INFORMATORY ENGLISH LANGUAGE TRANSLATION

BASE PROSPECTUS

Slovenská sporiteľňa, a.s.

(established as a joint stock company in the Slovak Republic, ID No.: 00 151 653)

EUR 5,000,000,000

Debt Securities Issuance Programme

On 26 June 2018, Slovenská sporiteľňa, a.s. (the **Issuer**) has approved a debt securities issuance programme (in Slovak: *ponukový program dlhopisov*) of up to EUR 5,000,000,000 (the **Programme**) under which it may continuously or repeatedly issue (i) unsubordinated and unsecured notes (the **Senior Notes**), (ii) covered notes (in Slovak: *kryté dlhopisy*) (the **Covered Notes**) and (iii) subordinated notes (in Slovak: *podriadené dlhopisy*) (the **Subordinated Notes**) (jointly the **Notes**). The Notes shall in any case be issued in accordance with the laws of the Slovak Republic, in particular Act No. 530/1990 Coll. on Bonds, as amended (the **Bonds Act**), Act No. 566/2001 Coll. on Securities and Investment Services and on Amendment of Certain Other Acts (the Securities Act), as amended (the **Securities Act**) and, in case of the Covered Notes, Act No. 483/2001 Coll. on Banks and on Amendment of Certain Other Acts, as amended (the **Act on Banks**).

This document prepared by the Issuer constitutes a base prospectus (in Slovak: *základný prospekt*) (the **Prospectus**) for the Notes issued under the Programme and has been prepared pursuant to Section 121(5)(a) of the Securities Act implementing Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as amended (the **Prospectus Directive**) and pursuant to Schedules V, XI, XIII, XX and XXII of Commission Regulation (EC) No. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by the reference and publication of such prospectuses and the dissemination of advertisements, as amended (the **Regulation**). The Prospectus was approved by the National Bank of Slovakia (the **NBS**) as the competent authority of the Slovak Republic for the purposes of the Prospectus Directive. The Issuer will request the NBS to notify the Austrian Financial Market Authority (*Finanzmarktaufsichtsbehörde*) (the **FMA**) concerning the approval of this Prospectus. The Prospectus is subject to subsequent publication pursuant to Section 125a of the Securities Act. The Prospectus is valid for one year from its approval by the NBS provided that it is updated pursuant to the Securities Act. The term of the Programme is five years from the date of its approval by the Issuer's Board of Directors.

The aggregate principal amount of all outstanding Notes issued under the Programme may not at any time exceed EUR 5,000,000,000 (or its equivalent in a foreign currency). The minimum maturity of any Notes issued under the Programme is 12 months (inclusive). No maximum maturity has been determined.

Pursuant to Section 121(10) and Section 125a of the Securities Act, the final terms (in Slovak: *konečné podmienky*) prepared by the Issuer with regard to a particular issue of the Notes under the Programme (the **Final Terms**) will be submitted to the NBS and published no later than on the date of commencement of the public offer or trading in the Notes on a regulated market as the case may be. This also applies to the issues of the Notes offered without the obligation to make the prospectus public pursuant to Section 120 (3) of the Securities Act. The Final Terms will also include such information of the issue of the Notes which is unknown at the moment of the preparation of the Prospectus or stated in the Prospectus in several alternatives.

The Issuer may apply for admission of certain tranches of the Notes for trading on the regulated market of Burza cenných papierov v Bratislave, a.s. (**BSSE**) in compliance with the respective legal regulations of the Slovak Republic and the rules of BSSE and/or the regulated market (*Amtlicher Handel*) of the Vienna Stock Exchange (*Wiener Börse AG*) (**VSE**).

Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, such credit rating will be specified in the relevant Final Terms. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning credit rating agency. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the **CRA Regulation**) will be disclosed in the relevant Final Terms. The European Securities and Markets Authority (the **ESMA**) is obliged to maintain on its website a list of credit rating agencies registered and certified in accordance with the CRA Regulation.

Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Prospectus. This Prospectus does not describe all of the risks of an investment in the Notes, but the Issuer believes that all material risks relating to an investment in the Notes have been described.

The date of this Prospectus is 25 July 2018.

Arranger	*Dealer*
Erste Group Bank AG	**Slovenská sporiteľňa, a.s.**

TABLE OF CONTENTS

1. SUMMARY OF THE PROSPECTUS

*The below summary of the Prospectus (the **Summary of the Prospectus**) complies with the requirements of the Prospectus Directive and the Regulation, including the content requirements set out in Annex XXII of the Regulation. The Summary of the Prospectus consists of the individual required parts known as the Elements. These Elements are numbered in Parts A – E (A.1 – E.7).*

This Summary of the Prospectus contains all of the Elements required to be incorporated in the Summary of the Prospectus for the given type of securities and the Issuer. As some Elements are not required to be included, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the Summary of the Prospectus with regard to the given type of securities and the Issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the Summary of the Prospectus with the note "Not applicable".

The Summary of the Prospectus contains some information given in square brackets that do not include specific information regarding the Notes that will be issued under the Programme or which contain only a general description (or their general principles or alternatives). The Summary of the Issue prepared in compliance with Article 24(3) of the Regulation will contain the information regarding a particular issue of the Notes which will be determined and inserted in the relevant Final Terms and which had been left blank (in square brackets) in the section of the Prospectus designed as the Form of Final Terms.

The Issuer will prepare a Summary of the Issue if (i) it is obliged to do so pursuant to the applicable Slovak legal regulations; or (ii) if the Notes are offered in another Member State of the European Union, and it is obliged to do so pursuant to the applicable national legislation of the relevant Member State of the European Union which has transposed the Prospectus Directive. If the Issuer is not obliged to prepare a Summary of the Issue with regard to a particular issue of the Notes, it reserves the right to do so at its own discretion.

A. Introduction and Notices

A.1	Notice	This Summary of the Prospectus (the **Summary of the Prospectus**) contains key information regarding Slovenská sporiteľňa, a.s., with its registered office at Tomášikova 48, 832 37 Bratislava, Slovak Republic, ID No.: 00 151 653 (the **Issuer**) and the securities issued by it and should be read as an introduction to the base prospectus (the **Prospectus**) of the EUR 5,000,000,000 debt securities issuance programme (the **Programme**). The Summary of the Prospectus does not contain all of the information required to make a decision to invest in the Notes and each decision by a prospective investor to invest in the Notes should be based on its consideration of the Prospectus as a whole, including the final terms and its supplements, if any. If a claim regarding the information contained herein is brought before a court, the plaintiff investor may have to bear the costs related to the translation of the Prospectus before the legal proceedings are initiated. Only those persons who have submitted the Summary of the Prospectus, including any translation thereof (provided that such translation has been prepared by the Issuer), have civil liability, but only if this Summary of the Prospectus is misleading, inaccurate or inconsistent with other parts of the Prospectus, or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such Notes.
A.2	Consent by the Issuer to the use of the Prospectus by financial intermediaries	Not applicable. The Issuer has not given any consent to any financial intermediaries to use the Prospectus for the subsequent resale or final placement of the Notes. The Issuer may use financial intermediaries for the final placement of the Notes in the Slovak Republic as well as in other Member States of the European Union, but always only in one or several manners defined in the relevant national legislation which transposes Article 3 (2) of the

		Prospectus Directive and which are exempt from the obligation to publish a prospectus.

B. Issuer

B.1	Official and business name of the Issuer	Slovenská sporiteľňa, a.s.
B.2	The domicile and legal form of the Issuer, the legal regulations under which the Issuer conducts its business activities and its country of incorporation	The Issuer is a joint stock company with its incorporated and domiciled in the Slovak Republic. The Issuer conducts its business activities under Slovak law, mainly Act No. 483/2001 Coll. on Banks and on Amendment of Certain Other Acts, as amended (the **Act on Banks**) and Act No. 513/1991 Coll., the Commercial Code, as amended (the **Commercial Code**). The Issuer has its registered office at Tomášikova 48, 832 37 Bratislava, Slovak Republic and ID No. 00 151 653.
B.4b	Any known trends affecting the Issuer and the industries in which it operates	Macroeconomic conditions, market environment, as well as legislation and regulation applicable to all financial institutions in the Slovak Republic and the Eurozone have an impact on the Issuer and its business. There are no other known trends, uncertainties, requirements, liabilities or events that could reasonably be considered to have an impact on the Issuer's prospects in the current financial year.
B.5	Description of the group and the Issuer's position within such group	The Issuer is part of the Erste Group which is one of the largest and most important bank groups focusing on retail and corporate clients in Central and Eastern Europe. The Erste Group consists of Erste Group Bank AG (the parent company) and its individual subsidiaries included in the consolidation of the Erste Group Bank AG according to its direct or indirect share in them. The most significant members of the Erste Group are bank institutions in the countries of Central and Eastern Europe, i.e., Austria, Czech Republic, Slovak Republic, Romania, Hungary, Croatia, Serbia as well as the group of Austrian savings banks. The Issuer has been a member of the Erste Group since 2001. The parent company of the Issuer is Erste Group Bank AG, with its registered office at Am Belvedere 1, 1110 Vienna, Republic of Austria, FN 33209m (sometimes also indicated as Erste Holding) and holds a 100.00% share in the registered capital and the voting rights of the Issuer.

Name	Country	Direct Share of Erste Group Bank AG
Erste Bank der oesterreichischen Sparkassen AG	Austria	100.00%
Česká spořitelna, a.s.	Czech Republic	98.97%
Slovenská sporiteľňa, a.s.	Slovakia	100.00%
Banca Comercială Română S.A.	Romania	93.58%
Erste Bank Hungary Zrt.	Hungary	70.00%
Erste & Steiermärkische Bank d. d.	Croatia	59.02%
Erste Bank a. d. Novi Sad	Serbia	74.00%

The selected companies with a significant direct and indirect share of the Issuer as at 31 March 2018:

Entity	Registered capital (in EUR)	Issuer's share
Procurement Services SK, s.r.o.	6,500.00	51.00%
Prvá stavebná sporiteľňa, a. s.	66,500,000.00	9.98%

Slovak Banking Credit Bureau, s.r.o.	9,958.17	33.33%
Holding Card Service s.r.o. (in CZK)	772,584,000.00	24.62%
Služby SLSP, s. r. o.	5,000.00	100.00%
Realitná spoločnosť SLSP (indirect share)	29,672.00	100.00%
LANED a.s. (indirect share)	11,520,390.00	100.00%

The Issuer’s share is equal to its voting rights, except that the share in the voting rights in Prvá stavebná sporiteľňa, a. s. represents 35.00% pursuant to the shareholders’ agreement with Erste Group Bank AG.

B.9	Profit forecast or estimate	Not applicable. No profit forecast or estimate has been prepared or published by the Issuer.
B.10	Auditor’s qualifications	Not applicable. No qualifications have been made by the auditor in the auditor’s report on the historical key financial information.
B.12	Selected historical key financial information	The following historical financial information has been taken from the relevant published audited consolidated or unaudited separate financial statements of the Issuer for the relevant periods.

Audited consolidated statement of financial position prepared in accordance with the IFRS (in thousands of EUR)	**2017**	**2016**
ASSETS		
Financial assets – held to maturity	2,644,402	2,640,662
Loans and receivables to customers	11,719,733	10,250,469
Total assets	**16,343,112**	**14,825,374**
LIABILITIES AND EQUITY		
Deposit from customers	12,477,892	11,384,309
Debt securities issued	1,567,216	1,317,407
Total equity	**1,535,671**	**1,562,104**
Total liabilities and equity	**16,343,112**	**14,825,374**

Audited consolidated statement of profit and loss prepared in accordance with the IFRS (in thousands of EUR)	**2017**	**2016**
Net interest income	439,290	461,625
Net fee and commission income	112,708	121,717
Pre-tax result from continuing operations	**216,559**	**285,947**
Taxes on income	(52,660)	(71,381)
Net result for the period	**163,899**	**214,566**

Unaudited separate statement of financial position prepared in accordance with IAS 34 (in thousands of EUR)	**31.3.2018**	**31.12.2017**
ASSETS		
Financial assets held to maturity(1)	x	2,644,402
Loans and receivables to customers(1)	x	11,758,950
Debt securities(2)	3,538,631	x
Loans and advances to customers(2)	11,977,840	x
Total assets	**16,644,933**	**16,314,743**
LIABILITIES AND EQUITY		
Deposits from customers	13,090,379	12,481,221
Debt securities in issue	1,440,318	1,567,216
Total equity	**1,345,876**	**1,504,546**
Total liabilities and equity	**16,644,933**	**16,314,743**

Note:

(1) International Accounting Standard (IAS) 39
(2) International Financial Reporting Standards (IFRS) 9

		Unaudited separate statement of profit and loss prepared in accordance with IAS 34 (in thousands of EUR) — **31.3.2018** / **31.3.2017** Net interest income: 108,819 / 109,520 Net fee and commission income: 26,719 / 26,507 **Pre-tax profit**: **51,521** / **51,904** Taxes on income: (11,604) / (12,312) **Net result for the period**: **39,917** / **39,592**
	Statement with regard to no material adverse change in the prospects of the Issuer or a description of any material adverse change	The Issuer states that there has been no material adverse change in the prospects of the Issuer or any material adverse change in the financial situation or prospects of the Issuer since the date of its last published audited consolidated financial statements or since the date of its last published unaudited separate financial statement.
	Description of significant changes in the financial or business position subsequent to the period covered by the financial information	The General Meeting of the Issuer held on 27 March 2018 approved the after tax business results of EUR 162,055,871.05 and decided to pay a dividend to the shareholder in the amount of EUR 142,838,077.50. Otherwise, there has been no significant change in the Issuer's financial or business position after the period covered by the historical financial information.
B.13	Description of any recent events specific for the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency	Not applicable. The Issuer is not aware of any recent specific events which are to a material extent relevant to the evaluation of its solvency.
B.14	Any dependence on other entities within the group	The Issuer is dependent on Erste Group Bank AG. This dependence is the result of the direct 100% shareholding and control exercised by Erste Group Bank AG over the Issuer.
B.15	Principal business activities of the Issuer	The Issuer is a Slovak bank providing banking and investment services to retail and corporate clients. The principal products and services offered by the Issuer to its clients include mainly mortgage loans, consumer loans, investment loans, current accounts, term deposits and also electronic banking services.
B.16	Shareholder of the Issuer	The Issuer's sole shareholder is Erste Group Bank AG, with its registered office at Am Belvedere 1, 1110 Vienna, Republic of Austria, FN 33209m, registered in the Commercial Register of the Commercial Court in Vienna which holds a 100% share in the registered capital and voting rights of the Issuer.
B.17	Credit ratings assigned to the Issuer, respectively its debt securities on request or on the basis of the Issuer's cooperation in the rating process	Credit ratings assigned to the Issuer: Moody's Investors Service: Long-term local and foreign currency deposit ratings A2, Short-term local and foreign currency deposit ratings P-1, Counterparty Risk (long-term/short term) Assessments A1/P-1, Baseline Credit Assessment/Adjusted Baseline Credit Assessment baa2/baa1, stable outlook. Fitch Ratings: Long-term rating A-, Short-term rating F1, Support rating 1, Viability rating bbb+, stable outlook. Credit rating assigned to the Notes: [**Credit Rating assigned to the Notes** – [The Notes are not rated.] *or*

		[**Credit Rating**]]

C. Securities

C.1	Type and form and name of the security, ISIN	The Notes are bonds (in Slovak: *dlhopisy*) of the type: [**Type of Notes –** [unsubordinated and unsecured notes (the **Senior Notes**)] *or* [Covered Notes] *or* [Subordinated Notes]] in bearer book entry form (in Slovak: *zaknihované cenné papiere na doručiteľa*) registered in [**Depository**], [**Name**], [**ISIN**].
C.2	Currency	[**Currency**]
C.5	Description of any restrictions on the free transferability of the Notes	Not applicable. The Notes are freely transferable.
C.8	Description of rights attached to the Notes, restrictions on these rights, ranking classification	The rights arising from the terms and conditions of the Notes and applicable legal regulations, mainly the Bonds Act, and in case of the Covered Notes, also from the Act on Banks are attached to the Notes. These rights are not restricted, save as provided in applicable law with regard to the rights of all creditors in general and their exercise is regulated by the terms and conditions of the Notes and the applicable legal regulations. No right to exchange the Notes for any other securities and no pre-emption rights (rights for preferential subscription) to any securities and no other benefits are attached to the Notes. [Obligations from the Senior Notes constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer which rank *pari passu* among themselves and always rank at least *pari passu* with any other direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer, present and future, save for those obligations of the Issuer as may be stipulated by mandatory provisions of law.] [Obligations from the Covered Notes constitute direct, general, secured, unconditional and unsubordinated obligations of the Issuer which rank *pari passu* among themselves and always rank at least *pari passu* with any other direct, general, similarly secured, unconditional and unsubordinated obligations of the Issuer, present and future, save for those obligations of the Issuer as may be stipulated by mandatory provisions of law.] [Obligations from the Subordinated Notes constitute direct, general, unsecured, unconditional and subordinated obligations of the Issuer which rank *pari passu* among themselves and always rank at least *pari passu* with any other direct, general, unsecured, unconditional and equally subordinated obligations of the Issuer, present and future, save for those obligations of the Issuer as may be stipulated by mandatory provisions of law.]
C.9	Interest rate, maturity, joint representatives	Interest on the Notes is determined: [**Determination of interest –** *(selection of options)* *(A)* *for* ***the Notes without payment of interest income (zero coupon)****, it must be stated:* [The Notes have no interest rate and their interest is determined as the difference between the Principal Amount of the Notes and their Issue Price.]; *(B)* *for* ***the Notes with a fixed interest rate without changing it to the Principal Amount Maturity Date or to the Early Maturity Date,*** *it must be stated:* [The Notes bear a fixed interest rate throughout their life, in the

			amount of [**Rate**]% p. a. (the **Interest Rate**).];
		(C)	*for* ***the Notes where the interest rate may increase or decrease****, it must be stated:*
			[The Notes bear a fixed Interest Rate the value of which over time is [[increasing]/[decreasing]], as follows [**Rate** – add appropriate dates or periods and add individual Interest Rates in % p. a. in the format "from [***insert date***] (including) to [***insert date***] (excluding) with interest income [***amount of adjusted interest income***]% p. a.", with the text in this format being specified for each relevant period in which the fixed Interest Rate is to be increased/decreased.
			The term "**Interest Rate**" refers to the interest income in % p. a. applicable over the relevant period.
			[[The current Interest Rate shall be notified by the Issuer to the Stock Exchange immediately.] *or* [The current Interest Rate shall be notified by the Issuer to the Holders immediately.]]];
		(D)	*for* ***the Notes with a fixed interest rate that is to be changed to a different fixed interest rate****, it must be stated:*
			[The Notes bear fixed interest rate of [**First Rate**]% p. a. until [**Interest Rate Change Date**] (the **Interest Rate Change Date**) (the **First Interest Rate**) during each Interest Period.
			From the Interest Rate Change Date until the Principal Amount Maturity Date or the Early Maturity Date, the Notes will during each Interest Period bear interest at a fixed interest rate determined as the [[sum]/[difference]] of the Reference Rate and the Margin of [**Reference Rate and Margin**]% p. a. [*and if the interest rate so determined is still to be multiplied by the factor, include the following text:* ", and the result of this difference will still be multiplied by the factor [**Factor Numerical Value**]"] (the **Second Interest Rate**).
			The term "**Interest Rate**" refers to the First Interest Rate and/or the Second Interest Rate in % p. a. applicable over the relevant period. The Reference Rate will be set only once at [**Reference Rate Setting Deadline**] before the Interest Rate Change Date and will be applicable during the following Interest Periods (the **Reference Rate Setting Date**).
			[[The amount of the Second Interest Rate shall be notified by the Issuer to the Stock Exchange immediately.] *or* [The amount of the Second Interest Rate shall be notified by the Issuer to the Holders immediately.]]];
		(E)	*for* ***the Notes with a fixed interest rate that will be changed to a floating interest rate****, as well as for* ***the Notes with target redemption with a fixed interest rate that will be changed to a floating interest rate****, it must be stated:*
			[The Notes bear fixed interest rate of [**First Rate**]% p. a. until [**Interest Rate Change Date**] (the **Interest Rate Change Date**) (the **First Interest Rate**) during each Interest Period.
			From the Interest Rate Change Date until the Principal Amount Maturity Date or the Early Maturity Date, the Notes will during each Interest Period bear interest at an interest rate determined as the [[sum]/[difference]] of the Reference Rate and the Margin of [**Reference Rate and Margin**]% p. a. [*and if the interest rate so determined is still to be multiplied by the factor, include the*

following text: ",and the result of this difference will still be multiplied by the factor [**Factor Numerical Value**]"] (the **Second Interest Rate**).

The term "**Interest Rate**" refers to the First Interest Rate and/or the Second Interest Rate in % p. a. applicable over the relevant period. The Reference Rate will be set for the first time [**Reference Rate Setting Deadline**] before the Interest Rate Change Date and subsequently set [**Reference Rate Setting Deadline**] before the applicable Payment Date for the following Interest Period (the **Reference Rate Setting Date**).

[[The current Second Interest Rate for the relevant Interest Period shall be immediately notified by the Issuer to the Stock Exchange.] *or* [The current Second Interest Rate for the relevant Interest Period shall be notified by the Issuer to the Holders.]];

and further for the Notes under this paragraph (E):

- *in case of* ***the Notes where, in case of the Second Interest Rate, the amount of the Margin may vary****, it must be stated:*

  [The Margin is set as follows: [**Margin** – *add relevant dates or periods and add individual Margins in % p. a. in the format* "from [***insert date***] (including) to [***insert date***] (excluding) the amount of Margin of [**Amount of Margin**]% p. a.", *the text in this format being specified for each relevant period in which the amount of the Margin is to be changed*]. The term "**Margin**" collectively denotes the margin in % p. a. applicable during the relevant period.]

- *in case of* ***the Notes for which the Second Interest Rate is to be set using the minimum interest rate****, it must be stated:*

  [If, for any Interest Period following the Interest Rate Change Date, the Second Interest Rate determined in accordance with the preceding provisions is less than [**Floor Rate**]% p. a., the Notes will bear interest of [**Floor Rate**]% p. a. (the **Floor Interest Rate**) for the given Interest Period. If the Floor Interest Rate is applied in accordance with the previous sentence, the term **Interest Rate** is to be interpreted as the Floor Interest Rate for the given Interest Period.]

- *in case of* ***the Notes for which the Second Interest Rate is to be set using the maximum interest rate,*** *it must be stated:*

  [If, for any Interest Period following the Interest Rate Change Date, the Second Interest Rate determined in accordance with the preceding provisions is higher than [**Cap Rate**]% p. a., the Notes will bear interest of [**Cap Rate**]% p. a. (the **Cap Interest Rate**) for the given Interest Period. If the Cap Interest Rate is applied in accordance with the previous sentence, the term **Interest Rate** is to be interpreted as the Cap Interest Rate for the given Interest Period.]

- *for* ***the Notes with target redemption****, it must be stated:*

  [*in case of the unguaranteed Target Interest Amount, it must be stated:* The Target Interest Amount for the

		whole period until the Principal Amount Maturity Date is neither specified nor guaranteed.] *or* [*in case of the guaranteed Target Interest Amount, it must be stated*: The minimum amount of interest on each Note due for the whole period from the Interest Rate Change Date to the Principal Amount Maturity Date or to the Early Maturity Date is equal to the difference of (a) [**Target Interest Amount**] and (b) the sum of all interest payments paid on one Note for all previous Interest Periods.] *and* [*in case of the Total Interest Ceiling it must be stated:* The maximum amount of interest on each Note is equal to the difference of (a) [**Target Interest Amount**]; and (b) the sum of all interest paid for all previous Interest Periods (the **Total Interest Ceiling**). The Issuer is under no obligation to pay any further interest exceeding the Total Interest Ceiling for the last variable Interest Period.] *or,* [*if Total Interest Ceiling is not stated, it must be stated:* The variable amount of interest for the last variable Interest Period is also payable in full if the sum of all interest paid for all previous Interest Periods exceeds the Target Interest Amount.]]; *(F)* *for* ***the Notes with a fixed interest rate that is to be changed to a reversed floating interest rate****, it must be stated:* [The Notes bear fixed interest rate of [**First Rate**]% p. a. until [**Interest Rate Change Date**] (the **Interest Rate Change Date**) (the **First Interest Rate**) during each Interest Period. From the Interest Rate Change Date until the Principal Amount Maturity Date or the Early Maturity Date, the Notes will during each Interest Period bear interest at an interest rate determined as the difference between (i) [**Second Rate**] in % p. a. and (ii) the Reference rate [**Reference rate**]% p. a. [*and if the interest rate so determined is still to be multiplied by the factor, include the following text:* ",and the result of this difference will still be multiplied by the factor [**Factor Numerical Value**]"] (the **Second Interest Rate**). The term **Interest Rate** refers to the First Interest Rate and/or the Second Interest Rate in % p. a. applicable over the relevant period. The Reference Rate will be set for the first time [**Reference Rate Setting Deadline**] before the Interest Rate Change Date and subsequently set [**Reference Rate Setting Deadline**] before the applicable Payment Date for the following Interest Period (the **Reference Rate Setting Date**). [[The current Second Interest Rate for the relevant Interest Period shall be immediately notified by the Issuer to the Stock Exchange.] *or* [The current Second Interest Rate for the relevant Interest Period shall be notified by the Issuer to the Holders immediately.]]; *and further for the Notes under this paragraph (F):* • *in case of* ***the Notes for which the Second Interest Rate is to be set using the minimum interest rate*** *it must be stated:* [If, for any Interest Period following the Interest Rate Change Date, the Second Interest Rate determined in

		accordance with the preceding provisions is less than [**Floor Rate**]% p. a., the Notes will bear interest of [**Floor Rate**]% p. a. (the **Floor Interest Rate**). If the Floor Interest Rate is applied in accordance with the previous sentence, the term "**Interest Rate**" is to be interpreted as the Floor Interest Rate.] • *in case of **the Notes for which the Second Interest Rate is to be set using the maximum interest rate** it must be stated:* [If, for any Interest Period following the Interest Rate Change Date, the Second Interest Rate determined in accordance with the preceding provisions is higher than [**Cap Rate**]% p. a., the Notes will bear interest of [**Cap Rate**]% p. a. (the **Cap Interest Rate**) for the given Interest Period. If the Cap Interest Rate is applied in accordance with the previous sentence, the term "**Interest Rate**" is to be interpreted as the Cap Interest Rate for the given Interest Period.]]; *(G)* *for **the Notes with a fixed interest rate that is to be changed to a spread floating interest rate**, as well as for **the Notes with target redemption with a fixed interest rate that is to be changed to a spread floating interest rate**, it must be stated:* [The Notes bear fixed interest rate of [**First Rate**]% p. a. until [**Interest Rate Change Date**] (the **Interest Rate Change Date**) (the **First Interest Rate**) during each Interest Period. From the Interest Rate Change Date until the Principal Amount Maturity Date or the Early Maturity Date, the Notes will during each Interest Period bear interest at an interest rate determined as the difference between (i) Floating Interest Rate 1 (as defined below) and (ii Floating Interest Rate 2 (as defined below) [*and if the interest rate so determined is still to be multiplied by the factor, include the following text:* ", and the result of this difference will still be multiplied by the factor [**Factor Numerical Value**]"] (the **Second Interest Rate**). The term "**Interest Rate**" refers to the First Interest Rate and/or the Second Interest Rate in % p. a. applicable over the relevant period. The term "**Floating Interest Rate 1**" means: [**Reference Rate 1**]% p. a. The term "**Floating Interest Rate 2**" means: [**Reference Rate 2**]% p. a. Reference Rate 1 and Reference Rate 2 will be set for the first time [**Reference Rate Setting Deadline**] before the Interest Rate Change Date and subsequently set [**Reference Rate Setting Deadline**] before the applicable Payment Date for the following Interest Period (the **Reference Rate Setting Date**). [[The current Second Interest Rate for the relevant Interest Period shall be immediately notified by the Issuer to the Stock Exchange.] *or* [The current Second Interest Rate for the relevant Interest Period shall be notified by the Issuer to the Holders immediately.]]; *and further for the Notes under this paragraph (G):* • *for **the Notes for which the Second Interest Rate is to be set using the minimum interest rate**, it must be*

stated:

[If, for any Interest Period following the Interest Rate Change Date, the Second Interest Rate determined in accordance with the preceding provisions is less than [**Floor Rate**]% p. a., the Notes will bear interest of [**Floor Rate**]% p. a. (the **Floor Interest Rate**). If the Floor Interest Rate is applied in accordance with the previous sentence, the term **Interest Rate** is to be interpreted as the Floor Interest Rate.]

- *for* ***the Notes for which the Second Interest Rate is to be set using the maximum interest rate****, it must be stated:*

  [If, for any Interest Period following the Interest Rate Change Date, the Second Interest Rate determined in accordance with the preceding provisions is higher than [**Cap Rate**]% p. a., the Notes will bear interest of [**Cap Rate**]% p. a. (the **Cap Interest Rate**) for the given Interest Period. If the Cap Interest Rate is applied in accordance with the previous sentence, the term "**Interest Rate**" is to be interpreted as the Cap Interest Rate.]

- *for* ***the Notes with target redemption*** *it must be stated:*

  [*in case of the unguaranteed Target Interest Amount it must be stated:* The Target Interest Amount for the whole period until the Principal Amount Maturity Date is neither specified nor guaranteed.] *or* [*in case of the guaranteed Target Interest Amount it must be stated*: The minimum amount of interest on each Note due for the whole period from the Interest Rate Change Date to the Principal Amount Maturity Date or to the Early Maturity Date is equal to the difference of (a) [**Target Interest Amount**] and (b) the sum of all interest payments paid on one Note for all previous Interest Periods.]

  and [*in case of the Total Interest Ceiling it must be stated:* The maximum amount of interest on each Note is equal to the difference of (a) [**Target Interest Amount**]; and (b) the sum of all interest paid for all previous Interest Periods (the **Total Interest Ceiling**). The Issuer is for the last variable Interest Period under no obligation to pay any further interest exceeding the Total Interest Ceiling.] *or* [*if Total Interest Ceiling is not stated, it must be stated:* The variable amount of interest for the last variable Interest Period is also payable in full if the sum of all interest paid for all previous Interest Periods exceeds the Target Interest Amount.]];

(H) *for* ***the Notes with a floating interest rate****, it must be stated:*

[The Notes bear interest at the floating rate set as the sum of the Reference Rate and the Margin of [**Reference Rate and Margin**]% p. a. (the **Interest Rate**).

The Reference Rate will be set for the first time [**Reference Rate Setting Deadline**] before the Issue Date and subsequently set [**Reference Rate Setting Deadline**] before the applicable Payment Date for the following Interest Period (the **Reference**

		Rate Setting Date). [[The current amount of the floating Interest Rate for the relevant Interest Period shall be immediately notified by the Issuer to the Stock Exchange.] *or* [The current floating Interest Rate for the relevant Interest Period shall be notified by the Issuer to the Holders immediately.]]; *and further for the Notes under this paragraph (H):* • *for **the Notes where the amount of Margin may vary**, it must be stated:* [The Margin is set as follows: [**Margin** – *add relevant dates or periods and add individual Margins in % p. a. in the format* "from [***insert date***] (including) to [***insert date***] (exclude) the amount of Margin of [**Amount of Margin**]% p. a.", *the text in this format being specified for each relevant period in which the amount of the Margin is to be changed*]. The term "**Margin**" collectively denotes the margin in % p. a. applicable during the relevant period.] • *for **the Notes using the minimum interest rate**, it must be stated:* [If, for any Interest Period, the floating Interest Rate determined in accordance with the preceding provisions is less than [**Floor Rate**]% p. a., the Notes will bear interest of [**Floor Rate**]% p. a. (the **Floor Interest Rate**). If the Floor Interest Rate is applied in accordance with the previous sentence, the term "**Interest Rate**" is to be interpreted as the Floor Interest Rate.] • *for **the Notes using the Memory interest rate**, it must be stated:* [If, for any Interest Period, the floating Interest Rate determined in accordance with the preceding provisions is less than the interest rate determined for the immediately preceding period (the **Memory Interest Rate**), the Notes will bear interest at the Memory Interest Rate for the given Interest Period. If the Memory Interest Rate is applied in accordance with the previous sentence, the term "**Interest Rate**" is to be interpreted as the Memory Interest Rate.] • *for **the Notes using the maximum interest rate** it must be stated:* [If, for any Interest Period, the floating Interest Rate determined in accordance with the preceding provisions is higher than [**Cap Rate**]% p. a., the Notes will bear interest of [**Cap Rate**]% p. a. (the **Cap Interest Rate**). If the Cap Interest Rate is applied in accordance with the previous sentence, the term "**Interest Rate**" is to be interpreted as the Cap Interest Rate.]]. [Interest on the Notes is always payable on the [**Interest Payment Frequency**] [**Interest Payment Date(s)**] of the relevant calendar year, for the first time [**First Interest Payment Date**] and shall be calculated according to the convention [**Convention**].] *or* [Not applicable. In case of the Notes without interest income payments (zero coupon), no regular interest income is paid, but income from them is determined as the

		difference between the Principal Amount of the Notes and their Issue Price.] The issue date of the Notes (the date of the Issue) is set for [**Issue Date**]. The Principal Amount shall be [**Method of Redemption**] due and payable on [**Maturity Date**]. [**Early redemption of the Notes decided by the Issuer –** [[The Issuer is, on the basis of its decision, entitled to early redeem all (and not only some) Notes issued and outstanding as of [**Early Redemption Date(s)**] (the **Early Maturity Date**). The Issuer is obliged to announce such decision to the Holders no sooner than 60 days and no later than 30 days prior to the relevant Early Maturity Date.] [*only in case of Subordinated Notes included in Tier 2 capital of the Issuer*: If there is a change in the regulatory classification of the Notes or in the applicable tax terms in respect of the Notes, in each case referred to in Article 78(4) of the CRR, the Issuer may, by a written notice addressed to the Holders, determine that all (and not only some) Notes may become early redeemable as of [**Early Redemption Date(s)**] (the **Early Maturity Date**). The Issuer is obliged to announce such decision to the Holders no sooner than 60 days and no later than 30 days prior to the relevant Early Maturity Date. The Issuer may exercise this right only if conditions under Articles 63, 77, 78 and related provisions of the CRR are satisfied, and the authorisation of the competent supervisory authority has been obtained.] On the Early Maturity Date, the Issuer shall pay to each Holder (i) 100.00% of Principal Amount of the Notes; and (ii) the extraordinary interest of [**Extraordinary Interest Amount in %**] of the of Principal Amount of the Notes. The provisions on regular redemption of the Notes shall apply to their early redemption accordingly.] *or* [Not applicable. The Issuer may not, on the basis of its decision, to redeem the Notes early.]] [**Early redemption of the Notes with target redemption upon reaching the Target Interest Amount –** [The Notes become early redeemable as of the Payment Date when the sum of all interest payments paid on one Note for all previous Interest Periods (including the most recent one) reaches or exceeds [**Target Interest Amount**]. This Payment Date will be considered the Early Maturity Date.] *or* [Not applicable. The Notes do not have a target redemption upon reaching a certain amount of interest.]] [Yield to maturity as of the Issue Date: [**Yield to Maturity**]] No joint representative of the Holders has been appointed.
C.10	Derivative component	Not applicable. The Notes do not have embedded any derivative component in the interest payment.
C.11/ C.21	Trading on regulated market	[**Admission to trading –** [The Issuer will submit an application to Burza cenných papierov v Bratislave, a.s., with its registered office at Vysoká 17, 811 06 Bratislava, IČO: 00 604 054, for the admission of the Notes to trading on [**BSSE Market**].] *or* [The Issuer will submit an application to the Vienna Stock Exchange (*Wiener Börse AG*) for the admission of the Notes to trading on its regulated market (*Amtlicher Handel*).] *or* [The Issuer does not submit an application for the admission of the Notes to trading on a regulated market.]]

D. Risks

D.2	Key information on the major risks specific for the Issuer	Complicated macroeconomic conditions and conditions in the financial market, including the Eurozone, may have a material adverse effect on the Issuer's business, financial position, results of activities and prospects; The effect of the economy and legislative changes in the

		Slovak Republic on the Issuer's economic performance; The Issuer's economic results are subject to credit conditions in the client sector; The Issuer is exposed to credit, interest and operational risks; New regulatory requirements and changes regarding adequate capitalisation; The Issuer's transactions and investment activities may be affected as a result of market fluctuations; The Issuer's credit rating may not reflect all risks; The risk of downgrade, suspension or withdrawal of credit rating; Slovak law and legislation continue to develop, which may create an uncertain environment for investment and business activities; The Issuer is exposed to the risk of decline in the value of real estate used as collateral to cover the Issuer's receivables; The Issuer is exposed to the risk that it may not have sufficient required liquidity; Competition on the Slovak banking market; The Issuer's growth may be limited by the growth of the banking market; Litigation risk; The Issuer has and may continue to experience deterioration in credit quality, in particular as a result of financial crises or economic recessions or increased interest rates; The Issuer's risk management strategies and internal control procedures may expose it to unidentified or unanticipated risks; The Issuer may have difficulty recruiting or retaining qualified employees; Any failure of the Issuer's information systems, interruption of their activities or security and any failure to update such systems may result in lost business and other losses; Compliance with anti-money laundering and anti-terrorism financing regulations involves significant costs and efforts and non-compliance with them may have severe legal and reputational consequences; Changes in consumer protection laws and the application or interpretation of such laws might limit the fees and other pricing terms and conditions that the Issuer may charge for certain banking services and might also allow customers to claim back some of those fees already paid in the past; Risk of changes in the tax framework, in particular regarding bank tax and the introduction of a financial transaction tax; Legal regulation of recovery and resolution of the bank's crisis situations; A single mechanism for resolution of crisis situations of European banks; The Issuer is owned by a sole shareholder and risks related to the business of Erste Group might have a material adverse effect on its business.
D.3	Key information on the major risks specific for the Notes	Credit risk; Credit spread risk; Inflation risk; Trading in the Notes may not be liquid; Risk of fluctuations in market price of the Notes; Investment in the Notes should be considered with regard to all related circumstances; A change in the laws may affect the value of the Notes; [Subordination risk;] Return of investment in the Notes may be affected by various fees; Regulation applying to investment activities of certain investors may limit or fully preclude these investors from investing in the Notes; Return of investment in the Notes may be affected by taxes and other charges; [Withholding tax risk;][Risk of early redemption of the Notes; Risk of the Notes with a fixed interest rate;][Holders of the Notes with a floating interest rate may be exposed to the risk of fluctuations of the interest rate, as a result of which it is not possible to determine the yield on these Notes in advance, and are exposed to the risk of uncertain interest income;][Risk of the Notes with zero coupon;][Risk of the Notes with interest rate structure;][Risk of the Notes with planned redemption after reaching a certain yield;] The Holders are exposed to the risk that in the event of the Issuer's bankruptcy, deposits will be satisfied before their receivables in respect of the Notes are paid; The Holders are exposed to the risk that the Issuer is not limited in issuing additional debt securities or creating additional liabilities; Risk that trading in the Notes will be suspended, interrupted or terminated; Risk of relevant clearing/settlement system; Risk of potential conflict of interest; Risk of using credit facility or loan to finance the purchase of the Notes; Risks related to U.S. Foreign Account Tax Compliance Act (FATCA); The risk of an unforeseen event

		"force majeure"; Indicated Aggregate Amount of the Issue of the Notes may not be considered as binding; Denomination of financial activities of the Holder in a currency other than the currency in which the Notes will be issued and in which the Issuer will pay the Principal Amount and interest on the Notes, may give rise to exchange rate risks; [Rating of the Covered Notes may not adequately reflect all the risks of investing in the Covered Notes, and may also result in its suspension, downgrade or withdrawal;][In exceptionally adverse insolvency situation the cover pool assets may not be sufficient to fully cover all liabilities under the Covered Notes;][Risk of extension of final maturity of the Covered Notes and risk of change of the issuer of the Covered Notes;][Issuer's rights to early redemption or repurchase of the Subordinated Notes are subject to prior authorisation by the relevant supervisory body].

E. Offer

E.2b	Reasons for the offer and use of proceeds	The net proceeds from the issue of any Notes will be used by the Issuer for its general funding purposes and, in case of Subordinated Notes, to strengthen the capital base of the Issuer, which are also the reasons for the offer.	
E.3	Description of terms and conditions of the offer	Offer and date of sale	[**Type of Notes** – [Senior Notes] *or* [Covered Notes] *or* [Subordinated Notes]] will be offered [**Type of Offer** – [in a public offering in the Slovak Republic] *or* [in an offer which is not subject to the obligation to publish the Prospectus]] through [**Form of Offer**]. [**Offer is addressed to** – [individuals] *and/or* [legal entities] *or* [qualified investors] *or* [limited group of persons, i.e., less than 150 individuals or legal entities in the relevant Member State other than qualified investors]] from [**Offer Commencement Date**] to [**Offer Termination Date**], while the Settlement Date shall be [**Settlement Date**]. [**Description of the Application Procedure**] [**Manner of Satisfying Orders**]
		Principal amount	[**Principal Amount**]
		Aggregate Amount of the Issue	[**Aggregate Amount of the Issue**] Aggregate amount of the Offer shall be [**Aggregate Amount of the Offer**].
		Issue price	[**Issue Price in %**] of the Principal Amount [**Type of the Notes**]. [**Information about the accrued interest**]
		Amount of order	[**Minimum and maximum amount of the Order**]
		Distribution method	[**Distribution method** – [No arrangements have been agreed on as regards the subscription of the issue of the Notes with any entities on the basis of a firm commitment, placement without firm commitment or "best efforts" arrangement and the distribution of the Notes is arranged by the Issuer.] *or* [[The Issuer][and][**Financial Intermediaries**] will distribute the Notes in the Slovak Republic and also outside the Slovak Republic in one or several manners to which the obligation to publish a prospectus

		does not apply.]]
E.4	Description of any interest, conflict of interest	The Issuer has appointed Erste Group Bank AG as arranger for the whole Programme. [**Description of other interests**] Stabilisation Manager: [**Stabilisation Manager** – [Not applicable. No Stabilisation Manager has been appointed in connection with the issue of the Notes.] *or* [**Stabilisation Manager**]]
E.7	Costs charged to investors	[**Costs charged to Investors** – [Not applicable. No fees will be charged to investors with regard to the subscription of the Notes.] *or* [**Costs charged to Investors**]]

2. RISK FACTORS

Prospective investors should carefully consider the risk factors set forth below as well as any other information included in the Prospectus, the relevant Final Terms and the relevant Summary of the Issue (if any) prior to making any investment decision with respect to the Notes. The described risk factors may individually or jointly affect the Issuer's ability to perform its liabilities under the Notes. Most of the risk factors below are contingencies which may but do not have to occur, and the Issuer is not able to express an opinion on whether it is probable that they will occur.

The Issuer has only described in the Prospectus the risk factors related to its business, activities and financial position or prospects that it considers to be material and of which it is currently aware. There may be additional risks that the Issuer does not currently consider to be material and or of which it is not currently aware, while any of these risks could have the effects set forth in the preceding paragraph and in this section of the Prospectus.

In the Issuer's opinion, no substantial facts have been omitted from the Prospectus and the risk factors below constitute substantial risks related to the investment in the Notes issued under the Programme. However, the inability of the Issuer to pay interest, repay the principal amount or other sums arising from or in relation to the Notes may also be caused by other reasons which the Issuer may not consider to be material based on information available to it, or which it is unable to foresee as at the date of the Prospectus.

The description of risk factors below constitutes only a general description of risks ordinarily related to the Issuer and the acquisition and holding of the Notes to be issued under the Programme.

2.1 Risk Factors Related to the Issuer

Each of the Issuer related risks highlighted below could have a material adverse effect on the Issuer's business, operations, financial condition or prospects which, in turn, could have a material adverse effect on the amount of principal and interest, if any, which investors will receive in respect of the Notes. In addition, each of the Issuer related risks highlighted below could adversely affect the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes to be issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purposes of assessing the market risks associated with Notes to be issued under the Programme are described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes to be issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

Complicated macroeconomic conditions and conditions in the financial market, including the Eurozone, may have a material adverse effect on the Issuer's business, financial position, results of activities and prospects

The Issuer's performance will further depend especially on the Slovak economy the performance of which is affected by prospects for stabilisation and the improvement of economic and financial situation in Europe and mainly in the European Union and the Eurozone.

Many European economies continue to face structural challenges as unemployment and structural debt levels remain elevated which constantly results in unusually high political risk and polarization for European standards. In response to the global financial crisis, unprecedented steps have been taken to help stabilise the financial system and increase the flow of credit in the global economy. There can be no assurances as to the actual impact that these measures and related actions will have on the financial markets, on consumer and corporate confidence generally and on the Issuer specifically in the medium to long-run. In order to prevent further deterioration of economic growth and to respond to concerns about the effects of the European sovereign debt crisis, the European Central Bank (ECB) (among other central banks) announced a plan to buy unlimited amounts of government bonds of distressed countries in case needed partially in exchange for their request for and acceptance of a formal programme including certain austerity reforms (OMT program). In course of the quantitative easing, the Euro system bought assets to the tune of about EUR 2,350 billion, mostly government bonds. The still ultra-low interest environment creates further pressure on the financial sectors globally. The impact of the ECB's or any other entity's actions in the future is currently unknown and these actions may or may not result in the expected benefits for the relevant economies in the long-run. Monetary policy in the future will depend on inflation and due to these unprecedented policies could vary from the foreseen path in either direction fast and without prior notice. Variances in monetary policy may result also in increased volatility in debt and foreign exchange markets. Global monetary policy might have helped to build significant exaggeration in various asset classes such as equity, housing and bonds and these asset prices could also correct swiftly and markedly.

During 2016 and 2017, the Eurozone economy recovered stronger than expected, accompanied by a positive trend of leading indicators for inflation and a declining unemployment rate within the Eurozone. The major pillar for growth in the Eurozone remains private consumption, also benefiting from low energy prices. The positive development in the Eurozone is expected to continue, however, the volatility of the financial markets due to erratic policy making in the U.S. and geopolitical uncertainties over North Korea, Russia, Ukraine, Turkey and Syria and the high total debt levels in China, pose a downside risk. In 2018, the European Union and the United Kingdom have to take decisive actions regarding the handling of the Brexit as well as preparing the future relationship between both areas. This global economic situation combined with increasing geopolitical challenges has implications on the Eurozone and may lead to corresponding risks within the Eurozone.

Should economic conditions affecting the Slovak market and other Erste Group's operating markets become subdued again, Issuer's results and operations may be materially and adversely affected.

The effect of the economy and legislative changes in the Slovak Republic on the Issuer's economic performance

Economic results of the Issuer are affected by the worldwide global economic and financial conditions and economic development in the Slovak Republic. There can be no assurance that other negative developments in the Slovak economy, rising unemployment rate or legislative changes in the field of financial market, including additional changes in taxation of banks beyond the increased bank levy (for example, the discussed financial transaction tax) will not have a material adverse effect on the economic results of the Issuer since most of its income is generated in the Slovak Republic.

The Issuer's economic results are subject to credit conditions in the client sector

Credit conditions in the client sector are dependent to a large extent on factors which are beyond the control of the Issuer. The deterioration of credit conditions across the client base or in particular segment, such as in the consumer loans sector, could result in more debtors to be unable to repay their loans according to their contractual terms and consequently lead to an increase of the increase of non-performing loans (NPLs). This effect may be caused also by future increase in interest rates. Despite the fact that the Issuer follows a conservative business and lending policy, these factors could have an adverse effect on the Issuer's financial position which could, in serious cases, result in a reduced ability to perform its obligations under the Notes.

The Issuer is exposed to credit, interest and operational risks

The Issuer is exposed to credit risk and despite applying internal measures and control mechanisms to minimise such risk and despite the fact that its activities are subject to supervision by competent authorities, there can be no assurance that adverse market developments or the consequences of erroneous decisions of the Issuer's management will not have an adverse effect on the Issuer's financial position.

The Issuer is exposed to interest risks, since, for example, a further decline in interest rates, could have an adverse effect on the Issuer's interest income and thereby reduce its ability to generate a growing profit.

The Issuer is also exposed to operational risks, such as the risk of a loss resulting from the failure or inadequacy of internal processes or systems or from external events. The Issuer is exposed to, inter alia, the risk of fraud by employees or third parties, including the risk of unauthorised transactions and operational errors, administrative errors and errors regarding data storage and errors resulting from the failure of information technology or telecommunications systems. Considering the high volume of transactions performed by the Issuer, misuse or errors may occur or be repeated before they are discovered or rectified. Any inadequacy of the Issuer's internal processes or systems in detecting or containing such risks may result in unauthorised transactions or errors which may have a material adverse effect on the Issuer's business, financial position, results of activities and prospects.

New regulatory requirements and changes regarding adequate capitalisation

In response to the financial crisis in Europe, the European banking sector has become subject to significant new regulations. The key document is the CRR/CRD IV package (*Capital Requirements Directive and Regulation*) virtue of which the European Commission adopted the standards of the Bank for International Settlements known as Basel III. The CRD IV regulates the capital requirements of banks and introduced the maintenance of "capital buffers" and new requirements regarding liquidity, leverage and other risks of banks. Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms (*Bank Recovery and Resolution Directive*) should also contribute to the stability of the banking sector. The stress tests by the ECB, first conducted in 2014, and the European Banking Authority also have a significant effect on the banking sector.

