the Capital Requirements Regulation issued by European Parliament and Council (EU) no.575/2013 (CRR) and Articles 437 (1) (a), (d) and (e) CRR.

Regulatory requirements

Since 1 January 2014 the Bank has been calculating the regulatory capital and the regulatory capital requirements according to Basel 3. The requirements were implemented within the EU by the Capital Requirements Regulation no. 575/2013 (CRR) and the Capital Requirement Directive no. 36/2013 (CRD IV) that were enacted in national legislation, as well as within various technical standards issued by the European Banking Authority (EBA).

All requirements as defined in the CRR and the aforementioned technical standards are fully applied by the Bank for regulatory purposes and for the disclosure of regulatory information.

The Bank fulfilled all regulatory capital requirements in both years 2020 and 2019 consisting from Pillar 1 requirement, Pillar 2 requirement and combined buffer requirement.

Accounting principles

The financial and regulatory figures published by the Bank are based on IFRS regulatory capital components. Eligible capital components derive from the balance sheet and income statement which were prepared in accordance with IFRS. Adjustments to the accounting figures are considered due to the different definitions in the scopes of consolidation for items where the regulatory treatment is not equal to the accounting requirements.

The unified reporting date of the individual financial statements and individual regulatory figures of the Bank is 31 December of each respective year.

Own funds

Own funds of an institution according to CRR consist of the sum of the Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital of the institution. To assess the capital adequacy, each Tier of the capital after applying all prudential filters and deductions is expressed as a percentage of the total risk exposure amount.

The following table shows the structure of own funds according to implementing technical standards with regard to disclosure of own funds requirements for institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (the positions not relevant for the Bank were excluded):

EUR ths.	Article pursuant to CRR	31.12.2019	31.12.2020
Common equity tier 1 capital (CET1)			
Capital instruments eligible as CET1	26 (1) (a) (b), 27 to 30, 36 (1) (f), 42	212 000	212 000
Own CET1 instruments	36 (1) (f), 42	-	-
Retained earnings	26 (1) (c), 26 (2)	979 119	1 131 950
Interim profit	26 (2)	-	-
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	65 072	(1 692)
Minority interest recognised in CET1	4 (1) (120) 84	-	-
Transitional adjustments due to additional minority interests	479, 480	-	-
Prudential filter: cash flow hedge reserve	33 (1) (a)	-	-
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	-	-
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	116	(630)
Value adjustments due to the requirements for prudent valuation	34, 105	(3 105)	(3 441)
Goodwill	4 (1) (113), 36 (1) (b), 37	-	-
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	(23 739)	(18 947)
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	36 (1) (c), 38	(175)	-
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	(20 598)	-
Development of unaudited risk provisions during the year (EU No 183/2014)		(42 723)	(107 939)
Excess of deduction from AT1 items over AT1	36 (1) (j)	-	-
Common equity tier 1 capital (CET1)	**50**	**1 165 968**	**1 211 300**
Additional tier 1 capital (AT1)			
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a), 57	150 000	300 000
Own AT1 instruments	52 (1) (b), 56 (a), 57	-	-
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	-	-
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484 to 487, 489, 491	-	-
AT1 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 56 (d), 59, 79	-	-
Excess of deduction from T2 items over T2	36 (1) (j)	-	-
Additional tier 1 capital (AT1)	**61**	**150 000**	**300 000**
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**1 315 968**	**1 511 300**

Table continues on the following page.

continued EUR ths.	Article pursuant to CRR	31.12.2019	31.12.2020
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**1 315 968**	**1 511 300**
Tier 2 capital (T2)			
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	33 741	25 699
Own T2 instruments	63 (b) (i), 66 (a), 67	-	-
Instruments issued by subsidiaries recognised in T2	87, 88	-	-
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	-	-
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	-	-
IRB excess of provisions over expected losses eligible	62 (d)	42 996	45 527
Standardised approach general credit risk adjustments	62 (c)	-	-
Other transitional adjustments to T2	476, 477, 478, 481	-	-
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	(5 255)	(5 248)
Tier 2 capital (T2)	**71**	**71 482**	**65 978**
Total own funds	**4 (1) (118) and 72**	**1 387 450**	**1 577 279**
Capital requirement	**92 (3), 95, 96, 98**	**662 878**	**691 094**
CET1 capital ratio	**92 (2) (a)**	**14.07%**	**14.02%**
Tier 1 capital ratio	**92 (2) (b)**	**15.88%**	**17.49%**
Total capital ratio	**92 (2) (c)**	**16.74%**	**18.26%**

The Following table shows risk exposure amounts reflecting the structure according to Regulation (EU) No 575/2013:

EUR ths.	Article pursuant to CRR	Total risk	Capital requirement	Total risk	Capital requirement
Total Risk Exposure Amount	**92 (3), 95, 96, 98**	**8 285 977**	**662 878**	**8 638 668**	**691 094**
Risk weighted assets (credit risk)	92 (3) (a) (f)	7 379 595	590 367	7 768 331	621 467
Standardised approach		213 659	17 093	180 445	14 436
IRB approach		7 165 936	573 274	7 587 886	607 031
Settlement Risk	92 (3) (c) (ii), 92 (4) (b)	-	-	-	-
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) and (c) (i) and (iii), 92 (4) (b)	983	79	389	31
Operational Risk	92 (3) (e), 92 (4) (b)	879 878	70 390	845 439	67 635
Exposure for CVA	92 (3) (d)	25 521	2 042	24 509	1 961
Other exposure amounts incl. Basel 1 floor	3, 458, 459, 500	-	-	-	-

The Bank uses AMA model for calculation of RWA and capital requirements arising from operational risk. The calculation is performed on ERSTE Group level.

36. Events after the reporting period

From 31 December 2020 until the date of issue of these separate financial statements, no events have been identified that would require adjustment or recognition.

These separate financial statements were signed and authorised for issue by the Board of Directors of the Bank on 16 February 2021.

Ing. Peter Krutil
Chairman of the Board of Directors
and Chief Executive Officer

Ing. Pavel Cetkovský
Member of the Board of Directors
and Deputy of Chief Executive Officer