The regulatory framework for investment services and regulated markets is updated by Directive 2014/65/EU on Markets in Financial Instruments, as amended (MiFID II) and related European and national legislation and applies since 3 January 2018. Due to increased regulatory requirements, there are also increased costs for the Issuer. As many issues with regard to the application of these changes currently remain unclear in practice, the full impact of MiFID II remains uncertain for the Issuer.

Stricter and/or new regulatory requirements may be adopted in the future, and the existing regulatory environment continues to evolve. Any such regulatory development could result in requirements for increasing the Issuer's capital which may increase the Issuer's financial costs and could have an effect on the Issuer's profitability. In addition, regulatory developments may expose the Issuer to additional costs and liabilities which may require the Issuer to change its business strategy or otherwise have a negative impact on its business, the offered products and services as well as the value of its assets. There can be no assurance that the Issuer would be able to increase its eligible capital (or, thus, its capital ratios) sufficiently or on time. If the Issuer is unable to increase its capital ratios sufficiently and/or comply with other regulatory requirements, its credit ratings may drop and its cost of funding may increase, and/or the competent authorities may impose fines, penalties or other regulatory measures. The occurrence of all such consequences could have a material adverse effect on the Issuer's business, financial condition and results of operations.

The Issuer's transactions and investment activities may be affected as a result of market fluctuations

The Issuer enters into investment and business transactions on the bond, stock, money and derivative markets. When entering into these transactions it is assumed that the Issuer makes and will continue to make estimates related to these markets and their further development. Income generated by the Issuer from these transactions depends on the development of market prices as a consequence of many factors beyond the Issuer's control (e.g., consequences of global economic and financial crisis, adverse development on global financial markets, downgrade of ratings of financial institutions due to deterioration in economic results, current market conditions, etc.). If market prices are moving contrary to the Issuer's expectations, it may result in losses and subsequently have an adverse effect on the Issuer's economic results and in serious cases to its reduced ability to perform its obligations arising from the Notes.

The Issuer's credit rating may not reflect all risks

Despite the fact that the Issuer was assigned a credit rating by Moody's Investor Service and Fitch Ratings as at the date of the Prospectus, there can be no assurance that the assigned credit rating fully reflects all risks and that no such situation might occur that would result in losses by the Issuer and that consequently could have an adverse effect on the Issuer's economic results and its ability to perform its obligations arising from the Notes.

The risk of downgrade, suspension or withdrawal of credit rating

A credit rating constitutes an opinion of Moody's Investor Service and Fitch Ratings on the creditworthiness of the Issuer, i.e. an indicator of likelihood of a possible loss due to insolvency, delay in payments or incomplete payments to investors. It cannot be considered as a recommendation to buy, hold or sell the Notes or any other securities issued by the Issuer.

A rating agency may downgrade, suspend or withdraw a credit rating assigned to the Issuer. A credit rating may also be suspended or withdrawn if the Issuer were to terminate the agreement with the relevant rating agency or to determine that it would not be in its interest to continue to provide financial data to the rating agency. A downgrading of the credit rating may lead to a restriction of access to funds, and consequently to higher refinancing costs. A credit rating could also be adversely affected by the soundness or perceived soundness of other financial institutions.

Similarly, the credit rating of the Slovak Republic could also be downgraded, suspended or withdrawn or negative information or prospects regarding the Slovak Republic could be published which could result in the increased costs of the Issuer's funding.

Slovak law and legislation continue to develop, which may create an uncertain environment for investment and business activities

The legal infrastructure and the law enforcement system in the Slovak Republic are less developed compared to those in some Western European countries. In some circumstances, it may not be possible to obtain legal remedies to enforce contractual or other rights in a timely manner or at all. The lack of legal certainty or the inability to obtain effective legal remedies in a timely manner or at all may have a material adverse effect on the Issuer's business, results of activities or financial position. Investors should also be aware that in the Slovak Republic, there may be fewer judges who specialise in complex matters involving investments in securities compared to judges in Western European countries. Therefore, the matters brought before the Slovak courts may be subject to delays and may not be conducted in a manner similar to more developed legal systems and may, as a result, lead to delays in proceedings or losses on investments.

The Issuer is exposed to the risk of decline in the value of real estate used as collateral to cover the Issuer's receivables

Commercial and residential real estate prices have declined in the past reflecting economic uncertainty. Developers were forced to cease or delay the development of planned projects due to a lack of customers, or as a result of declining values of real estate used as security they were unable to obtain financing for the development of these projects. These circumstances resulted in a decline of residential and commercial real estate prices. Although the current real estate market in the Slovak Republic appears stable, the Issuer's commercial and residential loan portfolios may suffer losses if property values decline in the future or, if as a result of deficiencies in the collateral management, the value of the security proves to be insufficient. The potential increasing unemployment rate could also lead to an increased number of non-performing loans and losses arising from commercial and consumer loans unrelated to real estate. If these risks were to materialise, it could have an adverse effect on the Issuer's business, financial position, results of activities and prospects.

Abovementioned risk concerns generally the value of the real estate mortgages established in favour of the Issuer as a bank creditor to secure repayment of the loans extended by it. Potential decline of residential real estate prices may specifically affect value of the cover pool and the cover ratio in case of the Covered Notes. However, pursuant to the statutory requirements, the cover ratio cannot fall below 105% of the value of the covered liabilities. For more information, see risk factor *"In exceptionally adverse insolvency situation the cover pool assets may not be sufficient to fully cover all liabilities under the Covered Notes"*.

The Issuer is exposed to the risk that it may not have sufficient required liquidity

The Issuer, like many other banks, relies on customer deposits to meet a substantial portion of its funding requirements. The majority of deposits with the Issuer are retail deposits, a significant proportion of which are on-demand deposits. These deposits are subject to fluctuation due to factors beyond the Issuer's control, and no assurances can be given by the Issuer that it will not experience a significant outflow of deposits within a short period of time. Since a significant portion of the Issuer's funding comes from its deposit base, any material decrease in deposits could have an adverse effect on the Issuer's liquidity unless appropriate measures are taken, which may not be possible under economically advantageous terms and conditions, if at all.

Competition on the Slovak banking market

The Issuer faces competition from other banking entities offering similar services as the Issuer. If the Issuer fails to succeed in this competition, the results of its activities may be adversely affected. The Issuer faces strong competition in Slovakia from other major Slovak banks owned by major international groups and several local players. As a result of this competition, in particular in the retail segment and the current low interest rate environment, net interest margins have historically been very low. Failure to maintain net interest margins at current levels may have a significant negative impact on the Issuer's financial condition and results of operations.

Issuer's ability to compete effectively will depend on the ability of its businesses to adapt quickly to market and industry trends. If the Issuer fails to compete effectively, or if governmental action in response to financial crises or economic downturns results in it being placed at a competitive disadvantage, the Issuer's business, financial condition and results of operations may be adversely affected.

The Issuer's growth may be limited by the growth of the banking market

The Issuer maintains its leading position on the Slovak banking market. With regard to the financial and economic crisis that have hit individual Eurozone states, no assurances can be given that the market conditions will develop favourably for the Issuer, which may lead to the slower or suspended growth of the Issuer and the deterioration in its economic results.

Litigation risk

Despite the fact that the Issuer is not aware that it may be a party to any administrative, legal or arbitration proceedings that may have or recently have had a significant effect on its financial position or profitability, it is possible that in the future it could become a party to litigation or proceedings that may have an adverse effect on its economic results.

The Issuer has and may continue to experience deterioration in credit quality, in particular as a result of financial crises or economic recessions or increased interest rates

The Issuer is and may continue to be exposed to the risk that its borrowers may not repay their loans according to their contractual terms, that the security or income stream securing the payment of these loans may be insufficient or that legislation may be adopted which will impose fixed exchange rates for loans in foreign currencies.

In 2011, the percentage of loan exposures deteriorated in quality as a result of unfavourable economic developments, and a considerable number of these exposures continued to deteriorate in 2012. This particularly applies to customer loans, while the Issuer has experienced delays with the payment, the migration of previously highly-rated loans into lower-rated categories, and ultimately, increases in non-performing loans. The effects of the global economic and financial crisis, such as stagnating or declining economic growth rates and negative gross domestic product (the **GDP**) development, significantly reducing private consumption and corporate investment, rising unemployment rates and decreasing private and commercial property values have had a particularly negative effect on the credit quality of the Issuer's loan portfolios in recent years.

Deterioration in the credit quality provided by the Issuer and increases in non-performing loans may result in increased risk costs for the Issuer. Its risk costs are based on, inter alia, its analysis of current and historical probabilities of default and loan management methods and the valuation of underlying assets and expected available income of clients, as well as other management assumptions. The Issuer's analyses and assumptions may prove to be inadequate and may result in inaccurate predictions of credit performance.

The Issuer's risk management strategies and internal control procedures may expose it to unidentified or unanticipated risks

The Issuer's risk management techniques and strategies have not and may not be fully effective in mitigating the Issuer's risk exposures in all economic market conditions and environments or against all types of risks, including risks that it fails to identify or anticipate. Furthermore, regulatory audits or other regular reviews of the risk management procedures and methods have and may reveal weaknesses or deficiencies in the Issuer's risk management systems. Some of the Issuer's quantitative tools and metrics for risk management are based on its use of observed historical market behaviour. The Issuer applies statistical and other tools to these observations to arrive at quantifications of risk exposures. During the recent financial crisis, the financial markets experienced unprecedented levels of volatility (rapid changes in prices) and the disruption of historically observed correlations (the extent to which prices move in tandem) across asset classes due to extremely limited liquidity. In this volatile market environment, the Issuer's risk management tools and metrics failed to predict some of the losses it experienced and under similar conditions of market disruption may fail to predict future important risk exposures. In addition, the Issuer's quantitative modelling does not take all risks into account and is based on numerous assumptions regarding the overall environment, which may or may not prove to be correct. As a result, risk exposures have arisen and could continue to arise from factors not anticipated or incorrectly evaluated in the Issuer's statistical models.

This has limited and could continue to limit the Issuer's ability to manage its risks in light of the ongoing sovereign debt crisis in several European countries, the outcomes of which are currently unforeseeable. If such circumstances arise that the Issuer did not identify, anticipate or correctly evaluate in developing its statistical models, its losses could be higher than the maximum losses envisaged under its risk management systems. Furthermore, the quantifications do not take all risks or market conditions into account. If the measures used to assess and mitigate risks prove insufficient, the Issuer may experience material unanticipated losses, which could have a material adverse effect on its business, financial position and results of activities.

The Issuer may have difficulty recruiting or retaining qualified employees

The Issuer's existing activities and competitiveness on the Slovak market depend on its ability to retain existing employees and to identify and recruit additional individuals who are not only familiar with the local market conditions, but also have the necessary qualifications and level of experience in banking. On the Slovak market, on which the Issuer operates, the pool of individuals with the required set of skills is smaller than in most Western European countries. Increasing competition for qualified employees from other financial institutions may also make it more difficult for the Issuer to attract and retain qualified employees and may lead to rising labour costs in the future.

Moreover, caps or other restrictions under applicable banking regulations are imposed (or may be tightened in the future) on salaries or bonuses paid to certain employees of the Issuer or its subsidiaries. These regulatory restrictions may limit the Issuer's ability to hire and retain high-quality personnel and could result in losses of qualified personnel. If the Issuer is unable to attract and retain new talented employees or if competition for qualified employees increases its labour costs, this could have a material adverse effect on the Issuer's financial position and results of activities.

Any failure of the Issuer's information systems, interruption of their activities or security and any failure to update such systems may result in lost business and other losses

The Issuer heavily relies on information systems when conducting its business activities. Any failure or interruption of their operation or breach in the security of these systems could result in failures or interruptions in its risk management, general ledger, deposit management or loan origination systems. If the Issuer's information systems, including its back-up systems, were to fail, even for a short period of time, its plans for resumption and continuation of activities prove ineffective, it could be unable to satisfy some customers' needs on a timely basis and could thus lose them.

Likewise, a temporary shutdown of the Issuer's information systems could result in costs that are required for information retrieval and verification. There can be no assurances that such failures or interruptions will not occur or that the Issuer can adequately address them if they do occur.

In light of the above, the occurrence of such failures or interruptions could have a material adverse effect on the Issuer's business, financial position, results of activities and prospects. In addition, there can be no assurances that the rollout or implementation of any new systems or processes will provide the desired benefit to the Issuer's business, or will not involve failures or business interruptions that could have a material adverse effect on its business, financial position, results of activities and prospects. To a limited extent, the Issuer has outsourced certain IT services to external service providers and may in the future expand the scope of outsourcing arrangements in order to optimise its cost structure and increase flexibility. The unsatisfactory quality of the external providers' services could increase or exacerbate risks associated with the failure or interruption of its information systems and result in additional operational deficiencies or reputational risk.

Compliance with anti-money laundering and anti-terrorism financing regulations involves significant costs and efforts and non-compliance with them may have severe legal and reputational consequences

The Issuer is the obliged person pursuant to applicable legal regulations regarding anti-money laundering and anti-terrorism financing (the **AML**). Legal regulations regarding AML issues have been tightened in recent years in particular as a result of the implementation of the Fourth Anti-Money Laundering Directive, Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing. Monitoring compliance with AML rules can result in a significant financial burden on banks and other financial institutions and can pose significant technical problems. Despite the implementation of any applicable legal regulations regarding the AML, the Issuer cannot guarantee that it is in compliance with all applicable AML rules at all times and that the AML policy and standards applied by Erste Group are being consistently applied by its employees in all circumstances. Any violation of the AML rules or even alleged violations of these rules may have severe legal, monetary and reputational consequences and could have a material adverse effect on the Issuer's business, financial position and results of activities.

Changes in consumer protection laws and the application or interpretation of such laws might limit the fees and other pricing terms and conditions that the Issuer may charge for certain banking services and might also allow customers to claim back some of those fees already paid in the past

Changes in consumer protection laws or the interpretation of consumer protection laws by courts or governmental authorities could limit the fees that the Issuer may charge for the provision of some of its products and services and thereby result in lower commission income. Moreover, as new laws and amendments to existing laws are adopted, these laws may be interpreted inconsistently or applied or changed or interpreted in a manner that is more restrictive. The Issuer has been a party to a number of civil and regulatory proceedings initiated by customers, administrative authorities or consumer protection agencies and associations. The legal proceedings mainly relate to allegations that certain contractual provisions, particularly in respect of consumer loans, violate mandatory consumer protection laws and regulations. These allegations relate to the enforceability of certain fees as well as contractual provisions for the adjustment of interest and currency exchange rates. Moreover, any such changes in consumer protection laws or the interpretation of such laws by courts or governmental authorities could impair the Issuer's ability to offer certain products and services or to enforce certain contractual provisions and reduce the Issuer's net commission income and have an adverse effect on the results of its operations.

Risk of changes in the tax framework, in particular regarding bank tax and the introduction of a financial transaction tax

The future development of the Issuer's assets, financial and profit position, inter alia, depends on the tax framework. Every future change in legislation, case law and the administrative procedures and practice of tax authorities and other relevant public authorities may have an adverse effect on the Issuer's assets, financial and profit position.

The Issuer is subject to a bank levy pursuant to Act No. 384/2011 Coll. on Special Levy of Selected Financial Institutions and on Amendments to Certain Laws, as amended (the **Special Levy Act**). The amount of the Issuer's liabilities reported in the balance sheet less the amount of equity constitute the base for the calculation of the levy, if this value is positive, less the value of long-term funds provided to a branch of a foreign bank, and less the amount of the subordinated debt pursuant to a special regulation. Under the Special Levy Act, the levy rate for the years 2017 to 2020 is 0.2%.

Pursuant to the proposal for a Council Directive implementing enhanced cooperation in the area of financial transaction tax (the **Proposal**), ten EU Member States, i.e., Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (the **Participating Member States**) intend to collect a financial transaction tax (the **FTT**) on financial transactions as defined in such Proposal if at least one party to the transaction is established in the territory of a Participating Member State and a financial institution established in the territory of a Participating Member State is a party to the transaction, acting either for its own account or for the account of another person, or is acting in the name of a party to the transaction (residence principle). Financial transactions related to derivative contracts shall be taxed at a minimum rate of 0.01% of the principal amount referred to in the derivative contract. All other financial transactions (e.g. the purchase and sale of shares, notes and similar securities, money market instruments or units in collective investment undertakings) shall be taxed at a minimum rate of 0.1%, while the taxable amount will be everything which constitutes a consideration paid or owed from the counterparty or a third party in connection with this transaction. The planned deadline for the FTT introduction has been postponed several times in the past, and it is currently not clear either whether the FTT will be introduced in the proposed form, or at all. If the FTT is introduced, there is a risk that the higher costs for investors would result in fewer transactions and negatively affect the earnings of the Issuer.

Legal regulation of recovery and resolution of the bank's crisis situations

Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended (the **BRRD**), was implemented in the Slovak Republic by Act No. 371/2014 Coll. on the resolution of crisis situations on the financial market, as amended (the **Crisis Situation Resolution Act**). This act provides a framework for the recovery and resolution of the credit institutions' crisis situations and, *inter alia*, requires the institutions to prepare "recovery plans" setting out certain agreements and measures that can be used in the event of a substantial deterioration in the financial institution's position to restore its viability from a long-term perspective. Moreover, the institutions must always meet the minimum requirements for own funds and eligible liabilities (the **MREL**). Measures taken under the Crisis Situation Resolution Act may also have an adverse effect on debt instruments, including the Subordinated Notes and, in certain circumstances, Senior Notes issued by the Issuer under the Programme. In particular, on the basis of a resolution body's decision, these Notes may be subject to write-offs if a trigger event occurs. This may cause the Holders to lose part or all of the investment in the Notes (legal absorption of losses). Any partial or total write-off or conversion of the principal amount or unpaid interest of the Notes will not under legal regulation of the capitalization instruments (bail-in) or the write-off and conversion constitute an event of breach of the Notes. This means that any amounts written off or converted in this manner will be irrevocably lost and the Holders will lose any claims arising therefrom, regardless of whether or not the financial position of the Issuer will be renewed.

In addition, the resolution body has the power to impose a number of other measures, the exercise of which could substantially affect the Issuer's ability to fulfil the obligations from the Notes or the value of the Notes, for example:

- the power to transfer the rights, assets or obligations of the Issuer (including the Notes) to another company;

- the power to reduce, including a reduction to zero, the principal amount or unpaid amount of the Issuer's eligible obligations (including obligations from the Notes);
- the ability to convert the Issuer's eligible obligations (including obligations from the Notes) into ordinary shares or other equity instruments of the Issuer, relevant parent institution or bridging institution into which the assets, rights and liabilities are transferred;
- the power to cancel the Notes as debt instruments issued by the Issuer;
- the power to require the Issuer or the parent company concerned to issue new shares or other equity instruments;
- the power to change the maturity of the Notes or the date of payment and the amount of interest on the Notes.

Exercising these powers of the resolution body is highly unpredictable and any proposal or expectation of such exercise could materially affect the market price of the Notes.

A single mechanism for resolution of crisis situations of European banks

The single resolution mechanism (the **SRM**), which has been in place since January 2016, is one of the components of the Banking Union and a common deposit protection system, alongside the single supervision mechanism (the **SSM**). Its role is to centralise the key competencies and resources for managing the credit institution's failure in the participating Member States of the Banking Union. Under the SRM, the Single Resolution Board is primarily responsible for resolving crisis situations in close cooperation with the ECB, the European Commission and the national crisis resolution authorities in the event of a default (or potential default) of the Issuer as a significant subject under the direct supervision of the ECB if a trigger event occurred. This may cause the Holders to lose part or all of the investment in the Notes (legal absorption of losses).

The Issuer is owned by a sole shareholder and risks related to the business of Erste Group might have a material adverse effect on its business

The Issuer is a member of the Erste Group and is owned and controlled by a sole shareholder. Risks related to the business of Erste Group and the markets on which it operates may have a material adverse effect on the Issuer; they include, inter alia, the following:

Difficult macroeconomic and financial market conditions may have a material adverse effect on Erste Group's business, financial condition, results of operations and prospects; Erste Group has been and may continue to be affected by the European sovereign debt crisis, and it may be required to take impairments on its exposures to the sovereign debt of certain countries; Erste Group has experienced, and may in the future continue to experience deterioration in credit quality, particularly as a result of financial crises or economic downturns; Erste Group is subject to significant counterparty risk, and defaults by counterparties may lead to losses that exceed Erste Group's provisions; Erste Group's hedging strategies may prove to be ineffective; Erste Group is generally exposed to market volatility when it comes to loans covered by real estate collateral; Market fluctuations and volatility may adversely affect the value of Erste Group's assets, reduce profitability and make it more difficult to assess the fair value of certain of its assets; Erste Group is subject to the risk that liquidity may not be readily available; Rating agencies may suspend, downgrade or withdraw a credit rating of Erste Group Bank AG and/or a local entity that is part of Erste Group or a country where Erste Group is active, and such action might negatively affect the refinancing conditions for Erste Group Bank AG, in particular its access to debt capital markets; New governmental or regulatory requirements and changes in perceived levels of adequate capitalisation and leverage could subject Erste Group to increased capital requirements or standards and require it to obtain additional capital or liquidity in the future; Erste Group is subject to the risk of changes in the tax framework, in particular regarding bank tax and the introduction of a financial transaction tax; Erste Group may not be able to meet the minimum requirement for own funds and eligible liabilities; Erste Group's risk management strategies, techniques and internal control procedures may leave it exposed to unidentified or unanticipated risks; Erste Group's business entails operational risks; Any failure or interruption in or breach of Erste Group's information systems, and any failure to update such systems, may result in lost business and other losses; Erste Group may have difficulty recruiting new talent or retaining qualified employees; Changes in interest rates are caused by many factors beyond Erste Group's control, and such changes can have significant adverse effects on its financial results, including net interest income; Since a large part of Erste Group's operations, assets and customers are located in CEE countries that are not part of the Eurozone, Erste Group is exposed to currency risks; A change of the ECB's collateral standards could have an adverse effect on the funding of Erste Group and access to liquidity; Erste Group operates in highly competitive markets and competes against large international financial institutions as well as established local competitors; Erste Group

Bank's AG major shareholder may be able to control shareholder actions; Compliance with applicable rules and regulations, in particular on anti-money laundering and anti-terrorism financing, anti-corruption and fraud prevention, economic sanctions and tax as well as capital markets (securities and stock exchange related) involve significant costs and efforts and non-compliance may have severe legal and reputational consequences for Erste Group; Changes in consumer protection laws as well as the application or interpretation of such laws might limit the fees and other pricing terms that Erste Group may charge for certain banking transactions and might allow consumers to claim back certain of those fees and interest already paid in the past; The integration of potential future acquisitions may create additional challenges; The departure of any one or more countries from the Eurozone could have unpredictable consequences for the financial system and the greater economy, potentially leading to declines in business levels, write-downs of assets and losses across Erste Group's business; Erste Group operates in emerging markets that may experience rapid economic or political changes, either of which may adversely impact its financial performance and results of operations; Committed EU funds may not be released or further aid programmes may not be adopted by the EU and/or international credit institutions; Loss of customer confidence in Erste Group's business or in banking businesses generally could result in unexpectedly high levels of customer deposit withdrawals, which could have a material adverse effect on Erste Group's results, financial condition and liquidity; Liquidity problems experienced by certain CEE countries may adversely affect the broader CEE region and could negatively impact Erste Group's business results and financial condition; Governments in countries in which Erste Group operates may react to financial and economic crises with increased protectionism, nationalisations or similar measures; Erste Group may be adversely affected by slower growth or recession in the banking sector in which it operates as well as slower expansion of the Eurozone and the EU; The legal systems and procedural safeguards in many CEE countries and, in particular, in the Eastern European countries are not yet fully developed; Applicable bankruptcy laws and other laws and regulations governing creditors' rights in various CEE countries may limit Erste Group's ability to obtain payments on defaulted loans and advances; Erste Group may be required to participate in or finance governmental support programs for credit institutions or finance governmental budget consolidation programmes, through the introduction of banking taxes and other levies.

2.2 Risk Factors Related to the Notes

Risk factors which could be material for the Notes and the assessment of market risks related thereto are provided below. No assurances can be given that in addition to the risk factors described below no other facts exist which could have an effect on the Notes and related market risks. The Notes may not be a suitable investment for prospective investors, and each prospective investor in the Notes must determine the suitability of that investment in light of its own circumstances and should:

- have sufficient skills and experience to make an appropriate evaluation of the Notes, risks related to them and information contained (or incorporated by reference) in the Prospectus and in the relevant Summary of the Issue (if applicable);
- have knowledge of and access to appropriate analytical tools to evaluate investments in the Notes and be able to evaluate the effect of the investment in the Notes on its financial situation and/or its overall investment portfolio, always in the context of its particular financial situation;
- have sufficient financial resources and liquidity to bear all the risks related to the investment in the Notes, including the potential volatility of the value of the Notes;
- fully understand the relevant terms and conditions of the Notes (including the relevant Final Terms) and be familiar with the functioning of the relevant indices and financial markets; and
- be able to evaluate (either alone or in cooperation with its financial advisor) possible scenarios of development of the economy, interest rates and other factors that may affect its investment and its ability to bear relevant risks.

Credit risk

Credit risk constitutes a risk that the Issuer will fail to fully or partially make interest payments and/or repay the principal amount of the Notes pursuant to their terms and conditions. Prospective investors should be able to comprehend and assess the historical financial information regarding the Issuer and the information from the relevant annual audited consolidated financial statements and any interim financial statements of the Issuer including the relevant notes which form an integral part to these financial statements.

Credit spread risk

Potential investors in the Notes must be aware that the Notes bear the risk of the Issuer's credit spread, which may increase during the life of the Notes, resulting in a decrease in the price of the Notes. Factors affecting the credit spread include, inter alia, the Issuer's creditworthiness and rating, probability of default, recovery rate and the remaining term to maturity of the Notes. The liquidity situation on the market, the general level of interest rates, overall economic developments and the currency in which the Notes are denominated may also have a positive or negative effect.

Inflation risk

Inflation risk represents the risk of future money depreciation (inflation) that will reduce the real yield on investment.

Trading in the Notes may not be liquid

Since the capital market in the Slovak Republic is not sufficiently liquid, no assurance can be given with regard to the Issuer's intention to make an application to admit the Notes to trading on the regulated market of the Stock Exchange, that the Notes will be actively traded and if the Notes are actively traded that such activity will be preserved during the entire life of the Notes. In such case, the market price and liquidity during the trading in the Notes may be significantly affected. The issues of mortgage notes and notes issued by the Issuer in the past which are traded on the parallel listed and regulated free markets of the Stock Exchange and which are not sufficiently liquid can serve as an example of low liquidity during the trading on the secondary market.

Risk of fluctuations in market price of the Notes

The Holders are at risk of the change of the market price of the Notes in case of the sale of the Notes. The historical development of the prices of the Notes cannot serve as an indicator of the future development of the prices of any Notes. The development of market prices of the Notes depends on various factors, such as changes in market interest rate levels, the policies of central banks, overall economic developments, inflation rates, changes in taxation methods and the lack of or excess demand for the relevant Notes. Thus, the Holders are exposed to the risk of unfavourable developments in the market prices of the Notes they hold which may materialise if the Holders decide to sell them prior to their final maturity. The Holders must be aware that Notes may be issued at a price higher than the price of comparable Notes on the secondary market which may increase the effect of the unfavourable market price development. If a Holder decides to hold the Notes up to their final maturity, the principal amount will be repaid at the amount set out in the relevant Final Terms.

Investment in the Notes should be considered with regard to all related circumstances

Potential investors should assess the investment in the Notes with regard to all related circumstances at the moment of their acquisition, holding and potential sale, including the following facts: (i) investment in the Notes includes the risk of changes in interest rates the value of which can be affected by various factors, such as macroeconomic, political, speculative and market expectations; interest rate fluctuation and/or changes that may affect the value of the Notes; and (ii) prospective investors in the Notes should be aware that they are purchasing securities which are dependent solely on the Issuer's creditworthiness with which the risk of change in the Issuer's risk margin is associated and of the fact that they have no rights towards third parties.

A change in the laws may affect the value of the Notes

The conditions and rights arising from the Notes are based on Slovak law, valid and effective as at the date of this Prospectus, Common Terms, relevant Final Terms and the relevant Summary of the Issue (if applicable). No representation can be made and no assurances can be given by the Issuer regarding the effect of any changes in the Slovak legal system (including changes in the method of taxation of yield on the Notes) on the value of the Notes after the date of the Prospectus.

Subordination risk

Pursuant to Act No. 7/2005 Coll. on Bankruptcy and Restructuring and on Changes and Amendments to Certain Laws, as amended (the **Bankruptcy Act**), any obligation of the Issuer whose creditor is or at any time during its existence was a person which is or was a related party to the Issuer under Section 9 of the Bankruptcy Act (the **Related Obligation**) (i) will be automatically subordinated to any and all of the Issuer's other unsubordinated obligations in a bankruptcy proceedings over the Issuer's property held in the Slovak Republic and such Related Obligation will not be satisfied before all of the Issuer's other unsubordinated obligations towards the creditors who have registered their claims in the bankruptcy over the Issuer's property; (ii) in the Issuer's restructuring, it cannot be satisfied in an identical or better manner than any of the Issuer's other unsubordinated obligations towards creditors who have registered their claims in the Issuer's restructuring. With regard to the text of the Bankruptcy Act, it may mean that the Holder may also become a creditor of the Related Obligation who on its own is unrelated to the Issuer if it acquires the Note which at any time in the past was held by a person related to the Issuer.

However, the abovementioned regime of the subordinated satisfaction of the Related Obligations in bankruptcy and restructuring will not apply (i) to a creditor who is not related to the debtor and at the moment of the acquisition of the related claim was neither aware of and upon exercising professional care it could not have known that it was acquiring a Related Obligation; and (ii) to a creditor of a claim arising from the note or another financial instrument within a transaction on the regulated market, multilateral trading system or similar foreign organised market, since such manner of the acquisition of a note or another financial instrument establishes a statutory precondition that the creditor was not aware that it constituted a Related Obligation.

Return of investment in the Notes may be affected by various fees

The total return of the investment in the Notes may be affected by the fees related to their acquisition, purchase/sale, etc. Therefore, the Issuer recommends that potential investors in the Notes become familiar with the fees charged related to the holding, purchase and sale of the Notes.

Regulation applying to investment activities of certain investors may limit or fully preclude these investors from investing in the Notes

Investment activities of certain investors may be regulated under special, generally binding legal regulations and may be subject to supervision or control by competent public authorities. Each potential investor in the Notes should refer to its professional advisor to determine whether and to which extent the Notes represent an admissible investment, while taking into account the nature of the investor and the extent to which it is subject to restrictions on its own purchase or pledge of the Note. If a potential investor in the Notes is a financial institution, it should also consider the rules related to risk weighted assets and other related rules and measures.

Return of investment in the Notes may be affected by taxes and other charges

Potential purchasers or sellers of the Notes should be aware that they might be forced to pay taxes and other costs or charges in accordance with the law and practice of a country in which the Notes are being transferred or of another country relevant to the relevant situation. Official statements of tax authorities or court decisions regarding financial instruments as the Notes may not be available in certain countries. Upon the acquisition, sale or redemption of the Note, potential investors should act according to recommendations given by their tax advisors related to individual taxation.

Withholding tax risk

As at the date of this Prospectus, the yield on the Notes is not subject to any withholding tax, except for yield paid to tax payers who are individuals or tax payers not incorporated or established for business purposes and NBS. With regard to frequent changes of tax regime, no established application practice exists. Tax regulations which are subject to changes create negative prospects for the predictability and stability of the Slovak tax environment. Further changes regarding the withholding tax regime cannot be ruled out, which could negatively affect the expected yield on the Notes.

Risk of early redemption of the Notes

If any Notes are redeemed early or repurchased by the Issuer prior to their final maturity, the Holder may be exposed to the risk that the return on investment in the Notes may be lower than expected.

Risk of the Notes with a fixed interest rate

Holders of these Notes are exposed to the risk that the price of these Notes will fall as a result of interest rate changes. While the nominal interest rate of the Notes is fixed during the life of the Notes, the actual interest rate on the capital market (for the purpose of this paragraph, the **market interest rate**) is subject to change. The change of the market interest rate also means the change of value of the Notes with a fixed interest rate, but in the opposite direction. Thus, if the market interest rate increases, the value of the Notes with a fixed interest rate usually drops to the level in which the interest on such Note is approximately equal to the market interest rate. If, on the contrary, the market interest rate decreases, the value of the Notes with the fixed interest rate usually increases to the level in which the interest on such Note is approximately equal to the market interest rate.

Holders of the Notes with a floating interest rate may be exposed to the risk of fluctuations of the interest rate, as a result of which it is not possible to determine the yield on these Notes in advance, and are exposed to the risk of uncertain interest income

The Notes with a floating interest rate are usually volatile investments. The Holder of the Notes with a floating interest rate is exposed to the risk of interest rate fluctuations and uncertain interest income. As a result of interest rate fluctuations, it is not possible to determine in advance the yield on the Notes with a floating interest rate. If the Notes with a floating interest rate are structured so as to include so-called “caps” (i.e. the maximum interest rate), the so-called “floors” (i.e. the minimum interest rate), or any combination thereof or other similar related elements, their market price may change more than the market price of the Notes with a floating interest rate that do not include those elements. The effect of the “cap” is that the amount of interest never rises above and does not exceed a predefined threshold, so that the Holder will not be able to benefit from any current advantageous development above the specified threshold. For this reason, the yield may be significantly lower than on the similar Notes with a floating interest rate without the “cap”.

Interest on the Notes with a floating interest rate will be calculated by reference to one or several specific benchmark indices (each a **Benchmark**) such as the Euro Interbank Offered Rate (**EURIBOR**), the London Interbank Offered Rate (**LIBOR**) or another Benchmark, each of which are provided by an relevant administrator. Benchmarks have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such Benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to such a Benchmark.

International proposals for reform of Benchmarks include the Benchmark Regulation (Regulation (EU) No. 2016/1011) which is fully applicable since 1 January 2018. According to the Benchmark Regulation, a Benchmark may only be used if its administrator obtains authorisation or is registered and in case of an administrator which is based in a non-EU jurisdiction, if the administrator's legal benchmark system is considered equivalent (Article 30 of the Benchmark Regulation), the administrator is recognised (Article 32 of the Benchmark Regulation) or the Benchmark is endorsed (Article 33 of the Benchmark Regulation) (subject to applicable transitional provisions).

The Benchmark Regulation could have a material impact on Notes linked to a Benchmark, including any of the following circumstances:

- a rate or an index which is a Benchmark could not be used as such if its administrator does not obtain authorisation or is based in a non-EU jurisdiction which (subject to applicable transitional provisions) does not satisfy the 'equivalence' conditions, is not 'recognised' pending such a decision and is not 'endorsed' for such purpose. In such event, depending on the particular Benchmark and the applicable terms of the Notes, the Notes could be de-listed, adjusted, redeemed prior to maturity or otherwise impacted;
- the methodology or other terms of the Benchmark could be changed in order to comply with the terms of the Benchmark Regulation, and such changes could have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level; and
- certain fall-back provisions will apply in case a Benchmark used as a reference for calculation of amounts payable under the Notes issued under the Programme has ceased to be calculated or administered. The application of these fall-back provisions could result in the relevant Notes effectively becoming fixed rate instruments.

In addition to the aforementioned Benchmark Regulation, there are numerous other proposals, initiatives and investigations which may impact Benchmarks.

Following the implementation of any such potential reforms, the manner of administration of Benchmarks may change, with the result that they may perform differently than in the past, or Benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the Chief Executive of the U.K. Financial Conduct Authority (**FCA**) announced that it does not intend to continue to persuade, or use its powers to compel banks to submit rates for the calculation of the LIBOR benchmark to the administrator of LIBOR after 2021 (the **FCA Announcement**). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Any changes to a Benchmark as a result of the Benchmark Regulation or other initiatives, could have a material adverse effect on the costs of refinancing a Benchmark or the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements.

Although it is uncertain whether or to what extent any of the above-mentioned changes and/or any further changes in the administration or method of determining a Benchmark could have an effect on the value of any

Notes linked to the relevant Benchmark, investors should be aware that any changes to a relevant Benchmark may have a material adverse effect on the value of any Notes linked to such Benchmark.

Risk of the Notes with zero coupon

The Holders of these Notes are exposed to the risk that the price of such Notes will fall as a result of changes in the interest rates, while the prices of these Notes are more volatile than prices of the Notes with a fixed interest rate and are likely to respond to a greater degree to market interest rate changes than interest bearing Notes with a similar maturity.

Risk of the Notes with interest rate structure

The Notes with an embedded interest rate structure are associated with the risk of a change in the interest rate, including (i) the risk that the conversion of the original interest rate to the changed interest rate may result in a change in the price of the relevant Note, whereas such changed interest rate may be lower than the original interest rate, which may be less advantageous for the Holders than if such conversion did not take place, (ii) the risk that if a conversion of the original interest rate to the changed interest rate is made, the determination of such adjusted interest rate may depend on the difference between the two reference rates with different maturity dates so that the Holders must be aware that, over the life of the Notes, the yield curves may change in a different direction than could have been assumed, which may mean that the changed interest rates may be lower than originally foreseen due to changes in the reference rates; (iii) the risk that in the conversion of the original interest rate to the changed interest rate, the high volatility of the reference rates may cause the changed interest rate to be significantly lower than originally assumed, which may also have a negative effect on the price of the Notes; (iv) the risk that, if the potential automatic conversion of the original interest rate to the changed interest rate may limit the growth in the market price of the Notes, e.g. the setting of the maximum interest rate that even in case of favourably developing reference rates may cause the market price of the Notes not to increase significantly above the price at which the Notes will be payable. Early maturity of the Notes decided by the Issuer may arise in situations where the cost of financing is generally lower than when they are issued. In this case, the Holder may generally not be able to reinvest the funds acquired by the redemption of the Notes at interest rates that will be higher than the original interest rates on the Notes; they may also be significantly lower. Potential investors should consider the risk of reinvestment in the light of other, at that time available, investments and (v) the risk that the Notes may contain a maximum interest rate, and the Holders will not be able to fully participate in the positive development of interest rates above the maximum interest rate. For this reason, the yield on the Notes may be significantly lower than with the Notes without a specified maximum interest rate.

Risk of the Notes with planned redemption after reaching a certain yield

Investors in the Notes with planned redemption must take into account that the Notes will be redeemed automatically upon reaching the predefined amount of interest paid. If the Notes are redeemed early, the investor bears the risk that the early redeemed principal amount cannot be re-invested under similar market circumstances with a similar yield. Moreover, the automatic redemption of the Notes after reaching a defined interest income may limit the market price of these Notes. Due to the maximum total amount of interest paid on these Notes, their market price will not increase significantly above the level of the price for which they are to be redeemed, even in a favourable market/interest environment.

The Holders are exposed to the risk that in the event of the Issuer's bankruptcy, deposits will be satisfied before their receivables in respect of the Notes are paid

Pursuant to Section 180a of the Bankruptcy Act, as amended on 15 November 2016, which transposed Article 108 of the BRRD into Slovak law, in the event of the Issuer's bankruptcy, the proceeds of the liquidation of the assets forming the general bankruptcy estate that will be primarily used to compensate the creditors of receivables from protected deposits will be satisfied in the following order:

(a) receivables from the Deposit Protection Fund within the scope of compensation paid to depositors pursuant to Section 11(1) of Act No. 118/1996 Coll. on Protection of Deposits, as amended (the **Deposit Protection Act**) or within the scope of the funds provided to resolve the crisis situation pursuant to Section 13(4)(g) of the Deposit Protection Act; and

(b) receivables from protected deposits of natural persons, micro-enterprises, small and medium-sized enterprises, which exceed the level of cover under Section 11(4) of the Deposit Protection Act.

Abovementioned risk concerns all creditors of unsecured receivables as well as parts of receivables that haven't been fully compensated from available collateral. Therefore, particularly the Holders of the Senior Notes should be aware that in the event of the Issuer's bankruptcy, their receivables will be subordinated to the above mentioned receivables from protected deposits and that their claims under the Senior Notes will be satisfied (though only partially) only if the receivables referred to in (a) and (b) above are fully satisfied.

The Holders are exposed to the risk that the Issuer is not limited in issuing additional debt securities or creating additional liabilities

The Issuer is not limited to the amount of debt it may issue that may arise or which it can provide. Moreover, the Issuer is not obliged to inform the Holders about the issue, creation or securing of a further debt. The issue, creation, or guarantee of a further debt may have an adverse effect on the market price of the Notes (including the Covered Notes) and the Issuer's ability to meet all obligations arising from the issued Notes and may reduce the amount that the Holders would be able to obtain in the event of the Issuer's bankruptcy. If the Issuer's financial situation deteriorated, the Holders could suffer direct and substantially negative consequences, including interruption in interest income or a reduction in the principal amount of the Notes and, in the event of liquidation of the Issuer, loss of the whole investment. All these facts could have a negative impact on the Holders.

Risk that trading in the Notes will be suspended, interrupted or terminated

There is a risk that trading in the Notes on the relevant stock exchange may, for any reason, be suspended, interrupted or terminated; such event(s) is(are) beyond the Issuer's control and may have an adverse effect on the price of the Notes.

Risk of relevant clearing/settlement system

There is a risk that the clearing system will become dysfunctional for some reason; such event is beyond the Issuer's control and may have an adverse effect on the price of the Notes and may lead to transactions with the Notes not being settled.

Risk of potential conflict of interest

With regard to the Notes, the Issuer may act in different capacities, such as a calculation agent (administrator) that enables the Issuer to make calculations in respect of the Notes (e.g. the calculation of the amount of yield to be paid) which are binding for the Holders. This fact may cause a conflict of interest and affect the value of the Notes. The Issuer may use all or part of the proceeds received from the sale of the Notes to enter into hedging transactions which may affect the value of the Notes. The Issuer believes that under ordinary circumstances such hedging transactions will not have a material effect on the value of Notes, however, such effect cannot be ruled out. It is standard practice for employees of financial institutions similar to the Issuer that in making transactions on their own behalf they are subject to market in financial instruments regulation as well as statutory and internal compliance standards concerning transactions on their own account and market abuse. Employees and connected parties may take part in the offering of securities issued or arranged by the Issuer. Furthermore, when purchasing such products, the employee receives a discount from the value of the market price. The sales employees of the Issuer may be motivated to sell the Notes based on incentive bonuses received by them (if the sale is successful), although the remuneration of employees and conflicts of interest mitigation are subject to relevant regulation. Despite the measures adopted by the Issuer to ensure compliance with applicable laws and internal procedures, this could create a conflict of interest regarding the duties towards the Holders.

Moreover, members of the Issuer's Board of Directors or Supervisory Board may at the same time be members of the statutory or supervisory bodies of several other companies, including clients or investors of the Issuer and/or Erste Group Bank AG, who may compete directly or indirectly with the Issuer. In the event that the Issuer maintains active business relations with these companies, the fact that such persons are members of their statutory or supervisory bodies may expose them to the risk of conflict of interest which could have a material adverse effect on the Issuer's business, financial situation or results of operations.

Risk of using credit facility or loan to finance the purchase of the Notes

If a credit or loan is used to finance the purchase of the Notes, the costs for the credit or loan could exceed the yield on the Notes, which may result in the sale of the Notes on the secondary market for a price lower than the anticipated price, which will ultimately lead to a loss incurred by the Holder. Furthermore, if the Issuer is subsequently unable to pay any or all of the principal amounts of the Notes and related interests thereon or if the market price of the Notes diminishes significantly, the Holder may not only have to face a loss on its investment in such Notes, but it will also have to repay the credit or loan used for financing the Notes and the relevant interest thereon. Thus, the credit or loan to finance the purchase of the Notes may significantly increase the amount of a potential loss. Holders should not assume that they will be able to repay the credit or loan or pay the relevant interest thereon from the income arising from their investment in the Notes. Instead, prior to investing, the Holders should assess their financial position in order to determine whether they are able to pay the relevant interest on the credit or loan, to repay it on demand, and whether they may suffer loses instead of generating profits.

Risks related to U.S. Foreign Account Tax Compliance Act (FATCA)

Payments of interest or the principal amount of the Notes to Holders that (i) fail to comply with tax certifications or identification requirements (including the provision of information regarding a waiver of the application of any laws prohibiting the disclosure of such information to a tax authority); or (ii) are financial institutions that fail to comply with the U.S. Foreign Account Tax Compliance Act or any analogous provisions of non-U.S. laws, including any voluntary agreements entered into with a tax authority pursuant thereto, may be subject to a withholding tax of 30%. The Issuer will not be obliged to make any additional payments in respect of any such amounts withheld by the Issuer or other paying agent.

The risk of an unforeseen event "force majeure"

An unforeseeable event (such as a natural disaster, terrorist attack, etc.) that can cause financial market disruption and a rapid fluctuation of exchange rates may have an effect on the value of the Notes. An adverse effect of such events may result in the decrease of the return of funds invested by the Issuer and thus threaten the Issuer's ability to repay all outstanding amounts arising from the Notes. Further, the value of the Notes and any income therefrom may be affected by a global event (political, economic, etc.) which may also occur in a country other than the one in which the Notes are issued and traded.

Indicated Aggregate Amount of the Issue of the Notes may not be considered as binding

The Aggregate Amount of the Issue of the Notes indicated in the relevant Final Terms represents the maximum Aggregate Amount of the Issue of such Notes. However, the actual aggregate principal amount of the Notes issued in this manner may be lower than the indicated Aggregate Amount of the Issue and may vary during the life of the Notes issued in this manner, depending, in particular, on the demand for such Notes and repurchases by the Issuer. Therefore, no conclusion may be drawn from the indicated Aggregate Amount of the Issue of such Notes with regard to their liquidity on the secondary market.

Denomination of financial activities of the Holder in a currency other than the currency in which the Notes will be issued and in which the Issuer will pay the Principal Amount and interest on the Notes, may give rise to exchange rate risks

The Issuer will pay the Principal Amount and interest on the Notes in the currency specified in the relevant Final Terms. This presents certain risk related to currency conversions if a Holder's financial activities are denominated in a currency other than the currency specified in the relevant Final Terms (the **Holder's Currency**). These risks include, in particular, risks related to the significant change of exchange rates (including changes due to the devaluation of the currency specified in the relevant Final Terms or the revaluation of the Holder's Currency) and risks related to the introduction of exchange rate measures and controls. An appreciation of the Holder's Currency relative to the currency specified in the relevant Final Terms with respect to the expression in the Holder's Currency would mean a decrease of (i) the interest income on the Notes; (ii) the Principal Amount; and (iii) the market value of the Notes.

Government authorities may introduce or exercise exchange rate measures and controls that could adversely affect an applicable exchange rate; as a result, certain Holders, whose financial activities are denominated in a currency other than the currency specified in the relevant Final Terms could receive lower interest on the Notes or a lower Principal Amount than expected or no interest on or Principal Amount from the Notes.

Rating of the Covered Notes may not adequately reflect all the risks of investing in the Covered Notes, and may also result in its suspension, downgrade or withdrawal

Rating of the Covered Notes may not adequately reflect all the risks of investing in these Covered Notes. Credit rating may be also suspended, downgraded or withdrawn. Such suspension, downgrade or withdrawal may have an adverse effect on the market value and trading price of the Covered Notes. A credit rating is not a recommendation to purchase, sell or hold securities and may be revised or withdrawn by a credit rating agency at any time.

In exceptionally adverse insolvency situation the cover pool assets may not be sufficient to fully cover all liabilities under the Covered Notes

The cover pool (in Slovak: *krycí súbor*) covering the liabilities of the Issuer under the Covered Notes will consist primarily of mortgage loans secured by way of a legally perfected first ranking mortgage in favour of the Issuer over the mortgaged property and certain substitute assets, such as cash and securities. All assets included in the cover pool must comply with the applicable requirements or criteria set out in the Act on Banks. In particular, for an individual Mortgage Loan eligible to be included in the cover pool must comply with the applicable requirements including, amongst other things, the loan-to-value limit under which the outstanding amount of principal under the loan may not exceed 80% of the value of mortgaged property, subject to limited exemptions. Also, the Issuer is required to perform regular testing of the value of the mortgaged properties and the total value of the cover pool assets must at all times be at least 105% of the value of all covered liabilities, whereby according to the legislation, the Issuer must calculate this cover ratio on the last day of each relevant month.

As at the date of this Prospectus, all the mortgaged property is located in the Slovak Republic. The value of the mortgaged property as well as the value of the mortgage loans included in the cover pool may reduce over time, in particular, in the event of a general downturn in the value of properties located in the Slovak Republic. In such cases, despite the relevant statutory safeguards and regulatory requirements under Section 67 *et seq.* of the Act on Banks, the value of the mortgage loans may become insufficient to provide full cover for the issued and outstanding Covered Notes. While the Issuer is solvent and operating its business, it will be obliged to include additional eligible assets in the cover pool in order to maintain the required cover ratio. However, in case of bankruptcy, involuntary administration or similar situations when the Issuer's ability to generate additional eligible assets will be limited, the value of the cover pool assets may decrease below the required levels so that it may not be sufficient to fully cover all covered liabilities including those under the Covered Notes.

It should be also noted that due to the preregistration of the mortgage bonds issued by the Issuer before 1 January 2018 as described in part 8.1 below, the single common cover pool will also cover all the liabilities of the Issuer under those historic mortgage bonds. The claims of the Holders under the Covered Notes will rank *pari passu* with the claims of the holders of the historic mortgage bonds and all holders will have the same priority right with respect to the whole cover pool.

Finally, any substantial overall downturn in the value of real properties in the Slovak Republic could adversely affect the Issuer's results of operations, financial condition and business prospects and its ability to perform its obligations under the Covered Notes and the value of the cover pool.

Risk of extension of final maturity of the Covered Notes and risk of change of the issuer of the Covered Notes

In the event of bankruptcy or involuntary administration of the Issuer, the bankruptcy administrator or the involuntary administrator (each an **administrator**) of the Issuer will take over the operation of the programme of the Covered Notes (the **programme**). The programme includes generally all assets of the cover pool as well as all liabilities under the Covered Notes, mortgage bonds issued by the Issuer in the past, any other covered bonds issued by the Issuer and other covered liabilities, such as hedging derivatives (if any) and related administrative contracts and functions. The administrator will be obliged to evaluate whether the operation of the Covered Notes programme does not cause the overall decrease of rate of satisfaction of the Holders of the Covered Notes. If the administrator reaches the conclusion that the operation of the Programme may result in decrease of satisfaction of the Holders of the Covered Notes, it will have the obligation to notify the NBS of its intention to transfer the Programme or its parts to another bank or several banks in the Slovak Republic and to attempt such transfer. As a result of the notification, the final maturity of the Covered Notes would be adjusted in accordance with Section 67 (10) and (11) of the Act on Banks (so called soft bullet extension) as follows: (i) during the first month from delivery of the transfer notification to the NBS, the maturity dates would not be adjusted, (ii) from the first day of the second month until the last day of the 12th month from delivery of the transfer proposal to the NBS, any final maturity date for principal payment under any Covered Notes falling into that period would be postponed by 12 months, and (iii) if the administrator requires a prolongation of the transfer period, any final maturity date for principal payment under any Covered Notes in the programme falling into the period of subsequent 12 months would be prolonged by a another 12 months. The same applies to final maturity dates already extended during the first prolongation period. The interest payments and other conditions of the Covered Notes would not be affected, but the Holders will not receive any other compensation and will not have any remedies in respect of the extended maturity of the Covered Notes.

The soft bullet extension of the final maturities will be effective from the date of delivery of the programme transfer notification by the administrator to the NBS and will not be subject to any further approval or consent of NBS. In the event no transfer is effected, the postponed maturities for principal payments would occur on the last day of the prolongation period.

The transfer of the programme itself will be subject to prior approval of the NBS. If such a transfer is effected, the identity of the Issuer of the Covered Notes will change to the transferee bank, i.e. another bank in the Slovak Republic will become an obligor under the Covered Notes. This does not have an effect on the terms of the

Covered Notes themselves, but the creditworthiness of the new issuer might be different from the creditworthiness of the Issuer.

In accordance with Section 55(10) of the Act on Banks and Section 195a (7) of the Bankruptcy Act, the consent of the Holders is not required in bankruptcy and involuntary administration scenarios in order for the transfer of the programme or its part to be valid and become effective.

Issuer's rights to early redemption or repurchase of the Subordinated Notes are subject to prior authorisation by the relevant supervisory body

Holders of the Subordinated Notes should not invest in Subordinated Notes, expecting the Issuer to exercise any right to early redemption or to repurchase the Subordinated Notes. If such a right is foreseen in the terms and conditions, the Issuer may, at its sole discretion, repay the Subordinated Notes early before their maturity date, but always only under certain defined circumstances. The same applies similarly to any repurchase of the Subordinated Notes. Early redemption and repurchase of the Subordinated Notes is always subject to the prior approval of the competent authority, which is, in case of the Issuer, the European Central Bank. Early redemption or repurchase of Tier 2 instruments, such as the Subordinated Notes, is only possible after the conditions prescribed by CRR have been satisfied. Holders of the Subordinated Notes should therefore be aware that they are likely to be forced to bear the financial risks of investing in the Subordinated Notes until their final maturity.

3. RESPONSIBILITY STATEMENT

Slovenská sporiteľňa, a.s., with its registered office at Tomášikova 48, 832 37 Bratislava, Slovak Republic, Identification No. 00 151 653 (the **Issuer**) represented by Ing. Richard Košecký and Ing. Róbert Herbec, represents that it is solely responsible for the information provided in the Prospectus.

The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of the knowledge of the Issuer, in accordance with the facts and contains no omission likely to affect its import.

In Bratislava, on 25 July 2018.

______________________	______________________
Ing. Richard Košecký Authorised Person Slovenská sporiteľňa, a.s.	Ing. Róbert Herbec Authorised Person Slovenská sporiteľňa, a.s.

4. LIST OF CROSS-REFERENCES INCORPORATED IN THE PROSPECTUS

The following information is incorporated in the Prospectus by reference:

(1) The audited consolidated financial statements of the Issuer for the year ended 31 December 2016 prepared in accordance with the IFRS (see the information in the section of the Prospectus "*Financial Information Concerning Assets and Liabilities, Financial Situation and Profit and Loss of Slovenská sporiteľňa, a.s.*"), which form part of the Issuer's Annual Report for 2016 compiled pursuant to the applicable legal regulations (the **2016 Annual Report**). The Prospectus must be read in conjunction with the above-mentioned part of the 2016 Annual Report which is deemed to be part of the Prospectus. Other parts of the 2016 Annual Report not incorporated in the Prospectus by reference are of no relevance for the investors.

(2) The audited consolidated financial statements of the Issuer for the year ended 31 December 2017 prepared in accordance with the IFRS (see the information in the section of the Prospectus "*Financial Information Concerning Assets and Liabilities, Financial Situation and Profit and Loss of Slovenská sporiteľňa, a.s.*"), which form part of the Issuer's Annual Report for 2017 compiled pursuant to the applicable legal regulations (the **2017 Annual Report**). The Prospectus must be read in conjunction with the above-mentioned part of the 2017 Annual Report which is deemed to be part of the Prospectus. Other parts of the 2017 Annual Report not incorporated in the Prospectus by reference are of no relevance for the investors.

5. DOCUMENTS ON DISPLAY

(1) The following documents are available free of charge in electronic form on the Issuer's webpage www.slsp.sk/cenne-papiere.html, which forms part of the Issuer's website, until the maturity of the relevant Notes:

(i) the Prospectus and any updates thereof in the form of any supplement(s) to the Prospectus (the **Prospectus Supplement(s)**);

(ii) the relevant Final Terms prepared with regard to an individual issue of the Notes;

(iii) the relevant Summary of the Issue (if applicable) prepared with regard to an individual issue of the Notes that will be attached to the relevant Final Terms (the **Summary of the Issue**); and

(iv) announcements for the Holders.

(2) The following documents are available free of charge in electronic form on the Issuer's website www.slsp.sk as long as the Prospectus remains valid:

(i) 2016 Annual Report; and

(ii) 2017 Annual Report.

(3) Hard copies of the following documents are available free of charge for inspection upon request during usual business days from 9:00 a.m. to 4:00 p.m. at the Issuer's registered office at Tomášikova 48, 832 37 Bratislava, Balance Sheet Management Department, as long as the Prospectus remains valid:

(i) the Prospectus and Prospectus Supplements, Final Terms and Summary of the Issue (if applicable);

(ii) a copy of the full wording of the Issuer's current articles of association;

(iii) a copy of the Issuer's foundation deed; and

(iv) audited financial statements of companies included in the Issuer's consolidation.

(4) Other documents:

A current extract from the Commercial Register of the Issuer may be obtained on the website of the Commercial Register at www.orsr.sk. The website of the Commercial Register has not been incorporated in the Prospectus by reference and does not form part of the Prospectus.

6. GENERAL

(1) **Auditors**. The information from the financial statements included in the Prospectus as at 31 December 2016 was taken from the consolidated financial statements for the year ended 31 December 2016, which were prepared in accordance with the IFRS and verified by the auditor, Ernst & Young Slovakia, spol. s r. o., with its registered office at Žižkova 9, 811 02 Bratislava, a member of the Slovak Chamber of Auditors, SKAU license No. 257. The information from the financial statements included in the Prospectus as at 31 December 2017 was taken from the consolidated financial statements for the year ended 31 December 2017, which were prepared in accordance with the IFRS and verified by the auditor, PricewaterhouseCoopers Slovensko, s.r.o., with its registered office at Karadžičova 2, 815 32 Bratislava – mestská časť Staré Mesto, a member of the Slovak Chamber of Auditors, SKAU license No. 161.

(2) **EUR**. In the Prospectus, "EUR" or "euro" means the legal currency of the Slovak Republic. Certain values included in the Prospectus have been subject to rounding adjustments. Accordingly, the values given for the same information item presented in different tables may slightly vary and the values given as totals in certain tables may not represent the arithmetic sum of these values.

(3) **IAS 34**. In the Prospectus, IAS 34 means International Financial Reporting Standard IAS 34 – Financial Reporting during the accounting period (the **IAS 34**).

(4) **IFRS**. Unless provided otherwise, any and all financial information of the Issuer is based on the International Financial Reporting Standards (the **IFRS**).

(5) **Language of the Prospectus**. The Prospectus has been prepared and will be approved by the NBS in Slovak Language. If the Prospectus is translated into another language, the Slovak language version of the Prospectus shall prevail in case of any interpretation discrepancies between the Prospectus in Slovak and the Prospectus translated into another language.

(6) **Qualified investor.** In the Prospectus, the term "qualified investor" in any grammatical form shall have the meaning assigned to it (i) in Section 120(6) of the Securities Act for the purposes of the offering in the Slovak Republic; and (ii) in the applicable national legislation of other Member States of the European Union which have transposed Article 2(1)(e) of the Prospectus Directive for the purposes of the offering in another Member State of the European Union.

(7) **Negative pledge, cross default.** The Common Terms of any issue of the Notes do not contain any negative pledge or "cross default" clauses.

(8) **Notices and publications.** A general notice regarding free of charge access to the Prospectus, Final Terms, Summaries of Issues (if applicable) will be published in the Hospodárske noviny daily newspaper. A notice regarding free of charge access to the Prospectus Supplement will also be published in the Hospodárske noviny daily newspaper. Hard copies of those documents will be made available at the Balance Sheet Management Department of the Issuer's registered office and in electronic form on the Issuer's internet page www.slsp.sk/cenne-papiere.html, which forms part of the Issuer's website.

(9) **Consents.** Prior to the issue of the Notes, all necessary consents, decisions and approvals pursuant to the Slovak laws and the Issuer's internal regulations will be obtained by the Issuer.

(10) **Audited data.** Save for the information taken from the audited financial statements, no other information contained herein has been audited by an auditor.

(11) **Enforcement of private claims against the Issuer.** The text of this paragraph only constitutes a summary of certain provisions of Slovak law regarding the enforcement of private claims related to the Notes against the Issuer. This summary does not describe the enforcement of claims against the Issuer pursuant to the laws of any other jurisdiction. This summary is based on legal regulations effective as at the date of this Prospectus and may be subject to subsequent amendments (including any retroactive effects). The information contained in this paragraph is only of a general nature to describe the features of the legal situation and has been obtained from legal regulations. Investors should not rely on this information and are recommended to assess the issues regarding the enforcement of private claims against the Issuer with their legal advisors. Slovak courts have jurisdiction for the purposes of the enforcement of any private claims against the Issuer related to the purchase or holding of the Notes. Any and all rights and obligations of the Issuer against the Holders shall be governed by Slovak law. As a result, there is only a limited possibility of claiming rights against the Issuer in proceedings before foreign courts or pursuant to a foreign law. Regulation (EU) No 1215/2012 of the European Parliament

and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast) (the **Brussels I Recast**), is directly applicable in the Slovak Republic. Pursuant to the Brussels I Recast, save for certain exceptions stated therein, judicial decisions issued by judicial bodies in the EU Member States in civil and commercial matters are enforceable in the Slovak Republic, and vice versa, the judicial decisions issued by judicial bodies in the Slovak Republic in civil and commercial matters are enforceable in the EU Member States. If, for the purposes of the recognition and enforcement of a foreign decision the application of the Brussels I Recast is excluded, but the Slovak Republic entered into an international treaty on the recognition and enforcement of court decisions with a certain country, the enforcement of a judicial decision of such country is ensured in accordance with the provisions of the given treaty. If such treaty does not exist, the decisions of foreign courts may be recognised and enforced in the Slovak Republic subject to the terms and conditions set out in Act No. 97/1963 Coll. on Private and Procedural International Law, as amended. Pursuant to this act, decisions of judicial bodies of foreign states in matters set out in the provisions of Section 1 of the concerned Act on Private and Procedural International Law, foreign reconciliations and foreign notarial deeds (for the purposes of this paragraph jointly the **foreign decisions**), cannot be recognised and enforced if (i) the subject matter of the decision falls within the exclusive jurisdiction of the bodies of the Slovak Republic or the body of a foreign state would not have jurisdiction to decide over the case if the provisions of Slovak law applied to the assessment of its jurisdiction; or (ii) they are not valid and effective or enforceable in the state in which they have been issued; (iii) they are not decisions on the merits of the case; or (iv) a party to the proceeding against whom a decision is to be recognised was deprived of the option to appear before such authority, mainly if it was not served with a summons for a hearing or a statement of claim; the court does not assess whether this condition has been met if a foreign decision has been duly served to such party to the proceeding and the party has not filed an appeal against it or if such a party has declared that it does not insist on the review of such requirement; or if (v) the Slovak court has already decided the case by a valid and effective decision or there is an earlier foreign decision in the same case which has been recognised or meets the requirements for its recognition; or (vi) the recognition would be in conflict with the Slovak public order.

(12) **Yield to Maturity.** The yield to maturity specified in the relevant Final Terms of the relevant issue of the Notes with a fixed interest rate shall be calculated as the internal rate of return of the relevant Notes as at the Issue Date. The internal rate of return is defined as the discount rate in which the current value of all future cash flows from the Notes is equal to the initial investments in them. As set out above, the yield to maturity is calculated as at the Issue Date on the basis of the Issue Price. Such calculation of the yield cannot be deemed as the indication of the actual future yield on the Notes.

(13) **Publications concerning the Cover Pool and the Covered Notes.** The information regarding the Cover Pool and the Covered Notes will be published by the Issuer to the extent required under the Act on Banks and other applicable regulation on its internet page www.slsp.sk/cenne-papiere.html, which forms part of the Issuer's website. None of the information published by the Issuer pursuant to the preceding sentence is incorporated in the Prospectus by reference or forms a part thereof.

7. NOTICES AND RESTRICTIONS

(1) **Completeness of the Prospectus.** The Prospectus is to be read together with any Prospectus Supplements and documents and information incorporated herein by reference (see section "*List of Cross-References Incorporated in the Prospectus*"). Comprehensive information regarding the Issuer and the Notes may only be obtained from combination of the Prospectus (including Prospectus Supplements and documents and information incorporated by reference) and the relevant Final Terms and Summaries of Issues (if prepared).

(2) **Approval of the Prospectus.** The Prospectus has only been approved by the NBS. The provision of representations or information relating to the Issuer or the Notes other than those contained herein has not been approved by the Issuer. No other information or representation may be relied upon as having been approved by the Issuer. The delivery of the Prospectus at any time does not mean that information contained herein is accurate at any time after the date of this Prospectus. Unless provided otherwise, any and all information contained herein is provided as at the date of this Prospectus. The Prospectus may be updated pursuant to Section 125c of the Securities Act in the form of a Prospectus Supplement(s) in which the information in the Prospectus will be up-to-date as at the date stated in Prospectus Supplement(s). Pursuant to the applicable Slovak legal regulations, any Prospectus Supplement must be approved by the NBS and subsequently published.

(3) **Restrictions in the distribution of the Prospectus and offering of the Notes.** The distribution of the Prospectus and the offering, sale and purchase of the Notes in certain jurisdictions is restricted by law. The Notes have not been and will not be registered, permitted or approved by any administrative or other authority of any jurisdiction other than the approval of the Prospectus by the NBS. Therefore, the Notes may only be offered in a jurisdiction other than the Slovak Republic if the legal regulations of this other jurisdiction do not require the approval or notification of the Prospectus and also subject to the compliance with any and all requirements pursuant to the legal regulations of such other jurisdiction. In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933; as a result, they may not be offered, sold or delivered within the United States or to US residents, except pursuant to an exemption from or in a transaction not subject to such registration requirements pursuant to the above-mentioned law. Persons who obtain possession of the Prospectus are required to become acquainted with and observe any restrictions that may refer to them.

The Prospectus itself does not constitute an offer to sell, or the solicitation of an offer to buy the Notes in any jurisdiction. Each person acquiring the Notes shall be deemed to declare and agree that (i) such person has understood any and all relevant restrictions related to the offer and sale of the Notes which refer to him/her/it and to the relevant form of offer or sale; (ii) that such person will neither offer for sale nor further sell the Notes without complying with any and all relevant restrictions which refer to such person and the relevant form of offer and sale; and (iii) prior to further offering or selling the Notes, such person will inform the buyers of the fact that further offers or sales of the Notes may be subject to statutory restrictions in different jurisdictions which must be observed.

In addition to above, all acquirers of the Notes are required by the Issuer to comply with the provisions of all applicable legal regulations (including Slovak legal regulations), where they will distribute, make available or otherwise circulate the Prospectus, including any Prospectus Supplements, individual Final Terms or other offering or promotional materials or information related to the Notes, always at their own expense and regardless of whether the Prospectus or Prospectus Supplements, individual Final Terms or other offering or promotional materials or information related to the Notes are in written, electronic or any other form.

The Prospectus has been prepared on the assumption that any offer of the Notes in other Member States of the European Union will only be made in compliance with their relevant national legislation which has transposed the Prospectus Directive, in one or several manners defined in their relevant national legislation which has transposed Article 3(2) of the Prospectus Directive, which are exempt from the requirement to publish a prospectus.

(4) **Specific restrictions on MiFID II.** The Final Terms will provide basic data on the analysis of the target market for the Notes and the suitability of the distribution of the Notes. Any person who subsequently sells or recommends the Notes (the **Distributor**) should take into account this target market analysis. However, any Distributor subject to the rules of Directive 2014/65/EU on Markets in Financial Instruments, as amended, including all its statutory instruments and implementations into relevant national law (**MiFID II**), is responsible for carrying out its own analysis of the target market in respect of the Notes (either by adopting or improving the target market assessment) and identifying

their own appropriate distribution channels. The Issuer will only be responsible as the creator of the product in relation to the offering of the Notes that it itself carries out.

If the Final Terms so indicate, the Notes are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to any non-professional client (investor) in any Member State of the European Economic Area (the **EEA**). A non-professional client means any person other than a professional client (investor) or an eligible counterparty under the relevant MiFID II implementation. For these Notes, no document shall be made containing the key information required by Regulation (EU) 1286/2014 (the **PRIIPs Regulation**), and therefore the offer or sale of the Notes or otherwise making them available to any non-professional client (investor) anywhere in the EEA may be unlawful under the PRIIPs Regulation.

(5) **Reference rate administrators.** Amounts payable on the Notes with a floating interest rate will be calculated with reference to the Reference rates, for example EURIBOR, as specified in more detail in the relevant Final Terms. At the date of this Prospectus, used Reference rates administrators are registered in the ESMA register of administrators under Article 36 of Regulation (EU) 2016/1011.

(6) **No investment recommendation.** Neither the Prospectus nor any financial information provided under the Programme or the issue of the Notes is intended to provide the basis for any credit or other evaluation of the Issuer or the Notes and may not be considered as a recommendation by the Issuer that any recipient of the Prospectus or any financial information regarding the Issuer should buy the Notes. Each potential purchaser of the Notes should evaluate for itself the relevance of the information contained in the Prospectus or any financial information regarding the Issuer, and its purchase of the Notes should be based on any such review as it deems necessary.

(7) **General nature of some information.** The information provided in the sections of the Prospectus entitled: "*Summary of the Notes*", "*General Description of Taxation in the Slovak Republic*" and "*Enforcement of Private Claims against the Issuer*" is only of a general nature and not exhaustive and is based on the status as at the date of this Prospectus and describes the status of the legislation in the areas in question. Potential investors in the Notes should rely solely on their own analysis of the factors mentioned in these sections and their own legal, tax and other professional advisors. Potential foreign investors in the Notes are recommended to consult the provisions of the applicable legal regulations with their own legal and other advisors, in particular as regards foreign exchange regulations and the tax regulations of the Slovak Republic, the country in which they are residents and, if applicable, other relevant countries, and also as regards each relevant international agreement and its effect on the particular investment decision.

Holders of the Notes issued under the Programme, including foreign investors, if any, are hereby especially urged to remain continuously informed of any laws and other legal regulations in each relevant country (including Slovak legal regulations) which regulate the holding of the Notes and their sale abroad or the purchase of the Notes from abroad, as well as any other transactions with the Notes, and to comply with these laws and the applicable legal regulations.

(8) **Rating of the Notes.** The Covered Notes have been assigned a credit rating, and such rating, as well as the credit rating agency which has assigned it, will be disclosed in the Final Terms (as defined below). Rating cannot be considered a recommendation to purchase, sell or hold the securities and may be subject to suspension, downgrade or withdrawal at any time by the assigning credit rating agency. Whether or not the rating applied for in relation to the relevant issue of the Covered Notes will be assigned by a credit rating agency established in the European Union and registered under Regulation (EC) 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the **CRA Regulation**) is disclosed in the Final Terms. ESMA is obliged to publish on its website www.esma.europa.eu a list of credit rating agencies registered and certified in compliance with the CRA Regulation. The ESMA website is neither incorporated by a reference in nor does it form part of the Prospectus.

The Issuer does not intend to have a rating assigned to the issues of the Senior Notes or Subordinated Notes.

(9) **Availability of the Prospectus and other documents.** The Prospectus, Prospectus Supplements, if any, and individual Final Terms, Summaries of Issues (if applicable), annual, semi-annual, yearly and other reports and financial statements of the Issuer published after the date of this Prospectus, and any documents incorporated in the Prospectus by reference, will be available in electronic form on the Issuer's website www.slsp.sk or the internet page www.slsp.sk/cenne-papiere.html, which forms part of the Issuer's website.

8. SUMMARY OF THE NOTES

Notes will be issued as part of the Programme on a continuous or repeated basis as separate issues, with individual issues being issued also in parts (tranches). The Notes comprising a single issue (as well as those issued in parts) will be mutually substitutable pursuant to Section 7(2) of the Securities Act. The Notes will be issued as Covered Notes, Senior Notes or Subordinated Notes.

The Notes issued by the Issuer under the Programme will be offered: (i) in the territory of the Slovak Republic in the form of a public offering or (ii) on the territory of the Slovak Republic by one or more manners specified in Section 120(3) of the Securities Act which are exempt from the obligation to publish a prospectus and/or (iii) on the territory of other Member States of the European Union by one or more manners specified in the relevant national legislation which have transposed Article 3(2) of the Prospectus Directive which are exempt from the obligation to publish a prospectus. The Issuer may file an application for admission of the Notes on the regulated market of Burza cenných papierov v Bratislave, a.s. and/or on the regulated market (*Amtlicher Handel*) of the Vienna Stock Exchange (*Wiener Börse AG*).

8.1 Summary of the Covered Notes

General information

The details of the Covered Notes and their issuance are set out in the Act on Banks and the Bonds Act. The Covered Notes are secured notes the principal amount of which, including the yields on them, is fully covered by assets or other property values in the cover pool, which can only be issued by a bank in the Slovak Republic, and which is designated in its name as “covered note” (in Slovak: *krytý dlhopis*). The holders of the Covered Notes have by virtue of law the priority security right over all assets registered in the cover pool, including in the mortgages over the real estate property securing the included mortgage loans.

The Covered Notes can only be issued by a Slovak bank that has a bank license under the Act on Banks and which has obtained prior approval from the NBS to perform activities related to the covered notes programme. The Issuer has obtained such prior approval of the NBS on 16 July 2018.

The cover pool consists of four components: (i) base assets (i.e. mortgage loans), (ii) additional assets, (iii) hedging derivatives, and (iv) liquid assets. An asset or property value becomes part of the cover pool by its inclusion in the register of covered notes and is included until it is removed from this register. The cover pool may, pursuant to Section 68(3) of the Act on Banks, be used only to cover the Issuer’s obligations to repay the principal amount of the covered notes and their interest proceeds, the estimated obligations and costs of the Issuer related to the covered notes programme (e.g. to the covered notes programme administrator, the payment service agent, etc.) and the obligations of the Issuer arising from hedging derivatives.

The base assets are the Issuer’s receivables from mortgage loans with a maturity of no more than 30 years, provided to consumers and secured by pledges over immovable assets that meet the statutory conditions. The base assets are also these pledges over immovable assets. If the value of the pledged property decreases to the amount of the current unpaid principal of the mortgage loan, such Issuer’s receivable shall be included in the base assets only up to the amount not exceeding 80% of the value of the pledged property. If the value of the pledged property falls below the unpaid principal, it is not included in the base assets at all.

Additional assets include deposits with the NBS, the ECB or the central bank of a Member State, ECB debt certificates, cash, treasury bills issued by the Slovak Republic, or debt securities issued by a Member State, deposits with banks, foreign banks and debt securities issued by banks and foreign banks.

The Act on Banks sets out the method of calculating the cover ratio. The cover ratio is the ratio between the value of the cover pool and the sum of the Issuer’s obligations and costs arising from the covered bonds programme and must be maintained at a level of at least 105%.

Property values and assets forming part of the cover pool are registered in the register of covered notes. They cannot be pledged by the Issuer or used to secure its other obligations.

NBS, on its own initiative or on the proposal of the bank which is the issuer of covered notes, appoints for each bank that is the issuer of covered notes, a cover notes programme administrator and its deputy supervising the compliance with the statutory conditions in relation to the covered notes programme. The covered notes programme administrator supervises the issue of covered notes in terms of their requirements and coverage under the Act on Banks and informs NBS about any identified deficiencies. The covered notes programme administrator is required to issue a written certificate for each issue of covered notes prior to the issue, that they have the required coverage and that a record is kept in the register of covered notes.

If the Issuer becomes insolvent, the separate bankruptcy estate of the secured creditors, which are the holders of the covered notes, would be composed of the assets constituting the cover pool and registered in the register of covered notes; this separate bankruptcy estate will include in particular the base assets, i.e. receivables from mortgage loans, including pledges over properties serving to secure the receivables from mortgage loans, provided that they have been registered in the register of covered notes and included in the cover pool.

If the Issuer is insolvent, the bankruptcy administrator has several options to deal with the covered notes programme. The bankruptcy trustee may continue to operate the covered notes programme as part of the Issuer's business unless this reduces the overall satisfaction ratio for the holders of the covered notes. If the bankruptcy trustee assesses that it will be more beneficial to the holders of the covered notes, he may attempt to transfer the covered notes programme or its part so that the whole covered notes programme is transferred to another bank or multiple banks. If the bankruptcy trustee fails to secure transferring of the covered notes programme, he is entitled to sell individual receivables from mortgage loans that form part of the cover pool's assets during the business operation. If the capitalisation fails to be achieved in such a way before termination of the operation of the Issuer's business, the bankruptcy trustee may, after fulfilling the statutory conditions and complying with the statutory deadlines, terminate the operation of the covered notes programme as a part of the Issuer's business and enforce an early repayment of obligations corresponding to the receivables that constitute the base assets of the cover pool. Termination of the covered notes programme operation will result in receivables payment falls due under the Covered Notes.

Reregistration of the legacy mortgage bonds

The Covered Bonds will be issued pursuant to new rules introduced in Slovak law by amendment to the Act on Banks No. 279/2017 Coll. with effect from 1 January 2018 (the **AoB amendment**). Under the AoB amendment issuance of mortgage bonds (in Slovak: *hypotekárne záložné listy*), i.e. debt securities covered in the manner similar to the Covered Notes under the previous regulation, is no longer possible from 1 January 2018. However the AoB amendment, specifically new Section 122ya(3) of the Act on Banks, allows to include the historic mortgage bonds together with their cover assets into the new covered bonds programme by way or their preregistration into the new register of covered notes.

The Issuer has used this option under the statute and as at 23 July 2018 it has reregistered into the new register of the covered notes all 61 outstanding issues of the mortgage bonds issued by the Issuer before 1 January 2018 in the total outstanding amount of approximately EUR 1.1 billion, together with all cover assets related to them which meet the new eligibility criteria pursuant to the AoB amendment. Due to the reregistration, the outstanding mortgage bonds are deemed as the covered notes under new rules of the Act on Banks as amended by the AoB amendment. In addition the Issuer has registered in the register of covered notes all mortgage loans provided under mortgage loan agreements entered into before 1 January 2018, which fulfil the eligibility criteria under the AoB amendment. The Issuer has also reregistered as liquid assets (liquidity buffer) Slovak government bonds in total outstanding amount of EUR 110 million.

8.2 Summary of the Senior Notes

The details of the notes and their issuance are set out in the Bonds Act and the Securities Act. Senior Notes under the Programme will be issued as senior unsecured notes, which will not be subordinated pursuant to Section 20a of the Bonds Act or secured pursuant to Section 20b of the Bonds Act.

Thus, in addition to basic features of notes specified in Section 1(1) of the Bonds Act, such as the right of the Holder to request the payment of outstanding principal amount and the payment of interest thereon as at a certain date and the obligation of the Issuer to perform these obligations, no other special rights are attached to the Senior Notes.

8.3 Summary of Subordinated Notes

Subordinated Notes will be issued as subordinated notes under Section 20a of the Bonds Act and they are subject to all limitations under Section 408a of Act No. 513/1991 Coll. Commercial Code, as amended (the **Commercial Code**).

In the event of bankruptcy or liquidation of the Issuer, the Issuer's payment obligations under the Subordinated Notes shall, regarding the right to payment, rank after the unsubordinated debtors of the Issuer and before the claims of shareholders, holders of (other) instruments of common equity Tier 1 capital under Article 28 of the CRR, as well as before the holders of instruments of additional Tier 1 capital under Article 52 of the CRR of the Issuer and any other subordinated obligations of the Issuer expressed under their terms and conditions as ranked after the Subordinated Notes. The subordination undertaking relating to all obligations under the Subordinated Notes cannot be altered or terminated in any way. All obligations under the Subordinate Notes are unsecured and no provisions or guarantees increasing the seniority of the Subordinated Obligations from Notes apply to them, whether from the side of the Issuer, its affiliates or any other person under Article 63 of CRR.

Each Holder acknowledges and explicitly agrees that if the Issuer gets into a crisis situation under Act No. 371/2014 Coll. on the resolution of crisis situations on the financial market, as amended, including related regulations, the obligations of the Issuer from the Subordinated Notes may be subject to measures for resolution of the crisis situation of the Issuer or its group, mainly to the capitalisation measure, as a result of which the obligations from the Subordinated Notes may be modified or terminated, or converted into registered capital of the Issuer. This can result in the Holders losing a part or their whole investment in the Subordinated Notes.

The Holders do not have the right to set-off their claims under the Subordinated Notes against the Issuer and at the same time the Issuer does not have the right to set-off its claims against the claims of the Holders under the Subordinated Notes. In accordance with Section 408a (6) of the Commercial Code, no contractual or statutory set-off is permitted.

9. COMMON TERMS

This section of the Prospectus contains certain information in square brackets that do not contain specific information or contain only a general description (or general principles or alternatives). This unknown information, at the moment of preparation of the Prospectus, concerning the Notes, will be completed by the Issuer for individual issues of the Notes in the Final Terms (as defined below) which will be prepared and published in the form specified in the section of the Prospectus designated as the "Form of Final Terms".

The term "Notes" for the purposes of this Section 9 (Common Terms) only refers to the notes of a particular issue and shall not be construed as referring to any notes issued continuously or repeatedly by the Issuer under the Programme.

The text in these Common Terms in italics is merely a guide to the preparation of the Final Terms and is not part of the final legally binding text of the relevant Terms and Conditions (as defined below) of the relevant issue of the Notes.

All issues of the Notes to be issued under the Programme on the basis of this Prospectus will be governed by the Common Terms set out in this Section 9 (the **Common Terms**) and the respective Final Terms. For the purposes of these Common Terms and pursuant to Section 121(10) of the Securities Act, the Final Terms mean a document designated as the "Final Terms" to be prepared and published by the Issuer with regard to individual issues of the Notes and which will contain particular information the description of which is given in square brackets in these Common Terms (the **Final Terms**).

9.1 Information about securities

This paragraph 9.1 (*Information about securities*) of the Common Terms together with Part A of the Final Terms replaces the terms and conditions of the respective issue of the Notes (the **Terms and Conditions**).

For the avoidance of doubt, the term "Notes" only refers to the notes of the particular Issue and shall not be construed as referring to any notes issued continuously or repeatedly by the Issuer under the Programme.

Any reference to point, section or paragraph in the Terms and Conditions (including in the Final Terms) means reference to point, section or paragraph of the whole Terms and Conditions of a given issuance of Notes.

(a) Basic information, form and manner of issue of the Notes

(i) [**Type of Notes** – [unsubordinated and unsecured notes (the **Senior Notes**)] *or* [Covered Notes] *or* [Subordinated Notes]], [**ISIN**], will be issued by the Issuer, Slovenská sporiteľňa, a.s., with its registered office at Tomášikova 48, 832 37 Bratislava, Identification No.: 00 151 653, LEI: 549300S2T3FWVVXWJI89, registered in the Commercial Register of the District Court Bratislava I, Slovak Republic, section: Sa, Insert No: 601/B (the **Issuer**) in accordance with Act No. 530/1990 Coll., On Bonds, as amended (the **Bonds Act**) and in accordance with Act No. 566/2001 Coll. on Securities and Investment Services, as amended (the **Securities Act**).

The Covered Notes are issued as covered notes (in Slovak: *kryté dlhopisy*) under Section 67 et seq. of Act No. 483/2001 Coll. on Banks, as amended (the **Act on Banks**) and are covered by assets or other property values in the cover pool pursuant to the relevant provisions of the Act on Banks.

(ii) The Notes are book-entry securities (in Slovak: *zaknihované cenné papiere*) registered in: [**Depository** – information (name and address of the entity) about the entity that maintains the statutory records of securities] (the **Central Depository**) in bearer form (in Slovak: *vo forme na doručiteľa*) pursuant to the Securities Act.

The Notes will be issued with principal amount (in Slovak: *menovitá hodnota*) of each of the Notes of [**Principal Amount**] (the **Principal Amount**). No global certificates, definitive certificates or coupons will be issued with respect to any Notes.

The Notes will be exclusively issued in the currency [**Currency**] (the **Currency**).

The name of the Notes is [**Name**].

The Aggregate Principal Amount (in Slovak: *celková menovitá hodnota*) of the Notes will be [**Aggregate Amount of the Issue**] (the **Aggregate Amount of the Issue**) and after deduction of the costs relating to the issue of the Notes (costs of the Central Depository, admission to trading, advisors, subscription or placement of the Notes, administration, settlement and other associated costs) the estimated net proceeds from the issue of the Notes will be [**Estimated Net Proceeds from the Issue**].

The Aggregate Amount of the Offer (as defined below) shall be [**Aggregate Amount of the Offer**]. Individual issues of the Notes may be issued by the Issuer in parts (tranches) in compliance with the applicable provisions of the Bonds Act.

The Issue Price of the Notes was determined at [**Issue Price in %**] of the Principal Amount (the **Issue Price**).

[**Information about the accrued interest**]

The issue date of the Notes is set for [**Issue Date**] (the **Issue Date**).

[**Admission to trading –** [The Issuer will submit an application to Burza cenných papierov v Bratislave, a.s., with its registered office at Vysoká 17, 811 06 Bratislava, IČO: 00 604 054, for the admission of the Notes to trading on [**BSSE Market**].] *or* [The Issuer will submit an application to the Vienna Stock Exchange (Wiener Börse AG) for the admission of the Notes to trading on its regulated market (Amtlicher Handel).] *or* [The Issuer does not submit an application for the admission of the Notes to trading on a regulated market.]]

The Notes will be issued under the EUR 5,000,000,000 debt securities issuance programme pursuant to Section 121(5)(a) of the Securities Act (the **Programme**), which was approved by the Issuer's Board of Directors on 26 June 2018.

(iii) The transferability of the Notes is not restricted. No rights to exchange them for any other securities and no pre-emption rights (rights for preferential subscription) to any securities and no other benefits are attached to the Notes.

The payment of the Principal Amount or the payment of interest on the Notes as regards the Covered Notes is secured in compliance with the applicable provisions of the Act on Banks and as regards the Senior Notes and Subordinated Notes it is unsecured.

A joint representative of the Holders or any other representative of Holders has not been appointed.

(iv) The Notes will be issued in accordance with the Bonds Act, the Securities Act and the Act on Banks (in case of Covered Notes) and the Holders have the rights and obligations arising from these laws and the Terms and Conditions. The procedure for exercising these rights follows from the applicable laws and the Terms and Conditions.

Rights attached to the Notes are not restricted, except for general restrictions pursuant to applicable legal regulations.

(v) The Holders of the Notes will be the persons registered as owners of the Notes (a) on the owner's account (in Slovak*: účet majiteľa*) maintained by the Central Depositary or by a member of Central Depositary; or (b) on the internal account of a person for which Central Depositary maintains a custody account (in Slovak: *držiteľský účet*) (each such account referred to as the **Relevant Account** and each such person as the **Holder**). If some of the Notes are registered in a custody account, the Issuer reserves the right to rely on the authority of each person maintaining such account to fully represent (directly or indirectly) the Holder and perform vis-à-vis the Issuer and to the account of the Holder all legal acts (either in the Holder's name or in its own name) associated in the Notes as if this person were their owner.

(vi) A transfer of the Notes is made through the registration of the transfer in the Relevant Account.

(vii) Unless the law or a decision of the court delivered to the Issuer provides otherwise, the Issuer will deem each Holder as the authorised owner in all respects and make the payments under the Notes to that Holder.

(b) Status of obligations

[**Status of obligations** – *selection of option – in case of the Senior Notes it shall be stated:* [Obligations from the Senior Notes constitute direct, general, unsecured, unconditional and unsubordinated liabilities of the Issuer which rank *pari passu* among themselves and always rank at least *pari passu* with any other direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer, present and future, save for those obligations of the Issuer as may be stipulated by mandatory provisions of law. Each Holder acknowledges and explicitly agrees that if the Issuer gets into a crisis situation under Act No. 371/2014 Coll. on the resolution of crisis situations on the financial market, as amended, including related regulations, the obligations of the Issuer from the Senior Notes may be subject to measures for resolution of the crisis situation of the Issuer or its group, mainly to the capitalisation measure, as a result of which the obligations from the Senior Notes may be modified or terminated, or converted into registered capital of the Issuer. This can result in the Holders losing a part or their whole investment in the Senior Notes.]

or in case of the Covered Notes it shall be stated: [Obligations from the Covered Notes constitute direct, general, secured, unconditional and unsubordinated liabilities of the Issuer which rank *pari passu* among themselves and always rank at least *pari passu* with any other direct, general, similarly secured, unconditional and unsubordinated obligations of the Issuer, present and future, save for those obligations of the Issuer as may be stipulated by mandatory provisions of law.]

or in case of the Subordinated Notes it shall be stated: [Obligations from the Subordinated Notes constitute direct, general, unsecured, unconditional and subordinated liabilities of the Issuer which rank *pari passu* among themselves and always rank at least *pari passu* with any other direct, general, unsecured, unconditional and subordinated obligations of the Issuer, present and future, save for those obligations of the Issuer as may be stipulated by mandatory provisions of law. The Subordinated Notes are subordinated notes under Section 20a of the Bonds Act, and they are subject to all limitations under Section 408a of Act No. 513/1991 Coll. Commercial Code, as amended (the **Commercial Code**). By subscribing, purchasing or otherwise acquiring any Subordinated Notes, each Holder agrees with this subordination undertaking and related limitations. In the event of bankruptcy or liquidation of the Issuer, the Issuer's payment obligations under the Subordinated Notes shall, regarding the right to payment, rank after the unsubordinated debtors of the Issuer and before the claims of shareholders, holders of (other) instruments of common equity Tier 1 capital under Article 28 of the CRR, as well as before the holders of instruments of additional Tier 1 capital under Article 52 of the CRR of the Issuer and any other subordinated obligations of the Issuer expressed under their terms and conditions as ranked after the Subordinated Notes. The subordination undertaking relating to all obligations under the Subordinated Notes cannot be altered or terminated in any way. All obligations under the Subordinate Notes are unsecured and no provisions or guarantees increasing the seniority of the Subordinated Obligations from Notes apply to them, whether from the side of the Issuer, its affiliates or any other person under Article 63 of CRR. Each Holder acknowledges and explicitly agrees that if the Issuer gets into a crisis situation under Act No. 371/2014 Coll. on the resolution of crisis situations on the financial market, as amended, including related regulations, the obligations of the Issuer from the Subordinated Notes may be subject to measures for resolution of the crisis situation of the Issuer or its group, mainly to the capitalisation measure, as a result of which the obligations from the Subordinated Notes may be modified or terminated, or converted into registered capital of the Issuer. This can result in the Holders losing a part or their whole investment in the Subordinated Notes. The Holders do not have the right to set-off their claims under the Subordinated Notes against the Issuer and at the same time the Issuer does not have the right to set-off its claims against the claims of the Holders under the Subordinated Notes. In accordance with Section 408a (6) of the Commercial Code, no contractual or statutory set-off is permitted.]]

(c) Statement and undertakings of the Issuer

The Issuer declares that it owes to the Holders the Principal Amount and undertakes to repay the Principal Amount and any interest on the Notes (if the Notes bear interest income), in accordance with their Terms and Conditions.

The Issuer undertakes to treat all Holders in the same circumstances equally.

The Issuer undertakes in compliance with Section 69 (3) of Act on Banks to observe higher cover ratio than minimum required by Act on Banks of at least 107.5% (one hundred seven and half per cent) that represents total over-collateralization of 7.5% (seven and half per cent) for each issuance of the Covered Notes until all his obligations arising out of the Covered Notes are fulfilled. The cover ratio will be calculated and monitored in compliance with the Act on Banks and other applicable legislation.

(d) Interest

(i) The Notes will bear interest from the date of the Issue Date: [**Determination of interest –** (*selection of options below*)

(A) *for* ***the Notes without payment of interest income (zero coupon)****, it must be stated:*

[The Notes have no interest rate and their interest is determined as the difference between the Principal Amount of the Notes and their Issue Price. The provisions of paragraphs 9.1(d)(ii) to 9.1(d)(v) and any reference to interest or its payment shall in this case not be applicable to the Notes.];

(B) *for* ***the Notes with a fixed interest rate without changing it to the Principal Amount Maturity Date or to the Early Maturity Date****, it must be stated:*

[The Notes bear a fixed interest rate throughout their life, in the amount of [**Rate**]% p. a. (the **Interest Rate**).];

(C) *for* ***the Notes where the interest rate may increase or decrease****, it must be stated:*

[The Notes bear a fixed Interest Rate the value of which over time is [[increasing]/[decreasing]], as follows [**Rate –** add appropriate dates or periods and add individual Interest Rates in % p. a. in the format "from [***insert date***] (including) to [***insert date***] (excluding) with interest income [***amount of adjusted interest income***]% p. a.", with the text in this format being specified for each relevant period in which the fixed Interest Rate is to be increased/decreased.

The term "**Interest Rate**" refers to the interest income in % p. a. applicable over the relevant period.

[[The current Interest Rate shall be notified by the Issuer to the Stock Exchange immediately.] *or* [The current Interest Rate shall be notified by the Issuer to the Holders immediately in accordance with paragraph 9.1(l).]]];

(D) *for* ***the Notes with a fixed interest rate that is to be changed to a different fixed interest rate****, it must be stated:*

[The Notes bear fixed interest rate of [**First Rate**]% p. a. until [**Interest Rate Change Date**] (the **Interest Rate Change Date**) (the **First Interest Rate**) during each Interest Period. The date of the change in the interest rate may only be one of the Payment Dates determined in accordance with paragraph 9.1(d)(ii). From the Interest Rate Change Date until the Principal Amount Maturity Date or the Early Maturity Date, the Notes will during each Interest Period bear interest at a fixed interest rate determined as the [[sum]/[difference]] of the Reference Rate and the Margin of [**Reference Rate and Margin**]% p. a. [*and if the interest rate so determined is still to be multiplied by the factor, include the following text:* ", and the result of this difference will still be multiplied by the factor [**Factor Numerical Value**]"] (the **Second Interest Rate**).

The term "**Interest Rate**" refers to the First Interest Rate and/or the Second Interest Rate in % p. a. applicable over the relevant period. The Reference Rate will be set only once at [**Reference Rate Setting Deadline**] before the Interest Rate Change Date and will be applicable during the following Interest Periods (as defined below) (the **Reference Rate Setting Date**).

[[The amount of the Second Interest Rate shall be notified by the Issuer to the Stock Exchange immediately.] *or* [The amount of the Second Interest Rate shall be notified by the Issuer to the Holders immediately in accordance with paragraph 9.1(l).]]];

(E) *for* ***the Notes with a fixed interest rate that will be changed to a floating interest rate****, as well as for* ***the Notes with target redemption with a fixed interest rate that will be changed to a floating interest rate****, it must be stated:*

[The Notes bear fixed interest rate of [**First Rate**]% p. a. until [**Interest Rate Change Date**] (the **Interest Rate Change Date**) (the **First Interest Rate**) during each Interest Period. The date of the change in the interest rate may only be one of the Payment Dates determined in accordance with paragraph 9.1(d)(ii).

From the Interest Rate Change Date until the Principal Amount Maturity Date or the Early Maturity Date, the Notes will during each Interest Period bear interest at an interest rate determined as the [[sum]/[difference]] of the Reference Rate and the

Margin of [**Reference Rate and Margin**]% p. a. [*and if the interest rate so determined is still to be multiplied by the factor, include the following text:* ",and the result of this difference will still be multiplied by the factor [**Factor Numerical Value**]"] (the **Second Interest Rate**).

The term "**Interest Rate**" refers to the First Interest Rate and/or the Second Interest Rate in % p. a. applicable over the relevant period. The Reference Rate will be set for the first time [**Reference Rate Setting Deadline**] before the Interest Rate Change Date and subsequently set [**Reference Rate Setting Deadline**] before the applicable Payment Date for the following Interest Period (as defined below) (the **Reference Rate Setting Date**).

[[The current Second Interest Rate for the relevant Interest Period shall be immediately notified by the Issuer to the Stock Exchange.] *or* [The current Second Interest Rate for the relevant Interest Period shall be notified by the Issuer to the Holders immediately in accordance with paragraph 9.1(l).]];

and further for the Notes under this paragraph (E):

- *in case of* ***the Notes where, in case of the Second Interest Rate, the amount of the Margin may vary****, it must be stated:*

  [The Margin is set as follows: [**Margin** – *add relevant dates or periods and add individual Margins in % p. a. in the format* "from [***insert date***] (including) to [***insert date***] (excluding) the amount of Margin of [**Amount of Margin**]% p. a.", *the text in this format being specified for each relevant period in which the amount of the Margin is to be changed*]. The term "**Margin**" collectively denotes the margin in % p. a. applicable during the relevant period.]

- *in case of* ***the Notes for which the Second Interest Rate is to be set using the minimum interest rate****, it must be stated:*

  [If, for any Interest Period following the Interest Rate Change Date, the Second Interest Rate determined in accordance with the preceding provisions is less than [**Floor Rate**]% p. a., the Notes will bear interest of [**Floor Rate**]% p. a. (the **Floor Interest Rate**) for the given Interest Period. If the Floor Interest Rate is applied in accordance with the previous sentence, the term **Interest Rate** is to be interpreted as the Floor Interest Rate for the purposes of the Terms and Conditions for the given Interest Period and not as an interest rate determined in the manner above.]

- *in case of* ***the Notes for which the Second Interest Rate is to be set using the maximum interest rate,*** *it must be stated:*

  [If, for any Interest Period following the Interest Rate Change Date, the Second Interest Rate determined in accordance with the preceding provisions is higher than [**Cap Rate**]% p. a., the Notes will bear interest of [**Cap Rate**]% p. a. (the **Cap Interest Rate**) for the given Interest Period. If the Cap Interest Rate is applied in accordance with the previous sentence, the term **Interest Rate** is to be interpreted as the Cap Interest Rate for the purposes of the Terms and Conditions for the given Interest Period and not as an interest rate determined in the manner above.]

- *for* ***the Notes with target redemption****, it must be stated:*

  [*in case of the unguaranteed Target Interest Amount, it must be stated:* The Target Interest Amount for the whole period until the Principal Amount Maturity Date is neither specified nor guaranteed.] *or* [*in case of the guaranteed Target Interest Amount, it must be stated*: The minimum amount of interest on each Note due for the whole period from the Interest Rate Change Date to the Principal Amount Maturity Date or to the Early Maturity Date is equal to the difference of (a) [**Target Interest Amount**] and (b) the sum of all interest payments paid on one Note for all previous Interest Periods.]

and [*in case of the Total Interest Ceiling it must be stated:* The maximum amount of interest on each Note is equal to the difference of (a) [**Target Interest Amount**]; and (b) the sum of all interest paid for all previous Interest Periods (the **Total Interest Ceiling**). The Issuer is under no obligation to pay any further interest exceeding the Total Interest Ceiling for the last variable Interest Period.] *or,* [*if Total Interest Ceiling is not stated, it must be stated:* The variable amount of interest for the last variable Interest Period is also payable in full if the sum of all interest paid for all previous Interest Periods exceeds the Target Interest Amount.]];

(F) *for* ***the Notes with a fixed interest rate that is to be changed to a reversed floating interest rate****, it must be stated:*

[The Notes bear fixed interest rate of [**First Rate**]% p. a. until [**Interest Rate Change Date**] (the **Interest Rate Change Date**) (the **First Interest Rate**) during each Interest Period. The date of the change in the interest rate may be only one of the Payment Dates determined in accordance with paragraph 9.1(d)(ii).

From the Interest Rate Change Date until the Principal Amount Maturity Date or the Early Maturity Date, the Notes will during each Interest Period bear interest at an interest rate determined as the difference between (i) [**Second Rate**] in % p. a. and (ii) the Reference rate [**Reference rate**]% p. a. [*and if the interest rate so determined is still to be multiplied by the factor, include the following text:* ",and the result of this difference will still be multiplied by the factor [**Factor Numerical Value**]"] (the **Second Interest Rate**).

The term **Interest Rate** refers to the First Interest Rate and/or the Second Interest Rate in % p. a. applicable over the relevant period. The Reference Rate will be set for the first time [**Reference Rate Setting Deadline**] before the Interest Rate Change Date and subsequently set [**Reference Rate Setting Deadline**] before the applicable Payment Date for the following Interest Period (as defined below) (the **Reference Rate Setting Date**).

[[The current Second Interest Rate for the relevant Interest Period shall be immediately notified by the Issuer to the Stock Exchange.] *or* [The current Second Interest Rate for the relevant Interest Period shall be notified by the Issuer to the Holders immediately in accordance with paragraph 9.1(l).]];

and further for the Notes under this paragraph (F):

- *in case of* ***the Notes for which the Second Interest Rate is to be set using the minimum interest rate*** *it must be stated:*

  [If, for any Interest Period following the Interest Rate Change Date, the Second Interest Rate determined in accordance with the preceding provisions is less than [**Floor Rate**]% p. a., the Notes will bear interest of [**Floor Rate**]% p. a. (the **Floor Interest Rate**). If the Floor Interest Rate is applied in accordance with the previous sentence, the term "**Interest Rate**" is to be interpreted as the Floor Interest Rate for the purposes of the Terms and Conditions and not as an interest rate determined in the manner above.]

- *in case of* ***the Notes for which the Second Interest Rate is to be set using the maximum interest rate*** *it must be stated:*

  [If, for any Interest Period following the Interest Rate Change Date, the Second Interest Rate determined in accordance with the preceding provisions is higher than [**Cap Rate**]% p. a., the Notes will bear interest of [**Cap Rate**]% p. a. (the **Cap Interest Rate**) for the given Interest Period. If the Cap Interest Rate is applied in accordance with the previous sentence, the term "**Interest Rate**" is to be interpreted as the Cap Interest Rate for the purposes of the Terms and Conditions for the given Interest Period and not as an interest rate determined in the manner above.]];

(G) *for **the Notes with a fixed interest rate that is to be changed to a spread floating interest rate**, as well as for **the Notes with target redemption with a fixed interest rate that is to be changed to a spread floating interest rate**, it must be stated:*

[The Notes bear fixed interest rate of [**First Rate**]% p. a. until [**Interest Rate Change Date**] (the **Interest Rate Change Date**) (the **First Interest Rate**) during each Interest Period. The date of the change in the interest rate may only be one of the Payment Dates determined in accordance with paragraph 9.1(d)(ii).

From the Interest Rate Change Date until the Principal Amount Maturity Date or the Early Maturity Date, the Notes will during each Interest Period bear interest at an interest rate determined as the difference between (i) Floating Interest Rate 1 (as defined below) and (ii Floating Interest Rate 2 (as defined below) [*and if the interest rate so determined is still to be multiplied by the factor, include the following text:* ", and the result of this difference will still be multiplied by the factor [**Factor Numerical Value**]"] (the **Second Interest Rate**). The term "**Interest Rate**" refers to the First Interest Rate and/or the Second Interest Rate in % p. a. applicable over the relevant period.

The term "**Floating Interest Rate 1**" means: [**Reference Rate 1**]% p. a.

The term "**Floating Interest Rate 2**" means: [**Reference Rate 2**]% p. a.

Reference Rate 1 and Reference Rate 2 will be set for the first time [**Reference Rate Setting Deadline**] before the Interest Rate Change Date and subsequently set [**Reference Rate Setting Deadline**] before the applicable Payment Date for the following Interest Period (as defined below) (the **Reference Rate Setting Date**).

[[The current Second Interest Rate for the relevant Interest Period shall be immediately notified by the Issuer to the Stock Exchange.] *or* [The current Second Interest Rate for the relevant Interest Period shall be notified by the Issuer to the Holders immediately in accordance with paragraph 9.1(l).]];

and further for the Notes under this paragraph (G):

- *for **the Notes for which the Second Interest Rate is to be set using the minimum interest rate**, it must be stated:*

  [If, for any Interest Period following the Interest Rate Change Date, the Second Interest Rate determined in accordance with the preceding provisions is less than [**Floor Rate**]% p. a., the Notes will bear interest of [**Floor Rate**]% p. a. (the **Floor Interest Rate**). If the Floor Interest Rate is applied in accordance with the previous sentence, the term **Interest Rate** is to be interpreted as the Floor Interest Rate for the purposes of the Terms and Conditions and not as an interest rate determined in the manner above.]

- *for **the Notes for which the Second Interest Rate is to be set using the maximum interest rate**, it must be stated:*

  [If, for any Interest Period following the Interest Rate Change Date, the Second Interest Rate determined in accordance with the preceding provisions is higher than [**Cap Rate**]% p. a., the Notes will bear interest of [**Cap Rate**]% p. a. (the **Cap Interest Rate**) for the given Interest Period. If the Cap Interest Rate is applied in accordance with the previous sentence, the term "**Interest Rate**" is to be interpreted as the Cap Interest Rate for the purposes of the Terms and Conditions and not as an interest rate determined in the manner above.]

- *for **the Notes with target redemption** it must be stated:*

  [*in case of the unguaranteed Target Interest Amount it must be stated:* The Target Interest Amount for the whole period until the Principal Amount Maturity Date is neither specified nor guaranteed.] *or* [*in case of the guaranteed Target Interest Amount it must be stated*: The minimum amount of interest on each Note due for the whole period from the Interest Rate Change Date to the Principal Amount Maturity Date or to the Early Maturity

Date is equal to the difference of (a) [**Target Interest Amount**] and (b) the sum of all interest payments paid on one Note for all previous Interest Periods.]

and [*in case of the Total Interest Ceiling it must be stated:* The maximum amount of interest on each Note is equal to the difference of (a) [**Target Interest Amount**]; and (b) the sum of all interest paid for all previous Interest Periods (the **Total Interest Ceiling**). The Issuer is for the last variable Interest Period under no obligation to pay any further interest exceeding the Total Interest Ceiling.] *or,* [*if Total Interest Ceiling is not stated, it must be stated:* The variable amount of interest for the last variable Interest Period is also payable in full if the sum of all interest paid for all previous Interest Periods exceeds the Target Interest Amount.]];

(H) *for **the Notes with a floating interest rate**, it must be stated:*

[The Notes bear interest at the floating rate set as the sum of the Reference Rate and the Margin of [**Reference Rate and Margin**]% p. a. (the **Interest Rate**).

The Reference Rate will be set for the first time [**Reference Rate Setting Deadline**] before the Issue Date and subsequently set [**Reference Rate Setting Deadline**] before the applicable Payment Date for the following Interest Period (as defined below) (the **Reference Rate Setting Date**).

[[The current amount of the floating Interest Rate for the relevant Interest Period shall be immediately notified by the Issuer to the Stock Exchange.] *or* [The current floating Interest Rate for the relevant Interest Period shall be notified by the Issuer to the Holders immediately in accordance with paragraph 9.1(l).]];

and further for the Notes under this paragraph (H):

- *for **the Notes where the amount of Margin may vary**, it must be stated:*

  [The Margin is set as follows: [**Margin** – *add relevant dates or periods and add individual Margins in % p. a. in the format* "from [***insert date***] (including) to [***insert date***] (exclude) the amount of Margin of [**Amount of Margin**]% p. a.", *the text in this format being specified for each relevant period in which the amount of the Margin is to be changed*]. The term "**Margin**" collectively denotes the margin in % p. a. applicable during the relevant period.]

- *for **the Notes using the minimum interest rate**, it must be stated:*

  [If, for any Interest Period, the floating Interest Rate determined in accordance with the preceding provisions is less than [**Floor Rate**]% p. a., the Notes will bear interest of [**Floor Rate**]% p. a. (the **Floor Interest Rate**). If the Floor Interest Rate is applied in accordance with the previous sentence, the term "**Interest Rate**" is to be interpreted as the Floor Interest Rate for the purposes of the Terms and Conditions and not as an interest rate determined in the manner above.]

- *for **the Notes using the Memory interest rate**, it must be stated:*

  [If, for any Interest Period, the floating Interest Rate determined in accordance with the preceding provisions is less than the interest rate determined for the immediately preceding period (the **Memory Interest Rate**), the Notes will bear interest at the Memory Interest Rate for the given Interest Period. If the Memory Interest Rate is applied in accordance with the previous sentence, the term "**Interest Rate**" is to be interpreted as the Memory Interest Rate for the purposes of the Terms and Conditions and not as an interest rate determined in the manner above.]

- *for **the Notes using the maximum interest rate** it must be stated:*

  [If, for any Interest Period, the floating Interest Rate determined in accordance with the preceding provisions is higher than [**Cap Rate**]% p. a., the Notes will bear interest of [**Cap Rate**]% p. a. (the **Cap Interest Rate**). If the Cap Interest Rate is applied in accordance with the previous sentence, the term "**Interest Rate**" is to be interpreted as the Cap Interest Rate for the purposes of the Terms and Conditions and not as an interest rate determined in the manner above.]].

(ii) Yield to Maturity as at the Issue Date amounts to: [**Yield to Maturity**]. Interest on the Notes will be always paid [**Interest Payment Frequency**] (on) [**Interest Payment Date(s)**] of the relevant calendar year (each a **Payment Date**) in compliance with paragraph 9.1(f).

The Interest on the Notes will be paid to the Holders in arrears for the relevant Interest Period (as defined below), for the first time on [**First Interest Payment Date**] until (A) the Principal Amount Maturity Date (as defined below) or until (B) the Early Maturity Date (as defined below) if the Notes are redeemed early.

For the purposes of the Terms and Conditions, the **Interest Period** shall mean the period commencing on the Issue Date (inclusive) and ending on the first Payment Date (exclusive) and subsequently each successive period commencing on the Payment Date (inclusive) and ending on the next successive Payment Date (exclusive) until (A) the Principal Amount Maturity Date (exclusive) or until (B) the Early Maturity Date (exclusive) if the Notes are redeemed early.

Interest on the Notes shall be calculated according to the convention [**Convention**] (as defined below).

The amount of interest pertaining to 1 (one) Note shall be determined as the product of the Principal Amount, Interest Rate and the relevant fraction of days calculated according to the convention for the calculation of the interest stated in the preceding sentence of these Common Terms and by rounding to seven decimal places whereas the resulting amount will still be rounded to two decimal places according to arithmetic rules. The same procedure is used for calculation of the aliquot accrued interest.

(iii) The Notes will cease to bear interest as of the Principal Amount Maturity Date or the Early Maturity Date (if the Notes are redeemed early), provided that the Principal Amount has been repaid. If the Principal Amount is not fully repaid as of the Principal Amount Maturity Date or the Early Maturity Date (if the Notes are redeemed early), the Notes will continue to bear interest at the Interest Rate until all the amounts payable in respect of the Notes have been paid to the Holders.

(iv) In these Common Terms, "**Reference Rate**" means the interest rate expressed as the percentage p.a. displayed on [**Screen page**] (or any substitute screen page displaying such information) as [**Relevant value –** [the value of the fixing of the interest rates for sale on the interbank market for deposits for the relevant currency for the relevant period] *or* [the value of mid-swap interest rate (the average of bid and offer swap rate) for the fixed part of swap transaction, where the fixed rate is changed into a floating rate in the relevant currency for the relevant period] *or* [Not applicable.]]; information/data regarding the past performance, current value as well as the volatility of the Reference Rate can also be obtained there.

If the Reference Rate is not available on the above-mentioned page or it is not displayed for any reason, it will be determined by the Issuer. In the event that any interest rate calculated using the Reference Rate in accordance with the procedures set out in paragraph 9.1(d)(i) above would be less than 0 (zero), the Interest Rate with a value of 0 (zero) will be used to calculate the Interest Rate.

(v) **Convention** means for the purposes of the Terms and Conditions one of the following conventions for the calculation of interest:

(A) "**30E/360**" which, for the purposes of the calculation of, means that a calendar year has 360 (three hundred and sixty) days divided into 12 (twelve) months, and each month has 30 (thirty) days;

(B) "**Act/360**" which, for the purposes of the calculation, means that a calendar year has 360 (three hundred and sixty) days; however, the actual number of days lapsed in the relevant Interest Period is taken into consideration, i.e., the same convention as for the Reference Rate is used; and

(C) "**Act/Act**" which, for the purposes of the calculation, means the actual number of days from the beginning of the Interest Period to the day of the relevant calculation divided by 365 (three hundred and sixty-five) (or if any part of the period for which the interest income is determined falls within a leap year, the sum of (i) the actual number of days in that part of the period for which the interest income is determined, which falls within the leap year, divided by the number 366 (three hundred and sixty-six) and (ii) the actual number of days in that part of the period for which the interest income is determined, which falls into the non-leap year, divided by the number 365 (three hundred and sixty-five)).

(vi) The calculation of interest on the Notes by the Issuer will be final and binding for all Holders, except for a manifest error.

(e) Maturity of the Notes

(i) Unless the Notes are redeemed earlier or repurchased by the Issuer and thus cease to exist, as defined below, the Principal Amount [**Method of Redemption**] shall be repaid on [**Maturity Date**] (the **Principal Amount Maturity Date**).

[**Repurchase** – [The Issuer has the right to purchase any of the Notes on the secondary market at any market price any time prior to the Principal Amount Maturity Date. The Notes purchased by the Issuer cease to exist.] *or* [*only in case of Subordinated Notes included in Tier 2 capital of the Issuer*: The Issuer may buy back all or only some of the Notes only if the conditions under Articles 63, 77, 78 and related provisions of the CRR have been satisfied, and the authorisation of the competent supervisory authority obtained. The Notes purchased by the Issuer cease to exist.] *or* [*only in case of Covered Notes:* The Issuer has the right to purchase any of the Notes on the secondary market at any market price any time prior to the Principal Amount Maturity Date. The Notes purchased by the Issuer shall not cease to exist and the Issuer may keep and resell them.]]

(ii) [**Early redemption of the Notes decided by the Issuer** – [[The Issuer is, on the basis of its decision, entitled to early redeem all (not only some) Notes issued and outstanding as of [**Early Redemption Date(s)**] (the **Early Maturity Date**). The Issuer is obliged to announce such decision to the Holders in accordance with paragraph 9.1(l) no sooner than 60 days and no later than 30 days prior to the relevant Early Maturity Date.] [*only in case of Subordinated Notes included in Tier 2 capital of the Issuer:* If there is a change in the regulatory classification of the Notes or in the applicable tax terms in respect of the Notes, in each case referred to in Article 78(4) of the CRR, the Issuer may, by a written notice addressed to the Holders, determine that all (and not only some) Notes may become early redeemable as of [**Early Redemption Date(s)**] (the **Early Maturity Date**). The Issuer is obliged to announce such decision to the Holders in accordance with paragraph 9.1(l) no sooner than 60 days and no later than 30 days prior to the relevant Early Maturity Date. The Issuer may exercise this right only if conditions under Articles 63, 77, 78 and related provisions of the CRR are satisfied, and the authorisation of the competent supervisory authority has been obtained.]

The Issuer's notification of the early redemption of the Notes and of the Early Maturity Date executed pursuant to paragraph 9.1(e)(ii) is irrevocable and obliges the Issuer to early redeem the entire issue in respect of which the notification was made.

On the Early Maturity Date, the Issuer shall pay to each Holder (i) 100.00% of the Principal Amount of the Notes; and (ii) the extraordinary interest of [**Extraordinary Interest Amount in %**] of the Principal Amount of the Notes. The provisions of paragraphs 9.1(f) and 9.1(d)(v) shall apply to an early redemption of the Notes pursuant to paragraph 9.1(e)(ii).] *or* [Not applicable. The Issuer may not, on the basis of its decision, to redeem the Notes early.]]

(iii) [**Early redemption of the Notes with target redemption upon reaching the Target Interest Amount** – [The Notes become early redeemable as of the Payment Date when the sum of all interest payments paid on one Note for all previous Interest Periods (including the most recent one) reaches or exceeds [**Target Interest Amount**]. This Payment Date will be considered the Early Maturity Date.] *or* [Not applicable. The Notes do not have a target redemption upon reaching a certain amount of interest.]]

(f) Payment Terms and Conditions

(i) The Issuer undertakes to pay the interest from the Notes and repay the Principal Amount in the Currency. The interest from the Notes and the Principal Amount shall be paid to the Holder in accordance with the tax, foreign exchange and other applicable Slovak legal regulations effective on the date of the relevant payment.

(ii) Payment of the interest from the Notes will be made as of the Payment Date and the repayment of the Principal Amount will be made as of the Principal Amount Maturity Date or the Early Maturity Date (if the Notes are redeemed early) in accordance with these Terms and Conditions, through the Issuer or Administrator and/or Additional Administrator (as defined below) of the issue of the Notes at its registered office (the **Payment Place**).

(iii) The interest from the Notes and the Principal Amount shall be paid to persons who will prove to be the Holders according to the current register of Notes held by the Central Depository or a Central Depository member or a person registering a Holder for the Notes registered on the holding account held for such a person by the Central Depository at the close of business hours of the Central Depository on the relevant Determination Date (as defined below) (the **Authorised Person**).

The **Determination Date** for the purposes of the Terms and Conditions means:

(A) for the purposes of the payment of interest from the Notes, the thirtieth calendar day prior to the Payment Date (exclusive), or

(B) for the purposes of the payment of the Principal Amount:

(I) the thirtieth calendar day prior to the of Principal Amount Maturity Date (exclusive); or

(II) the thirtieth calendar day prior to the Early Maturity Date.

(iv) The Issuer shall make the payment of interest from the Notes and the Principal Amount to the Authorised Persons via wire transfer to their accounts maintained by a bank, a foreign bank or a branch of a bank, in each case located in the Slovak Republic or in other member state of the European Economic Area (EEA); priority will be given to the accounts maintained by the Issuer, which the Authorised Person shall notify to the Issuer in a manner sufficient for the Issuer no later than five (5) business days prior to the Payment Date or the Principal Amount Maturity Date or the Early Maturity Date. If the Authorised Person does not deliver such instruction to the Issuer it shall be deemed that the Authorised Person decided to receive the relevant payment in cash at the Issuer's registered office.

(v) The form and content of the instruction must satisfy the reasonable requirements of the Issuer, and the Issuer will be entitled to request sufficiently satisfactory evidence that a person who has signed the instruction is authorised to do so on behalf of the Authorised Person. Such evidence must also be delivered to the Issuer no later than 5 (five) business days prior to the Payment Date/Principal Amount Maturity Date/Early Maturity Date (as applicable). In particular, the Issuer will be entitled to request that (A) any Authorised Person proves his/her/its identity if receiving cash; and (B) if the Authorised Person acts through a representative, that he/she delivers an officially certified power of attorney.

Despite the Issuer's rights under the preceding sentence, the Issuer will not be (X) obliged to verify the authenticity of the instruction according to this paragraph of the Common Terms; (Y) be liable for any damage incurred in relation to any delay resulting from the delivery of incorrect, out-of-date and/or incomplete instruction; and/or (Z) be liable for any damage incurred in connection with the verification of the instruction or any other information or documents pursuant to this paragraph of the Common Terms. In the cases described above, the Authorised Person shall not be entitled to any additional payment or interest for the caused delay or the delay of the relevant payment.

(vi) If the Issuer, in reasonable time after the Payment Date, the Principal Amount Maturity Date or the Early Maturity Date (if the Notes are redeemed early), cannot, as the case may be, pay any amount due in relation to the Notes due to delays caused by the Authorised Person, failure to provide a proper instruction or for other reasons on the part of the Authorised Person (e.g. in case of his/her death), the Issuer may, without prejudice to the authorisation pursuant to Section 568 of Act No. 40/1964 Coll. the Civil Code, as amended, deposit the due amount at the expense of the Authorised Person (or his/her legal successor) at his discretion either into notarial custody or keep the due amount itself. By depositing the due amount into custody, the Issuer's obligation for payment of such amount is deemed to have been satisfied and the Authorised Person (or his/her legal successor) shall in such case not be entitled to any additional payment, interest or other proceeds in connection with the safekeeping and later payment of the amount.

(vii) For the purposes of the Terms and Conditions, a business day means a day on which commercial banks in city [**Financial Centre**] are normally open for business and the TARGET system (Trans-European Automated Real-Time Gross Settlement Express Transfer System) is open for settling transactions except for a Saturday, Sunday and any other day which is considered a public holiday in the Slovak Republic. If the Payment Date, the Principal Amount Maturity Date, the Early Maturity Date or the Determination Date falls on a day other than a business day, the Payment Date, the Principal Amount Maturity Date, the Early Maturity Date or the Determination Date will be deemed to fall on the next business day, provided that in this case no additional interest or other additional amounts will accrue on the Notes.

(g) Administrator

(i) The activities of the Administrator relating to the payment of interest income, redemption of the Notes and calculations related to the determination of interest income shall be procured by the Issuer.

(ii) The Issuer reserves the right to appoint another or an additional Administrator (the **Additional Administrator**) at any time which, however, may only be another bank or a branch of a foreign bank in the Slovak Republic (the **Qualified Person**) or to determine a different or additional Payment Place. If the Issuer appoints an Additional Administrator, it shall enter into an agreement with such Additional Administrator (the **Administrator Agreement**) which will regulate the rights and obligations of the Issuer and the Additional Administrator to ensure that all of the rights and obligations of the Issuer under the Terms and Conditions, the Bonds Act, the Act on Banks, the Securities Act and any other applicable legal regulations are performed. All provisions of the Terms and Conditions concerning making payments and other administrative functions applicable to the Issuer, shall apply to the Additional Administrator *mutatis mutandis*. The changes to the Administrator and the Payment Place shall be deemed to be the changes of the Payment Place. The changes must not be substantially detrimental to the Holders. The Issuer shall notify the Holders of its decision to appoint the Additional Administrator. Any such change shall become effective after the lapse of a 15-day period (fifteen) after the date of such notice if no later effective date is mentioned therein. However, any change which would otherwise become effective less than 30 days (thirty) prior to or after the Payment Date of any amount in relation to the Notes, shall become effective on the 30th (thirtieth) day after such Payment Date.

(iii) The Additional Administrator acts as the Issuer's representative in relation to the performance of the obligations arising from the Administrator Agreement and unless the Administrator Agreement or the law provides otherwise, it has no legal relationship with the Holders. The Additional Administrator does not guarantee the Issuer's obligations arising from the Notes nor secure them in any other manner.

(iv) The Issuer and the Additional Administrator may, without the consent of the Holders, agree on (i) any change of any provision of the Administrator Agreement if such change is exclusively of a formal, secondary or technical nature or if it is made in order to correct a manifest error or required due to changes in legal regulations; and (ii) any other change and waiver of claims arising from any breach of any provision of the Administrator Agreement which, in the reasonable opinion of the Issuer and the Additional Administrator, will not be detrimental to the Holders.

(h) Taxation

The payments of the Principal Amount and interest from the Notes are subject to withholding tax, levies or other charges as required by the Slovak legal regulations applicable as at the date of their payment.

[**Gross-up** – [The Issuer will not be obliged to pay any additional sums to the recipient for the reimbursement of these withholding tax, levies or charges.] *or* [If such withholding or deduction is required by the laws of the Slovak Republic, the Issuer will pay such additional amounts to the Holder as will be necessary in order that the net amount of the principal or interest received by the Holders after such withholding or deduction will equal the respective amounts which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction (the **Additional Amounts**). However, no such Additional Amounts will be payable on account of any withheld or deduced tax which:

(i) is payable by any person (including the Issuer) acting as custodian bank or collecting agent on behalf of a Holder, or by the Issuer if no custodian bank or collecting agent is appointed or otherwise in any manner which does not constitute a payment of tax by way of withholding or deduction by the Issuer as tax payer;

(ii) is payable by reason of the Holder having, or having had, some personal or business connection with the Slovak Republic;

(iii) is withheld or deducted pursuant to: (A) any European Union directive or other legal instrument of the Union law concerning the taxation of distributions income; or (B) any international treaty relating to such taxation and to which the Slovak Republic or the European Union is a party; or (C) any provision of law implementing, or complying with, such directive, legal instrument or treaty;

(iv) is payable by reason of a change in law that becomes effective more than 30 days after the relevant payment in respect of the Notes becomes due; or

(v) would not be payable if the Holder would provide a certificate of residence, certificate of exemption or any other similar documents required according to the respective applicable regulations.]]

(i) Limitation Period

Any rights arising from the Notes shall become time-barred after the lapse of the 10-year (ten) period from (A) the relevant Payment Date or the Early Maturity Date (if the Notes are redeemed early), in case of the right to claim an interest payment; or (B) the Principal Amount Maturity Date, in case of the right to claim the payment of the Principal Amount of the Note and extraordinary yield (if applicable); and (C) the first day on which such right could have been enforced under the law, in case of any other right as the ones mentioned above, as these may be amended pursuant to the applicable legal regulations.

(j) Unilateral modifications

The Issuer may only unilaterally change the Terms and Conditions if such change is a correction of an inaccuracy in the provisions of the Terms and Conditions, a change of the designation of the Issuer or the payment place, unless the Bonds Act or a special law require otherwise.

(k) Meeting of the Holders of the Notes

(i) The request to convene a Meeting

Any Holder whose nominal value is at least 10% of the total aggregate principal amount of the issued and outstanding Notes of the given Issue has the right to request the convening of the Meeting of the Holders of the Notes in relation to such Issue (the **Meeting**). The request to convene the Meeting must be delivered to the Issuer and, if appointed, to the Additional Administrator. The Holders who have requested a Meeting are required to submit an extract from the records demonstrating that they are Holders pursuant to paragraph 9.1(a)(v) as of the date of signing of the request along with the request to convene the Meeting.

The request to convene a Meeting may be withdrawn by the relevant Holders, but only if such withdrawal is received by the Issuer and, if appointed, also by the Additional Administrator, no later than 3 (three) business days before the Meeting. Withdrawal of the request to convene a Meeting does not affect any other request to convene a Meeting by other Holders. If the Meeting does not take place solely due to the withdrawal of the request to convene the Meeting, the Holders shall jointly and severally reimburse to the Issuer the costs incurred so far for the preparation of the Meeting.

The Issuer is entitled to convene the Meeting at any time and is obliged to convene the Meeting without undue delay if it is in default with the satisfaction of the rights attached to the Notes.

(ii) Convening of the Meeting

The Issuer is obliged to promptly convene the Meeting no later than within 10 (ten) business days after receipt of the request to convene the Meeting.

The costs of organizing and convening the Meeting shall be borne by the Issuer, unless stated otherwise. However, the Issuer has the right to demand reimbursement of the costs of convening the Meeting from the Holders who have filed the Request to convene the Meeting without serious cause, especially if the Issuer duly fulfils the obligations arising from the Terms and Conditions. The costs associated with attending the Meeting are covered by each participant himself.

(iii) Notice of the Meeting

The Issuer is obliged to publish the convening notice of the Meeting in the manner set out in paragraph 9.1(l), at the latest 5 business days prior to the date of the Meeting.

The convening notice must include at least:

(A) name, identification No. and registered office of the Issuer;

(B) designation of the Notes, including at least name of the Note, Issue Date and ISIN;

(C) place, date and hour of the Meeting; place of the Meeting may only be a place in Bratislava, date of the Meeting must be a day which is a business day and the time of the Meeting may not be earlier than 9:00 a.m. and later than 4:00 p.m.;

(D) agenda of the Meeting, whereas the choice of the Chairman of the Meeting must be the first item of the agenda of the Meeting; and

(E) The Date of Record for attending the Meeting (as defined below).

If there is no reason to convene the Meeting, the convener shall withdraw it in the same way as it was convened.

(iv) Persons entitled to attend and vote at the Meeting

(A) Persons entitled to attend the Meeting

Each Holder who has been registered as a Holder of the Notes pursuant to paragraph 9.1(a)(v), except for any person controlled by the Issuer, is entitled to participate and vote at the Meeting (the **Person Entitled to Attend the Meeting**) on the seventh day prior to the day of the relevant Meeting (the **Date of Record for Attending the Meeting**). Any transfers of the Notes made after the Date of Record for Attending the Meeting are disregarded.

The Person Entitled to Attend the Meeting may be represented by an attorney who, at the beginning of the Meeting, presents and hands over to the Chairman of the Meeting (as defined below) the original of a power of attorney with an officially certified signature of the Person Entitled to Attend the Meeting or its statutory body, in case of a legal person, together with an original or a copy of a valid extract from the commercial register or other similar register in which the Person Entitled to Attend the Meeting is registered (possibly also the attorney, if legal person); this power of attorney is, except for manifest deficiencies, an irrefutable proof of the representative's right to participate and vote at the Meeting on behalf of the represented Person Entitled to Attend the Meeting. After the end of the Meeting, the Chairman of the Meeting shall hand the power of attorney over to the Issuer's custody.

(B) Voting right

The Person Entitled to Attend the Meeting has as many votes out of the total number of the votes that corresponds to the ratio between the principal amount of the Notes it holds as of the Date of Record for Attending the Meeting and the total principal amount of the given Issue which is held by other Persons Entitled to Attend the Meeting attending the Meeting as of the Date of Record for Attending the Meeting.

(C) Attendance of other persons at the Meeting and co-operation of the Issuer

The Issuer is obliged to attend the Meeting, either through its statutory body or through a duly authorised person, and provide the information necessary for the decision or adoption of the Meeting's opinion. Other members of the Issuer's and/or Administrator's statutory, supervisory, inspection or management body (if appointed), notary and guests invited by the Issuer to participate in the Meeting or any other persons whose attendance at the Meeting has been approved by the Issuer, may also attend the Meeting.

(v) Course of the Meeting and adopting decisions

(A) Quorum

The Meeting has a quorum if attended by the Persons Entitled to Attend the Meeting who are, as of the Date of Record for Attending the Meeting, the Holders of the Notes whose principal amount represents more than 50% of the total principal amount of issued and outstanding Notes of the given Issue, except for the Notes held by any person controlled by the Issuer. Prior to commencement of the Meeting, the Issuer will provide information on the number of Notes in respect of which the Persons Entitled to Attend the Meeting are entitled to attend and vote at the Meeting in accordance with the Common Terms.

(B) Chairman of the Meeting

The Meeting is chaired by the Issuer or a person designated by the Issuer until it has been decided at the Meeting that another person will become the Chairman of the Meeting (the **Chairman of the Meeting**). Election of the Chairman of the Meeting shall be the first item of the agenda of the Meeting. If the election of the Chairman of the Meeting at the Meeting is not successful, the Meeting shall be chaired by the Issuer or a person designated by the Issuer until the end of the Meeting.

(C) Adopting decisions at the Meeting

The Meeting is entitled to decide only on proposed resolutions that fall within the scope of the Meeting defined in the Common Terms. The Meeting shall decide only on proposed resolutions referred to in the convening notice. Matters that were neither included in the proposed agenda of the Meeting nor mentioned in the convening notice can only be decided if the discussion of these points is agreed by all attending Persons Entitled to Attend the Meeting who are entitled to vote at this Meeting and if they at the same time relate to the items specified in the convening notice of the Meeting.

The Meeting has the power to decide on the change of the Terms and Conditions of the respective Issue of the Notes only if proposed by the Issuer.

The Meeting also has the power, with the consent of the Issuer, to decide on an additional deadline for the fulfilment of the Issuer's obligations under the Notes or in relation to the Notes.

The Meeting decides on the submitted proposals by way of resolutions. For the adoption of a resolution, an absolute majority of the votes of the attending Persons Entitled to Attend the Meeting is sufficient.

Any matter submitted to the Meeting shall be decided in the following manner: after the Chairman of the Meeting has announced the wording of the proposed resolution, each of the Persons Entitled to Attend the Meeting declares, upon the request of the Chairman of the Meeting, whether it (I) is for the adoption of the proposed resolution, (II) is against the adoption of the proposed resolution, or (III) abstains from voting; each such statement is recorded by the attending notary. After the end of the vote of all Persons Entitled to Attend the Meeting as described above and after the evaluation of the results, the Chairman of the Meeting, upon agreement with the attending notary, shall announce to the Persons Entitled to Attend the Meeting whether the proposed resolution has been adopted or rejected by the necessary number of the Persons Entitled to Attend the Meeting, such announcement together with the record of the attending notary on the result of the vote shall be irreversible and conclusive evidence of the result of the vote.

Any duly adopted resolution is binding on the Issuer and all Holders, regardless of whether they attended the Meeting and voted for or did not vote for the resolution at the Meeting.

In cases specified in the Bonds Act, a Persons Entitled to Attend the Meeting who, according to the minutes of the Meeting, voted against the proposed resolution at the Meeting or did not attend the Meeting, may request that the rights and obligations of the Issuer and the Holder under the original Terms and Conditions continue to exist or request early redemption of the Notes.

(D) Adjourning the Meeting

The Chairman of the Meeting shall dissolve the Meeting if a duly convened Meeting does not have a quorum in accordance with the provisions of (A) above after the lapse 60 minutes after the time specified for the beginning of the Meeting. In such case, the Issuer is obliged to convene a replacement Meeting so that it takes place no sooner than 2 (two) weeks and no later than 3 (three) weeks from the date on which the original Meeting was convened. The replacement Meeting shall be announced in the manner set out in paragraph 9.1.(k)(iii). The new Meeting shall resolve and decide under the same terms and in the same manner as the dissolved Meeting.

(E) Minutes of the Meeting

The course of every Meeting (including, but not limited to) (I) the agenda of the Meeting (II) the individual resolutions adopted by the Meeting and (III) the results of the votes at the Meeting on individual resolutions) will be recorded in a notarial deed prepared at the Meeting; one copy will be prepared by the attending notary for the Issuer and one for the Administrator, if appointed. Minutes that are duly deposited with the Issuer and the Administrator are considered evidence of the facts contained in such minutes and, unless proven otherwise, are considered proof that the Meeting recorded has been duly convened and/or held, and that all resolutions of such Meeting were adopted subject to all conditions and requirements for their adoption in accordance with the Common Terms. The Issuer must publish the minutes within 14 (fourteen) days from the date of its preparation. The minutes of the Meeting shall be available to the Holders for inspection during the ordinary business hours in the Specified Office. The Issuer shall also, without undue delay, make available all decisions of the Meeting in accordance with paragraph 9.1(l).

(l) Notices

(i) Any notice, publication or communication by the Issuer addressed to the Holders and any facts material for exercising the rights of the Holders will be published in a nationwide newspaper of the Issuer's choice in the Slovak Republic and/or the Republic of Austria that publishes stock exchange news and/or at the Issuer's website, in each case at the option of the Issuer subject to mandatory requirements of applicable law only.

(ii) If the legal regulations or these Common Terms require that a notice is also published in another manner, such notice shall be deemed to be validly published when it is published in such required manner. If any notice is published by several manners, the date of its first publication shall be deemed the date of such notice. The publication date shall also be deemed the date of delivery of the notice to the Holders.

(iii) The Issuer is obliged to make notices and publications in relation to the Notes in English or Slovak language or bilingually in English and Slovak language if the Notes were offered on the territory of other Member States of the European Union. If it is permitted by the legal regulations taking into account the nature of a notice or publication, the Issuer may decide to make such notice or publication relating to the Notes in Slovak language only.

(iv) Any notice to the Issuer in respect of the Notes must be delivered in writing to the following address:

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

or to such other address notified to the Holders in a manner described in this subsection.

(m) Governing Law and Dispute Resolution, Language

(i) Any and all rights and obligations arising from the Notes shall be governed and construed in accordance with Slovak law.

(ii) Any and all disputes between the Issuer and the Holders arising under or in relation to the Notes shall be finally resolved by the relevant Slovak court.

(iii) The Slovak language version of the Terms and Conditions is legally binding and if the Terms and Conditions are translated into another language, the Slovak language version of the Terms and Conditions shall prevail in case of any interpretation discrepancies between the Terms and Conditions in Slovak language and the Terms and Conditions translated into another language.

9.2 Conditions of the Offer

(a) The Notes will be offered [**Type of Offer** – [in a public offering in the Slovak Republic] *or* [in an offer which is not subject to the obligation to publish the Prospectus]] through [**Form of Offer**]. [**Offer is addressed to** – [individuals] *and/or* [legal entities] *or* [qualified investors] *or* [limited group of persons, i.e., less than 150 individuals or legal entities in the relevant Member State other than qualified investors]] from [**Offer Commencement Date**] to [**Offer Termination Date**] (the **Offer**).

[**Description of the Application Procedure**]

After the termination of the Offer, investors will be obliged to pay an amount derived from the Issue Price for the subscribed Notes no later than [**Settlement Date**] (the **Settlement Date**). The estimated period for the issue and the registration of Notes to Relevant Accounts is one week from the Settlement Date. [**Minimum and Maximum amount of the Order**]

[**Costs Charged to Investors –** [Not applicable. No fees will be charged to investors with regard to the subscription of the Notes.] *or* [**Costs Charged to Investors**]]

Investors in the Notes shall be satisfied [**Manner of Satisfying Orders**]. The manner of notification of the number of the subscribed Notes will be contained in the relevant agreement and/or order. Trading of the Notes cannot be commenced prior to the notification of the number of the subscribed Notes. The results of the issue of the Notes will be published at the Issuer's registered office on the day following the end of the period for the issue of the Notes.

(b) [**Distribution method –** [No arrangements have been agreed on as regards the subscription of the issue of the Notes with any entities on the basis of a firm commitment, placement without firm commitment or "best efforts" arrangement and the distribution of the Notes is arranged by the Issuer.] *or* [[The Issuer][and][**Financial Intermediaries**] will distribute the Notes in the Slovak Republic and also outside the Slovak Republic in one or several manners to which the obligation to publish a prospectus does not apply.]]

The Issuer has not entered into any firm agreement with any entities to act as intermediaries in the secondary trading of the Notes. The issue of the Notes shall be deemed successfully subscribed after the expiration of the relevant Settlement Date even in the event that the Aggregate Amount of the Issue has not been fully subscribed by the investors.

The funds for the payment of the Principal Amount and the payment of interest/yield on the Notes will come from the performance of the Issuer's business activities and related income.

9.3 Additional Information

(a) **Interest of individuals and legal entities involved in the issue**. The Issuer has appointed Erste Group Bank AG as arranger for the whole Programme.

[**Stabilisation Manager –** [Not applicable. No Stabilisation Manager has been appointed in connection with the issue of the Notes.] *or* [**Stabilisation Manager**]]

[**Description of other interests**]

(b) [**Third Party Information**]

(c) **Credit Rating of the Issuer and Notes.** Credit ratings assigned to the Issuer: credit rating agency Moody's Investors Service: Long-term local and foreign currency deposit ratings A2, Short-term local and foreign currency deposit ratings P-1, Counterparty Risk (long-term/short-term) Assessments A1/P-1, Baseline Credit Assessment/Adjusted Baseline Credit Assessment baa2/baa1, stable outlook; Credit rating agency Fitch Ratings: Long-term rating A-, Short-term rating F1, Support rating 1, Viability rating bbb+, stable outlook. [**Credit Rating assigned to the Notes –** [The Notes are not rated.] *or* [**Credit Rating**]] Moody’s and Fitch Ratings are credit rating agencies established in the European Union and registered under the CRA Regulation.

(d) **Advisors.** The Issuer has used Allen & Overy Bratislava, s.r.o., with its registered office at Eurovea Central 1, Pribinova 4, 811 09 Bratislava, as its legal advisor.

(e) **Financial Intermediaries.** The Issuer has not given any consent to any financial intermediaries to use the Prospectus for the subsequent resale or final placement of the Notes.

The Issuer may use financial intermediaries for the placement of the Notes in the Slovak Republic as well as in other Member States of the European Union, but always only in one or several manners defined in the relevant national legislation which transposes Article 3(2) of the Prospectus Directive and which are exempt from the obligation to publish a prospectus.

(f) **Stabilisation**. If the Stabilisation Manager has been appointed with regards to the issuance of Notes, this person or persons acting on his behalf may take stabilisation transactions (purchases or sales) related to Notes with a view to support the market prices of Notes at the level higher than would otherwise prevail without taking such actions. **However, there is no assurance that the Stabilisation Manager or any other person will take stabilisation transactions**. Stabilisation transactions may be performed from the date of appropriate disclosure of the terms concerning Note issuance and ends 30 calendar days from the date of issuance and settlement of the Note issuance at the latest or (i.e. when the Issuer gains the proceeds) or 60 calendar days from the date of the Note allocation to individual investors in accordance with their orders, whichever is the earlier. Any potential stabilisation transactions shall be performed only in accordance with applicable legislation requirements.

10. FORM OF FINAL TERMS

The Form of Final Terms which will be supplemented with the relevant information for each particular issue of the Notes to be issued on the basis of the Prospectus under the Programme is set out below. The Final Terms will be prepared and published for each individual issue of the Notes issued under the Programme prior to the commencement of the issue of the Notes.

If certain information from the form of the Final Terms below is of no relevance in relation to a particular issue, it will state "Not applicable". This symbol "[●]" is used to designate those parts of the Final Terms which will be filled in. If, with regard to the concerned information item, it is stated "(selection of option from the Common Terms)" it means that such information is included in the Common Terms in the relevant information block with several options and only the option(s) relevant for the given issue will be included in the Final Terms. Information regarding Prospectus Supplement (if any) stated below in square brackets will be provided in the relevant Final Terms only if any such Prospectus Supplement will be made.

FINAL TERMS (in Slovak: *konečné podmienky*)

[Date]

Slovenská sporiteľňa, a.s.

Aggregate Amount of the Offer: [●]

Name of the Notes: [●]

issued under the Debt Securities Issuance Programme in accordance with the base prospectus dated [] [25] July 2018.

Issue Price: [●]

ISIN: [●]

These Final Terms were prepared for the purposes of Section 121(10) of the Securities Act and Article 5(4) of the Prospectus Directive and in order to obtain comprehensive information, they must be read, considered and interpreted in conjunction with the base prospectus (the **Prospectus**) of the Programme - the offering programme of debt securities that are to be continuously or repeatedly issued by Slovenská sporiteľňa, a.s. (the **Issuer**).

The Prospectus and any Prospectus Supplements are available in electronic form at the Issuer's website www.slsp.sk. They are also available in written form for inspection at the Issuer's Balance Sheet Management Department. The information regarding the Issuer and the Offer of the Notes is only complete when read in conjunction with these Final Terms and the Prospectus [and the relevant Prospectus Supplement(s)]. A Summary of the Issue (if applicable) is attached to these Final Terms.

The Prospectus was approved by the National Bank of Slovakia by its decision [●] dated [●]. [The Prospectus Supplement [●] was approved by the National Bank of Slovakia by its decision [●] dated [●]].

This part of the Final Terms, including the used defined terms, must be read in conjunction with the Common Terms contained in the Prospectus. The risk factors related to the Issuer and the Notes are listed in the section of the Prospectus entitled "*Risk Factors*".

If the Final Terms are translated into another language and there are any interpretation discrepancies between the Final Terms in Slovak and the Final Terms translated into another language, the Slovak language version of the Final Terms shall prevail.

In the event the Notes continue to be offered or re-offered after the expiration of the Prospectus, the relevant detailed information will be available in the subsequent prospectus, and the still valid terms and conditions will be included in the subsequent prospectus by reference. The subsequent prospectus will be published in the same way as the Prospectus.

To obtain detailed information about the Notes, these Final Terms, the Prospectus and its Supplements (if any) must be read together. The written form of the Prospectus, its possible supplements and other documents referred to in these Final Terms or in the Prospectus may be freely inspected on request during ordinary business hours at the Issuer's registered office where copies may be made free of charge.

MiFID II monitoring of the creation and distribution of a financial instrument: The Issuer, as a creator of a financial instrument, has evaluated solely for the purposes of the approval process of a financial instrument under the Securities Act that the determined (i) target market for the Notes is [non-professional clients [who have sufficient knowledge and experience of investing in notes]] [,][and] [professional clients] [,][and] [eligible counterparties], and (ii) the distribution channel for the Notes is [personal sale at the Issuer's branches] [,] [personal sale through the Issuer's private banking department] [,][and] [sale through technical facilities through the Treasury of the Issuer], with the sale being secured as [sale without advice] [,][and] [sale with provision of investment advice] [,][and] [sale in relation to portfolio management of the clients]. Any person subsequently offering, selling or recommending the Notes (each a **Distributor**) must take into account the evaluation of the nature of the financial instrument, investment service and target market by the creator of the product, and the Distributor is responsible for taking appropriate measures that the Notes are distributed through appropriate distribution channels in accordance with the characteristics, objectives and needs of the target market identified by the Issuer. The Distributor of financial instruments is required to provide the Issuer with information on the distribution of financial instruments.

PART A: PROVISIONS SUPPLEMENTING TERMS AND CONDITIONS OF THE NOTES

This part of the Final Terms together with section 9.1 (Information about securities) of the Common Terms shall constitute the terms and conditions of the relevant issue of the Notes.

9.1(a) Basic information, form and manner of issue of the Notes

Type of Notes:	[● (*selection of option from the Common Terms*) [unsubordinated and unsecured notes (the **Senior Notes**)] *or* [Covered Notes] *or* [Subordinated Notes]]
ISIN:	[●]
Depository:	[●]
Principal Amount:	[●]
Currency:	[●]
Name:	[●]
Aggregate Amount of the Issue:	[●]
Estimated Net Proceeds from the Issue:	[●]
Aggregate Amount of the Offer:	[●]
Issue Price in %:	[●]
Information about the accrued interest:	[●] / Not applicable.
Issue Date:	[●]
Admission to trading:	[● (*selection of option from the Common Terms*) [The Issuer will submit an application to Burza cenných papierov v Bratislave, a.s., with its registered office at Vysoká 17, 811 06 Bratislava, IČO: 00 604 054, for the admission of the Notes to trading on [**BSSE Market**].] *or* [The Issuer will submit an application to the Vienna Stock Exchange (*Wiener Börse AG*) for the admission of the Notes to trading on its regulated market (*Amtlicher Handel*).] *or* [The Issuer does not submit an application for the admission of the Notes to trading on a regulated market.]]

9.1(b) Status of obligations

Status of obligations:	[● (*selection of option from the Common Terms*) *in case of the Senior Notes it shall be stated:* [Obligations from the Senior Notes constitute direct, general, unsecured, unconditional and unsubordinated liabilities of the Issuer which rank *pari passu* among themselves and always rank at least *pari passu* with any other direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer, present and future, save for those obligations of the Issuer as may be stipulated by mandatory provisions of law. Each Holder acknowledges and explicitly agrees that if the Issuer gets into a crisis situation under Act No. 371/2014 Coll. on the resolution of crisis situations on the financial market, as amended, including related regulations, the obligations of the Issuer from the Senior Notes may be subject to measures for resolution of the crisis situation of the Issuer or its group, mainly to the capitalisation measure, as a result of which the obligations from the Senior Notes may be modified or terminated, or converted into registered capital of the Issuer. This can result in the Holders losing a part or their whole investment in the Senior Notes.] *or in case of the Covered Notes it shall be stated:* [Obligations from the Covered Notes constitute direct, general, secured, unconditional and unsubordinated liabilities of the Issuer which rank *pari passu* among themselves and always rank at least *pari passu* with any other direct, general, similarly secured, unconditional and unsubordinated obligations of the Issuer, present and future, save for those obligations of the Issuer as may be stipulated by mandatory provisions of law.] *or in case of the Subordinated Notes it shall be stated:* [Obligations from the Subordinated Notes constitute direct, general, unsecured, unconditional and subordinated liabilities of the Issuer which rank *pari passu* among themselves and always rank at least *pari passu* with any other direct, general, unsecured, unconditional and subordinated obligations of the Issuer, present and future, save for those obligations of the Issuer as may be stipulated by mandatory provisions of law. The Subordinated Notes are subordinated notes under Section 20a of the Bonds Act, and they are subject to all limitations under Section 408a of Act No. 513/1991 Coll. Commercial Code, as amended (the **Commercial Code**). By subscribing, purchasing or otherwise acquiring any Subordinated Notes, each Holder agrees with this subordination undertaking and related limitations. In the event of bankruptcy or liquidation of the Issuer, the Issuer's payment obligations under the Subordinated Notes shall, regarding the right to payment, rank after the unsubordinated debtors of the Issuer and before the claims of shareholders, holders of (other) instruments of common equity Tier 1 capital under Article 28 of the CRR, as well as before the holders of instruments of additional Tier 1 capital under Article 52 of the CRR of

	the Issuer and any other subordinated obligations of the Issuer expressed under their terms and conditions as ranked after the Subordinated Notes. The subordination undertaking relating to all obligations under the Subordinated Notes cannot be altered or terminated in any way. All obligations under the Subordinate Notes are unsecured and no provisions or guarantees increasing the seniority of the Subordinated Obligations from Notes apply to them, whether from the side of the Issuer, its affiliates or any other person under Article 63 of CRR. Each Holder acknowledges and explicitly agrees that if the Issuer gets into a crisis situation under Act No. 371/2014 Coll. on the resolution of crisis situations on the financial market, as amended, including related regulations, the obligations of the Issuer from the Subordinated Notes may be subject to measures for resolution of the crisis situation of the Issuer or its group, mainly to the capitalisation measure, as a result of which the obligations from the Subordinated Notes may be modified or terminated, or converted into registered capital of the Issuer. This can result in the Holders losing a part or their whole investment in the Subordinated Notes. The Holders do not have the right to set-off their claims under the Subordinated Notes against the Issuer and at the same time the Issuer does not have the right to set-off its claims against the claims of the Holders under the Subordinated Notes. In accordance with Section 408a (6) of the Commercial Code, no contractual or statutory set-off is permitted.]]

9.1(d) Interest

Determination of interest:	[● (*selection of option from the Common Terms*) *(A)* *for **the Notes without payment of interest income (zero coupon)**, it must be stated:* [The Notes have no interest rate and their interest is determined as the difference between the Principal Amount of the Notes and their Issue Price. The provisions of paragraphs 9.1(d)(ii) to 9.1(d)(v) and any reference to interest or its payment shall in this case not be applicable to the Notes.]; *(B)* *for **the Notes with a fixed interest rate without changing it to the Principal Amount Maturity Date or to the Early Maturity Date**, it must be stated:* [The Notes bear a fixed interest rate throughout their life, in the amount of [**Rate**]% p. a. (the **Interest Rate**).]; *(C)* *for **the Notes where the interest rate may increase or decrease**, it must be stated:* [The Notes bear a fixed Interest Rate the value of which over time is [[increasing]/[decreasing]], as follows [**Rate** – add appropriate dates or periods and add individual Interest Rates in % p. a. in the format "from [***insert date***] (including) to [***insert date***]

(excluding) with interest income [***amount of adjusted interest income***]% p. a.”, with the text in this format being specified for each relevant period in which the fixed Interest Rate is to be increased/decreased.

The term “**Interest Rate**” refers to the interest income in % p. a. applicable over the relevant period.

[[The current Interest Rate shall be notified by the Issuer to the Stock Exchange immediately.] *or* [The current Interest Rate shall be notified by the Issuer the Holders immediately in accordance with paragraph 9.1(l).]]];

(D) *for* ***the Notes with a fixed interest rate that is to be changed to a different fixed interest rate****, it must be stated:*

[The Notes bear fixed interest rate of [**First Rate**]% p. a. until [**Interest Rate Change Date**] (the **Interest Rate Change Date**) (the **First Interest Rate**) during each Interest Period. The date of the change in the interest rate may only be one of the Payment Dates determined in accordance with paragraph 9.1(d)(ii). From the Interest Rate Change Date until the Principal Amount Maturity Date or the Early Maturity Date, the Notes will during each Interest Period bear interest at a fixed interest rate determined as the [[sum]/[difference]] of the Reference Rate and the Margin of [**Reference Rate and Margin**]% p. a. [*and if the interest rate so determined is still to be multiplied by the factor, include the following text:* “, and the result of this difference will still be multiplied by the factor [**Factor Numerical Value**]”] (the **Second Interest Rate**).

The term “**Interest Rate**” refers to the First Interest Rate and/or the Second Interest Rate in % p. a. applicable over the relevant period. The Reference Rate will be set only once at [**Reference Rate Setting Deadline**] before the Interest Rate Change Date and will be applicable during the following Interest Periods (the **Reference Rate Setting Date**).

[[The amount of the Second Interest Rate shall be notified by the Issuer to the Stock Exchange immediately.] *or* [The amount of the Second Interest Rate shall be notified by the Issuer the Holders immediately in accordance with paragraph 9.1(l).]]];

(E) *for* ***the Notes with a fixed interest rate that will be changed to a floating interest rate****, as well as for* ***the Notes with target redemption with a fixed interest rate that will be changed to a floating interest rate****, it must be stated:*

[The Notes bear fixed interest rate of [**First**

	Rate]% p. a. until [**Interest Rate Change Date**] (the **Interest Rate Change Date**) (the **First Interest Rate**) during each Interest Period. The date of the change in the interest rate may only be one of the Payment Dates determined in accordance with paragraph 9.1(d)(ii). From the Interest Rate Change Date until the Principal Amount Maturity Date or the Early Maturity Date, the Notes will during each Interest Period bear interest at an interest rate determined as the [[sum]/[difference]] of the Reference Rate and the Margin of [**Reference Rate and Margin**]% p. a. [*and if the interest rate so determined is still to be multiplied by the factor, include the following text:* ",and the result of this difference will still be multiplied by the factor [**Factor Numerical Value**]"] (the **Second Interest Rate**). The term "**Interest Rate**" refers to the First Interest Rate and/or the Second Interest Rate in % p. a. applicable over the relevant period. The Reference Rate will be set for the first time [**Reference Rate Setting Deadline**] before the Interest Rate Change Date and subsequently set [**Reference Rate Setting Deadline**] before the applicable Payment Date for the following Interest Period (the **Reference Rate Setting Date**). [[The current Second Interest Rate for the relevant Interest Period shall be immediately notified by the Issuer to the Stock Exchange.] *or* [The current Second Interest Rate for the relevant Interest Period shall be notified by the Issuer the Holders immediately in accordance with paragraph 9.1(l).]]; *and further for the Notes under this paragraph (E):* • *in case of **the Notes where, in case of the Second Interest Rate, the amount of the Margin may vary**, it must be stated:* [The Margin is set as follows: [**Margin** – *add relevant dates or periods and add individual Margins in % p. a. in the format* "from [***insert date***] (including) to [***insert date***] (excluding) the amount of Margin of [**Amount of Margin**]% p. a.", *the text in this format being specified for each relevant period in which the amount of the Margin is to be changed*]. The term "**Margin**" collectively denotes the margin in % p. a. applicable during the relevant period.] • *in case of **the Notes for which the***

	***Second Interest Rate is to be set using the minimum interest rate**, it must be stated:* [If, for any Interest Period following the Interest Rate Change Date, the Second Interest Rate determined in accordance with the preceding provisions is less than [**Floor Rate**]% p. a., the Notes will bear interest of [**Floor Rate**]% p. a. (the **Floor Interest Rate**) for the given Interest Period. If the Floor Interest Rate is applied in accordance with the previous sentence, the term **Interest Rate** is to be interpreted as the Floor Interest Rate for the purposes of the Terms and Conditions for the given Interest Period and not as an interest rate determined in the manner above.] • *in case of **the Notes for which the Second Interest Rate is to be set using the maximum interest rate,** it must be stated:* [If, for any Interest Period following the Interest Rate Change Date, the Second Interest Rate determined in accordance with the preceding provisions is higher than [**Cap Rate**]% p. a., the Notes will bear interest of [**Cap Rate**]% p. a. (the **Cap Interest Rate**) for the given Interest Period. If the Cap Interest Rate is applied in accordance with the previous sentence, the term **Interest Rate** is to be interpreted as the Cap Interest Rate for the purposes of the Terms and Conditions for the given Interest Period and not as an interest rate determined in the manner above.] • *for **the Notes with target redemption**, it must be stated:* [*in case of the unguaranteed Target Interest Amount, it must be stated:* The Target Interest Amount for the whole period until the Principal Amount Maturity Date is neither specified nor guaranteed.] *or* [*in case of the guaranteed Target Interest Amount, it must be stated*: The minimum amount of interest on each Note due for the whole period from the Interest Rate Change Date to the Principal Amount Maturity Date or to the Early Maturity Date is equal to the difference of (a) [**Target Interest Amount**] and (b) the sum of all interest payments paid on one Note for all previous Interest

	Periods.] • *and* [*in case of the Total Interest Ceiling it must be stated:* The maximum amount of interest on each Note is equal to the difference of (a) [**Target Interest Amount**]; and (b) the sum of all interest paid for all previous Interest Periods (the **Total Interest Ceiling**). The Issuer is under no obligation to pay any further interest exceeding the Total Interest Ceiling for the last variable Interest Period.] *or,* [*if Total Interest Ceiling is not stated, it must be stated:* The variable amount of interest for the last variable Interest Period is also payable in full if the sum of all interest paid for all previous Interest Periods exceeds the Target Interest Amount.]]; *(F)* *for* ***the Notes with a fixed interest rate that is to be changed to a reversed floating interest rate****, it must be stated:* [The Notes bear fixed interest rate of [**First Rate**]% p. a. until [**Interest Rate Change Date**] (the **Interest Rate Change Date**) (the **First Interest Rate**) during each Interest Period. The date of the change in the interest rate may be only one of the Payment Dates determined in accordance with paragraph 9.1(d)(ii). From the Interest Rate Change Date until the Principal Amount Maturity Date or the Early Maturity Date, the Notes will during each Interest Period bear interest at an interest rate determined as the difference between (i) [**Second Rate**] in % p. a. and (ii) the Reference rate [**Reference rate**]% p. a. [*and if the interest rate so determined is still to be multiplied by the factor, include the following text:* “,and the result of this difference will still be multiplied by the factor [**Factor Numerical Value**]”] (the **Second Interest Rate**). The term **Interest Rate** refers to the First Interest Rate and/or the Second Interest Rate in % p. a. applicable over the relevant period. The Reference Rate will be set for the first time [**Reference Rate Setting Deadline**] before the Interest Rate Change Date and subsequently set [**Reference Rate Setting Deadline**] before the applicable Payment Date for the following Interest Period (the **Reference Rate Setting Date**). [[The current Second Interest Rate for the relevant Interest Period shall be immediately notified by the Issuer to the Stock Exchange.] *or* [The current Second Interest Rate for the relevant Interest Period shall be notified by the Issuer the Holders immediately in accordance with paragraph 9.1(l).]]; *and further for the Notes under this paragraph (F):* • *in case of* ***the Notes for which the Second Interest Rate is to be set using***

	***the minimum interest rate** it must be stated:* [If, for any Interest Period following the Interest Rate Change Date, the Second Interest Rate determined in accordance with the preceding provisions is less than [**Floor Rate**]% p. a., the Notes will bear interest of [**Floor Rate**]% p. a. (the **Floor Interest Rate**). If the Floor Interest Rate is applied in accordance with the previous sentence, the term "**Interest Rate**" is to be interpreted as the Floor Interest Rate for the purposes of the Terms and Conditions and not as an interest rate determined in the manner above.] • *in case of **the Notes for which the Second Interest Rate is to be set using the maximum interest rate** it must be stated:* [If, for any Interest Period following the Interest Rate Change Date, the Second Interest Rate determined in accordance with the preceding provisions is higher than [**Cap Rate**]% p. a., the Notes will bear interest of [**Cap Rate**]% p. a. (the **Cap Interest Rate**) for the given Interest Period. If the Cap Interest Rate is applied in accordance with the previous sentence, the term "**Interest Rate**" is to be interpreted as the Cap Interest Rate for the purposes of the Terms and Conditions for the given Interest Period and not as an interest rate determined in the manner above.]]; *(G) for **the Notes with a fixed interest rate that is to be changed to a spread floating interest rate**, as well as for **the Notes with target redemption with a fixed interest rate that is to be changed to a spread floating interest rate**, it must be stated:* [The Notes bear fixed interest rate of [**First Rate**]% p. a. until [**Interest Rate Change Date**] (the **Interest Rate Change Date**) (the **First Interest Rate**) during each Interest Period. The date of the change in the interest rate may only be one of the Payment Dates determined in accordance with paragraph 9.1(d)(ii). From the Interest Rate Change Date until the Principal Amount Maturity Date or the Early Maturity Date, the Notes will during each Interest Period bear interest at an interest rate determined as the difference between (i) Floating Interest Rate 1 (as defined below) and (ii Floating Interest Rate 2 (as defined below) [*and if the interest rate so determined is still to be multiplied by the*

	factor, include the following text: ", and the result of this difference will still be multiplied by the factor [**Factor Numerical Value**]"] (the **Second Interest Rate**). The term "**Interest Rate**" refers to the First Interest Rate and/or the Second Interest Rate in % p. a. applicable over the relevant period. The term "**Floating Interest Rate 1**" means: [**Reference Rate 1**]% p. a. The term "**Floating Interest Rate 2**" means: [**Reference Rate 2**]% p. a. Reference Rate 1 and Reference Rate 2 will be set for the first time [**Reference Rate Setting Deadline**] before the Interest Rate Change Date and subsequently set [**Reference Rate Setting Deadline**] before the applicable Payment Date for the following Interest Period (the **Reference Rate Setting Date**). [[The current Second Interest Rate for the relevant Interest Period shall be immediately notified by the Issuer to the Stock Exchange.] *or* [The current Second Interest Rate for the relevant Interest Period shall be notified by the Issuer the Holders immediately in accordance with paragraph 9.1(l).]]; *and further for the Notes under this paragraph (G):* • *for **the Notes for which the Second Interest Rate is to be set using the minimum interest rate**, it must be stated:* [If, for any Interest Period following the Interest Rate Change Date, the Second Interest Rate determined in accordance with the preceding provisions is less than [**Floor Rate**]% p. a., the Notes will bear interest of [**Floor Rate**]% p. a. (the **Floor Interest Rate**). If the Floor Interest Rate is applied in accordance with the previous sentence, the term **Interest Rate** is to be interpreted as the Floor Interest Rate for the purposes of the Terms and Conditions and not as an interest rate determined in the manner above.] *for **the Notes for which the Second Interest Rate is to be set using the maximum interest rate**, it must be stated:* [If, for any Interest Period following the Interest Rate Change Date, the Second Interest Rate determined in accordance with the preceding provisions is higher than [**Cap Rate**]% p. a., the Notes will bear interest of [**Cap Rate**]% p. a. (the **Cap Interest Rate**) for the given Interest Period. If the Cap Interest Rate is applied in

	accordance with the previous sentence, the term "**Interest Rate**" is to be interpreted as the Cap Interest Rate for the purposes of the Terms and Conditions and not as an interest rate determined in the manner above.] • *for* ***the Notes with target redemption*** *it must be stated:* [*in case of the unguaranteed Target Interest Amount it must be stated:* The Target Interest Amount for the whole period until the Principal Amount Maturity Date is neither specified nor guaranteed.] *or* [*in case of the guaranteed Target Interest Amount it must be stated*: The minimum amount of interest on each Note due for the whole period from the Interest Rate Change Date to the Principal Amount Maturity Date or to the Early Maturity Date is equal to the difference of (a) [**Target Interest Amount**] and (b) the sum of all interest payments paid on one Note for all previous Interest Periods.] *and* [*in case of the Total Interest Ceiling it must be stated:* The maximum amount of interest on each Note is equal to the difference of (a) [**Target Interest Amount**]; and (b) the sum of all interest paid for all previous Interest Periods (the **Total Interest Ceiling**). The Issuer is for the last variable Interest Period under no obligation to pay any further interest exceeding the Total Interest Ceiling.] *or,* [*if Total Interest Ceiling is not stated, it must be stated:* The variable amount of interest for the last variable Interest Period is also payable in full if the sum of all interest paid for all previous Interest Periods exceeds the Target Interest Amount.]]; *(H)* *for* ***the Notes with a floating interest rate****, it must be stated:* [The Notes bear interest at the floating rate set as the sum of the Reference Rate and the Margin of [**Reference Rate and Margin**]% p. a. (the **Interest Rate**). The Reference Rate will be set for the first time [**Reference Rate Setting Deadline**] before the Issue Date and subsequently set [**Reference Rate Setting Deadline**] before the applicable Payment Date for the following Interest Period (the **Reference Rate Setting Date**). [[The current amount of the floating Interest Rate for the relevant Interest Period shall be immediately notified by

	the Issuer to the Stock Exchange.] *or* [The current floating Interest Rate for the relevant Interest Period shall be notified by the Issuer the Holders immediately in accordance with paragraph 9.1(l).]]; *and further for the Notes under this paragraph (H):* • *for* ***the Notes where the amount of Margin may vary****, it must be stated:* [The Margin is set as follows: [**Margin** – *add relevant dates or periods and add individual Margins in % p. a. in the format* “from [***insert date***] (including) to [***insert date***] (exclude) the amount of Margin of [**Amount of Margin**]% p. a.”, *the text in this format being specified for each relevant period in which the amount of the Margin is to be changed*]. The term “**Margin**” collectively denotes the margin in % p. a. applicable during the relevant period.] • *for* ***the Notes using the minimum interest rate****, it must be stated:* [If, for any Interest Period, the floating Interest Rate determined in accordance with the preceding provisions is less than [**Floor Rate**]% p. a., the Notes will bear interest of [**Floor Rate**]% p. a. (the **Floor Interest Rate**). If the Floor Interest Rate is applied in accordance with the previous sentence, the term “**Interest Rate**” is to be interpreted as the Floor Interest Rate for the purposes of the Terms and Conditions and not as an interest rate determined in the manner above.] • *for* ***the Notes using the Memory interest rate****, it must be stated:* [If, for any Interest Period, the floating Interest Rate determined in accordance with the preceding provisions is less than the interest rate determined for the immediately preceding period (the **Memory Interest Rate**), the Notes will bear interest at the Memory Interest Rate for the given Interest Period. If the Memory Interest Rate is applied in accordance with the previous sentence, the term “**Interest Rate**” is to be interpreted as the Memory Interest Rate for the purposes of the Terms and Conditions and not as an interest rate determined in the manner above.] • *for* ***the Notes using the maximum interest rate*** *it must be stated:*

	[If, for any Interest Period, the floating Interest Rate determined in accordance with the preceding provisions is higher than [**Cap Rate**]% p. a., the Notes will bear interest of [**Cap Rate**]% p. a. (the **Cap Interest Rate**). If the Cap Interest Rate is applied in accordance with the previous sentence, the term "**Interest Rate**" is to be interpreted as the Cap Interest Rate for the purposes of the Terms and Conditions and not as an interest rate determined in the manner above.]].
Yield to Maturity:	[●] / Not applicable.
Interest Payment Frequency:	[●] / Not applicable.
Interest Payment Date(s):	[●] / Not applicable.
First Interest Payment Date:	[●] / Not applicable.
Convention:	[●] / Not applicable.
Screen page:	[●] / Not applicable.
Relevant value:	[● (*selection of option from the Common Terms*) [the value of the fixing of the interest rates for sale on the interbank market for deposits for the relevant currency for the relevant period] *or* [the value of mid-swap interest rate (the average of bid and offer swap rate) for the fixed part of swap transaction, where the fixed rate is changed into a floating rate in the relevant currency for the relevant period] *or* [Not applicable.]]

9.1(e) Maturity of the Notes

Method of Redemption:	[●]
Maturity Date:	[●]
Repurchase:	[● (*selection of option from the Common Terms*) [The Issuer has the right to purchase any of the Notes on the secondary market at any market price any time prior to the Principal Amount Maturity Date. The Notes purchased by the Issuer cease to exist.] *or* [*only in case of Subordinated Notes included in Tier 2 capital of the Issuer*: The Issuer may buy back all or only some of the Notes only if the conditions under Articles 63, 77, 78 and related provisions of the CRR have been satisfied, and the authorisation of the competent supervisory authority obtained. The Notes purchased by the Issuer cease to exist.] *or* [*only in case of Covered Notes*: The Issuer has the right to purchase any of the Notes on the secondary market at any market price any time prior to the Principal Amount Maturity Date. The Notes purchased by the Issuer shall not cease to exist and the Issuer may keep and resell them.]]
Early redemption of the Notes decided by the Issuer:	[● (*selection of option from the Common Terms*) [[The Issuer is, on the basis of its decision, entitled to early redeem all (not only some) Notes issued and outstanding as of [**Early Redemption Date(s)**] (the

	Early Maturity Date). The Issuer is obliged to announce such decision to the Holders in accordance with paragraph 9.1(l) no sooner than 60 days and no later than 30 days prior to the relevant Early Maturity Date.] [*only in case of Subordinated Notes included in Tier 2 capital of the Issuer*: If there is a change in the regulatory classification of the Notes or in the applicable tax terms in respect of the Notes, in each case referred to in Article 78(4) of the CRR, the Issuer may, by a written notice addressed to the Holders, determine that all (and not only some) Notes may become early redeemable as of [**Early Redemption Date(s)**] (the **Early Maturity Date**). The Issuer is obliged to announce such decision to the Holders in accordance with paragraph 9.1(l) no sooner than 60 days and no later than 30 days prior to the relevant Early Maturity Date. The Issuer may exercise this right only if conditions under Articles 63, 77, 78 and related provisions of the CRR are satisfied, and the authorisation of the competent supervisory authority has been obtained.] The Issuer's notification of the early redemption of the Notes and of the Early Maturity Date executed pursuant to paragraph 9.1(e)(ii) is irrevocable and obliges the Issuer to early redeem the entire issue in respect of which the notification was made. On the Early Maturity Date, the Issuer shall pay to each Holder (i) 100.00% of the Principal Amount of the Notes; and (ii) the extraordinary interest of [**Extraordinary Interest Amount in %**] of the of Principal Amount of the Notes. The provisions of paragraphs 9.1(f) and 9.1(d)(v) shall apply to an early redemption of the Notes pursuant to paragraph 9.1(e)(ii).] *or* [Not applicable. The Issuer may not, on the basis of its decision, to redeem the Notes early.]]
Early redemption of the Notes with target redemption upon reaching the Target Interest Amount:	[● (*selection of option from the Common Terms*) [The Notes become early redeemable as of the Payment Date when the sum of all interest payments paid on one Note for all previous Interest Periods (including the most recent one) reaches or exceeds [**Target Interest Amount**]. This Payment Date will be considered the Early Maturity Date.] *or* [Not applicable. The Notes do not have a target redemption when reaching a certain amount of interest.]]

9.1(f) Payment Terms and Conditions

Financial Centre:	[●]

9.1(h) Taxation

Gross-up:	[●] *(selection of option from the Common Terms)* [The Issuer will not be obliged to pay any additional sums to the recipient for the reimbursement of these withholding tax, levies or charges.] *or* [If such withholding or deduction is required by the laws of the Slovak Republic, the Issuer will pay such additional amounts to the Holder as will be necessary in order that the net amount of the principal or interest received by the Holders after such withholding or deduction will equal

	the respective amounts which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction (the **Additional Amounts**). However, no such Additional Amounts will be payable on account of any withheld or deduced tax which: (i) is payable by any person (including the Issuer) acting as custodian bank or collecting agent on behalf of a Holder, or by the Issuer if no custodian bank or collecting agent is appointed or otherwise in any manner which does not constitute a payment of tax by way of withholding or deduction by the Issuer as tax payer; (ii) is payable by reason of the Holder having, or having had, some personal or business connection with the Slovak Republic; (iii) is withheld or deducted pursuant to: (A) any European Union directive or other legal instrument of the Union law concerning the taxation of distributions income; or (B) any international treaty relating to such taxation and to which the Slovak Republic or the European Union is a party; or (C) any provision of law implementing, or complying with, such directive, legal instrument or treaty; (iv) is payable by reason of a change in law that becomes effective more than 30 days after the relevant payment in respect of the Notes becomes due; or (v) would not be payable if the Holder would provide a certificate of residence, certificate of exemption or any other similar documents required according to the respective applicable regulations.]]

PART B: PROVISIONS SUPPLEMENTING CONDITIONS OF THE OFFER AND OTHER INFORMATION

9.2 Conditions of the Offer

Type of Offer:	[● (*selection of option from the Common Terms*) [in a public offering in the Slovak Republic] *or* [in an offer which is not subject to the obligation to publish the Prospectus]]
Form of Offer:	[●]
Offer is addressed to:	[● (*selection of option from the Common Terms*) [individuals] *and/or* [legal entities] *or* [qualified investors] *or* [limited group of persons, i.e. less than 150 individuals or legal entities in the relevant Member State other than qualified investors]]

Offer Commencement Date:	[●]
Offer Termination Date:	[●]
Description of the Application Procedure:	[●]
Settlement Date:	[●]
Minimum and Maximum Amount of the Order:	[●] / Not applicable.
Costs Charged to Investors:	[●] / Not applicable.
Manner of Satisfying Orders:	[●]
Distribution method:	[● (*selection of option from the Common Terms*) [No arrangements have been agreed on as regards the subscription of the issue of the Notes with any entities on the basis of a firm commitment, placement without firm commitment or "best efforts" arrangement and the distribution of the Notes is arranged by the Issuer.] *or* [[The Issuer][and][**Financial Intermediaries**] will distribute the Notes in the Slovak Republic and also outside the Slovak Republic in one or several manners to which the obligation to publish a prospectus does not apply.]]

9.3 Additional Information

Stabilisation Manager:	[● (*selection of option from the Common Terms*) [Not applicable. No Stabilisation Manager has been appointed in connection with the issue of the Notes.] *or* [**Stabilisation Manager**]]
Description of other interests:	[●] / Not applicable.
Third Party Information:	[●] / Not applicable.
Credit Rating assigned to the Notes:	[● (*selection of option from the Common Terms*) [The Notes are not rated.] *or* [**Credit Rating**]]

In Bratislava on [●].

____

[Name and surname]
[●]
Slovenská sporiteľňa, a.s.

____

[Name and surname]
[●]
Slovenská sporiteľňa, a.s.

11. REASONS FOR THE OFFER AND THE USE OF PROCEEDS

The net proceeds from the issue of any Notes will be used by the Issuer for its general funding purposes and, in case of Subordinated Notes, to strengthen the capital base of the Issuer, which are also the reasons for the offer.

12. SLOVENSKÁ SPORITEĽŇA, A.S.

Name:	Slovenská sporiteľňa, a.s.
Registered office:	Tomášikova 48, 832 37 Bratislava
Telephone:	+421 2 486 21111
Website:	www.slsp.sk
E-mail:	info@slsp.sk

The Issuer, Slovenská sporiteľňa, a.s., Identification Number (IČO): 00 151 653, is a legal entity established by a Foundation Deed of the National Property Fund of the Slovak Republic, dated 15 March 1994, pursuant to Act No. 92/1991 Coll. on Conditions of the Transfer of State Property to Other Entities and pursuant to the provisions of the Commercial Code.

Since 1 April 1994, it has been registered in the Commercial Register of the District Court of Bratislava I, Slovak Republic, Section: Sa, Insert No.: 601/B. The Issuer is a private joint-stock company established for an indefinite period of time and it carries out its business in compliance with Slovak law.

The Issuer holds Slovak banking licence and it is a Slovak bank (credit institution) under the Act on Banks.

The Issuer has been granted a prior consent for establishment of the programme of the Covered Notes by the National Bank of Slovak on 16 July 2018.

Credit Rating

The table below sets out the credit ratings of the Issuer assigned to it by the credit rating agency Moody's Investors Service Ltd (the **Moody's**). Moody's provides a regular paid credit rating to the Issuer. The credit rating of the Issuer was assigned to the Issuer on 3 May 2018. Moody's was registered under the CRA Regulation on 31 October 2011.

Credit rating assigned by Moody's.

	Credit rating
Long-term local and foreign currency deposit ratings	A2
Short-term local and foreign currency deposit ratings	P-1
Counterparty Risk (long-term/short-term)Assessments	A1/P-1
Baseline Credit Assessment/Adjusted Baseline Credit Assessment	baa2/baa1
Outlook	stable

The table below sets out the credit rating of the Issuer assigned to it by the Fitch Ratings Limited credit rating agency (**Fitch Ratings**). Fitch Ratings provides a regular paid credit rating to the Issuer. The Issuer's credit rating was last confirmed on 16 April 2018. Fitch Ratings was registered under the CRA Regulation on 31 October 2011.

Credit rating assigned by Fitch Ratings.

	Credit rating
Long-term rating	A-
Short-term rating	F1
Support rating	1
Viability rating	bbb+
Outlook	stable

Business Overview

The Issuer is a Slovak bank and operates primarily on the basis of the Commercial Code and the Act on Banks. The Issuer's scope of business includes banking activities performed on the basis of a banking licence granted to the Issuer in compliance with the Act on Banks. The banking activities performed by the Issuer are listed in the Issuer's Articles of Association and are registered as the scope of business in the Commercial Register, and are carried out in compliance with the applicable generally binding legal regulations.

The principal products and services offered by the Issuer to its clients include residential loans, consumer loans, mortgage loans, investment loans, current accounts, term deposits, payment services and also electronic banking services.

The Issuer has an extensive commercial network, which as of 31 March 2018, consisted of 271 branches. Employees at 17 regional and corporate centres and head office are available to clients.

Retail segment

The key segment that the Issuer focuses on in its range of products and services are the services to the general public, sole traders, and independent entrepreneurs. The main products for these clients are mortgage loans, consumer loans, current and savings accounts, term deposits, investment products, payment cards and other payment services, as well as electronic banking services. In the context of cross-selling, the Issuer also provides its clients with insurance and building society products.

Corporates segment

This segment includes a number of business activities and services related to corporate clients (broken down by turnover) and also includes public sector entities as follows:

- Small and Medium-Sized Enterprises (SME) includes small and medium-sized enterprises with an annual turnover of EUR 1 million up to 75 million. The main products for clients of this segment are investment loans, overdrafts, bridge loans, loans for utilising EU funds, leasing, factoring, current accounts, term deposits and electronic banking services.
- Local Large Corporate Clients (LLC) includes businesses with annual turnover over EUR 75 million. The main products for these clients are loans, payment services, trade finance and transaction banking.
- Group Large Corporate Clients (GLC) are clients whose consolidated turnover on the markets where the Erste Group operates usually exceeds EUR 500 million or which are transnational companies.
- Public sector includes the public sector itself, consisting of ministries, state funds and agencies, higher territorial units, cities, municipalities, public organizations such as non-financial state and municipal organizations and also non-profit sector including non-profit organizations, churches, political parties, humanitarian organizations, trade unions, and the like.
- Commercial Real Estate Finance (CRE) includes real estate clients and investors who are engaged in generating revenue on the real estate market, which mainly consists of construction, sale, rental, project development, and the like. The main products offered to these clients are investment loans and development loans.

Asset and Liability Management (ALM), Local Corporate Center (LCC), and Free capital

This segment covers activities related to the management of the balance sheet, the securities investment portfolio management, activities related to the issuance of debt securities as well as the responsibility for methodological setting of internal transfer prices. This segment also reports about the transformation margin, as well as reported non-client activities, centrally controlled activities, reconciliation differences in accounting and free capital defined as the difference between average IFRS equity and average equity allocated to individual segments.

Group Markets segment (GM)

This segment includes activities related to trading, market services and transactions with financial institutions.

Principal Markets

The Issuer provides its services and performs its banking operations mostly on the domestic market in the Slovak Republic.

Information regarding New Products/Services

In 2017, the Issuer implemented a new version of internet banking called George and provided its clients with a new mobile application, George Go, in the digital distribution channels.

Organisational Structure

The Issuer is a part of the Erste Group. The Erste Group is one of the largest and most significant bank groups focused on retail and corporate clients in Central and Eastern Europe. The Erste Group consists of Erste Group Bank AG (the parent company) and its individual subsidiaries included in the consolidation of the Erste Group

Bank AG according to its direct or indirect share in them. The most significant members of the Erste Group are bank institutions in the countries of Central and Eastern Europe, i.e., Austria, Czech Republic, Slovak Republic, Romania, Hungary, Croatia, Serbia as well as the group of Austrian savings banks. The Issuer has been a member of the Erste Group since 2001. The parent company of the Issuer is Erste Group Bank AG, with its registered office at Am Belvedere 1, 1110 Vienna, Republic of Austria, FN 33209m (sometimes also indicated as Erste Holding) and holds a 100.00% share in the registered capital and the voting rights of the Issuer.

The most important subsidiaries of the Erste Group Bank AG.

Name	Country	Direct Share of Erste Group Bank AG
Erste Bank der oesterreichischen Sparkassen AG	Austria	100.00%
Česká spořitelna, a.s.	Czech Republic	98.97%
Slovenská sporiteľňa, a.s.	Slovakia	100.00%
Banca Comercială Română S.A.	Romania	93.58%
Erste Bank Hungary Zrt.	Hungary	70.00%
Erste & Steiermärkische Bank d. d.(1)	Croatia	59.02%
Erste Bank a. d. Novi Sad(2)	Serbia	74.00%

Note:

(1) After taking into account the indirect shares, it is 69.25%.
(2) After taking into account the indirect shares, it is 80.50%.

Shareholdings of Slovenská sporiteľňa, a.s. in other Slovak and foreign entities

Selected companies with a significant direct and indirect share held by Slovenská sporiteľňa, a.s. as at 31 March 2018.

Entity	Registered capital (in EUR)	Issuer's share
Procurement Services SK, s.r.o.	6,500.00	51.00%
Prvá stavebná sporiteľňa, a. s.(1)	66,500,000.00	9.98%
Slovak Banking Credit Bureau, s.r.o.	9,958.17	33.33%
Holding Card Service s.r.o.(2)	772,584,000.00	24.62%
Služby SLSP, s. r. o.	5,000.00	100.00%
Realitná spoločnosť Slovenskej sporiteľne, a.s.(3)	29,672.00	100.00%
LANED a.s.(3)	11,520,390.00	100.00%

Note:

(1) The Issuer holds, pursuant to the shareholders' agreement with Erste Group Bank AG, a 35.00% share in voting rights of Prvá stavebná sporiteľňa, a. s.; in case of other companies, the amount of the Issuer's share in the registered capital is identical to the share in voting rights.
(2) Stated in CZK.
(3) The indirect property interest of the Issuer through the company Služby SLSP, s. r. o.

Trend Information

Since the date of publication of the audited consolidated financial statements of the Issuer for the year ending on 31 December 2017 prepared in compliance with IFRS, the Issuer's prospects have not been affected by any material negative changes.

The General Meeting of the Issuer held on 27 March 2018 approved the after tax business results of EUR 162,055,871.05 and decided to pay a dividend to the shareholder in the amount of EUR 142,838,077.50.

Macroeconomic conditions, market environment, as well as the legislation and regulation applicable to all financial institutions in the Slovak Republic and the Eurozone have impact on the Issuer and its business. Moreover, there are no known trends, uncertainties, requirements, liabilities or events that could reasonably be considered to have an impact on the Issuer's prospects in the current financial year.

Profit Forecasts or Estimate

The Issuer has neither published nor included in the Prospectus any profit forecast or estimate.

Administrative, Management and Supervisory Bodies of Slovenská sporiteľňa, a.s.

<u>Board of Directors</u>

The Board of Directors is the Issuer's statutory body which manages the Issuer's activities and acts on its behalf. It consists of three to six members elected by the Supervisory Board for a five-year term. The Chairman of the Board of Directors is elected from among the members of the Board of Directors by the Supervisory Board. The Vice-Chairman of the Board of Directors is elected by the Board of Directors from among its members.

Members of the Board of Directors of Slovenská sporiteľňa, a.s.

	Position held
Name and surname	
Ing. Peter Krutil	Chairman
Ing. Pavel Cetkovský	Member
Mag. Alexandra Habeler-Drabek	Member
Mgr. Ing. Zdeněk Románek, MBA	Member
RNDr. Milan Hain, PhD.	Member

All of the members of the Issuer's Board of Directors have professional qualifications for the performance of their positions and hold no share in the Issuer's business. None of them has been convicted of a property crime. None of the members of the Board of Directors conducts business or activities outside the Issuer which would be significant with regard to the Issuer's activities.

The Issuer has no knowledge of any conflict of interest among the members of its Supervisory Board and the members of its Board of Directors in relation to their obligations vis-à-vis the Issuer and their private interests or other obligations. The members of the Board of Directors represent the Issuer in corporate bodies of other companies in which the Issuer holds a share. The business address of the members of the Supervisory Board and the Board of Directors of the Issuer is Tomášikova 48, 832 37 Bratislava.

<u>Supervisory Board</u>

The Supervisory Board is the supreme control body of the Issuer; it supervises the execution of powers of the Board of Directors and the performance of business activities. The Supervisory Board consists of three to six members. Two-thirds of its members are elected by the General Meeting and one-third by the Issuer's employees. Members of the Supervisory Board are elected for a five-year term. The Supervisory Board elects its Chairman and Vice-Chairman from among its members. The Vice-Chairman has not been elected as at the date of the Prospectus.

Member of the Supervisory Board of Slovenská sporiteľňa, a.s.

	Position held
Name and surname	
Gernot Mittendorfer, M.B.A.	Chairman
Mag. Jan Homan	Member
JUDr. Beatrica Melichárová	Member
Mgr. Alena Adamcová	Member
Mag. Tatiana Knošková	Member

All of the members of the Issuer's Supervisory Board have professional qualifications for the performance of their positions and hold no share in the Issuer's business. None of them has been convicted of a property crime. None of the members of the Supervisory Board conducts business, or activities outside the Issuer which would be significant with regard to the Issuer's activities.

Shareholder of Slovenská sporiteľňa, a.s.

The table below presents the shareholding structure of the Issuer as at the date of this Prospectus.

Shareholder structure of Slovenská sporiteľňa, a.s.

	Registered capital in EUR	Share in %	Voting rights in %
Shareholder			
Erste Group Bank AG	212,000,000	100.00	100.00

Erste Group Bank AG is a legal entity with its registered office at Am Belvedere 1, 1100 Vienna, Republic of Austria, FN 33209m, registered in the Commercial Register of the Commercial Court of Vienna.

The Issuer is not aware of any mechanisms whose application may later result in the change of its control. Control mechanisms for exercising the shareholder rights of the Issuer's owner and measures to ensure the elimination of the misuse of these rights are stipulated in the Act on Banks and other generally binding legal regulations.

Financial Information Concerning Assets and Liabilities, Financial Situation and Profit and Loss of Slovenská sporiteľňa, a.s.

Historical financial information and financial statements

The audited consolidated financial statements of the Issuer for the year ended 31 December 2016 in accordance with IFRS are incorporated by reference and form part of the 2016 Annual Report (see section "*List of Cross-References Incorporated in the Prospectus*" of the Prospectus) and is available on the Issuer's website www.slsp.sk.

The audited consolidated financial statements of the Issuer for the year ended 31 December 2017 in accordance with IFRS are incorporated by reference and form part of the 2017 Annual Report (see section "*List of Cross-References Incorporated in the Prospectus*" of the Prospectus) and are available on the Issuer's website www.slsp.sk.

Audit of historical annual financial information

The consolidated financial statements of the Issuer for the year 2016 in accordance with IFRS were audited by Ernst & Young Slovakia, spol. s r. o. The consolidated financial statements of the Issuer for the year 2017 in accordance with IFRS were audited by PricewaterhouseCoopers Slovensko, s.r.o.

Interim financial information

The unaudited interim separate financial statements of the Issuer prepared in accordance with IAS 34 for the accounting period ended 31 March 2018 are included in the section of the Prospectus "*Annexes*".

Legal and Arbitration Proceedings

During the twelve months preceding the application for approval of the Prospectus by the NBS, the Issuer was not and is not aware of it being a party to any governmental, legal or arbitration proceedings (the **Proceedings**) that may have or may have had in the recent past significant effects on the financial position or profitability of the Issuer or on the companies included in the Issuer's consolidation. It cannot be excluded that in the future the Issuer will become a party to any Proceedings that may have a material adverse effect on the economic results and financial position of the Issuer.

Significant Change in the Issuer's Financial Position

Since the date of compilation of the audited consolidated financial statements of the Issuer prepared in accordance with IFRS for the year ended 31 December 2017, no significant changes or facts have occurred in the financial or business position of the Issuer or companies included in the Issuer's consolidation.

Material Contracts

The Issuer has not entered into any material contracts other than contracts entered into in the ordinary course of the Issuer's business that may result in a situation in which any member of the group will have an obligation or authorization decisive for the Issuer's ability to perform its obligations towards the holders of the issued securities.

Third Party Information, Audited Information, Expert Statements

No third party information is used in the Prospectus. Except for the information extracted from the audited financial statements of the Issuer, the Prospectus does not contain any audited information and no auditor's report has been prepared thereon. The Prospectus does not contain any declaration or report prepared by an expert.

13. GENERAL DESCRIPTION OF TAXATION IN THE SLOVAK REPUBLIC

The Holders are recommended to consult the provisions of the applicable legal regulations with their own advisors, in particular as regards tax and foreign exchange regulations and regulations regarding social and health insurance applicable in the Slovak Republic and in the countries of their residence, as well as in countries in which the yield on the holding and sale of the Notes may be subject to tax, and implications of their application. The Holders are encouraged to keep themselves informed of any laws and other legal regulations which in particular regulate the holding of the Notes and economic rights to the Notes and the sale and purchase of the Notes on ongoing basis and to comply with these laws and other legal regulations.

As the income tax law may change during the life of the Notes, the yield on the Notes will be taxed pursuant to the law applicable at the time of its payment.

The Issuer will not provide the Holders with any compensation or gross-up in connection with any tax withholding.

The following summary includes general information regarding current tax and payment matters of the Slovak legal regulations relating to the acquisition, ownership and disposal of the Notes applicable in the Slovak Republic as at the date of this Prospectus and does not purport to be a comprehensive description of all of its aspects. The information provided is subject to any changes in the applicable legal regulations that may become effective after the date of this Prospectus. This summary does not describe tax and payment matters under the laws of any other country than the Slovak Republic.

Act No. 595/2003 Coll. on Income Tax, as amended (the **Income Tax Act**) is the key regulation in the Slovak tax system:

- interest on the Notes realized by a tax non-resident (the **Tax Non-Resident**) not engaged in business through a permanent establishment in Slovakia is not subject to income tax in the Slovak Republic;
- interest on the Notes realized by a tax resident (the **Tax Resident**) that is an individual, a taxpayer not incorporated or established for business purposes or the National Bank of Slovakia is subject to income withholding tax. Pursuant to the Income Tax Act, the income is subject to a withholding tax at the rate of 19%;
- interest on the Notes realized by a Tax Resident that is a legal entity, is not subject to income withholding tax, however it forms part of the tax base of such taxpayer. The tax rate of 21% shall be applied to a legal entity for the taxation of its tax base.
- interest on the Notes realized by a Tax Non-Resident engaged in business through a permanent establishment in Slovakia may be subject to a tax rate of 35%, as applicable; the tax guarantee shall be made by a taxpayer that makes, remits or credits the payments to the given taxpayer.

With regard to a Tax Resident who is an individual, the Notes are subject to withholding tax at source, while the Issuer is obliged to withhold the tax, except for cases in which the Notes are held for such person by a securities broker as a client; in such case, this securities broker is obliged to withhold the tax. In individual cases, a yield on the Notes may arise without the tax from it being subject to tax withholding and the yield is included in the tax base of an individual (e.g. the Notes purchased on the secondary market or a yield arising on the maturity of a security calculated from the difference between the nominal value of the security and an issue price on its issuance date). A taxpayer not incorporated or established for business purposes or the National Bank of Slovakia are also obliged to withhold the tax.

Pursuant to Council Directive 2011/16/EU on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC of automatic exchange of information (DAC2) and pursuant to agreement concluded between the Slovak Republic and the United States of America to improve compliance with international tax legislation, which were implemented to the Act No. 359/2015 Coll. on automatic exchange of financial account information for purposes of tax administration, the Issuer reports to the local tax administrator selected information about clients of EU Member States and clients of other selected countries including the USA for the previous year, annually by 30 June of the respective year.

Income from the sale of the Notes realised by a legal entity being a Slovak Tax Resident or a permanent establishment of a Tax Non-Resident is included in the general tax base subject to the relevant corporate income tax rate. In general, losses from the sale of the Notes calculated on a cumulative basis for all Notes sold in an individual tax period are not recognisable for tax purposes, except for specific cases stipulated by law (e.g., loss from the sale of the Notes is recognisable for tax purposes if it is not higher than the yield on the Notes included in the tax base until its sale or redemption).

Generally, income from the sale of the Notes realised by an individual being a Slovak Tax Resident or a permanent establishment of a Tax Non-Resident is included in the standard personal income tax base. Potential losses from the sale of the Notes cannot be treated as recognisable for tax purposes. If an individual owns Notes admitted to trading on a regulated market for more than one year, income from the sale is exempt from income tax, except for income from the sale of the Notes that were the business property of the individual.

Generally, income from the sale of the Notes realised by a Slovak Tax Non-Resident coming from a Slovak Tax Resident or a permanent establishment of the Slovak Tax Non-Resident is subject to the applicable income tax rate, unless the international double taxation treaty entered into by the Slovak Republic provides otherwise.

Interest on the Notes owned by individuals with mandatory health insurance in the Slovak Republic should be subject to health insurance contributions. In individual cases a yield on the Notes may arise which will be subject to health insurance contributions (e.g. the Notes purchased on the secondary market or a yield arising on the maturity of a security calculated from the difference between the nominal value of the security and an issue price on its issuance date). Each holder of the Notes must assess its own potential obligations in this field under the relevant legislation, including the applicable transitional provisions.

14. ANNEXES

(1) The unaudited interim separate financial statements of Slovenská sporiteľňa, a.s., prepared in accordance with IAS 34 for the accounting period ended 31 March 2018.

Slovenská sporiteľňa, a.s.

Interim separate financial statements
prepared in accordance with International Accounting Standard IAS 34
Interim Financial Reporting
for the accounting period ended 31 March 2018

(Translated version, original version in Slovak Language)

Separate statement of profit or loss

for the period ended 31 March 2018

Statement of Income

EUR ths.	Note	31.3.2017	31.3.2018
Net interest income	1	109 520	108 819
Interest income		119 230	121 691
Interest expense		(9 710)	(12 872)
Net fee and commission income	2	26 507	26 719
Fee and commission income		32 530	34 325
Fee and commission expense		(6 023)	(7 606)
Dividend income	3	237	647
Net trading result	4	3 770	3 354
Gains/losses from financial instruments measured at fair value through profit or loss	5	(235)	(103)
Rental income from investment properties		75	75
Personnel expenses	6	(33 202)	(35 104)
Other administrative expenses	6	(25 650)	(25 848)
Depreciation and amortisation	6	(10 380)	(9 969)
Gains/losses from financial instruments not measured at fair value through profit or loss	7	292	x
Net impairment loss on financial assets not measured at fair value through profit or loss	8	(9 442)	x
Impairment result from financial Instruments	9	x	(6 744)
Other operating result	10	(9 588)	(10 324)
Pre-tax profit		**51 904**	**51 521**
Taxes on income	11	(12 312)	(11 604)
Net result for the period		**39 592**	**39 917**
Net result attributable to owners of the parent		**39 592**	**39 917**

Earnings per share

	31.3.2017	31.3.2018
Net result attributable to owners of the parent (Eur ths.)	162 056	39 917
Number of outstanding shares	212 000	212 000
Earnings per share	**764**	**188**

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

The notes on pages 7 to 96 are an integral part of these interim separate financial statements.

Separate Statement of Comprehensive Income

for the period ended 31 March 2018

Eur ths.	31.3.2017	31.3.2018
Net result for the period	**39 592**	**39 917**
Other comprehensive income		
Items that may not be reclassified to profit or loss		
Fair value changes of equity instruments at fair value through other comprehensive income	x	4 248
Deferred taxes relating to items that may not be reclassified	-	(892)
Total	**-**	**3 356**
Items that may be reclassified to profit or loss		
Financial assets available for sale	(997)	x
Gain/loss during the period	(997)	x
Deferred taxes relating to items that may be reclassified	209	-
Gain/loss during the period	209	-
Total	**(788)**	**-**
Total other comprehensive income	**(788)**	**3 356**
Total comprehensive income attributable to owners of the parent	**38 804**	**43 273**

The notes on pages 7 to 96 are an integral part of these interim separate financial statements.

Comparison of Quarterly results

Eur ths.	31.3.2017	30.6.2017	30.9.2017	31.12.2017	31.3.2018
Net interest income	109 520	108 602	110 282	111 206	108 819
Interest income	119 230	117 196	117 722	118 171	121 691
Interest expense	(9 710)	(8 594)	(7 440)	(6 965)	(12 872)
Net fee and commission income	26 507	28 285	28 592	29 326	26 719
Fee and commission income	32 530	33 773	34 473	35 179	34 325
Fee and commission expense	(6 023)	(5 488)	(5 881)	(5 853)	(7 606)
Dividend income	237	2 528	269	115	647
Net trading result	3 770	4 843	3 056	2 104	3 354
Gains/losses from financial instruments measured at fair value through profit or loss	(235)	34	(277)	(36)	(103)
Rental income from investment properties	75	76	76	97	75
Personnel expenses	(33 202)	(32 678)	(34 404)	(39 702)	(35 104)
Other administrative expenses	(25 650)	(25 435)	(26 511)	(26 617)	(25 848)
Depreciation and amortisation	(10 380)	(10 184)	(9 916)	(10 483)	(9 969)
Gains/losses from financial instruments not measured at fair value through profit or loss	292	1	1	6	x
Net impairment loss on financial assets not measured at fair value through profit or loss	(9 442)	(10 119)	(10 120)	(392)	x
Impairment result from financial instruments	x	x	x	x	(6 744)
Other operating result	(9 588)	(3 911)	(9 807)	(16 646)	(10 324)
Pre-tax profit	**51 904**	**62 042**	**51 241**	**48 978**	**51 521**
Taxes on income	(12 312)	(15 298)	(12 445)	92 164	(11 604)
Net result for the period	**39 592**	**46 743**	**38 798**	**36 923**	**39 917**
Net result attributable to owners of the parent	**39 592**	**46 743**	**38 798**	**36 923**	**39 917**

Eur ths.	31.3.2017	30.6.2017	30.9.2017	31.12.2017	31.3.2018
Net result for the period	**39 592**	**46 743**	**38 798**	**36 923**	**39 917**
Other comprehensive income					
Items that may not be reclassified to profit or loss					
Remeasurement of net liability of defined pension plans	-	-	496	(322)	-
Fair value changes of equity instruments at fair value through other comprehensive income	x	x	x	x	4 248
Deferred taxes relating to items that may not be reclassified	-	164	(104)	68	(892)
Total	**-**	**164**	**392**	**(254)**	**3 356**
Items that may be reclassified to profit or loss					
Financial assets available for sale	(997)	770	9 610	4 559	x
Gain/loss during the period	(997)	770	9 611	4 843	x
Reclassification adjustments	-	-	-	(285)	x
Deferred taxes relating to items that may be reclassified	209	(161)	(2 019)	(957)	-
Gain/loss during the period	209	(161)	(2 019)	(1 017)	-
Reclassification adjustments	-	-	-	60	-
Total	**(788)**	**609**	**7 592**	**3 601**	**-**
Total other comprehensive income	**(788)**	**773**	**7 984**	**3 347**	**3 356**
Total comprehensive income	**38 804**	**47 516**	**46 783**	**40 269**	**43 273**
Total comprehensive income attributable to owners of the parent	**38 804**	**47 516**	**46 783**	**40 269**	**43 273**

Separate statement of financial position

as at 31 March 2018

Eur ths.	**Note**	**31.12.2017**	**31.3.2018**
Assets			
Cash and cash balances	12	424 229	373 323
Financial assets held for trading		36 484	35 594
Derivatives	13	36 484	35 594
Financial assets at fair value through profit or loss	14	5 600	x
Non-trading financial assets at fair value through profit or loss	15	x	29 021
Equity instruments		x	3 077
Debt securities		x	25 943
Financial assets available for sale	16	1 020 619	x
thereof pledged as collateral		191 439	x
Financial assets at fair value through other comprehensive income	17	x	48 913
Equity investments		x	48 913
Financial assets held to maturity	18	2 644 402	x
thereof pledged as collateral		59 010	x
Loans and receivables to credit institutions	19	177 616	x
Loans and receivables to customers	20	11 758 950	x
thereof pledged as collateral		1 462 588	x
Financial assets at amortised cost	21	x	15 685 892
thereof pledged as collateral		x	1 683 081
Debt securities		x	3 538 631
Loans and advances to banks		x	169 421
Loans and advances to customers		x	11 977 840
Finance lease receivables	22	x	78 751
Hedge accounting derivatives	23	6 761	6 681
Property and equipment		90 255	88 373
Investment property		2 031	1 973
Intangible assets		55 457	49 739
Investments in joint ventures and associates	25	23 041	23 047
Current tax assets		10 618	14 521
Deferred tax assets		33 758	50 331
Trade and other receivables	24	x	111 785
Other assets	26	24 922	46 989
Total assets		**16 314 743**	**16 644 933**

Liabilities and Equity			
Financial liabilities held for trading		33 344	33 099
Derivatives	13	33 344	33 099
Financial liabilities measured at amortised cost	27	14 628 022	15 062 479
Deposits from banks		488 564	422 019
Deposits from customers		12 481 221	13 090 379
Debt securities in issue		1 567 216	1 440 318
Other financial liabilities		91 021	109 764
Hedge accounting derivatives	23	42 100	36 070
Provisions	28	25 067	29 255
Other liabilities	29	81 664	138 154
Total liabilities		**14 810 197**	**15 299 057**
Equity attributable to owners of the parent	30	1 504 546,2	1 195 876
Subscribed capital		212 000	212 000
Additional paid-in capital		150 000	150 000
Retained earning and other reserves		1 142 546	983 876
Total equity		**1 504 546**	**1 345 876**
Total liabilities and equity		**16 314 743**	**16 644 933**

The notes on pages 7 to 96 are an integral part of these interim separate financial statements.

Separate statement of changes in equity

for the period ended 31 March 2018

Eur ths.	Subscribed capital	Other capital instruments	Legal reserve fund	Other funds	Retained earnings	Available for sale reserve	Fair value reserve	Remeasurement of net liability of defined pension plans	Deferred tax	Equity attributable to owners of the parent
As at 31 December 2016	**212 000**	**150 000**	**79 795**	**39 326**	**969 311**	**105 975**	**x**	**(782)**	**(22 255)**	**1 533 369**
Dividends paid / Distribution for Investment certificate 2015 SLSP AT1 PNC5	-	-	-	-	-	-	x	-	-	-
Other changes	-	-	-	-	-	-	x	-	-	-
Total comprehensive income	-	-	-	-	39 592	(997)	x	-	209	38 804
Net result for the period	-	-	-	-	39 592	-	x	-	-	39 592
Change in revaluation reserve	-	-	-	-	-	(997)	x	-	-	(997)
Change in deferred tax	-	-	-	-	-	-	x	-	209	209
As at 31 March 2017	**212 000**	**150 000**	**79 795**	**39 326**	**1 008 903**	**104 978**	**x**	**(782)**	**(22 045)**	**1 572 172**
As at 31 December 2017	**212 000**	**150 000**	**79 795**	**39 104**	**929 394**	**119 917**	**x**	**(608)**	**(25 055)**	**1 504 547**
Changes of initial application of IFRS 9	-	-	-	-	4 495	(119 917)	31 133	128	25 055	(59 106)
Restated balance as at 1 January 2018	**212 000**	**150 000**	**79 795**	**39 104**	**933 889**	**x**	**31 133**	**(480)**	**x**	**1 445 441**
Dividends paid	-	-	-	-	(142 838)	x	-	-	x	(142 838)
Total comprehensive income	-	-	-	-	39 917	x	3 356	-	x	43 273
Net result for the period	-	-	-	-	39 917	x	-	-	x	39 917
Change in revaluation reserve	-	-	-	-	-	x	3 356	-	x	3 356
Other changes	-	-	-	-	-	x	-	-	x	-
As at 31 March 2018	**212 000**	**150 000**	**79 795**	**39 104**	**830 968**	**x**	**34 489**	**(480)**	**x**	**1 345 876**

The notes on pages 7 to 96 are an integral part of these interim separate financial statements.

Separate statement of cash flows

for the period ended 31 March 2018

Eur ths.	**31.12.2017**	**31.3.2018**
Profit before tax	51 903	51 521
Adjustments for:		
Loss allowances for loans and advances, Provisions for off-balance sheet	60 838	7 325
Provisions for liabilities and other liabilities	7 325	8 516
Impairment of tangible and intangible assets net	(872)	-
Depreciation and amortization	10 380	9 969
Profit/(loss) on disposal of fixed assets	1 053	(15)
Transfer of interest for financing activity	3 897	3 926
Net gains/(losses) from investing activities	(24 238)	(26 968)
Cash flows from operations before changes in operating assets and liabilities	110 287	54 275
(Increase)/decrease in operating assets:		
Minimum reserve deposits with the central bank	52 599	(8 398)
Loans and advances to financial institutions	(29 349)	8 195
Loans and advances to customers	(375 149)	(405 419)
Financial assets at fair value through profit or loss and securities available for sale	23 441	(80 300)
Other assets	(16 907)	(9 065)
Increase / (decrease) in operating liabilities:		
Amounts owed to financial institutions	13 680	(66 550)
Amounts owed to customers	334 403	627 906
Increase/(decrease) in derivative financial instruments (net)	(7 644)	(5 305)
Provision for liabilities and other provisions	(18)	-
Other liabilities	16 059	56 762
Net cash flows provided by / (used in) operating activities before income tax	121 402	172 101
Income taxes paid	(15 903)	(16 518)
Net cash flows provided by / (used in) operating activities	105 499	155 584
Cash flows from investing activities		
Purchase of securities held to maturity	(283 432)	(45 719)
Proceeds form securities held to maturity	42 895	8 298
Interest received from the securities held to maturity	17 921	43 876
Dividends received from subsidiaries, associates and other investments	-	647
Purchase of share in subsidiaries and associates	-	(6)
Purchase of intangible assets, property and equipment	(1 106)	(2 425)
Proceeds from sale of intangible assets, property and equipment	1 878	128
Net cash flows provided by / (used in) investing activities	(221 844)	4 798
Cash flows from financing activities		
Dividends paid	-	(142 838)
Issue of the bonds	108 203	39 795
Repayment of the bonds	(12 311)	(166 769)
Interest paid to the holders of the bonds	(3 521)	(3 851)
Net cash flows provided by / (used in) financing activities	92 371	(273 662)
Effect of foreign exchange rate changes on cash and cash equivalents	10	53 978
Net increase / (decrease) in cash and cash equivalents	(23 964)	(59 303)
Cash and cash equivalents at beginning of period	**348 065**	**423 589**
Cash and cash equivalents at end of period	**324 101**	**364 286**
Operational cash flows from interest and dividends		
Income taxes paid	(15 903)	(16 518)
Interest paid	(7 520)	(4 633)
Interest received	69 738	85 207
Dividends received	-	628

The notes on pages 7 to 96 are an integral part of these interim separate financial statements.

Notes to the interim 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 at 31 March 2018 the sole shareholder of the Bank was Erste Group Bank AG with the registered office located at: Am Belvedere 1, 1100 Vienna, Austria. The financial statements of Erste Group Bank AG (the parent) will be available after their completion on the Austrian court Firmenbuchgericht Wien, Marxergasse 1a, Vienna 1030.

The ultimate controlling parties of Erste Group Bank AG as at 31 March 2018 were DIE ERSTE oesterreichische
Spar-Casse Privatstiftung and CaixaBank S.A. Information on the parent company's shareholder structure is published in the financial statements of Erste Group Bank AG for the year 2018.

The Board of Directors of the Bank had five members as at 31 March 2018:
Ing.Peter Krutil (chairman), Mag. Alexandra Habeler-Drabek (member), Ing. Richard Chomist (member), Ing. Zdeněk Románek (member) and Ing. Pavel Cetkovský, who has been elected by Supervisory Board as a member of Board of Directors, effective from 26 January 2018.

As at 31 March 2018 Ing. Richard Chomist, the member of the Board of Directors responsible for IT and payment services, resigned his function as the member of the Board of Directors. The appointment of new member of the Board of Directors is in process to be approved by the European Central Bank.

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 five members as at 31 March 2018:
Gernot Mittendorfer M.B.A. (chairman), Mag. Jan Homan (member), Ing. Tatiana Knošková (member), JUDr. Beatrica Melichárová (member) and Ing. Alena Adamcová (member).

As at 19 February 2018 Mgr. Ľudovít Ódor, the member of the Supervisory Board, resigned his function as the member of the Supervisory Board as a result of his election for the position of Deputy Governor of the National Bank of Slovakia. Until the date of his abdication there were two members of the Supervisory Board meeting the independency condition in accordance with regulations issued by the European Banking Authority (EBA) and European Securities and Markets Authority (ESMA).

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 interim separate financial statements for the period ended 31 March 2018 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 and certain hedge accounting requirements under IAS 39 which have not been endorsed by the EU. The Bank has assessed that the standards not endorsed by the EU would not impact significantly these interim 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 d).

These interim separate financial statements do not contain full information and disclosures as required in the complete set of financial statements as at year end and should be read in conjunction with interim separate financial statements for the previous accounting period. The separate financial statements for the period ending as at 31 December 2017 were signed and authorised for issuance by the Board of Directors of the Bank on 13 February 2018 and are available at its registered office or on the web page.

b) Basis of preparation

These interim 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 2017, which were signed and authorised for issue by the Board of Directors of the Bank on 13 February 2018 and are available at its registered office or on the web page.

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

These interim separate financial statements are prapared in accordance with the accounting policies, methods and calculations, that were used in the complete set of separate financial statements for the previous accounting period.

In accordance with the applicable measurement models defined or allowed by IFRS, these interim separate financial statements were prepared on a cost basis (or amortised cost), except for financial assets available for sale, financial assets and liabilities held for trading, financial assets and liabilities designated at fair value through profit or loss, as well as financial derivatives, hedging derivatives and related hedged items, all of which were measured at fair value.

These interim separate financial statements are based on the going concern assumption that the Bank will continue to operate in the foreseeable future.

These interim separate financial statements are presented in Euro, which is the functional currency of the Bank. The measurement unit is thousands of Eur ('Eur ths.'), unless stated otherwise. The amounts in parentheses represent negative values. The tables in these interim separate financial statements and notes may contain rounding differences.

The comparative amounts presented in these interim financial statement are those presented in the Separate statement of financial positions as at 31 December 2017 and the Separate statement of profit or loss and and the Separate statement of other comprehensive income for the year ended 31 March 2017.

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'.

These interim separate financial statements are not audited.

c) Accounting and measurement methods

These interim separate financial statements are prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting and are presented in Euro, which is the functional currency of the Bank. These interim separate financial statements do not contain full information and disclosures as required in the complete set of financial statements as at year end. Due to the initial adoption of IFRS 9 (as explained below) the Bank decided to disclose full description of accounting methods and measurement methods in these interim separate financial statements. If not disclosed, these interim separate financial statements should be read in conjunction with separate financial statements for the previous accounting period.

Financial instruments

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 IAS 39, 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 expected 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 under IFRS 9') 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.

Under IAS 39 the EIR is applied to the gross carrying amount of the financial assets and, for financial assets which are individually impaired, to the amortised cost.

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 if an asset were sold or paid, if a liability were transferred 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 36.

iii. Initial recognition and measurement

Initial recognition

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

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. In most of the cases 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 under IFRS 9

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 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.

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', '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 shown under this item.

Interest income on these assets is calculated by effective interest method and is included under the line 'Net interest income' in the statement of income. Impairment gains or losses are included in the line 'Impairment result from financial instruments'. Gains and losses from derecognition (such as sales) of the assets are reported under the line item 'Gains/losses from derecognition of financial assets measured at amortised cost'.

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, interbank lending business (including reverse repo transactions), deposits with central banks, amounts in the course of settlement, 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 enhancement 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

Debt instrument financial assets are measured at fair value through other comprehensive income (FVOCI) if their contractual cash flows are SPPI compliant and they are held within a business model whose objective is achieved by both to collect contractual cash flows and sell the assets. On the balance sheet they are included as 'Debt securities' under the line 'Financial asset at fair value through other comprehensive income'.

Interest income on these assets is calculated using the effective interest method and is included under the line 'Net interest income' in the statement of income. Impairment gains and losses are recognised in profit or loss in the line 'Impairment result from financial instruments'. As a result, the measurement impact recognised in profit or loss is the same as for financial assets measured at amortised cost.

The difference between the fair value at which the assets are carried in the balance sheet and the amortised cost component is recognised as accumulated OCI in equity specifically under 'Fair value reserve' in the statement of changes in equity. The change for the period is reported as OCI in the statement of comprehensive income in the line 'Debt instruments at fair value through other comprehensive income'. When the financial asset is derecognised the amount previously accumulated in OCI is reclassified to profit or loss and reported under the line 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

The Bank classifies investments in debt securities as measured at FVOCI. They are part of 'held to collect and sell' business models. Similarly to debt instruments assets measured at amortised cost, they relate to different business objectives such as fulfilling internal/external liquidity risk requirements and an efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield enhancement activities. The common attribute for investments in debt instruments at FVOCI is that an active yield optimisation via sales is integral to achieving the objectives. The sales are carried out in order to optimise the liquidity position or to realise the fair value gains or losses. As a result, the business objectives are achieved through both collecting contractual cash flows and sales of the securities.

For certain investments in equity instruments which are not held for trading, the Bank makes use of the option to measure them at FVOCI. 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 statement of income. 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 are automatically 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 of assets which are held for trading (i.e. financial assets held by the trading function of the bank), of assets whose value is expected to be primarily realised through sales.

The Bank Group also makes use of 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', sub-item 'Other financial assets held for trading' and 'Non-trading financial assets at fair value through profit or loss', (sub-items 'Debt securities', 'Loans and advances to banks' and 'Loans and advances to customers'). Non-trading financial assets consist of two sub-categories disclosed in Note 19 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 than held for trading.

Investments in equity instruments which are held for trading (i.e. financial assets held by the trading function of the bank) are measured at FVPL. They are included in the balance sheet under the line 'Financial assets held for trading', sub-item 'Other financial assets held for trading'. 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 15.

In the statement of income, 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.

iv. Classification and subsequent measurement of financial liabilities under IFRS 9

Finančné záväzky sa oceňujú amortizovanou obstarávacou cenou, pokiaľ nie sú oceňované reálnou hodnotou cez výkaz ziskov a strát.

v. Financial liabilities at amortised cost

For presentation on the balance sheet, the line item 'Financial liabilities measured 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 are reported in the line item 'Net interest income' in the statement of income. 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'.

vi. Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL consist of financial liabilities held for trading and financial liabilities designated at FVPL.

Non-derivative financial liabilities held for trading are those which are incurred principally for the purpose of repurchasing them in the short term. Non-derivative held-for-trading liabilities are largely comprise short sales. On the balance sheet such liabilities are presented under the line 'Financial liabilities held for trading', sub-item 'Other financial liabilities'. The gains or losses on financial liabilities held for trading are reported in the line 'Net trading result' in the statement of income.

The Bank makes use of the option to designate some financial liabilities as measured at FVPL at initial recognition if:

- such classification eliminates or significantly reduces an accounting discrepancy between the financial liability otherwise measured at amortised cost and the related derivative measured at FVPL; or
- the entire hybrid contract is designated at FVPL due to the existence of a non-closely related embedded derivative.

Financial liabilities designated at FVPL are reported on the balance sheet under the line item 'Financial liabilities designated at fair value through profit or loss' and are further broken down into 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'. Other financial liabilities relate to fund units issued by funds consolidated by The Bank. Interest incurred is reported in the statement of income under the line item 'Net interest income'. Gains and losses resulting from changes in fair value are recognised net of the interest expense under the line item 'Gains/losses from financial instruments measured at fair value through profit or loss'.

The amount of the fair value change resulting from the credit risk of the financial liability for the period is presented as OCI in the statement of comprehensive income in the line 'Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk'. The cumulative amount is recognised as accumulated OCI, specifically under 'Liability own credit risk reserve' in the statement of changes in equity. The cumulative amount is calculated as the difference between the present value of the liability determined by using the original credit spread and the fair value of the liability. When calculating the present value of the liability by using the original credit spread the rate used for discounting is the sum of the observed interest rate (swap yield curve) and the original credit spread. The original credit spread is determined at initial recognition of the liability and it equals the difference between the total yield of the liability and the observed interest rate (swap yield curve) at that time. For the purpose of calculation of the present value of the liability, the original credit spread remains fixed over the whole life of the liability. The amount of fair value change attributable to changes in credit risk of the liability for the period which is recognised in OCI is the difference between the cumulative amount of the credit risk at the end of the period and at the beginning of the period.

Classification, subsequent measurement and balance sheet line items of financial instruments under IAS 39

As regards the comparative period information on financial instruments in accordance with IAS 39, The Bank uses the following categories of financial Instruments:

- financial assets or financial liabilities at fair value through profit or loss,
- available-for-sale financial assets,
- held-to-maturity investments,
- loans and receivables, and
- financial liabilities measured at amortised cost.

The line items as presented on the balance sheet are not necessarily corresponding with the IAS 39 categories of financial instruments. The correspondence between the balance sheet line items and the categories of financial instruments is described below.

i. Cash and cash balances

Cash balances include only claims (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 shown under this item.

ii. Derivative financial instruments

Please refer to the part Derivative financial instruments below.

iii. Financial assets and financial liabilities held for trading

Financial assets and financial liabilities held for trading comprise derivatives described in part (iii) and other trading assets and liabilities.

Other trading assets and liabilities include debt securities as well as equity instruments acquired or issued principally for the purpose of selling or repurchasing in the near term. In the balance sheet, they are presented as 'Other trading assets' or 'Other trading liabilities' under the heading 'Financial assets / financial liabilities – held for trading'.

Changes in fair value (clean price for debt instruments) resulting from other trading assets and liabilities are reported in the statement of income under the line item 'Net trading result'. Interest income and expenses are reported in the statement of income under the line item 'Net interest income'. Dividend income is shown under the line item 'Dividend income'.

If securities purchased under an agreement to resell or borrowed through securities lending transactions are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within 'Other trading liabilities'

iv. Financial assets or financial liabilities designated at fair value through profit or loss

Financial assets or financial liabilities classified in this category are those that have been designated by management on initial recognition as fair value option.

The Bank uses the fair value option in the case of financial assets managed on a fair value basis. In accordance with a documented investment strategy, the performance of the portfolio is evaluated and regularly reported to the management board.

Financial assets designated at fair value through profit or loss are recorded on the balance sheet at fair value under the line item 'Financial assets at fair value through profit or loss', with changes in fair value recognised in the statement of income under the line item 'Gains/losses from financial assets and liabilities measured at fair value through profit or loss'. Interest earned on debt instruments is reported under the line item 'Net interest income'. Dividend income on equity instruments is shown under the line item 'Dividend income'.

The Bank uses the fair value option in the case of some hybrid financial liabilities. This is relevant when:

- such classification eliminates or significantly reduces an accounting mismatch between the financial liability otherwise measured at amortised cost and the related derivative measured at fair value; or
- the entire hybrid contract is designated at fair value through profit or loss due to the existence of an embedded derivative.

The change in the fair value resulting from changes in own credit risk from financial liabilities measured at FVPL is calculated by method described in IFRS 7 standard. This change represents difference between present value of liability and observed market price of liability at the end of period. The discount rate used for liability represents subtotal of actual interest rate (comparative) at the end of period and component on internal return specific for particular instrument established at the beginning of the period.

Financial liabilities designated at fair value through profit or loss are reported on the balance sheet under the line item 'Financial liabilities designated at fair value through profit or loss' further broken down into 'Deposits from customers' and 'Debt securities issued'. Changes in fair value are recognised in the statement of income under the line item 'Gains/losses from financial assets and liabilities measured at fair value through profit or loss'. Interest incurred is reported under the line item 'Net interest income'.

v. Financial assets available for sale

Available-for-sale financial assets include debt and equity securities as well as other interests in entities with lower than significant influence. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

Available-for-sale financial assets are measured at fair value. On the balance sheet, available-for-sale financial assets are disclosed under the line item 'Financial assets available for sale'.

Unrealised gains and losses are recognised in OCI and reported in the 'Available for sale reserve' until the financial asset is disposed of or impaired. If available-for-sale assets are disposed of or impaired, the cumulative gain or loss previously recognised in OCI is reclassified to profit or loss and reported in the line item 'Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net' in the case of sale or in the line item 'Net impairment loss on financial assets' in the case of impairment.

Interest income on available-for-sale financial assets is reported under the line item 'Net interest income'. Dividend income is reported under the line item 'Dividend income'.

In 2017, as part of the IFRS 9 implementation, valuation models were developed for investments in unquoted equities which were previously measured at cost less impairment. The Bank considers that these models deliver reliable fair value measurement. As a result, these investments were remeasured to fair value throughout 2017.

vi. Financial assets held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity and reported on the balance sheet as 'Financial assets held to maturity' if the Bank has the intention and ability to hold them until maturity. After initial recognition, held-to-maturity financial assets are measured at amortised cost. Amortised cost is calculated by taking into account any discount, premium and/or transaction costs that are an integral part of the effective interest rate.

Interest earned on financial assets held to maturity is reported in the statement of income under the line item 'Net interest income'. Losses arising from impairment of such financial assets are presented as 'Net impairment loss on financial assets'. Realised gains or losses from selling are recognised in the statement of income under the line item 'Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net'.

vii. Loans and receivables

The balance sheet line item 'Loans and receivables to customers' includes financial instruments which are allocated to the financial instrument category loans and receivables regardless of their contractual maturity. Furthermore, finance lease receivables that are accounted for using IAS 17 are presented under these balance sheet line items.

Loans and receivables are non-derivative financial assets (including debt securities) with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Bank intends to sell immediately or in the near term and those that the Bank upon initial recognition designates as at fair value through profit or loss,
- those that the Bank, upon initial recognition, designates as available for sale, or
- those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial recognition, loans and receivables are measured at amortised cost. Finance lease receivables are subsequently measured as specified in the chapter 'Leasing'. Interest income earned is included under the line item 'Net interest income' in the statement of income.

Impairment losses arising from loans and receivables are recognised in the statement of income under the line item 'Net impairment loss on financial assets'.

Valuation of finance lease receivables is described in the chapter Leasing.

viii. Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are presented on the balance sheet on the line item 'Financial liabilities measured at amortised cost' and are further broken down to 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

Financial liabilities are measured at amortised cost, unless they are measured at fair value through profit or loss.

Interest expenses incurred are reported in the line item 'Net interest income' in the statement of income. Gains and losses from derecognition (mainly repurchase) of financial liabilities at amortised cost are reported under the line item 'Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net'.

ix. Relationships between balance sheet items, measurement methods and categories of financial instruments

Overview of financial Instruments and valuation methods in relation to individual balance sheet items:

	Measurement principle			Financial instrument category
Balance sheet position	Fair value	Amortised cost	Other	
ASSETS				
Cash and cash balances		x	Nominal value	n/a / Loans and receivables
Financial assets - held for trading				
Derivatives	x			Financial assets at fair value through profit or loss
Other trading assets	x			Financial assets at fair value through profit or loss
Financial assets - at fair value through profit or loss	x			Financial assets at fair value through profit or loss
Financial assets - available for sale	x			Available for sale financial assets
Financial assets - held to maturity		x		Held to maturity investments
Loans and receivables to credit institutions		x		Loans and receivables
thereof Finance lease			IAS 17	n/a
Loans and receivables to customers		x		Loans and receivables
thereof Finance lease			IAS 17	n/a
Derivatives - hedge accounting	x			n/a
LIABILITIES AND EQUITY				
Financial liabilities - held for trading				
Derivatives	x			Financial liabilities - at fair value through profit or loss
Other trading liabilities	x			Financial liabilities - at fair value through profit or loss
Financial liabilities - at fair value through profit or loss	x			Financial liabilities - at fair value through profit or loss
Financial liabilities measured at amortised cost		x		Financial liabilities measured at amortised cost
Derivatives - hedge accounting	x			n/a

Furthermore, two additional classes of financial instruments which are not presented in the table above are part of IFRS 7 disclosures. These are financial guarantees and irrevocable credit commitments.

Impairment of financial instruments under IFRS 9

The Bank recognises loss allowances for impairment on its debt instrument financial assets, other than those measured at FVPL, its lease receivables and its off-balance credit risk exposures arising from financial guarantees and certain loan commitments. 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). Stage 3 classification is not relevant for loan commitments and financial guarantees.

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 36.

The loss allowances decrease the value of the assets. 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. However, for financial assets measured at FVOCI the loss allowance is recognised in accumulated OCI, specifically under 'Fair value reserve' in the statement of changes in equity. 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 statement of income, impairment losses and their reversals (gains) on all kinds of financial instruments are presented in the line item 'Impairment result from financial instruments'.

Impairment of financial assets and credit risk losses of contingent liabilities under IAS 39

The Bank assesses as at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The Bank uses as a primary indicator of loss event the definition of default in accordance with the CRR (the Regulation EU no. 575/2013 of the European Parliament and of the Council). Default, as a loss event, is deemed to have occurred when whatever of the following events had taken place:

- a client is unlikely to fully repay its credit obligations to the Bank without realizing collaterals;
- a retail / corporate client is past due more than 90 days on any material credit obligation to the Bank;
- whatever condition or obligation under the contract has been breached by a client, on the basis of which the Bank is entitled to take appropriate actions (such as require a premature repayment of credit obligation of the client either in full or its part, charge late payment interests or claim satisfaction of the credit exposure from the means securing such credit obligation);
- the obligor is subject to bankruptcy or similar protection proceedings.

For assessment at portfolio level, the Bank uses the incurred but not reported losses concept. It identifies the time period between the moment of the loss event causing future problems and actual detection of the problems by the bank at the moment of default.

Credit risk losses resulting from contingent liabilities are recognised if it is probable that there will be an outflow of resources to settle a credit risk bearing contingent liability that will result in a loss.

Financial assets at amortised cost

At first, the Bank assesses individually significant loans and held-to-maturity securities, whether an objective evidence of impairment exists. If there is no objective evidence of impairment for an individually assessed financial asset, the Bank includes that particulate asset into a group of financial assets with similar credit risk characteristics and assesses them for impairment collectively. Assets that are individually assessed for impairment and for which an impairment loss is recognised are not included in the collective assessment of impairment.

If an impairment loss has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset takes into account also cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Impairment losses on financial assets measured at amortised cost are recognised as loss allowances which decrease the value of financial assets disclosed on the balance sheet. It means that the net carrying amount of a financial asset presented on the balance sheet is the difference between its gross carrying amount and the related cumulative loss allowance. This treatment is applicable for individual and portfolio loss allowances for loans and receivables.

In case of held-to-maturity financial assets accounting treatment and presentation differ based on the type of loss allowances. Portfolio loss allowances covering incurred, but not identified impairment losses decrease the value of these financial assets on the balance sheet. Individual loss allowances covering identified impairment losses directly reduce the carrying amounts of these financial assets.

Reconciliation of changes in loss allowance accounts is presented in the notes 16 and 17. This reconciliation reflects only changes in loss allowances for loans and receivables and portfolio loss allowances for held-to-maturity financial assets.

Impairment losses and their reversals are recognised in the income statement line item 'Net impairment loss on financial assets not measured at fair value through profit or loss'.

Loans together with the associated loss allowances are removed from the balance sheet when there is no realistic prospect of future recovery and all collaterals have been realised by the Bank.

If the amount of estimated impairment loss increases or decreases in a subsequent year, the previously recognised impairment loss is increased or reduced respectively by adjusting the allowance account.

Financial assets available for sale

In case of debt instruments classified as available for sale, the Bank assesses individually whether there is an objective evidence of impairment based on the same criteria as used for financial assets carried at amortised cost. The amount of impairment is the difference between the amortised cost and the current fair value, less any impairment loss on that asset previously recognised in the income statement. When impairment is identified, any amount of losses accumulated in the other comprehensive income line item 'Available for sale reserve' is reclassified to the income statement line item 'Net impairment loss on financial assets not measured at fair value through profit or loss'.

If, in a subsequent period, the fair value of a debt instrument increases, the impairment loss is reversed through the income statement line item 'Net impairment loss on financial assets not measured at fair value through profit or loss'. Impairment losses and their reversals are recognised directly against the affected financial assets presented on the balance sheet.

In cases of equity investments classified as available for sale, objective evidence of impairment includes a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. For this purpose, 'significant' decline means a market price below 80 % of the acquisition cost and 'prolonged' decline means that a market price is permanently below the acquisition cost for a period of nine months up to the reporting date.

Where there is an objective evidence of impairment on equity investments, the amount of impairment loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. For the impaired equity investment, any amount of losses previously recognised in the other comprehensive income line item 'Available for sale reserve' has to be reclassified to the income statement line item 'Net impairment loss on financial assets not measured at fair value through profit or loss'. Impairment losses on equity investments are not reversed through the income statement and the increases in the fair value after impairment are recognised directly in other comprehensive income line item 'Available for sale reserve'. Impairment losses and their reversals are recognised directly against the affected financial assets presented on the balance sheet.

For investments in unquoted equity instruments carried at cost because their fair value cannot be determined reliably the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

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 'Other operating result'.

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,
- 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.

ii. 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 line item 'Derivatives' under the heading 'Financial assets / Financial liabilities held for trading'. All kinds of non-hedging derivatives without regard to their internal classification, i.e. both derivatives held in the trading book and banking book, are presented in this line item.

Changes in the fair value (clean price) of derivatives – held for trading are reported in the statement of income in the line item 'Net trading result'.

Interest income/expense related to hedge derivatives is presented in the statement of income under the line item 'Net interest income' and interest income/expense for derivatives held-for-trading under the line item 'Net trading result'.

Derivatives – hedge accounting are those which are designated as hedging instruments in hedge accounting relationships fulfilling the conditions of IAS 39 (please refer to the Hedge Accounting part). 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 are reported in the statement of income in the line item 'Net trading result'. Interest income/expense related both to held-for-trading and hedging derivatives is presented in the statement of income under the line item 'Net interest income'.

The effective part of changes in the fair value (clean 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 accumulated other comprehensive income is presented under 'Cash flow hedge reserve' in the statement of changes in equity. The ineffective part of changes in the fair value (clean price) of derivatives in cash flow hedges is reported in the statement of income 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 instruments if:

- the embedded derivative meets the definition of a derivative according to IAS 39,
- 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 are predominantly embedded in issued host debt instruments recognised as liabilities. The most typical cases are issues of bonds containing interest caps, floors or collers, or contractual features linking payments to non-interest variables such as FX rates, equity and commodity prices and indices, or third-party credit risk.

Repo transakcie a reverzné repo transakcie

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. 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 measured 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 statement of income 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 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 item 'Financial assets at amortised cost', sub-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 statement of income 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 statement of income 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 as a short sale within 'Financial liabilities held for trading', sub-item 'Other financial liabilities'. Fee expense incurred on securities borrowing transactions is presented in the statement of income 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 statement of income 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 statement of income 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 statement of income 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 statement of income 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. A 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'. In the comparative period the financial guarantee contracts were reviewed for the possibility that provision recognition under IAS 37 was required. The premium received is recognised in the statement of income under the line item 'Net fee and commission income' on a straight-line basis over the life of the guarantee.

Leasing

A lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for an agreed period of time in return for a payment or series of payments. A finance lease at the Bank is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. All other lease agreements at the Bank are classified as operating leases.

i. The Bank as a lessor

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 statement of income under the line item 'Net interest income'. The Bank provides finance lease since 2015 when the Bank merged with its former subsidiary Leasing Slovenskej sporiteľne, a.s.

In the case of operating leases, the leased asset is reported by the lessor in 'Property and equipment' or in 'Investment properties' 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 statement of income under the line item 'Rental income from investment properties & other operating leases'.

ii. The Bank as a lessee

As a lessee, the Bank has not entered into any leasing contract meeting the conditions of finance leases.

As a lessee, the Bank participates only in operational leasing contracts. Operating lease payments are recognised as an expense in the statement of income on the line item 'Other administrative expenses' on a straight-line basis over the lease term.

Foreign currency translations

These interim separate financial statements are presented in 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 statement of income 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.

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 2017 and 2018
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’.

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 2017 and 2018
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)

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 recoverable 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 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 no longer exist or 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 benefit plans

Defined employee benefit 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 benefits plans, whereas working anniversary benefits are other long-term employee benefits.

Obligations resulting from the defined employee benefit 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 actuarial calculations are disclosed in the note 26.

The employee benefit costs are determined by an actuarial valuation using the projected unit credit method as at the balance sheet date. 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 benefit 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 the note 26.

Levies

The Bank recognises a liability or a provision for the levy of selected bank institutions in according 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 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

Interest income or expense is recognised using the effective interest rate ('EIR') method. The calculation of EIR includes origination fees resulting from the lending business and transaction costs directly attributable to the instrument (apart from financial instruments at fair value through profit or loss), but no future credit losses. Interest income on individually impaired loans and receivables and held-to-maturity financial assets is calculated by applying the original effective interest rate used to discount the estimated cash flows for the purpose of impairment loss measurement.

Interest income includes interest income on cash balances, loans and receivables to credit institutions and customers, bonds and other interest-bearing securities in all financial assets categories. Interest expenses include interest paid on deposits from banks and customers, debt securities issued and other financial liabilities in all categories.

Net interest income includes interest on non-derivative trading assets and liabilities, as well as on derivative financial instruments held in the banking book.

In addition, net interest cost on defined benefits obligations (pension and jubilee) is recognised in net interest income.

ii. Net fee and commission income

The Bank earns fee and commission income from a diverse range of services provided to its customers.

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.

Fees earned for providing transaction services are recognised upon completion of the underlying transaction. These fees include fees for arranging acquisition of securities and purchase or sale of a business.

iii. Dividend income

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

This line item includes dividends from shares and other equity-related securities in all portfolios, as well as income from other investments in companies classified as available for sale. It also contains dividends from subsidiaries, associates or joint ventures.

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 & other operating leases

Rental income from investment properties and other operating leases 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 measured 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 loss on financial instruments

Net impairment losses on financial assets comprise impairment losses and reversals of impairment on loans and receivables, financial assets held to maturity and financial assets held for trading. Net impairment losses relate to allowances recognised on individual and portfolio (incurred but not reported) level.

In addition, direct write-offs and recoveries on written-off loans are reported on this line item.

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. Modification gains and losses recognised on financial assets in Stage 2 and Stage 3 are also presented as the impairment result. Moreover, gains/losses from derecognition of financial assets in Stage 3 are included 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. Also included here are any impairment losses on goodwill.

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. In the comparative period, other operating result also included income from the release of and expenses for allocations to provisions for credit risk.

There are two additional line items in the statement of income which are relevant only for the comparative period:

xiv. Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net

This line item includes selling and other derecognition gains or losses on available-for-sale and held-to-maturity financial assets, loans and receivables and financial liabilities measured at amortised cost. However, if such gains/losses relate to individually impaired financial assets they are included as part of the 'Net impairment loss on financial assets'.

xv. Net impairment loss on financial assets

Net impairment losses on financial assets comprise impairment losses and reversals of impairment on loans and receivables, held-to-maturity and available-for-sale financial assets. Net impairment losses relate to allowances recognised both at individual and portfolio level.

This line item also includes recoveries on written-off loans removed from the balance sheet.

d) 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 as follows:

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 significant judgements. These judgements are crucial in the IFRS 9 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 five per cent 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, 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.) are considered as not contradicting the held to collect contractual cash flows business model. 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. Anther 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.

Under the IAS 39 incurred loss impairment model used for the comparative period, the Bank reviewed its financial assets not measured at fair value through profit or loss at each balance sheet date to assess whether an impairment loss should be recorded in the statement of income. In particular, this involved determining whether there is objective evidence of impairment as a result of a loss event occurring after initial recognition and estimating the amount and timing of future cash flows when determining an impairment loss.

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 36.

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.

e) Application of new and amended IAS / IFRS

IFRS 9 Financial Instruments

EUR ths.	Original classification under IAS 39		New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
	Portfolio	Measurement method	Measurement method		
Financial assets					
Cash and cash balances	Amortised cost	AC	Amortised cost	424 229	424 229
Derivatives	Held-for-trading	FVTPL	Held-for-trading (FVTPL)	36 484	36 484
Derivatives - hedge accounting	Hedge accounting	FV	Hedge accounting	6 761	6 761
Loans and recivables to credit institutions	Loans and receivables	AC	Amortised cost	177 616	177 616
Loans and recivables to customers	Loans and receivables	AC	Amortised cost	11 613 219	11 615 016
Loans and recivables to customers	Loans and receivables	Finance Lease	Finance Lease	76 941	76 941
Loans and recivables to customers	Loans and receivables	Trade receivables and other receivables (AC)	Trade receivables and other receivables (AC)	68 789	68 789
Financial assets - available for sale (Debt instruments)	AFS	FVTOCI	Amortised cost	972 734	894 339
Financial assets - available for sale (Equity instruments)	AFS	FVTOCI	FVTPL	3 077	3 077
Financial assets - available for sale (Equity instruments)	AFS	FVTOCI	FVTOCI	44 808	44 808
Financial assets - held to maturity	Held-to-maturity	AC	Amortised cost	2 624 336	2 624 335
Financial assets - held to maturity	Held-to-maturity	AC	Mandatorily at FVTPL	20 065	20 406
Financial assets - at fair value through profit at loss	FV option	FVTPL	Mandatorily at FVTPL	5 602	5 602
Total financial assets				**16 074 663**	**15 998 403**
Financial liabilities					
Derivatives	Held-for-trading	FVTPL	Held-for-trading (FVTPL)	33 344	33 344
Derivatives - hedge accounting	Hedge accounting	FV	Hedge accounting	42 100	42 100
Financial liabilities - measured at amortised cost	AC	AC	Amortised cost	14 628 022	14 628 022
Total financial liabilities				**14 703 466**	**14 703 466**

As at 1 January 2018 the Bank has applied IFRS 9 Financial Instruments as issued by IASB in July 2014. This application caused changes in the accounting methods related to classification and measurement of financial assets and liabilities, as well as impairment of financial assets. IFRS 9: Financial instruments significantly modifies IFRS 7: Financial Instruments: Disclosures, and therefore the disclosures for financial Instruments were revised.

According to the transition provisions of IFRS 9 the Bank has decided not to adjust information published for the previous period. As a result, the comparative figures in the financial statements for the year 2018 are presented in the structure of financial statements as dislosed in separate financial statements for the period ending 31 december 2017. Disclosures in Notes to financial statements related to comparative period are prepared in accordance with the original classification and measurement as required by IAS 39 (predecessor fo IFRS 9) and IFRS 7 (before changes related to implementation of IFRS 9). Concurrently, disclosed accounting methods and valuation methods for financial Instruments are therefore prepared in accordance with requirements of IAS 39 as well. The Bank has decided to continue with full application of the hedge accounting requirements according to IAS 39, as permitted by IFRS 9.

i. Classification and measurement of financial instruments

The following table presents the changes in measurement categories and carrying amounts according IAS 39 and IFRS 9 on transition to IFRS 9 on 1 January 2018. In order to present the impact of application, the changes are disclosed based on original structure of balance sheet as required by IAS 9.

ii. Reconciliation of carrying amounts of financial assets according cagetories

The following table presents relevant changes related to transition to IFRS 9 on 1 January 2018:

EUR ths. Measurement category	IAS 39 carrying amount as at31.12.2017	Reclassifications +/-	Remeasurement +/- (effects of both revaluation and impairment changes)	IFRS 9 carrying amount as at 1.1.2018	Retained earnings effects +/-	OCI effects +/-
Amortised cost	**14 928 256**	-	-	**14 928 256**	-	-
Additions:						
from IAS 39 FVTOCI (AFS)	-	972 734	(78 395)	894 339	281	78 115
from IAS 39 AC (L&R, HTM) - impairment remeasurement)	-	-	1 795	1 795	(1 795)	-
Subtractions:						
to IFRS 9 Mandatorily at FVTPL (IAS 39: HTM)	-	(20 065)	-	(20 065)	-	-
Total change to Amortised cost	**-**	**952 669**	**(76 600)**	**876 069**	**(1 515)**	**78 115**
Amortised cost balances, reclassification and remeasurement as at 1.1.2018	**14 928 256**	**952 669**	**(76 600)**	**15 804 325**	**(1 515)**	**78 115**
Fair value through other comprehensive income	**1 020 620**	-	-	**1 020 620**	-	-
Fair value through other comprehensive income - debt instruments	**972 734**	**-**	**-**	**972 734**	**-**	**-**
Subtractions:						
to IFRS 9 AC (IAS 39: AFS)	-	(972 734)	-	(972 734)	-	-
Subtotal change to Fair value through other comprehensive income - debt instruments	**-**	**(972 734)**	**-**	**(972 734)**	**-**	**-**
Fair value through other comprehensive income - equity instruments	**47 886**	**-**	**-**	**47 886**	**-**	**-**
Subtractions:						
to IFRS 9 FVTPL (IAS 39: AFS)	-	(3 077)	-	(3 077)	-	-
Subtotal change to Fair value through other comprehensive income - equity instruments	**-**	**(3 077)**	**-**	**(3 077)**	**-**	**-**
Total change to Fair value through other comprehensive income	**-**	**(975 812)**	**-**	**(975 812)**	**-**	**-**
Fair value through other comprehensive income balances, reclassification and remeasurement as at 1.1.2018	**1 020 620**	**(975 812)**	-	**44 808**	-	-
Fair value through Profit or Loss	**42 085**	-	-	**42 085**	-	-
Additions:						
from IAS 39 AC (HTM, IFRS 9: Mandatorily at FVTPL)	-	20 065	341	20 406	(341)	-
from IAS 39 FVTOCI (Equity instruments: AFS)	-	3 077	-	3 077	(2 393)	2 393
Total change to Fair value through Profit or Loss	**-**	**23 143**	**341**	**23 483**	**(2 734)**	**2 393**
Fair value through Profit or Loss balances, reclassification and remeasurement as at 1.1.2018	**42 085**	**23 143**	**341**	**65 569**	**(2 734)**	**2 393**
Total Financial balances, reclassification and remeasurement as at 1.1.2018	**15 990 961**	-	**(76 259)**	**15 914 702**	**(4 249)**	**80 508**

There was no change in classification or remeasurement in connection to implementation of IFRS 9 for financial liabilities.

The main drivers for changes in measurement categories resulting from new IFRS 9 classification and measurement requirements for financial assets are:

- Reclassification of debt instruments in amount of 972,7 mil. Eur that are currently classified as financial assets available for sale to amortized cost measurement category according to IFRS 9 due to fulfillment of held-to-collect business model. Such debt instruments also meets SPPI criteria for such measurement.
- Reclassification of two debt instruments in amount of 20,4 mil. Eur that are currently classified as financial assets held to maturity to fair value through profit or loss measurement category according to IFRS 9 due contractual features that do not meet criteria of solely payment of principal and interest.
- Reclassification of equity instruments in amount of 3,0 mil. Eur that are currently classified as available for sale to fair value through profit or loss measurement category according to IFRS 9 due to application of this standard.

Investments in shares fund were classified as property investments till the end of 2017. The main driver for classification was the economic substance, where share of participant represents the property of the fund. In 2018 the Bank changed the classification of investment in shares funds from the property investment to the debt security. The main driver of the change was the possibility of redemption, which meets the criteria for the definition of liability according IAS 32. According IAS 32 the investments in the fund are defined as debt security from both the issuer and the investor points of view. However the tables presenting the impact of transition to IFRS 9 do not contain movements between investment and debt securities, therefore the investment in the shares funds are presented as the debt security under IAS 32.

iii. Reconciliation of impairment allowance

The following table reconciles the closing impairment allowance for financial assets in accordance with IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 as at 31 December 2017 to opening expected credit losses allowance determined according to IFRS 9 as at 1 January 2018:

EUR ths.	31.12.2017 (IAS 39/IAS 37)	Reclassifications +/-	Remeasurement +/-	1.1.2018 (IFRS 9)
Debt instruments at AC	(360 929)	15	1 651	(359 263)
Debt instruments at FVTOCI	-	-	-	-
Finance lease receivables	(737)	-	-	(737)
Trade and other receivables	(3 453)	-	-	(3 453)
Off-balance sheet exposures (loan commitments and guarantees given)	(15 091)	-	721	(14 369)
Total	**(380 209)**	**15**	**2 372**	**(377 823)**

iv. Impact of IFRS 9 on deferred tax assets and deferred tax liabilities

The following table presents impact of IFRS 9 on deferred tax assets and deferred tax liabilities:

EUR ths.	Closing balance as at 31.12.2017 (IAS 39)	Opening balance as at 1.1.2018 (IFRS 9)	Retained earnings effects +/-	OCI effects +/-
Changes in deferred tax assets (DTA)	33 758	50 191	(474)	16 907
Changes in deferred tax liabilities (DTL)	-	-	-	-

C. Notes

1. Net interest income

Eur ths.	31.3.2017	31.3.2018
Interest income		
Financial assets at amortised cost	115 444	117 403
Financial assets - held to maturity	24 228	x
Loans and receivables	91 216	x
Financial assets at amortised cost	x	117 403
Financial assets measured at fair value through other comprehensive income	6 021	-
Financial assets - available for sale	6 021	x
Non-trading financial assets at fair value through profit or loss	x	38
Financial assets - held for trading	-	3 653
Financial assets - at fair value through profit or loss	(3)	x
Derivatives - hedge accounting, interest rate risk	(2 232)	216
Other assets	-	381
Total interest income	**119 230**	**121 691**
Interest expense		
Financial liabilities measured at amortised cost	(9 920)	(7 104)
Financial liabilities - held for trading	-	(3 448)
Derivatives - hedge accounting, interest rate risk	214	(2 290)
Other liabilities	(4)	(30)
Total Interest expense	**(9 710)**	**(12 872)**
		-
Net interest income	**109 520**	**108 819**

In the first quarter 2018 the interest income from impaired loans was in the amount of 2,10 mil. Eur.

2. Net fee and commission income

Eur ths.	31.3.2017	31.3.2018
Securities	2 222	227
Own issues	-	59
Transfer orders	2 307	(94)
Other	(85)	262
Asset management	-	1 991
Custody	47	93
Payment services	19 498	18 709
Card business	5 751	5 297
Other	13 747	13 413
Customer resources distributed but not managed	2 920	3 704
Collective investment	131	-
Insurance products	2 785	3 699
Other	4	5
Lending business	1 729	1 860
Guarantees given, guarantees received	719	869
Loan commitments given, loan commitments received	12	707
Other lending business	998	285
Other	91	135
Net fee and commission income	**26 507**	**26 719**

3. Dividend income

Eur ths.	31.3.2017	31.3.2018
Financial assets - held for trading	-	-
Financial assets designated at fair value through profit or loss	138	
Non-trading financial assets at fair value through profit or loss	x	570
Available-for-sale financial assets	99	
Financial assets at fair value through other comprehensive income	x	77
Dividend income	**237**	**647**

4. Net trading and fair value result

Eur ths.	31.3.2017	31.3.2018
Securities and derivatives trading	1 652	4 861
Foreign exchange transactions	2 043	(1 667)
Result from hedge accounting	75	160
Net Trading Result	**3 770**	**3 354**

The line item 'Securities and derivatives trading' includes gains from the the Bank's market positions attributable to the Bank.

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

The Bank has adopted a business model of centralised financial markets trading in cooperation with its parent company. Within this model the Bank 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 the Bank 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 the Bank 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 the Bank based on their cost/income ratio.

Eur ths.	31.3.2017	31.3.2018
Result from measurement/sale of financial assets designated at fair value through profit or loss	(235)	(103)
Result from measurement/sale of financial liabilities designated at fair value through profit or loss	-	-
Result from financial assets and liabilities designated at fair value through profit or loss	**(235)**	**(103)**
Result from measurement/sale of financial assets mandatorily at fair value through profit or loss	x	-
Gains / losses from financial instruments measured at fair value through profit or loss	**(235)**	**(103)**

6. General administrative expenses

Eur ths.	31.3.2017	31.3.2018
Personnel expenses	**(33 202)**	**(35 104)**
Wages and salaries	(24 082)	(25 605)
Compulsory social security	(7 987)	(8 393)
Other personnel expenses	(1 133)	(1 106)
Other administrative expenses	**(25 650)**	**(25 848)**
Deposit insurance contribution	(800)	(866)
IT expenses	(7 991)	(9 779)
Expenses for office space	(7 664)	(6 620)
Office operating expenses	(2 893)	(2 690)
Advertising and marketing	(3 278)	(3 772)
Legal and consulting costs	(1 034)	(845)
Sundry administrative expenses	(1 990)	(1 276)
Depreciation and amortization	**(10 380)**	**(9 969)**
Software and other intangible assets	(6 281)	(6 064)
Owner occupied real estate	(1 861)	(1 810)
Investment properties	(56)	(52)
Office furniture and equipment and sundry property and equipment	(2 182)	(2 043)
General administrative expenses	**(69 232)**	**(70 921)**

As at 31 March 2018 the Bank had 4 148 employees, thereof five members of the Board of Directors.

As at 31 March 2017 the Bank had 4 236 employees, thereof five members of the Board of Directors.

7. Gains / losses from financial assets and liabilities not measured at fair value through profit or loss, net

Eur ths.	31.3.2017	31.3.2018
Gain / (loss) from sale of financial assets available for sale	284	x
Gain / (loss) from sale of financial assets held to maturity	7	x
Gain / (loss) from repurchase of liabilities measured at amortised cost	1	x
Total	**292**	**x**

In January 2017 the Bank sold its share in the company R.V.S., a.s., previously recognized at nill carrying amount for the sale price of 0,3 mil. Eur.

8. Net impairment loss on financial assets not measured at fair value through profit or loss

Eur ths.	31.3.2017	31.3.2018
Loans and receivables	(9 398)	x
Allocation to risk provisions for loans and receivables	(130 214)	x
Release of risk provisions for loans and receivables	69 419	x
Direct write-offs of loans and receivables	(164)	x
Recoveries on written-off loans and receivables	51 561	x
Financial assets - held to maturity	(43)	x
Total	**(9 442)**	**x**

9. Net impairment loss from financial instruments

Eur ths.	31.3.2017	31.3.2018
Financial assets at fair value through other comprehensive income	x	-
Financial assets at amortised cost	-	(5 541)
Net allocation to risk provisions	x	(7 354)
Direct write-offs	x	(199)
Recoveries recorded directly to the income statement	x	2 012
Finance lease	x	30
Net allocation of provisions for commitments and guarantees given	x	(1 232)
Net impairment loss on financial instruments	**x**	**(6 744)**

10. Other operating result

Eur ths.	31.3.2017	31.3.2018
Other operating expenses	(18 264)	(11 348)
Allocation to other provisions	(73)	(30)
Allocation to provisions for commitments and guarantees given	(4 895)	-
Levies on banking activities	(6 591)	(7 283)
Banking tax	(6 591)	(7 283)
Other taxes	(68)	(36)
Resolution fund	(5 000)	(2 750)
Result from tangible and intagible assets (other than goodwill)	23	
Other	(1 661)	(1 249)
Other operating income	8 675	1 024
Release of provisions for commitments and guarantees given	7 357	-
Result from properties / movables / other intangible assets other than goodwill	-	82
Result from other operating expenses / income	1 318	942
Other operating result	**(9 588)**	**(10 324)**

There are two significant items within other operating result for the year 2018 presented in the line item 'Levies on banking activities':

- levy of selected financial institutions ('bank tax') in the amount of 7,3 mil. Eur (2017: 27,4 mil. Eur);
- contribution to the National Resolution Fund ('resolution fund') in the amount of 2,8 mil. Eur (2017: 2,8 mil. Eur).

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. Estimated amount of contribution is during the year recorded on the balance sheet line item 'Provisions'. When the actual amount of contribution is announced, the Bank records the payment as utilisation of particular provision.

11. Taxes on income

For the purposes of interim separate financial statements the Bank accounts for estimate of current income tax, which is based on simplified calculation and statutory tax rate of 21 %.

12. Cash and cash balances

Eur ths.	31.12.2017	31.3.2018
Cash on hand	369 787	351 325
Cash balances at central banks	640	14 638
Other demand deposits to credit institutions	53 802	7 361
Cash and cash balances	**424 229**	**373 323**

For the period ending as at 31 March 2018 the prescribed average balance of the mandatory reserve deposit amounted to 126,2 mil. Eur. The Bank expects, that the prescribed average balance of the mandatory reserv will be attained during the monitored period, however the actual contribution is not determined, because the end of monitored period is after the issuance of this interim separate financial statements.

13. Derivatives held for trading

		31.12.2017			31.3.2018
Eur ths.	**Pozitívna reálna hodnota**	**Negatívna reálna hodnota**	**Nominálna hodnota**	**Pozitívna reálna hodnota**	**Negatívna reálna hodnota**
Derivatives held in the trading book	**36 484**	**33 344**	**1 653 753**	**35 179**	**32 489**
Interest rate instruments and related derivatives	12 197	10 148	1 290 561	11 532	9 628
Equity instruments and related derivatives	345	345	46 077	-	-
Foreign exchange trading and related derivatives	23 774	22 686	317 115	23 647	22 861
Commodities and related derivatives	168	165	-	-	-
Other	-	-	-	-	-
Derivatives held in the banking book	**-**	**-**	**329 885**	**415**	**609**
Interest rate instruments and related derivatives	-	-	259 162	-	204
Equity instruments and related derivatives	-	-	70 041	406	405
Foreign exchange trading and related derivatives	-	-	682	9	-
Total gross amounts	**36 484**	**33 344**	**1 983 638**	**35 594**	**33 098**
Total	**36 484**	**33 344**	**1 983 638**	**35 594**	**33 098**

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.

14. Financial assets at fair value through profit or loss

Financial assets were designated as fair value through profit or loss at their initial recognition based on the intention of the Bank to manage them on fair value basis.

Eur ths.	**31.12.2017**	**31.3.2018**
Equity instruments	5 602	x
Financial assets at fair value through profit or loss	**5 602**	**x**

The amounts represent the maximum exposure to credit risk.

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

Eur ths.	31.12.2017 Designated at fair value	31.12.2017 Mandatorily at fair value	31.3.2018 Designated at fair value	31.3.2018 Mandatorily at fair value
Equity Instruments	x	x	-	3 077
Debt securities	x	x	-	25 943
Credit institutions	x	x	-	20 430
Other financial corporations	x	x	-	5 513
Financial assets at fair value through profit or loss	x	x	**-**	**29 021**
Non-trading financial assets at fair value through profit or loss	x	x	**-**	**29 021**

16. Financial assets available for sale

Eur ths.	31.12.2017	31.3.2018
Equity Instruments	47 885	x
Debt securities	972 734	x
General governments	800 553	x
Credit institutions	51 204	x
Non-financial corporations	120 977	x
Financial assets at fair value through profit or loss	**1 020 619**	**x**

17. Financial assets at fair value through other comprehensive income

Eur ths.	Gross carrying amount	Credit loss allowances Stage 1	Stage 2	Stage 3	POCI	Accumulated other fair value changes	Carrying amount
As at 31.03.2018							-
Equity Instruments	**48 913**	-	-	-	-	-	**48 913**
Debt securities	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-	-
Total	**48 913**	-	-	-	-	-	**48 913**

18. Financial assets held to maturity

Eur ths.	Gross carrying amount 31.12.2017	Gross carrying amount 31.3.2018	Collective allowances 31.12.2017	Collective allowances 31.3.2018	Net carrying amount 31.12.2017	Net carrying amount 31.3.2018
General governments	2 542 292	x	(238)	x	2 542 054	x
Credit institutions	92 205	x	(53)	x	92 153	x
Non-financial corporations	10 232	x	(37)	x	10 195	x
Financial assets held to maturity	**2 644 729**	x	**(328)**	x	**2 644 402**	x

The carrying amounts detailed above represent the maximum exposure to credit risk.

19. Loans and receivables to credit institutions

Loans and receivables to credit institutions

Eur ths.	Gross carrying amount	Collective allowances	Net carrying amount
As at 31.12.2017			
Loans and receivables			
Credit institutions	177 616	-	177 616
Loans and receivables to credit institutions	**177 616**	**-**	**177 616**

The amounts represent the maximum exposure to credit risk. As at 31 December 2017 the Bank had no reverse repo agreements.

Allowances for loans and receivables to credit institutions

Eur ths.	31.12.2016	Allocations	Releases	31.12.2017
Loans and receivables				
Credit institutions	(36)	(599)	635	-
Total	**(36)**	**(599)**	**635**	**-**

20. Loans and receivables to customers

Loans and receivables to customers

Eur ths.	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
As at 31.12.2017				
Loans and receivables				
General governments	209 500	(1)	(294)	209 206
Other financial corporations	95 196	(300)	(227)	94 669
Non-financial corporations	2 657 868	(86 957)	(16 407)	2 554 504
Households	9 161 175	(202 537)	(58 067)	8 900 571
Loans and receivables to to customers	**12 123 739**	**(289 795)**	**(74 995)**	**11 758 950**

Allowances for loans and receivables to customers

Eur ths.	31.12.2016	Allocations	Use	Releases	Interest income from impaired loans	"Other changes (+/-)"	31.12.2017	Recoveries of amounts previously written off	Amounts written off
Specific allowances	**(253 698)**	**(173 156)**	**9 272**	**123 504**	**8 214**	**(3 933)**	**(289 795)**	**6 502**	**(882)**
Loans and receivables									
General governments	(1)	-	-	-	-	-	(1)	-	-
Other financial corporations	(7)	(298)	3	1	-	-	(300)	-	-
Non-financial corporations	(94 663)	(27 277)	7 639	29 760	560	(2 977)	(86 957)	1 041	(141)
Households	(159 027)	(145 581)	1 630	93 743	7 654	(956)	(202 537)	5 461	(741)
Collective allowances	**(88 966)**	**(132 129)**	**41 420**	**146 100**	**-**	**(41 420)**	**(74 995)**	**-**	**-**
Loans and receivables									
General governments	(252)	(181)	-	139	-	-	(294)	-	-
Other financial corporations	(257)	(1 734)	6	1 763	-	(6)	(227)	-	-
Non-financial corporations	(22 041)	(22 057)	2 594	27 691	-	(2 594)	(16 407)	-	-
Households	(66 416)	(108 157)	38 821	116 507	-	(38 821)	(58 067)	-	-
Total	**(342 665)**	**(305 285)**	**50 693**	**269 604**	**8 214**	**(45 354)**	**(364 790)**	**6 502**	**(882)**

As at 31 March 2018, 15 largest customers accounted for 5,7 % of the gross loan portfolio amounting to 698,1 mil. Eur.

21. Financial assets at amortised cost

Financial assets at amortised cost

Eur ths.	Gross carrying amount	Credit loss allowances					Carrying amount
		Stage 1	Stage 2	Stage 3	POCI	POCI	
As at 31.03.2018							
Debt securities	**3 539 100**	**(468)**	**-**	**-**	**-**	**-**	**3 538 631**
Central banks	-	-	-	-	-	-	-
General governments	3 307 428	(313)	-	-	-	-	3 307 115
Credit institutions	112 708	(68)	-	-	-	-	112 640
Other financial corporations	25 183	(45)	-	-	-	-	25 139
Non-financial corporations	93 781	(44)	-	-	-	-	93 737
Loans and advances to banks	**169 505**	**(84)**	**-**	**-**	**-**	**-**	**169 421**
Central banks	-	-	-	-	-	-	-
Credit institutions	169 505	(84)	-	-	-	-	169 421
Loans and advances to customers	**12 343 840**	**(37 227)**	**(35 687)**	**(235 361)**	**-**	**(57 726)**	**11 977 840**
General governments	207 452	(189)	(3)	(1)	-	-	207 260
Other financial corporations	122 651	(271)	(6)	(37)	-	-	122 338
Non-financial corporations	2 669 132	(9 053)	(5 739)	(27 772)	-	(54 385)	2 572 184
Households	9 344 604	(27 715)	(29 939)	(207 551)	-	(3 341)	9 076 058
Total	**16 052 444**	**(37 779)**	**(35 687)**	**(235 361)**	**-**	**(57 726)**	**15 685 892**

The amounts represent the maximum exposure to credit risk. As at 31 March 2018 the Bank had no reverse repo agreements.

As at 31 March 2018, 15 largest customers accounted for 5,7 % of the gross loan portfolio amounting to 705,2 mil. Eur.

Eur ths.	Gross carrying amount	Opravné položky					Carrying amount
		Stage 1	Stage 2	Stage 3	POCI	POCI	
As at 31.12.2017							
Debt securities	**3 519 134**	**(459)**	**-**	**-**	**-**	**-**	**3 518 674**
Central banks	-	-	-	-	-	-	-
General governments	3 291 978	(306)	-	-	-	-	3 291 672
Credit institutions	120 840	(71)	-	-	-	-	120 769
Other financial corporations	-	-	-	-	-	-	-
Non-financial corporations	106 316	(82)	-	-	-	-	106 234
Loans and advances to banks	**177 616**	**-**	**-**	**-**	**-**	**-**	**177 616**
Central banks	-	-	-	-	-	-	-
Credit institutions	177 616	-	-	-	-	-	177 616
Loans and advances to customers	**11 973 820**	**(35 603)**	**(39 736)**	**(223 926)**	**-**	**(59 539)**	**11 615 016**
General governments	209 414	(189)	(3)	(1)	-	-	209 221
Other financial corporations	94 950	(210)	(5)	(19)	-	(281)	94 435
Non-financial corporations	2 509 672	(8 570)	(6 148)	(26 355)	-	(54 834)	2 413 766
Households	9 159 784	(26 634)	(33 580)	(197 552)	-	(4 424)	8 897 594
Total	**15 670 570**	**(36 062)**	**(39 736)**	**(223 926)**	**-**	**(59 539)**	**15 311 306**

Allowances for financial assets at amortised cost

		Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	
Eur ths.	**01.01.2018**								**31.03.2018**
Debt securities									
Stage 1	**(459)**	**(8)**	**-**	**(4)**	**3**	**-**	**-**	**-**	**(468)**
General governments	(306)	(1)	-	(6)	-	-	-	-	(313)
Credit institutions	(71)	-	-	3	-	-	-	-	(68)
Other financial corporations	-	(7)	-	-	(37)	-	-	-	(45)
Non-financial corporations	(82)	-	-	(1)	40	-	-	-	(44)
Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total allowances for debt securities	**(459)**	**(8)**	**-**	**(4)**	**3**	**-**	**-**	**-**	**(468)**
Loans and advances to banks									
Stage 1	**-**	**(638)**	**588**	**(34)**	**-**	**-**	**-**	**-**	**(84)**
Credit institutions	-	(638)	588	(34)	-	-	-	-	(84)
Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total allowances for loans and advances to banks	**-**	**(638)**	**588**	**(34)**	**-**	**-**	**-**	**-**	**(84)**

		Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	
Eur ths.	**01.01.2018**								**31.03.2018**
Debt securities									
Stage 1	**(35 603)**	**(7 433)**	**166**	**(1 287)**	**6 930**	**-**	**-**	**-**	**(37 227)**
General governments	(189)	(28)	-	15	13	-	-	-	(189)
Other financial corporations	(210)	(182)	-	120	1	-	-	-	(271)
Non-financial corporations	(8 570)	(3 537)	28	2 434	593	-	-	-	(9 053)
Households	(26 634)	(3 687)	138	(3 856)	6 324	-	-	-	(27 715)
Stage 2	**(39 736)**	**-**	**105**	**5 477**	**(1 533)**	**-**	**-**	**-**	**(35 687)**
General governments	(3)	-	-	-	-	-	-	-	(3)
Other financial corporations	(5)	-	-	-	-	-	-	-	(6)
Non-financial corporations	(6 148)	-	27	820	(438)	-	-	-	(5 739)
Households	(33 580)	-	77	4 657	(1 094)	-	-	-	(29 939)
Stage 3	**(223 926)**	**-**	**494**	**(6 547)**	**(6 852)**	**-**	**1 471**	**-**	**(235 361)**
General governments	(1)	-	-	-	-	-	-	-	(1)
Other financial corporations	(19)	-	-	(8)	(11)	-	-	-	(37)
Non-financial corporations	(26 355)	-	5	(1 205)	(603)	-	386	-	(27 772)
Households	(197 552)	-	489	(5 334)	(6 239)	-	1 084	-	(207 551)
POCI	**(59 539)**	**(399)**	**677**	**1 535**	**-**	**-**	**-**	**-**	**(57 726)**
Other financial corporations	(281)	-	-	281	-	-	-	-	-
Non-financial corporations	(54 834)	(388)	644	193	-	-	-	-	(54 385)
Households	(4 424)	(11)	33	1 061	-	-	-	-	(3 341)
Total allowances for loans and advances to customers	**(358 804)**	**(7 832)**	**1 442**	**(822)**	**(1 455)**	**-**	**1 471**	**-**	**(366 000)**

22. Finance lease receivables

Loans and advances to customers also include net investments in finance leases acquired as a result of the merger of the former subsidiary Leasing Slovenskej sporiteľne, a.s. with the Bank in 2015. The principal assets held under lease arrangements include cars and other technical equipment.

As at 31 March 2018 the accumulated allowances for uncollectible minimum lease payments receivable amounted to 0,7 mil. Eur (2017: 0,7 mil. Eur).

Finance lease receivables

Eur ths.	Gross carrying amount	Credit loss allowances				Carrying amount
		Stage 1	Stage 2	Stage 3	POCI	
As at 31.03.2018						
General governments	80	-	-	-	-	79
Other financial corporations	400	(1)	-	-	-	399
Non-financial corporations	77 954	(109)	-	(549)	-	77 296
Households	1 025	(1)	-	(48)	-	976
Total	**79 459**	**(111)**	**-**	**(597)**	**-**	**78 751**

Eur ths.	Gross carrying amount	Credit loss allowances				Carrying amount
		Stage 1	Stage 2	Stage 3	POCI	
As at 31.12.2017						
General governments	87	-	-	-	-	87
Other financial corporations	246	(1)	-	-	-	245
Non-financial corporations	76 410	(194)	-	(493)	-	75 723
Households	935	(1)	-	(48)	-	885
Total	**77 678**	**(196)**	**-**	**(541)**	**-**	**76 941**

Allowances for finance lease receivables

		Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	
Eur ths.	**01.01.2018**								**31.03.2018**
Stage 1	**(196)**	**(3)**	**-**	**89**	**-**	**-**	**-**	**-**	**(111)**
Other financial corporations	(1)	(1)	-	-	-	-	-	-	(1)
Non-financial corporations	(194)	(2)	-	87	-	-	-	-	(109)
Households	(1)	-	-	1	-	-	-	-	(1)
Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Stage 3	**(541)**	**-**	**-**	**(56)**	**-**	**-**	**-**	**-**	**(597)**
Non-financial corporations	(493)	-	-	(56)	-	-	-	-	(549)
Households	(48)	-	-	-	-	-	-	-	(48)
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(737)**	**(3)**	**-**	**32**	**-**	**-**	**-**	**-**	**(708)**

23. Hedge accounting derivatives

Eur ths.	31.12.2017 Notional value	31.12.2017 Positive fair value	31.12.2017 Negative fair value	31.3.2018 Notional value	31.3.2018 Positive fair value	31.3.2018 Negative fair value
Fair value hedges	**397 821**	**6 761**	**42 100**	**447 821**	**6 681**	**36 070**
Interest rate	397 821	6 761	42 100	447 821	6 681	36 070
Cash flow hedges	**-**	**-**	**-**	**-**	**-**	**-**
Total gross amounts	**397 821**	**6 761**	**42 100**	**447 821**	**6 681**	**36 070**
Total	**397 821**	**6 761**	**42 100**	**447 821**	**6 681**	**36 070**

Fair value hedge of assets

As at 31 March 2018 the Bank held in portfolio of financial assets available for sale fixed rate bonds denominated in Eur with nominal value of 381,0 mil. Eur (2017: 381,0 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 2017 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 2,8 mil. Eur (2017: net loss 10,4 mil. Eur). On the other hand, a net loss on the hedged item attributable to the hedged risk amounted to 2,7 mil. Eur (2017: net gain 10,1 mil. Eur).

Fair value hedge of liabilities

In July 2007 the Bank issued fixed rate mortgage bonds with maturity in July 2027 also disclosed in the note 25. At the same time the Bank entered into interest rate swap deals in order to hedge interest rate risk of bonds issued. As at 31 March 2018 the notional value of these hedged mortgage bonds was 16,6 mil. Eur (2017: 16,6 mil. Eur).

During the year 2018 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 (2017: net loss 1,0 mil. Eur). On the other hand, a net gain on the hedged item attributable to the hedged risk amounted to 0,3 mil. Eur (2017: net gain 0,9 mil. Eur).

24. Trade and other receivables

Trade and other receivables

Eur ths.	Gross carrying amount	Credit loss allowances Stage 1	Credit loss allowances Stage 2	Credit loss allowances Stage 3	Credit loss allowances POCI	Carrying amount
As at 31.03.2018						
Non-financial corporations	114 993	(443)	-	(2 823)	-	111 727
Households	443	(1)	-	(384)	-	58
Total	**115 436**	**(444)**	**-**	**(3 207)**	**-**	**111 785**

Eur ths.	Gross carrying amount	Credit loss allowances Stage 1	Credit loss allowances Stage 2	Credit loss allowances Stage 3	Credit loss allowances POCI	Carrying amount
As at 31.12.2017						
Non-financial corporations	71 786	(247)	-	(2 826)	-	68 713
Households	456	-	-	(380)	-	76
Total	**72 242**	**(247)**	**-**	**(3 206)**	**-**	**68 789**

Allowances for trade and other receivables

		Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	
Eur ths.	**01.01.2018**								**31.03.2018**
Stage 1	**(247)**	**(83)**	**-**	**(114)**	**-**	**-**	**-**	**-**	**(444)**
Non-financial corporations	(247)	(83)	-	(114)	-	-	-	-	(443)
Households	-	-	-	(1)	-	-	-	-	(1)
Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Stage 3	**(3 206)**	**(11)**	**-**	**10**	**-**	**-**	**-**	**-**	**(3 207)**
Non-financial corporations	(2 826)	(7)	-	10	-	-	-	-	(2 823)
Households	(380)	(4)	-	-	-	-	-	-	(384)
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(3 453)**	**(94)**	**-**	**(104)**	**-**	**-**	**-**	**-**	**(3 651)**

25. Investments in subsidiaries and associates

Eur ths.	31.12.2017	31.3.2018
Investment in subsidiaries	14 906	14 906
Investment in associate	8 135	8 141
Total	**23 041**	**23 047**

Investments in subsidiaries of Slovenská sporiteľňa, a.s.

Name of the Company	Place of business	Main business activity	Ownership held	Voting rights held
Služby SLSP, s.r.o.	Tomášikova 48 Bratislava 832 01 Slovenská republika	Ancillary bank services	100,00%	100,00%
Realitná spoločnosť Slovenskej sporiteľne, a.s. (100 % dcérska spoločnosť Služby SLSP, s.r.o.)	Tomášikova 48 Bratislava 832 10 Slovenská republika	Real estate agency	100,00%	100,00%
Laned, a.s. (100 % dcérska spoločnosť Služby SLSP, s.r.o.)	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%

Investments in associates of Slovenská sporiteľňa, a.s.

Name of the Company	Place of business	Main business activity	Ownership held	Voting rights held
Prvá stavebná sporiteľňa, a.s.	Bajkalská 30 Bratislava 829 48 Slovenská republika	Banking	9,98%	35,00%
Slovak Banking Credit Bureau, s.r.o.	Mlynské nivy 14 Bratislava 821 09 Slovenská republika	Retail credit register	33,33%	33,33%
Holding Card Service, spol. s r. o.	Olbrachtova 1929/62 140 00 Praha 4 Česká republika	Equity release company	24,62%	24,62%

Changes during the year 2018

In January 2018 the share in the company Holding Card Service, spol. s r.o. decreased from 30,99 % to 24,62 %. The value of share represents 7 044 ths. Eur as at 31 March 2018. Change of share related to increase in equity of the company Holding Card Service, spol. s r.o. because of the additional contribution to the funds and transfer of 10 % share owned by Česká spořitelna, a. s. from Global Payments, s. r. o. to Holding Card Service, spol. s r.o. The sole depositor was Česká spořitelna, a. s.

As a result of merger of investment in the company Poisťovňa SLSP, a. s. Vienna Insurance Group with insurance company KOOPERATIVA, a. s. effective as at 1 April 2018 the Bank ceased to exist as the shareholder of the company Poisťovne SLSP, a. s. Vienna Insurance Group. At the same date (1 April 2018) the Bank acquired investment in company KOOPERATIVA poisťovňa, a. s. in the notional amount of 763 ths. Eur, which represents the share of 1,53 % in the share capital of the company.

Changes during the year 2017

In January 2017 the Bank sold its share in the company R.V.S., a.s., previously recognized in the line item "Financial assets - available for sale" at nill carrying amount. The sale proceeds amounted 0,3 mil. Eur.

In July 2017 the company S Rail Lease s.r.o. was established, in which the Bank holds 3 % share. As at 31 December 2017 this investment was disclosed in the line item "Financial assets - available for sale" in the amount of 0,1 tis. Eur.

26. Other assets

Eur ths.	**31.12.2017**	**31.3.2018**
Client settlement	6 813	4 594
Trade receivables	10 042	9 320
Employee benefits	6 033	7 918
State budget, social and health insurance, taxes	1 660	662
Other receivables	372	24 495
Other assets	**24 920**	**46 989**

27. Financial liabilities measured at amortised cost

Deposits from banks

Eur ths.	**31.12.2017**	**31.3.2018**
Overnight deposits	3 086	3 680
Term deposits	406 621	340 198
Repurchase agreements	78 857	78 141
Deposits from banks	**488 564**	**422 019**

Deposits from customers

Eur ths.	**31.12.2017**	**31.3.2018**
Overnight deposits	6 052 587	7 073 356
General governments	88 624	590 613
Other financial corporations	221 394	248 509
Non-financial corporations	1 314 707	892 900
Households	4 427 862	5 341 333
Term deposits	8 444 994	6 017 023
Deposits with agreed maturity	6 052 587	3 082 865
Non-savings deposits	2 944 384	3 082 865
General governments	103 369	502 113
Other financial corporations	125 611	394 734
Non-financial corporations	286 093	407 429
Households	2 429 311	1 778 590
Deposits redeemable at notice	2 392 407	2 934 158
Domácnosti	2 392 407	2 934 158
Deposits from customers	14 497 581	13 090 379
General governments	191 993	1 092 726
Other financial corporations	347 005	643 243
Non-financial corporations	1 600 800	1 300 330
Households	9 249 580	10 054 081

Debt securities issued

Eur ths.	31.12.2017	31.3.2018
Subordinated liabilities	77 446	78 383
Other debt securities issued	1 489 770	1 361 934
Bonds / Certificates	185 655	223 263
Mortgage covered bonds	1 304 115	1 138 671
Debt securities issued	**1 567 216**	**1 440 318**

Subordinated debt securities issued

The subordinated debt securities issued listed in the following table and marked as 'Subordinated bonds*' included embedded derivatives, which were separated and disclosed on the balance sheet line item 'Financial liabilities – held for trading'. As at 31 March 2018 fair value of these derivatives amounted 0,2 mil. Eur (2017: 0,2 mil. Eur).

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	2017	2018
Subordinated Bonds	June 2011	June 2018	4,25%	700	10 000	EUR	6 956	7 062
Subordinated Bonds	June 2011	June 2018	4,90%	132	50 000	EUR	6 611	6 690
Subordinated Bonds	October 2011	October 2018	4,00%	543	10 000	EUR	5 345	5 435
Subordinated Bonds	December 2011	December 2018	4,00%	407	10 000	EUR	3 965	4 030
Subordinated Bonds	August 2010	August 2020	4,30%	10 000	1 000	EUR	12 945	13 068
Subordinated Bonds	August 2011	August 2021	4,30%	10 000	1 000	EUR	12 420	12 541
Subordinated Bonds	June 2012	June 2022	5,80%	11 000	1 000	EUR	13 721	13 903
Subordinated Bonds	November 2012	November 2022	4,30%	9 000	1 000	EUR	10 371	10 485
Subordinated Bonds	November 2011	November 2023	4,58%	4 250	1 000	EUR	5 114	5 169
Total							**77 446**	**78 383**

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 semi-annual 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 March 2018 other debt securities issued included embedded derivatives (equity and commodities) in the amount of 0,4 mil. Eur (2017: 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 interest rate shown below represents actual interest expense of the Bank.

in ths. EUR	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2017	2018
Mortgage Covered Bonds	February 2013	February 2018	-	-	50 000	EUR	23 353	-
Investment Certificates	March 2016	March 2018	-	-	1 000	EUR	1 284	-
Mortgage Covered Bonds	March 2015	March 2018	-	-	100 000	EUR	25 102	-
Mortgage Covered Bonds	March 2014	March 2018	-	-	50 000	EUR	20 197	-
Mortgage Covered Bonds	March 2015	March 2018	-	-	100 000	EUR	10 035	-
Mortgage Covered Bonds	March 2016	March 2018	-	-	100 000	EUR	62 052	-
Investment Certificates	March 2016	March 2018	-	-	1 000	EUR	746	-
Mortgage Covered Bonds	March 2015	March 2018	-	-	100 000	EUR	24 000	-
Investment Certificates	April 2017	April 2018	7,65%	58	10 000	EUR	627	624
Investment Certificates	February 2018	April 2018	9,33%	653	100 000	CZK	-	2 606
Investment Certificates	July 2017	July 2018	7,30%	121	5 000	EUR	656	654
Mortgage Covered Bonds	August 2014	August 2018	0,50%	900	50 000	EUR	45 058	45 123
Mortgage Covered Bonds	September 2012	September 2018	2,85%	9 926	1 000	EUR	10 008	9 928
Investment Certificates	November 2015	November 2018	4,00%	570	1 000	EUR	595	595
Investment Certificates	November 2017	November 2018	7,00%	300	5 000	EUR	1 741	1 701
Investment Certificates	November 2017	November 2018	7,00%	296	5 000	EUR	1 497	1 522
Senior Unsecured Bonds	December 2012	December 2018	2,00%	1 836	1 000	EUR	1 839	1 848
Mortgage Covered Bonds	December 2013	December 2018	0,179%	600	50 000	EUR	30 002	30 015
Investment Certificates	December 2013	December 2018	5,00%	612	1 000	EUR	635	637
Mortgage Covered Bonds	February 2015	February 2019	0,109%	500	100 000	EUR	50 021	50 007
Mortgage Covered Bonds	February 2013	February 2019	2,30%	4 938	1 000	EUR	4 986	4 951
Mortgage Covered Bonds	March 2016	March 2019	0,127%	60	100 000	EUR	6 002	6 000
Mortgage Covered Bonds	March 2013	March 2019	2,30%	4 895	1 000	EUR	4 929	4 900
Investment Certificates	March 2014	March 2019	5,25%	514	5 000	PLN	640	623
Investment Certificates	March 2014	March 2019	4,00%	784	1 000	EUR	822	808
Investment Certificates	April 2016	April 2019	3,40%	639	1 000	EUR	674	673
Mortgage Covered Bonds	April 2013	April 2019	2,30%	4 906	1 000	EUR	4 930	4 958
Mortgage Covered Bonds	May 2017	May 2019	0,00%	1 000	100 000	EUR	99 932	99 944
Investment Certificates	July 2016	July 2019	2,80%	340	1 000	EUR	361	356
Mortgage Covered Bonds	August 2013	August 2019	2,00%	2 565	1 000	EUR	2 586	2 573
Mortgage Covered Bonds	August 2013	August 2019	2,00%	4 272	1 000	EUR	4 306	4 281
Senior Unsecured Bonds	September 2014	September 2019	1,07%	1 000	100 000	EUR	100 296	100 559
Mortgage Covered Bonds	September 2013	September 2019	2,00%	6 387	1 000	EUR	6 422	6 390
Senior Unsecured Bonds	September 2014	September 2019	1,50%	14 218	1 000	EUR	14 414	14 218
Mortgage Covered Bonds	October 2013	October 2019	2,00%	5 869	1 000	EUR	5 893	5 921
Mortgage Covered Bonds	November 2013	November 2019	2,00%	6 653	1 000	EUR	6 668	6 701
Senior Unsecured Bonds	December 2013	December 2019	1,50%	572	1 000	EUR	610	615
Mortgage Covered Bonds	December 2013	December 2019	2,05%	70	50 000	EUR	3 504	3 522
Mortgage Covered Bonds	December 2012	December 2019	2,50%	66	50 000	EUR	3 305	3 325
Mortgage Covered Bonds	June 2013	December 2019	2,00%	4 164	1 000	EUR	4 168	4 188
Mortgage Covered Bonds	December 2013	December 2019	2,00%	9 592	1 000	EUR	9 616	9 646
Mortgage Covered Bonds	July 2013	January 2020	2,00%	2 223	1 000	EUR	2 247	2 233
Investment Certificates	February 2016	February 2020	4,10%	131	5 000	EUR	726	712
Investment Certificates	February 2016	February 2020	4,20%	210	1 000	EUR	233	229
Mortgage Covered Bonds	March 2015	March 2020	1,25%	4 244	1 000	EUR	4 262	4 248
Mortgage Covered Bonds	June 2015	June 2020	1,20%	4 940	1 000	EUR	4 950	4 957
Investment Certificates	June 2016	June 2020	3,70%	400	1 000	EUR	438	438
Mortgage Covered Bonds	July 2015	July 2020	1,20%	4 971	1 000	EUR	4 998	4 982
Mortgage Covered Bonds	July 2015	July 2020	0,88%	500	100 000	EUR	50 116	50 230
Mortgage Covered Bonds	February 2014	August 2020	2,00%	9 929	1 000	EUR	10 017	9 958
Investment Certificates	August 2016	August 2020	3,00%	339	1 000	EUR	373	367
Mortgage Covered Bonds	August 2015	August 2020	1,20%	4 993	1 000	EUR	5 018	4 998

Mortgage Covered Bonds	September 2015	September 2020	1,20%	4 315	1 000	EUR	4 329	4 316
Mortgage Covered Bonds	October 2015	October 2020	1,20%	3 549	1 000	EUR	3 559	3 567
Mortgage Covered Bonds	November 2015	November 2020	0,63%	400	100 000	EUR	40 028	40 090
Mortgage Covered Bonds	November 2014	November 2020	0,88%	150	100 000	EUR	15 016	15 049
Mortgage Covered Bonds	May 2016	November 2020	0,125%	500	100 000	EUR	50 007	50 023
Mortgage Covered Bonds	November 2015	November 2020	1,20%	3 004	1 000	EUR	3 008	3 016
Mortgage Covered Bonds	February 2016	February 2021	0,50%	500	100 000	EUR	50 216	50 028
Senior Unsecured Bonds	March 2018	March 2021	0,25%	142	100 000	EUR	-	14 185
Mortgage Covered Bonds	March 2016	March 2021	1,05%	6 989	1 000	EUR	7 015	6 993
Mortgage Covered Bonds	March 2014	March 2021	2,00%	8 440	1 000	EUR	8 534	8 444
Mortgage Covered Bonds	April 2016	April 2021	1,05%	4 961	1 000	EUR	4 973	4 986
Mortgage Covered Bonds	April 2008	April 2021	5,00%	250	66 388	EUR	17 184	17 391
Mortgage Covered Bonds	May 2016	May 2021	1,00%	4 988	1 000	EUR	4 996	5 008
Mortgage Covered Bonds	May 2014	May 2021	1,90%	4 962	1 000	EUR	4 988	4 998
Mortgage Covered Bonds	June 2016	June 2021	0,00%	3 988	1 000	EUR	3 871	3 871
Mortgage Covered Bonds	June 2014	June 2021	1,75%	9 447	1 000	EUR	9 460	9 497
Mortgage Covered Bonds	July 2016	July 2021	0,90%	4 983	1 000	EUR	5 012	4 993
Mortgage Covered Bonds	July 2014	July 2021	1,55%	3 515	1 000	EUR	3 540	3 526
Mortgage Covered Bonds	August 2016	August 2021	0,80%	4 990	1 000	EUR	5 011	4 996
Mortgage Covered Bonds	August 2016	August 2021	0,75%	4 989	1 000	EUR	5 002	4 992
Mortgage Covered Bonds	September 2016	September 2021	0,70%	4 953	1 000	EUR	4 962	4 954
Mortgage Covered Bonds	October 2016	October 2021	0,65%	4 974	1 000	EUR	4 981	4 988
Mortgage Covered Bonds	November 2016	November 2021	0,25%	1 000	100 000	EUR	100 000	100 063
Mortgage Covered Bonds	December 2015	December 2021	0,63%	200	100 000	EUR	20 000	20 031
Mortgage Covered Bonds	December 2016	December 2021	0,65%	9 891	1 000	EUR	9 946	9 909
Senior Unsecured Bonds	December 2016	December 2021	0,65%	4 975	1 000	EUR	4 978	4 984
Mortgage Covered Bonds	February 2015	February 2022	0,88%	350	100 000	EUR	35 256	35 026
Mortgage Covered Bonds	March 2014	March 2022	2,00%	220	50 000	EUR	11 111	10 948
Senior Unsecured Bonds	March 2017	March 2022	0,60%	4 953	1 000	EUR	5 003	4 953
Senior Unsecured Bonds	April 2017	April 2022	0,60%	30	100 000	EUR	3 013	3 017
Senior Unsecured Bonds	April 2017	April 2022	0,60%	4 930	1 000	EUR	4 981	4 957
Senior Unsecured Bonds	May 2017	May 2022	0,60%	4 926	1 000	EUR	4 985	4 951
Mortgage Covered Bonds	June 2017	June 2022	0,38%	50	100 000	EUR	4 996	5 001
Senior Unsecured Bonds	July 2017	July 2022	0,60%	4 983	1 000	EUR	5 008	5 003
Mortgage Covered Bonds	August 2015	August 2022	1,00%	100	100 000	EUR	10 012	10 038
Senior Unsecured Bonds	August 2017	August 2022	0,63%	4 959	1 000	EUR	4 979	4 978
Senior Unsecured Bonds	September 2017	September 2022	0,63%	5 000	1 000	EUR	5 009	5 016
Senior Unsecured Bonds	September 2017	September 2022	0,63%	9 894	1 000	EUR	9 916	9 925
Mortgage Covered Bonds	October 2017	October 2022	0,50%	1 500	100 000	EUR	149 924	150 121
Senior Unsecured Bonds	November 2017	November 2022	2,00%	5 000	1 000	USD	4 180	4 088
Senior Unsecured Bonds	February 2018	February 2023	2,15%	3 678	1 000	USD	-	2 994
Senior Unsecured Bonds	February 2018	February 2023	0,65%	10 000	1 000	EUR	-	10 009
Senior Unsecured Bonds	March 2018	March 2023	0,65%	10 000	1 000	EUR	-	10 001
Mortgage Covered Bonds	January 2013	January 2025	3,10%	87	50 000	EUR	4 412	4 377
Mortgage Covered Bonds	March 2017	March 2025	0,75%	1 000	100 000	EUR	100 305	99 751
Mortgage Covered Bonds	August 2015	August 2025	1,38%	100	100 000	EUR	9 997	10 033
Mortgage Covered Bonds	March 2016	March 2026	1,00%	90	100 000	EUR	8 986	8 921
Mortgage Covered Bonds	July 2007	July 2027	4,95%	250	66 388	EUR	23 283	23 216
Senior Unsecured Bonds	November 2017	November 2027	1,38%	44	100 000	EUR	4 398	4 413
Mortgage Covered Bonds	June 2013	June 2028	3,00%	132	50 000	EUR	6 615	6 664
Mortgage Covered Bonds	February 2014	February 2029	2,80%	97	50 000	EUR	4 899	4 864
Total							**1 489 770**	**1 361 934**

28. Provisions

Eur ths.	31.12.2017	31.3.2018
Long-term employee provisions	2 982	2 982
Pending legal issues and tax litigation	5 653	5 683
Commitments and guarantees given	15 091	15 633
Provisions for commitments and financial guarantees in Stage 1	X	4 587
Provisions for commitments and financial guarantees in Stage 2	X	1 420
Provisions for commitments and financial guarantees in Stage 3	X	1 372
Provisions for commitments and financial guarantees – POCI	X	8 254
Other provisions	1 341	4 958
Restructuring	1 341	1 341
Other	-	3 616
Provisions	**25 067**	**29 255**

Commitments and guarantees given

Eur ths.	31.12.2017	31.3.2018
Commitments and guarantees given		
Provisions for commitments and financial guarantees in Stage 1	4 488	4 587
Provisions for commitments and financial guarantees in Stage 2	1 201	1 420
Provisions for commitments and financial guarantees in Stage 3	444	1 372
Provisions for commitments and financial guarantees – POCI	8 236	8 254
Provisions	**14 369**	**15 633**

Long-term employee benefits 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 benefits provisions is calculated using an actuarial model based on the projected unit credit method. In the year 2017 the Bank has performed an annual review of the long-term employee benefits provisions using updated data in order to recognize the provisions in appropriate amounts.

Provisions for legal issues

Provisions for legal issues relate to legal cases where the Bank is sued and which arose from normal banking activities.

Provisions for off-balance sheet

Provisions for off-balance sheet were created to cover losses incurred 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).

Other provisions

The item 'Other provisions' includes provision on contribution to Resolution fund in amount of 5,0 mil. Eur and provision on contribution to Deposit protection fund in amount of 0,8 mil. Eur. During the year the estimated value of these contributions are recorded as provision. Subsequently, when the actual amount of contributions is announced, the payment is accounted for as utilisation of particular provision.

29. Other liabilities

Eur ths.	31.12.2017	31.3.2018
Client settlement	-	35 806
Trade payables	41 149	-
Personnel balances and social fund	36 084	45 728
State budget, social and health insurance, taxes	4 431	9 003
Other liabilities	-	47 614
Total other liabilities	**81 664**	**138 154**

30. Equity

Share capital

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

	31.12.2017	31.3.2018
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 approved distribution of profit for the period:

Profit distribution	31.12.2017	31.3.2018
Profit for the year (in EUR ths.)	212 221	162 056
Distribution for Investment certificate 2015 SLSP AT1 PNC5	11 700	11 700
Dividends paid to shareholder from profit for the year	190 495	142 838
Transfer to retained earnings	10 026	7 518
Number of shares with nominal value of EUR 1 000 (in pcs.)	212 000	212 000
Dividend per share (in EUR)	**899**	**674**

Dividends for the year 2017 were paid in Marchl 2018 following the resolution of General Assembly of the Bank dated 27 March 2018.

Other capital instruments

During the year 2015 the Bank has issued an investment certificate 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.

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 March 2018 Legal reserve fund amounted 79,8 mil. Eur (2017: 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 March 2018 Statutory fund amounted 39,1 mil. Eur (2017: 39,1 mil. Eur).

Available for sale reserve

Available for sale reserve represents the unrealised revaluation of the securities available for sale according to IAS 39. This reserve is not available for distribution to the shareholder. As at 31 December 2017 available for sale reserve amounted 94,7 mil. Eur, net of deferred tax. This reserve was released during the transition process to IFRS 9 in 2018.

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 March 2018 the revaluation of financial assets measures at fair value through other comprehensive income amounted to 34,5 mil. Eur, ned of deferred tax.

Remeasurement of net liability of defined pension plans

This equity component reflects the results of actuarial calculations related to the pension provision. As at 31 March 2018 the remeasurement of the pension provision amounted 0,5 mil. Eur (2017: 0,5 mil. Eur), net of deferred tax.

31. 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 under the control of Erste Group Bank		Subsidiaries		Associates	
Eur ths.	**31.12.2017**	**31.3.2018**	**31.12.2017**	**31.3.2018**	**31.12.2017**	**31.3.2018**	**31.12.2017**	**31.3.2018**
Assets								
Cash and cash balances	3 467	3 272	49 835	3 374	-	-	-	-
Derivatives	2 218	2 334	93	81	-	-	-	-
Loans and advances with banks	135 716	3 823	41 812	27 532	-	-	-	-
Loans and advances with customers	-	-	49 621	50 721	39 217	38 268	-	-
Other assets – other	4 345	1 885	935	2 527	7	(1)	-	-
Total	**145 746**	**11 314**	**142 296**	**84 235**	**39 223**	**38 267**	**-**	**-**
Liabilities								
Derivatives held for trading	31 358	30 893	1	-	-	-	-	-
Deposits from banks	200 594	94 463	690	1 323	-	-	-	404
Deposits from customers	-	-	2 616	19 874	3 095	3 527	-	-
Debt securities issued	-	-	-	-	-	-	-	-
Derivatives – Hedge accounting	42 100	36 070	-	-	-	-	-	-
Other liabilities other	1 123	1 170	4 728	3 828	-	-	-	-
Total	**275 175**	**162 596**	**8 035**	**25 025**	**3 095**	**3 527**	**-**	**404**

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

	Erste Group Bank AG		Companies under the control of Erste Group Bank		Subsidiaries		Associates	
Eur ths.	**31.3.2017**	**31.3.2018**	**31.3.2017**	**31.3.2018**	**31.3.2017**	**31.3.2018**	**31.3.2017**	**31.3.2018**
Interest income	(2 156)	(4 141)	255	314	85	73	-	1
Interest expense	(691)	(238)	(0)	(8)	(0)	-	-	-
Dividend income	-	-	-	-	-	-	-	-
Net fee and commisssion income	52	93	1 705	1 994	0	1	-	-
Gains / losses on financial assets and liabilities held for trading	9 836	8 124	285	-	-	-	-	-
General administrative expenses	(1 442)	(1 005)	(2 589)	(2 525)	(1 927)	(1 943)	-	-
Other operating result	8	6	399	279	46	(10)	-	-
Impairment of investments in subsidiaries, joint ventures and associates	-	-	-	-	-	-	-	-
Total	**5 607**	**2 839**	**55**	**54**	**(1 794)**	**(1 879)**	**-**	**1**

32. Off-balance sheet items

Eur ths.	31.12.2017	31.3.2018
Guarantees provided	319 122	336 397
Guarantees from letter of credit	10 618	10 086
Loan commitments and undrawn loans	1 289 425	1 327 652
Total	**1 619 165**	**29 255**

33. Collaterals

	Carrying amount of transferred assets					Carrying amount of associated liabilities		
Eur ths.	Total	Repurchase agreements	Assets pledged for derivatives	Assets pledged for covered bonds	Other transferred assets	Total	Repurchase agreements	Other associated liabilities
As at 31.03.2018								
Financial assets at amortised cost								
Debt securities	233 767	68 551	47 745	111 035	6 436	228 670	78 141	150 529
Loans and advances to customers	1 449 314	-	-	1 449 314	-	1 057 643	-	1 057 643
Assets pledged as collateral	**1 683 081**	**68 551**	**47 745**	**1 560 349**	**6 436**	**1 286 313**	**78 141**	**1 208 172**

	Carrying amount of transferred assets					Carrying amount of associated liabilities		
Eur ths.	Total	Repurchase agreements	Assets pledged for derivatives	Assets pledged for covered bonds	Other transferred assets	Total	Repurchase agreements	Other associated liabilities
K 31.12.2017								
Financial assets - available for sale	191 439	79 547	40 634	63 299	7 958	169 781	78 857	90 924
Loans and receivables to customers	1 462 588	-	-	1 462 588	-	1 211 162	-	1 211 162
Financial assets - held to maturity	59 010	-	10 061	48 949	-	49 836	-	49 836
Assets pledged as collateral	**1 713 037**	**79 547**	**50 695**	**1 574 837**	**7 958**	**1 430 779**	**78 857**	**1 351 922**

34. 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 interim separate financial statements.

As at 31 March 2018 the Bank held assets for collective investment undertakings in the amount of 1 201,1 mil. Eur (2017: 1 261,5 mil. Eur).

As at 31 March 2018 the Bank also held assets for customers other than collective investment undertakings in the amount of 6 184,1 mil. Eur (2017: 6 339,2 mil. Eur).

35. 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.

Structural change and major principles

Following a strategic review related to the Group operating segments and method used for the capital allocation to segments, from 1st of January 2016 changes are introduced in the segment reporting of SLSP as well which are aligned with the Group governance.

SLSP Segment report represents the single source of truth for reporting of the SLSP segments' financial performance and serves as the basis for business steering of all individual segments as well as consolidated SLSP result. All the areas of SLSP group, directly or indirectly involved in business steering and/or reporting of business performance (e.g. Financial Controlling, Business Accounting, Reporting, Management Information Governance, Local Risk Management, ALM, Strategy & Quality management, Retail, Corporates and Markets, Communication), have to assure full alignment of the data used in their reporting in terms of segment structure, segment definitions, key ratios and measures to the current approved segment structure of SLSP group. It is the responsibility of the respective area to assure that the alignment is achieved. Segment reporting in SLSP has to be aligned with the Group segment reporting in terms of segment structure, segment definitions, key ratios and measures, and it has to fulfil local requirements of IFRS 8.
The SLSP segment structure in force serves as a basis for budgeting, forecasting, strategic discussions, setting and tracking of key performance indicators (KPIs).

Business segments

SLSP 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),
- 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.

The **Retail** segment comprises the entire business with private individuals, free professionals and micros, which are in the responsibility of account managers from the retail network. Retail products and services, including current and savings accounts, mortgage and consumer loans, credit cards, investment and cross selling products (e.g. insurance 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, 42 areas and 271 branches (status as at 31 December 2017).

Corporates segment comprises services and business done with corporate customers of different turnover size including public sector which is divided into following areas:

- Small and medium-sized enterprises (SME) are clients which are under the responsibility of the local corporate commercial center network, mainly consisting of companies with an annual turnover from EUR 1 million to EUR 75 million.
- Local Large Corporates (LLC) are clients with a consolidated annual turnover threshold above EUR 75 million which are not defined as Group Large Corporate customers according to the Group Large Corporate client list.
- Group Large Corporates (GLC) are large corporate customers/client groups with substantial operations in core markets/extended core markets of Erste Group with an indicative consolidated annual turnover of at least EUR 500 million. GLC clients can be found on the Erste Group-wide GLC client list, which is maintained by the Group GLC. Group Large Corporates business covers the following customer types in principle: customers across the region with an annual turnover above EUR 500 million, selected customers with an annual turnover below EUR 500 million in case of multinational setup or strong capital markets service needs.
- Public sector consists of the following three sets of customers: public sector, public corporations and non-profit sector. Public sector includes such customers as central ministries and state funded funds and agencies, non-profit entities established by or under control of central government entities, regional governments and organizations funded by them, state capitals, public health and social insurance companies. Public corporations includes all non-financial state companies and corporations with more than 50% share of state or regional governments or municipals excluding stock exchange listed companies. Non-profit sector comprises the following private non-profit companies: central authorities of churches, country-wide labor unions, political parties and nationally significant foundations, private schools and humanitarian organizations.
- Commercial Real Estate (CRE) business covers investors in real estate for the purpose of generating income from the rental of individual properties or portfolios of properties, developers of individual properties or portfolios of properties for the purpose of generating capital gains through sale, asset management services and own development for business purpose.

Asset Liability Management (ALM) and Local Corporate Center (LCC) segment comprises on the one side the management of bank 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 the 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.

- Trading and Market services comprises all activities related to active risk taking and managing in regulatory trading books of SLSP group, additional to that the execution of trades against the market using the trading books of SLSP 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 (FI) 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.

The profit and loss statement presented in the segment report is based on the measures reported to the 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 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, the Bank also uses the rate of return on allocated equity, which is defined as the net result for the period before minorities in relation to the average allocated equity of the respective segment. In addition the cost/income ratio is calculated for each segment, which 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).

	Retail		Corporates		Group Markets		ALM/LCC		Total	
Eur ths.	**31.3.2017**	**31.3.2018**	**31.3.2017**	**31.3.2018**	**31.3.2017**	**31.3.2018**	**31.3.2017**	**31.3.2018**	**31.3.2017**	**31.3.2018**
Net interest income	93 191	94 006	14 502	16 674	918	922	910	(2 782)	109 520	108 820
Net fee and commission income	22 175	23 471	2 973	3 322	1 285	1 445	74	(1 519)	26 507	26 719
Dividend income	-	-	-	-	-	-	237	647	237	647
Net trading result	842	774	1 253	687	1 124	1 631	551	261	3 770	3 354
Gains/losses from financial instruments measured at fair value through profit or loss	-	-	-	-	-	-	(235)	(103)	(235)	(103)
Rental income from investment properties & other operating leases	-	-	-	-	-	-	75	75	75	75
Other administrative expenses	(56 962)	(59 140)	(8 092)	(8 311)	(1 311)	(1 137)	(2 866)	(2 334)	(69 231)	(70 922)
Gains/losses from financial instruments not measured at fair value through profit or loss	-	X	-	X	-	X	292	X	292	X
Net impairment loss on financial assets not measured at fair value through profit or loss	(12 009)	X	2 503	X	(42)	X	107	X	(9 442)	X
Impairment result from financial Instruments	X	(6 840)	X	601	X	(431)	X	(74)	X	(6 744)
Other operating result	(5 009)	(5 242)	1 460	(948)	(330)	(420)	(5 710)	(3 715)	(9 590)	(10 324)
Levies on banking activities	(4 937)	(5 242)	(1 013)	(948)	(392)	(420)	(5 249)	(3 423)	(11 591)	(10 033)
Pre-tax profit from continuing operations	**42 228**	**47 030**	**14 598**	**12 025**	**1 644**	**2 011**	**(6 566)**	**(9 544)**	**51 903**	**51 521**
Taxes on income	(8 868)	(9 876)	(3 066)	(2 525)	(345)	(422)	(33)	1 219	(12 312)	(11 604)
Net result for the period	**33 360**	**37 153**	**11 533**	**9 500**	**1 299**	**1 589**	**(6 600)**	**(8 324)**	**39 592**	**39 917**
Net result attributable to owners of the parent	**33 360**	**37 153**	**11 533**	**9 500**	**1 299**	**1 589**	**(6 600)**	**(8 324)**	**39 592**	**39 917**
Operating income	116 208	118 251	18 728	20 683	3 327	3 998	1 611	(3 421)	139 874	139 511
Operating expenses	(56 962)	(59 140)	(8 092)	(8 311)	(1 311)	(1 137)	(2 866)	(2 334)	(69 231)	(70 922)
Operating result	**59 246**	**59 112**	**10 636**	**12 372**	**2 016**	**2 862**	**(1 255)**	**(5 755)**	**70 643**	**68 590**
Risk-weighted assets (credit risk, eop)*	2 318 775	2 673 920	2 016 228	2 588 867	20 158	32 030	377 512	474 353	4 732 672	5 769 169
Average allocated capital**	293 212	404 462	160 578	241 193	6 189	7 109	159 749	195 743	619 729	848 508
Cost/income ratio	49,0%	50,0%	43,2%	40,2%	39,4%	28,4%	177,9%	-68,2%	49,5%	50,8%
Return on allocated capital	46,1%	37,3%	29,1%	16,0%	85,1%	90,6%	-16,8%	-17,2%	25,9%	19,1%
Total assets (eop)	8 218 867	9 214 343	2 527 671	3 091 432	107 212	182 082	4 436 840	4 157 075	15 290 590	16 644 933
Total liabilities excluding equity (eop)	9 867 044	10 487 957	1 188 126	1 577 089	452 885	747 261	2 210 362	2 486 751	13 718 418	15 299 057
Impairments and risk provisions										
Net impairment loss on loans and receivables to credit institutions/customers	(12 009)	X	2 503	X	(42)	X	150	X	(9 398)	X
Net impairment loss on other financial assets	-	X	-	X	-	X	(43)	X	(43)	X
Net impairment loss on financial instruments AC	X	(6 775)	X	1 203	X	(64)	X	95	X	(5 541)
Net impairment loss on financial instruments FVTOCI	X	-	X	-	X	-	X	-	X	-
Net impairment loss on financial instruments Leasing	X	-	X	30	X	-	X	-	X	30
Impairments and provisions for commitments and guarantees given	(72)	(65)	2 473	(631)	62	(367)	(0)	(168)	2 463	(1 232)
Net impairment on other non-financial assets	-	-	-	-	-	-	23	82	23	82

36. Risk management

It is a core function of every bank to take risks in a conscious and selective manner and to manage such risks professionally. SLSP's proactive risk policy and strategy aims at achieving balanced risk and return in order to generate a sustainable and adequate return on equity. Concerning risk policy and strategy as well as regarding risk management organisation, reference is made to the note of the same name in the annual report 2017.

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) and 13 risk grades (for all other segments). Defaulted customers are classified into a separate risk grade.

Default definition

A default is deemed to have occurred with a client when a client is assigned internal rating R, i.e. when whatever of the following events has taken place:

- a client is unlikely to fully repay its credit obligations to the Bank without realizing collaterals;
- a retail / corporate client is past due more than 90 days on any material credit obligation to the Bank;
- whatever condition or obligation under contract has been breached by client, on the basis of which the Bank is entitled to take appropriate actions (such as require a premature repayment of credit obligation of the client whether in full or its part, charge the late payment interests or claim satisfaction of credit exposure from the means securing such credit obligation).

The Bank defines 5 default events:

- E1 – unlikely to pay
- E2 – 90 days overdue
- E3 – defaulted forbearance
- E4 – exposure write-off
- E5 – bankruptcy

Credit Risk Control 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 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), netting effects, other credit enhancements or credit risk mitigating transactions.

The gross carrying amount of the credit risk exposure increased to EUR 17.997 billion (+2.05%; EUR 17.635 billion as at 31.12.2017).

The following table presents the reconciliation between the gross carrying amount and the carrying amount of the separate components of the credit risk exposure:

Eur ths.	Gross carrying amount	Credit loss allowances				Carrying amount
		Stage 1	Stage 2	Stage 3	POCI	
31.3.2018						
Cash and cash balances - other demand deposits	7 361					7 361
Financial assets at amortised cost	**16 052 444**	**37 779**	**35 687**	**235 361**	**57 726**	**15 685 892**
Loans and advances to banks	169 505	84	0	0	0	169 421
Loans and advances to customers	12 343 840	37 227	35 687	235 361	57 726	11 977 840
thereof: Mortgage credits	7 111 934	12 949	12 431	85 862	426	7 000 266
thereof: Consumer credits	1 736 788	13 506	14 767	112 315	231	1 595 969
thereof: Corporate loans and others	3 495 117	10 772	8 488	37 184	57 069	3 381 605
Debt securities	3 539 100	468	0	0	0	3 538 631
Finance lease receivables	79 459	111	0	597	0	78 751
Trade and other receivables	115 436	444	0	3 207	0	111 785
Non-trading financial assets at FVTPL - Debt securities	25 943					25 943
Positive fair value of derivatives	42 275					42 275
Total credit risk exposure on-balance	**16 322 919**	**38 335**	**35 687**	**239 165**	**57 726**	**15 952 007**
Off-balance	1 674 136	4 953	1 420	1 006	8 254	1 658 503
Total credit risk exposure	**17 997 054**	**43 288**	**37 106**	**240 171**	**65 979**	**17 610 510**

Credit loss allowances represent the value of impairment of the financial assets measured at amortised cost, provisions for off-balance sheet items and changes in the carrying amount of the financial assets measured at fair value through other comprehensive income.

Eur ths.	Gross carrying amount	Specific allowances for individually assessed financial assets	Specific allowances for individually assessed financial assets	Collective allowances for incurrred but not reported losses	Carrying amount
31.12.2017					
Cash and cash balances - other demand deposits	53 802	0	0	0	53 802
Loans and receivables to credit institutions	177 616	0	0	0	177 616
Loans and receivables to customers	12 123 740	82 730	207 065	74 995	11 758 950
thereof: Mortgage credits	6 950 023	3 805	80 339	24 875	6 841 004
thereof: Consumer credits	1 715 672	3	105 156	30 138	1 580 374
thereof: Corporate loans and others	3 458 046	78 922	21 570	19 982	3 337 572
Financial assets - held to maturity	2 644 730	0	0	328	2 644 402
Financial assets - held for trading	0	0	0	0	0
Financial assets - at fair value through profit or loss	0	0	0	0	0
Financial assets - available for sale	972 734	0	0	0	972 734
Positive fair value of derivatives	43 244	0	0	0	43 244
Total Credit Rsik Exposure On-Balance	**16 015 867**	**82 730**	**207 065**	**75 323**	**15 650 748**
Off-balance	1 619 165	8 117	461	6 513	1 604 074
Total	**17 635 032**	**90 847**	**207 526**	**81 836**	**17 254 822**

On the next pages the credit risk exposure is presented according to the following criteria:

- industry and risk category,
- country of risk and financial Instruments,
- impairment view,
- netheir past due, not impaired,
- industry,
- Basel 3 exposure class and financial instrument.

The following table presents credit risk exposure by industry and risk category:

Eur ths.	Investment grade	Subinvestment grade	Non-performing loans	Total credit risk exposure
31.3.2018				
Agriculture and forestry	78 633	34 624	1 984	**115 241**
Mining	40 552	4 319	34	**44 905**
Manufacturing	877 442	88 408	20 445	**986 295**
Energy and water supply	513 702	4 203	75	**517 979**
Construction	252 018	15 274	12 940	**280 232**
thereof: Development of building projects	39 424	6	1 802	**41 233**
Trade	525 828	65 430	21 624	**612 882**
Transport and communication	540 080	12 550	5 184	**557 814**
Hotels and restaurants	70 235	4 238	4 736	**79 209**
Financial and insurance services	558 164	701	335	**559 200**
thereof: Holding companies	49 552	0	280	**49 832**
Real estate and housing	1 025 610	16 404	114 492	**1 156 505**
Services	182 548	21 702	6 553	**210 803**
Public administration	3 534 774	1 422	0	**3 536 196**
Education, health and art	49 873	3 563	300	**53 736**
Private households	8 412 070	553 430	320 388	**9 285 889**
Other	167	0	1	**168**
Total	**16 661 697**	**826 268**	**509 089**	**17 997 054**

Eur ths.	Investment grade	Subinvestment grade	Non-performing loans	Total credit risk exposure
31.12.2017				
Agriculture and forestry	80 066	33 949	1 931	**115 947**
Mining	42 873	4 506	0	**47 378**
Manufacturing	812 974	80 143	21 081	**914 198**
Energy and water supply	413 267	5 866	77	**419 210**
Construction	222 653	10 932	13 451	**247 036**
thereof: Development of building projects	32 651	0	1 849	**34 500**
Trade	514 718	66 121	20 007	**600 846**
Transport and communication	584 608	11 754	5 320	**601 681**
Hotels and restaurants	70 445	4 551	4 904	**79 901**
Financial and insurance services	571 798	515	305	**572 618**
thereof: Holding companies	24 614	0	280	**24 894**
Real estate and housing	1 040 774	16 517	114 792	**1 172 083**
Services	111 830	17 859	6 432	**136 121**
Public administration	3 558 327	2 114	0	**3 560 440**
Education, health and art	50 164	2 575	282	**53 022**
Private households	8 250 211	545 977	318 003	**9 114 192**
Other	25	333	1	**359**
Total	**16 324 733**	**803 712**	**506 587**	**17 635 032**

The following table presents credit risk exposure by region and financial instrument:

31.03.2018	Financial assets at amortised cost											
			Loans and advances to customers									
Eur ths.	Cash and cash balances – other demand deposits	Loans and advances to banks	thereof: Mortgage credits	thereof: Consumer credits	thereof: Corporate loans and others	Debt securities	Finance lease receivables	Trade and other receivables	Non-trading financial assets at FVTPL - Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
Slovakia	0	30	7 106 991	1 735 600	3 437 906	3 243 275	79 459	89 012	5 371	32 492	1 617 215	**17 347 351**
Central and Eastern Europe	**6 646**	**132 057**	**1 845**	**448**	**28 202**	**23 179**	**0**	**8 585**	**0**	**3 101**	**35 371**	**239 436**
Austria	3 272	3 825	179	17	2	0	0	669	0	3 087	2 419	**13 470**
Czech Republic	2 009	128 232	1 054	304	28 195	23 179	0	4 926	0	14	32 630	**220 544**
Hungary	1 351	0	64	2	2	0	0	2 150	0	0	273	**3 843**
Croatia	13	0	114	30	0	0	0	329	0	0	2	**489**
Romania	0	0	341	50	2	0	0	494	0	0	46	**932**
Serbia	0	0	92	45	1	0	0	17	0	0	2	**157**
Other EU	501	37 415	1 322	234	28 953	267 508	0	15 929	20 572	6 681	18 609	**397 726**
Other industrialised countries	213	0	341	37	7	5 137	0	437	0	0	5	**6 178**
Emerging markets	0	2	1 435	469	50	0	0	1 473	0	0	2 935	**6 364**
Total	**7 361**	**169 505**	**7 111 934**	**1 736 788**	**3 495 117**	**3 539 100**	**79 459**	**115 436**	**25 943**	**42 275**	**1 674 136**	**17 997 054**

31.12.2017			Loans and receivables to customers									
Eur ths.	Cash and cash balances – other demand deposits	Loans and receivables to credit institutions	thereof: Mortgage credits	thereof: Consumer credits	thereof: Corporate loans and others	Financial assets - held to maturity	Financial assets - held for trading	Financial assets - at fair value through profit or loss	Financial assets - available for sale	Positive fair value of derivatives	Off-balance	Total credit risk exposure
Slovakia	0	79	6 944 768	1 714 487	3 389 479	2 398 418	0	0	881 217	32 893	1 577 604	16 938 945
Central and Eastern Europe	**53 302**	**177 532**	**1 840**	**479**	**33 429**	**0**	**0**	**0**	**44 139**	**3 210**	**34 952**	**348 882**
Austria	3 467	135 718	186	18	493	0	0	0	0	3 120	2 516	145 518
Czech Republic	49 764	39 139	1 152	316	30 679	0	0	0	44 139	90	32 116	197 396
Hungary	57	2 675	66	0	1 583	0	0	0	0	0	273	4 654
Croatia	11	0	0	46	253	0	0	0	0	0	2	312
Romania	3	0	344	51	420	0	0	0	0	0	42	860
Serbia	0	0	93	47	1	0	0	0	0	0	2	142
Other EU	341	4	1 500	212	33 499	246 312	0	0	40 634	7 141	3 670	333 313
Other industrialised countries	159	0	344	38	104	0	0	0	6 744	0	6	7 396
Emerging markets	0	1	1 570	456	1 535	0	0	0	0	0	2 934	6 496
Total	**53 802**	**177 616**	**6 950 023**	**1 715 672**	**3 458 046**	**2 644 730**	**0**	**0**	**972 734**	**43 244**	**1 619 165**	**17 635 032**

The following table presents credit risk exposure according to EBA definition:

	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 non impaired**	**Impaired loans**	**Total credit risk exposure**
31.03.2018									
Cash and cash balances - other demand deposits	0	0	0	0	0	0	7 361	0	**7 361**
Financial assets at amortised cost	**321 688**	**283 975**	**27 083**	**10 401**	**117**	**111**	**15 284 599**	**446 158**	**16 052 444**
Loans and advances to banks	48	47	0	0	0	0	169 457	0	**169 505**
Loans and advances to customers	321 640	283 928	27 083	10 401	117	111	11 576 042	446 158	**12 343 840**
thereof: Mortgage credits	138 209	117 262	15 167	5 766	14	0	6 807 174	166 550	**7 111 934**
thereof: Consumer credits	84 694	71 936	8 185	4 519	49	6	1 517 041	135 053	**1 736 788**
thereof: Corporate loans and others	98 736	94 730	3 731	117	54	105	3 251 827	144 555	**3 495 117**
Debt securities	0	0	0	0	0	0	3 539 100	0	**3 539 100**
Finance lease receivables	7 538	7 482	28	0	0	28	71 094	827	**79 459**
Trade and other receivables	7 986	5 652	1 793	540	0	1	104 202	3 249	**115 436**
Non-trading financial assets at FVTPL - Debt securities	0	0	0	0	0	0	25 943	0	**25 943**
Positive fair value of derivatives	0	0	0	0	0	0	42 275	0	**42 275**
Total Credit Rsik Exposure On-Balance	**337 212**	**297 110**	**28 903**	**10 941**	**117**	**140**	**15 535 473**	**450 234**	**16 322 919**
Off-balance	89 673	89 629	30	14	1	0	1 535 804	48 658	**1 674 136**
Total	**426 885**	**386 739**	**28 933**	**10 956**	**118**	**140**	**17 071 277**	**498 892**	**17 997 054**

	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 non impaired**	**Impaired loans**	**Total credit risk exposure**
31.12.2017									
Cash and cash balances - other demand deposits	0	0	0	0	0	0	53 802	0	**53 802**
Loans and receivables to credit institutions	38	38	0	0	0	0	177 578	0	**177 616**
Loans and receivables to customers	328 650	298 467	19 821	9 645	490	227	11 346 275	448 815	**12 123 740**
thereof: Mortgage credits	131 401	116 198	10 482	4 529	125	67	6 646 392	172 229	**6 950 023**
thereof: Consumer credits	84 289	72 813	6 615	4 534	253	75	1 503 652	127 730	**1 715 672**
thereof: Corporate loans and others	112 959	109 457	2 724	582	112	85	3 196 230	148 856	**3 458 046**
Financial assets - held to maturity	0	0	0	0	0	0	2 644 730	0	**2 644 730**
Financial assets - held for trading	0	0	0	0	0	0	0	0	**0**
Financial assets - at fair value through profit or loss	0	0	0	0	0	0	0	0	**0**
Financial assets - available for sale	0	0	0	0	0	0	972 734	0	**972 734**
Positive fair value of derivatives	0	0	0	0	0	0	43 244	0	**43 244**
Total Credit Rsik Exposure On-Balance	**328 688**	**298 505**	**19 821**	**9 645**	**490**	**227**	**15 238 363**	**448 815**	**16 015 867**
Off-balance	82 546	82 500	33	11	2	0	1 487 928	48 691	**1 619 165**
Total	**411 234**	**381 005**	**19 854**	**9 656**	**492**	**227**	**16 726 292**	**497 506**	**17 635 032**

The following table presents credit quality for exposures, which are neither past due non impaired, by rating grades:

31.3.2018		Financial assets at amortised cost										
			Loans and advances to customers									
Eur ths.	Cash and cash balances – other demand deposits	Loans and advances to banks	thereof: Mortgage credits	thereof: Consumer credits	thereof: Corporate loans and others	Debt securities	Finance lease receivables	Trade and other receivables	Non-trading financial assets at FVTPL - Debt securities	Positive fair value of derivativs	Off-balance	Total credit risk exposure
Investment grade (1-5)	7 361	169 457	6 570 345	1 396 173	3 088 337	3 539 100	68 227	92 385	25 801	41 935	1 462 543	16 461 664
Subinvestment grade (6)	0	0	178 958	85 827	139 144	0	2 801	6 676	142	323	61 713	475 586
Subinvestment grade (7)	0	0	44 821	24 889	19 944	0	50	552	0	10	10 402	100 668
Subinvestment grade (8)	0	0	9 905	9 138	4 307	0	16	4 589	0	0	1 042	28 996
Non-performing loans (NPE)**	0	0	3 145	1 013	95	0	0	0	0	7	105	4 364
Total	**7 361**	**169 457**	**6 807 174**	**1 517 041**	**3 251 827**	**3 539 100**	**71 094**	**104 202**	**25 943**	**42 275**	**1 535 804**	**17 071 277**

31.12.2017			Loans and receivables to customers									
Eur ths.	Cash and cash balances – other demand deposits	Loans and receivables to credit institutions	thereof: Mortgage credits	thereof: Consumer credits	thereof: Corporate loans and others	Financial assets - held to maturity	Financial assets - held for trading	Financial assets - at fair value through profit or loss	Financial assets - available for sale	Positive fair value of derivativs	Off-balance	Total credit risk exposure
Investment grade (1-5)	53 802	177 578	6 406 690	1 382 367	3 026 762	2 644 730	0	0	972 734	42 549	1 419 989	16 127 201
Subinvestment grade (6)	0	0	181 300	85 684	144 719	0	0	0	0	677	57 175	469 555
Subinvestment grade (7)	0	0	44 467	25 149	16 474	0	0	0	0	10	9 669	95 770
Subinvestment grade (8)	0	0	10 509	9 447	8 232	0	0	0	0	0	1 012	29 200
Non-performing loans (NPE)**	0	0	3 425	1 005	44	0	0	0	0	8	83	4 565
Total	**53 802**	**177 578**	**6 646 392**	**1 503 652**	**3 196 230**	**2 644 730**	**0**	**0**	**972 734**	**43 244**	**1 487 928**	**16 726 292**

The following table credit risk exposure by industry:

31.3.2018 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 FVTPL - 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						
Agriculture and forestry	0	0	95 896	0	733	80	0	113	18 419	**115 241**
Mining	0	0	37 438	0	0	247	0	75	7 146	**44 905**
Manufacturing	0	0	614 522	6 610	22 243	51 443	0	575	290 901	**986 295**
Energy and water supply	0	0	342 446	0	2 769	39 846	0	27 025	105 894	**517 979**
Construction	0	0	107 488	0	3 269	293	0	726	168 455	**280 232**
thereof: Development of building projects	0	0	32 901	0	0	0	0	573	7 759	**41 233**
Trade	0	0	433 954	0	9 100	19 673	0	209	149 946	**612 882**
Transport and communication	0	0	345 178	87 068	33 870	603	0	450	90 644	**557 814**
Hotels and restaurants	0	0	72 045	0	204	3	0	524	6 434	**79 209**
Financial and insurance services	7 361	169 505	102 284	155 907	50	0	25 943	10 298	87 851	**559 200**
thereof: Holding companies	0	0	13 789	14 943	0	0	0	0	21 100	**49 832**
Real estate and housing	0	0	911 280	102	446	179	0	2 112	242 386	**1 156 505**
Services	0	0	103 875	0	5 174	2 007	0	84	99 662	**210 803**
Public administration	0	0	217 078	3 289 411	17	0	0	0	29 689	**3 536 196**
Education, health and art	0	0	36 367	0	1 457	1 063	0	7	14 843	**53 736**
Private households	0	0	8 923 826	0	125	0	0	77	361 860	**9 285 889**
Other	0	0	162	0	0	0	0	0	6	**168**
Total Credit risk exposure	**7 361**	**169 505**	**12 343 840**	**3 539 100**	**79 459**	**115 436**	**25 943**	**42 275**	**1 674 136**	**17 997 054**

Eur ths.	Cash and cash balances – other demand deposits	Loans and receivables to credit institutions	Loans and receivables to customers	Financial assets - held to maturity	Financial assets - held for trading	Financial assets - at fair value through profit or loss	Financial assets - available for sale	Positive fair value of derivatives	Off-balance	Total credit risk exposure
31.12.2017										
Agriculture and forestry	0	0	99 112	0	0	0	0	127	16 709	**115 947**
Mining	0	0	39 180	0	0	0	0	86	8 112	**47 378**
Manufacturing	0	0	612 990	0	0	0	6 605	519	294 083	**914 198**
Energy and water supply	0	0	331 939	0	0	0	0	26 832	60 439	**419 210**
Construction	0	0	99 240	0	0	0	0	649	147 148	**247 036**
thereof: Development of building projects	0	0	28 857	0	0	0	0	621	5 022	**34 500**
Trade	0	0	438 560	0	0	0	0	704	161 583	**600 846**
Transport and communication	0	0	351 018	0	0	0	114 371	485	135 807	**601 681**
Hotels and restaurants	0	0	72 822	0	0	0	0	332	6 746	**79 901**
Financial and insurance services	53 802	177 616	94 945	92 205	0	0	69 256	10 793	74 000	**572 618**
thereof: Holding companies	0	0	3 715	0	0	0	0	9	21 170	**24 894**
Real estate and housing	0	0	906 964	10 232	0	0	0	2 261	252 625	**1 172 083**
Services	0	0	87 308	0	0	0	0	16	48 797	**136 121**
Public administration	0	0	208 858	2 542 292	0	0	782 502	0	26 789	**3 560 440**
Education, health and art	0	0	38 443	0	0	0	0	7	14 572	**53 022**
Private households	0	0	8 742 337	0	0	0	0	99	371 755	**9 114 192**
Other	0	0	24	0	0	0	0	333	2	**359**
Total Credit risk exposure	**53 802**	**177 616**	**12 123 740**	**2 644 730**	**0**	**0**	**972 734**	**43 244**	**1 619 165**	**17 635 032**

The following table presents credit risk exposure by Basel 3 exposure class and financial instrument:

Eur ths.	Cash and cash balances - other demand deposits	Financial assets at amortised cost			Finance lease receivables Finance lease receivable	Trade and other receivables	Non-trading financial assets at FVTPL - 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						
31.03.2018										
Sovereigns	0	0	206 990	3 307 428	17	0	0	0	29 640	3 544 074
Institutions	7 361	169 505	0	112 708	0	0	20 430	9 768	59 859	379 631
Corporates	0	0	2 643 401	118 964	76 217	113 840	5 513	32 429	1 105 411	4 095 776
Retail	0	0	9 493 449	0	3 225	1 596	0	77	479 226	9 977 573
Total	**7 361**	**169 505**	**12 343 840**	**3 539 100**	**79 459**	**115 436**	**25 943**	**42 275**	**1 674 136**	**17 997 054**

Eur ths.	Cash and cash balances - other demand deposits	Loans and receivables to credit institutions	Loans and receivables to customers	Debt securities				Positive fair value of derivatives	Off-balance	Total credit risk exposure
				Financial assets - held to maturity	Financial assets - held for trading	Financial assets - at fair value through profit or loss	Financial assets - available for sale			
31.12.2017										
Sovereigns	0	0	217 113	2 542 292	0	0	800 553	0	26 737	**3 586 696**
Institutions	53 802	177 616	0	92 205	0	0	51 204	10 261	44 959	**430 048**
Corporates	0	0	2 596 397	10 232	0	0	120 977	32 884	1 058 040	**3 818 530**
Retail	0	0	9 310 230	0	0	0	0	99	489 429	**9 799 758**
Total	**53 802**	**177 616**	**12 123 740**	**2 644 730**	**0**	**0**	**972 734**	**43 244**	**1 619 165**	**17 635 032**

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.

Concerning contingent liabilities the gross carrying amount refers to the nominal value, while credit risk provisions refer to provisions for guarantees. A net carrying amount is not presented in the case of contingent liabilities.

The following table presents contingent liabilities by product:

EUR ths.	31.12.2017	31.3.2018
Financial guarantees	319 122	336 397
Letter of Credit	10 618	10 086
Irrevocable commitments	1 289 425	1 327 652
Total	**1 619 165**	**1 674 136**

37. Fair values of financial assets and liabilities

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 Bank'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 Bank's probability of default has been derived from the buy-back levels of the Bank'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 March 2018 the cumulative CVA adjustment amounted 0,3 mil. Eur (2017: 0,3 mil. Eur) and the cumulative DVA adjustment amounted 0,2 mil. Eur (2017: 0,2 mil. Eur).

Fair value hierarchy

The methods used to determine fair values with respect to the levels of fair value hierarchy were as follows:

	31.12.2017				31.3.2018			
Eur ths.	**Quoted market prices in active markets**	**Marked to model based on observable market data**	**Marked to model based on non-observable inputs**	**Total**	**Quoted market prices in active markets**	**Marked to model based on observable market data**	**Marked to model based on non-observable inputs**	**Total**
	Level 1	**Level 2**	**Level 3**		**Level 1**	**Level 2**	**Level 3**	
Assets								
Financial assets - held for trading	-	36 484	-	36 484	-	35 594	-	35 594
Derivatives	-	36 484	-	36 484	-	35 594	-	35 594
Other financial assets held for trading	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	5 600	5 600	x	x	x	x
Non-trading financial assets at fair value through profit or loss	x	x	x	x	19	10 218	18 784	29 022
Equity Instruments	x	x	x	x	19	-	3 059	3 078
Debt securities	x	x	x	x	-	10 218	15 726	25 944
Loans and advances	x	x	x	x	-	-	-	-
Financial assets held for sale	835 376	182 185	3 058	1 020 619	x	x	x	x
Financial assets at fair value through other comprehensive income	x	x	x	x	48 913	-	-	48 913
Equity instruments	x	x	x	x	48 913	-	-	48 913
Debt securities	x	x	x	x	-	-	-	-
Loans and advances	x	x	x	x	-	-	-	-
Hedge accounting derivatives	-	6 761	-	6 761	-	6 681	-	6 681
Assets held for sale	-	-	-	-	-	-	-	-
Total assets	**835 376**	**225 430**	**8 658**	**1 069 464**	**48 931**	**52 492**	**18 784**	**120 210**
					-	-	-	
Liabilities								
Financial liabilities - held for trading	-	33 344	-	33 344	-	33 099	-	33 099
Derivatives	-	33 344	-	33 344	-	33 099	-	33 099
Other trading liabilities	-		-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-	-
Hedge accounting derivatives	-	42 100	-	42 100	-	36 070	-	36 070
Total liabilities	**-**	**75 444**	**-**	**75 444**	**-**	**69 169**	**-**	**69 169**

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. This involves estimation and expert judgment.

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

The development of fair value of the securities for which valuation models are based on non-observable inputs was as follows:

Eur ths.	31.12.2017	Gains / Losses in PL	Gains / Losses in OCI	Purchase	Sales	Settlements	Transfer into Level 3	Transfer out of level 3	31.3.2018
Assets									
Financial assets - held for trading	-	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-	-
Other financial assets held for trading	-	-	-	-	-	-	-	-	-
Non-trading financial assets at fair value through profit or loss	18 858	(92)	18	-	-	-	-	-	18 784
Equity instruments	3 059	-	-	-	-	-	-	-	3 059
Debt securities	15 800	(92)	18	-	-	-	-	-	15 726
Loans and advances	-	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Equity Instruments	-	-	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-	-	-	-
Hedge accounting derivatives	-	-	-	-	-	-	-	-	-
Total assets	**18 858**	**(92)**	**18**	**-**	**-**	**-**	**-**	**-**	**18 784**

Eur ths.	31.12.2016	Gains / Losses in PL	Gains / Losses in OCI	Purchase	Sales	Settlements	Transfer into Level 3	Transfer out of level 3	31.3.2017
Assets									
Financial assets - held for trading	405	(6)	-	-	-	-	-	(399)	-
Derivatives	405	(6)	-	-	-	-	-	(399)	-
Financial assets at fair value through profit or loss	6 118	(238)	-	-	-	-	-	-	5 880
Financial assets held for sale	25 836	95	133	-	(19)	-	6 792	(19 301)	13 536
Total assets	**32 359**	**(149)**	**133**	**-**	**(19)**	**-**	**6 792**	**(19 700)**	**19 416**
Liabilities									
Financial liabilities - held for trading	(288)	(1)	-	-	-	-	289	-	-
Derivatives	(288)	(1)	-	-	-	-	289	-	-
Total liabilities	**(288)**	**(1)**	**-**	**-**	**-**	**-**	**289**	**-**	**-**

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:

	31.3.2017	31.3.2018
Assets		
Financial assets held for trading	-	-
Derivatives	-	-
Other financial assets held for trading	-	-
Financial assets at fair value through profit or loss	(238)	x
Non-trading financial assets at fair value through profit or loss	x	(92)
Equity instruments	x	-
Debt securities	x	(92)
Loans and advances	x	-
Financial assets held for sale	-	x
Financial assets at fair value through other comprehensive income	x	-
Equity instruments	x	-
Debt securities	x	-
Loans and advances	x	-
Hedge accounting derivatives	-	-
Total assets	**(238)**	**(92)**

The amount of financial instruments in Level 3 consists solely of a few positions in illiquid securities.

Fair value of financial instruments disclosed in the notes

The following table shows fair values and fair value hierarchy of the financial instruments disclosed in the notes as at 31 March 2018 and 31 December 2017:

	31.12.2017		31.3.2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash balances	424 229	424 229	373 323	373 323
Financial assets - held to maturity	2 644 402	3 064 786	x	x
Loans and receivables to credit institutions	177 616	181 674	x	x
Loans and receivables to customers	11 758 950	12 122 501	x	x
Financial assets at amortised cost	x	x	15 685 892	16 429 470
Loans and advances to banks	x	x	169 421	169 453
Loans and advances to customers	x	x	11 977 840	12 252 582
Debt securities	x	x	3 538 631	4 007 435
Finance lease receivables	x	x	78 751	78 804
Financial assets held for sale	x	x	-	-
Trade and other receivables	x	x	111 785	111 785
Liabilities				
Financial liabilities at amortised cost	14 628 022	14 645 263	15 062 479	15 074 147
Deposits from banks	488 564	499 905	422 019	430 270
Deposits from customers	12 481 221	12 462 106	13 090 379	13 039 946
Debt securities issued	1 567 216	1 592 231	1 440 318	1 494 168
Other financial liabilities	91 021	91 021	109 764	109 764
			-	-
Financial guarantees				
Financial guarantees	n/a	(418)	n/a	(2 144)
Irrevocable loan commitments	n/a	(9 518)	n/a	(9 404)

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. 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 groupped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted.

The fair values of financial assets held to maturity are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

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 amortized 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 amortized 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.

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 March 2018 the estimated fair value of investment property was in amount of 2,0 mil. Eur (2017: 2,0 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.

38. Own funds and capital requirements

Regulatory scope of application

Hereby Slovenská sporiteľňa, a.s. fulfills the disclosure requirements according to the Capital Requirements Regulation (CRR), in detail Articles 436 (b) – (e) CRR and Articles 437 (1) (a), (d), (e) and (f) 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 (CRR) and the Capital Requirement Directive (CRD IV) that were enacted in national law, 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 regulatory capital requirements in both years 2017 and 2016 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 consolidated financial statements and consolidated regulatory figures of the Bank is 31 December of each respective year.

Consideration of financial sector entities and deferred tax assets that rely on future profitability arising from temporary differences within the calculation of common equity Tier 1 of the Bank

Carrying amounts representing the investments in financial sector entities as defined in Article 4 (27) CRR have to be deducted from the own funds based on the requirements as defined in Articles 36 (1) (h), 45 and 46 CRR for non-significant investments and Articles 36 (1) (i) CRR, Article 43, 45, 47 and 48 CRR for significant investments. For these purposes, non-significant investments are defined as investments in financial sector entities in which the participation is equal to or less than 10 % of common equity Tier 1 (CET 1) of the relevant financial sector entities, while significant investments are defined as investments that are above 10 % of the CET 1 of the relevant financial sector entities.

To determine the participation in the relevant financial sector entities, these participations are calculated based on the direct, indirect and synthetic holdings in the relevant entities.

According to Article 46 (1) (a) CRR, holdings in non-significant investments have to be deducted only if the total amount for such investments, including additional tier 1 items according to Art, 56 (c) and 59 CRR and Tier 2 items according to Art, 66 (c) and 70 CRR, exceeds a defined threshold of 10 % in relation to CET1 of the reporting institution. Deduction shall be applied to the amount that exceeds the 10 % threshold. Amounts that are equal to or less than 10 % of the CET1 of the reporting institution are considered with the applicable risk weights according part 3, title II, chapter 2 respectively chapter 3 and if necessary according to the requirements of part 3, title IV within the RWAs based on the requirements according to Article 46 (4) CRR.

For the deduction of significant investments in the CET1 of financial sector entities, a threshold is defined in Article 48 (2) CRR. According to Article 48 (2) CRR, significant investments in the CET1 of financial sector entities have only to be deducted if they exceed 10 % of the CET1 of the reporting institution. If the 10 % threshold is exceeded, the deduction is limited to the amount by which the defined threshold is exceeded. The remaining amount has to be considered within the calculation of the RWAs. The risk weight (RW) is defined at 250 % according to Article 48 (4) CRR.

In addition to the aforementioned threshold, a combined threshold for the deduction of significant investments according to Article 36 (1) (i) CRR and for deferred tax assets that rely on future profitability and arise from temporary differences according to Article 36 (1) (c) CRR as well as according to Article 38 CRR is defined in Article 48 (2) CRR. The combined threshold according to Article 48 (2) CRR is defined at 17.65 % of the CET1 of the reporting institution. If the threshold is exceeded, the exceeding amount has to be deducted from the CET1 of the reporting institution. The remaining amount has to be considered within the RWAs. A 250 % RW shall be applied for the amount not exceeding the 17.65 % threshold according to Article 48 (4) CRR.

Beside the 17.65 % combined threshold, a 10 % threshold related to the CET1 capital of the reporting institution is applied for deferred tax assets that rely on future profitability arising from temporary differences according to Article 48 (3) CRR. In case the amount for deferred tax assets that rely on future profitability and which arise from temporary differences exceeds the threshold of 10 % of CET1 of the reporting institution the exceeding amount has to be deducted from the CET1 of the reporting institution. The amount that is equal to or less than the threshold as defined in Article 48 (3) CRR has to be considered within the calculation of RWAs with a 250 % risk weight (RW) according to Article 48 (4) CRR.

At the reporting date, the Bank did not exceed any of the aforementioned thresholds. Hence, direct, indirect and synthetic investments in financial sector entities were not deducted from the own funds of the Bank and therefore are considered in RWAs.

The following table shows threshold calculations according to Articles 46 and 48 CRR:

Eur ths.	**31.12.2017**	**31.3.2018**
Non significant investments in financial sector entities		
Threshold (10% of CET1)	110 281	108 327
Holdings in CET1	3 059	3 077
Holdings in AT1	-	-
Holdings in T2	-	-
Distance to threshold	**107 222**	**105 249**
Significant investments in financial sector entities		
Threshold (10% of CET1)	110 281	108 327
Holdings in CET1	23 038	23 044
Distance to threshold	**87 243**	**85 283**
Deferred tax assets		
Threshold (10% of CET1)	110 281	108 327
Deferred tax assets that are dependent on future profitability and arise from temporary differences	32 982	-
Distance to threshold	**77 299**	**108 327**
Combined threshold for deferred tax assets and significant investments		
Threshold (17.65% of CET1)	194 646	191 197
Deferred tax assets that are dependent on future profitability and arise from temporary differences and CET1 instruments of financial sector entities where the institution has a significant investment	56 019	23 044
Distance to threshold	**138 626**	**168 153**

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	31.12.2017	31.3.2018
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)	886 015	898 250
Interim profit	26 (2)	-	-
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	94 254	30 653
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)	241	178
(-) Value adjustments due to the requirements for prudent valuation	34, 105	(3 394)	(554)
Goodwill	4 (1) (113), 36 (1) (b), 37	-	-
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	(55 457)	(49 739)
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	36 (1) (c), 38	(777)	(777)
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-	-
Development of unaudited risk provisions during the year (EU No 183/2014)		(30 073)	(6 744)
Excess of deduction from AT1 items over AT1	36 (1) (j)	-	-
Common equity tier 1 capital (CET1)	**50**	**1 102 809**	**1 083 267**
Additional tier 1 capital (AT1)			
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a), 57	150 000	150 000
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**	**150 000**
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**1 252 809**	**1 233 267**

Eur ths.	Article pursuant to CRR	31.12.2017	31.3.2018
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**1 252 809**	**1 233 267**
Tier 2 capital (T2)			
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	37 877	34 767
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)	32 389	34 618

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	-	-
Tier 2 capital (T2)	**71**	**70 266**	**69 384**
Total own funds	**4 (1) (118) and 72**	**1 323 075**	**1 302 652**
Capital requirement	**92 (3), 95, 96, 98**	**569 040**	**591 269**
CET1 capital ratio	**92 (2) (a)**	**15,50%**	**14,66%**
Tier 1 capital ratio	**92 (2) (b)**	**17,61%**	**16,69%**
Total capital ratio	**92 (2) (c)**	**18,60%**	**17,63%**

The Following table shows risk exposure amounts reflecting the structure according to Regulation (EU) No 575/2013:

		31.12.2017		31.3.2018	
Eur ths.	**Article pursuant to CRR**	**Total risk**	**Capital requirement**	**Total risk**	**Capital requirement**
Total Risk Exposure Amount	**92 (3), 95, 96, 98**	**7 113 001**	**569 040**	**7 390 859**	**591 269**
Risk weighted assets (credit risk)	92 (3) (a) (f)	5 697 110	455 769	6 010 648	480 852
Standardised approach		298 904	23 912	241 056	19 284
IRB approach		5 398 206	431 857	5 769 592	461 567
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)	4 031	322	7 301	584
Operational Risk	92 (3) (e), 92 (4) (b)	1 382 282	110 583	1 344 489	107 559
Exposure for CVA	92 (3) (d)	29 578	2 366	28 422	2 274
Other exposure amounts incl. Basel 1 floor	3, 458, 459, 500	-	-	-	-

The following tables show equity items and how they are affecting regulatory own funds:

31.3.2018 **Eur ths.**	**Own funds disclosure table - reference**	**Equity**	**Regulatory adjustments**	**Own funds**
Subscribed capital		212 000	-	212 000
Capital reserve		118 899	-	118 899
AT1 capital instruments and the related share premium accounts	a	150 000	-	150 000
Retained earnings	b	791 051	(11 700)	779 351
Other comprehensive income (OCI)	c	34 009	(3 356)	30 653
Cash flow hedge reserve	g	-	-	-
Available for sale reserve		43 658	(4 248)	39 409
Unrealized gains according to Art. 35 CRR	h	43 658	(4 248)	39 409
Unrealized losses according to Art. 35 CRR		-	-	-
Other		-	-	-
Currency translation		-	-	-
Remeasurement of net liability of defined pension plans		(609)	-	(609)
Deferred tax		(9 040)	892	(8 148)
Profit or loss attributable to equity holders of the parent		39 917	(39 917)	-
Other		-	-	-
Equity attributable to the owners of the parent		1 345 876	(54 973)	1 290 903
Equity attributable to non-controlling interests	d	-	-	-
Total equity		1 345 876	(54 973)	1 290 903

2017 Eur ths.	Own funds disclosure table - reference	Equity	Regulatory adjustments	Own funds
Subscribed capital		212 000	-	212 000
Capital reserve		118 899	-	118 899
AT1 capital instruments and the related share premium accounts	a	150 000	-	150 000
Retained earnings	b	767 337	(221)	767 116
Other comprehensive income (OCI)	c	94 254	-	94 254
Cash flow hedge reserve	g	-	-	-
Available for sale reserve		119 917	-	119 917
Unrealized gains according to Art. 35 CRR	h	119 922	-	119 922
Unrealized losses according to Art. 35 CRR		(5)	-	(5)
Other		-	-	-
Currency translation		-	-	-
Remeasurement of net liability of defined pension plans		(609)	-	(609)
Deferred tax		(25 055)	-	(25 055)
Profit or loss attributable to equity holders of the parent		162 056	(162 056)	-
Other		-	-	-
Equity attributable to the owners of the parent		1 504 546	(221)	1 342 269
Equity attributable to non-controlling interests	d	-	-	-
Total equity		1 504 546	(221)	1 342 269

Further details regarding the development of IFRS equity are disclosed in the Separate Statement of Changes in Equity.

The following tables show intangible assets and amount of deduction of regulatory own funds:

31.3.2018 Eur ths.	Own funds disclosure table - reference	Balance sheet	Regulatory adjustments	Own funds
Intangible assets	e	49 739	-	49 739
Deductible from CET1 acc. to transitional provisions		-	-	-
Deductible from AT1 acc. to transitional provisions		-	-	-
Intangible assets	e	49 739	-	49 739

2017 Eur ths.	Own funds disclosure table - reference	Balance sheet	Regulatory adjustments	Own funds
Intangible assets	e	55 457	-	55 457
Deductible from CET1 acc. to transitional provisions		-	-	-
Deductible from AT1 acc. to transitional provisions		-	-	-
Intangible assets	e	55 457	-	55 457

The following tables show deferred taxes:

31.3.2018 **Eur ths.**	**Own funds disclosure table - reference**	**Balance sheet**	**Regulatory adjustments**	**Own Funds**
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities		777	-	777
Related DTA allocated on or after Jan 14 for which 100% deduction is required according to CRR transitional provisions	f	-	-	-
Related DTA allocated before Jan 14 for which 0% deduction from CET1 is required according to CRR transitional provisions		-	-	-
Deferred tax assets that rely on future profitability and arise from temporary differences		49 555	-	49 555
Deferred tax assets		50 331	-	50 331

2017 **Eur ths.**	**Own funds disclosure table - reference**	**Balance sheet**	**Regulatory adjustments**	**Own Funds**
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities		777	-	777
Related DTA allocated on or after Jan 14 for which 100% deduction is required according to CRR transitional provisions	f	-	-	-
Related DTA allocated before Jan 14 for which 0% deduction from CET1 is required according to CRR transitional provisions		-	-	-
Deferred tax assets that rely on future profitability and arise from temporary differences		32 982	-	32 982
Deferred tax assets		33 758	-	33 758

Based on the threshold definition according to Article 48 CRR deferred tax assets that rely on future profitability and arise from temporary differences are not deductible for the Bank at the year end 2017. In accordance with Article 48 (4) CRR the non-deductible amount is risk weighted with 250 % and considered within the credit risk.

The following tables show subordinated liabilities:

31.3.2018 **Eur ths.**	**Own funds disclosure table - reference**	**Balance sheet**	**Regulatory adjustments**	**Own funds**
Subordinated issues and deposits and supplementary capital		78 383	(43 616)	34 767
Tier 2 capital instruments (including related share premium) issued by the parent company	k	78 383	(43 616)	34 767
Qualifying own funds instruments included in consolidated Tier 2 capital issued by subsidiaries and held by third party	l	-	-	-
Instruments issued by subsidiaries	m	-	-	-
Hybrid issues	i	-	-	-
Subordinated liabilities		78 383	(43 616)	34 767

2017 Eur ths.	Own funds disclosure table - reference	Balance sheet	Regulatory adjustments	Own funds
Subordinated issues and deposits and supplementary capital		77 446	(39 569)	37 877
Tier 2 capital instruments (including related share premium) issued by the parent company	k	77 446	(39 569)	37 877
Qualifying own funds instruments included in consolidated Tier 2 capital issued by subsidiaries and held by third party	l	-	-	-
Instruments issued by subsidiaries	m	-	-	-
Hybrid issues	i	-	-	-
Subordinated liabilities		77 446	(39 569)	37 877

The following table shows own funds development between the start and the end of the period:

Eur ths.	31.12.2017	31.3.2018
CET1 at the beginning of the period	**1 045 335**	**1 102 809**
Changes in retained earnings	10 026	12 236
Changes in accumulated other comprehensive income	11 316	(63 601)
Changes in minority interest	-	-
Changes in prudential filters	523	2 777
Changes in regulatory deductions	17 448	5 718
Goodwill	-	-
Other intangibles	16 499	5 718
Other	18 162	23 329
CET1 at the end of the period	**1 102 809**	**1 083 267**
Additional Tier 1 development		
AT1 at the beginning of the period	**150 000**	**150 000**
Net increase / decrease in AT1	-	-
Changes in regulatory deduction	-	-
Other	-	-
AT1 at the end of the period	**150 000**	**150 000**
Tier 2 development		
T2 at the beginning of the period	**75 189**	**70 266**
Net decrease in T2	(10 188)	(3 110)
Changes in regulatory deduction	-	-
IRB Excess and SA credit risk adjustments	5 265	2 228
T2 at the end of the period	**70 266**	**69 384**
Total own funds	**1 323 075**	**1 302 652**

Transitional provisions

The ransitional Provisions are not applied by the Bank.

Own funds template

Disclosure requirements: Art. 437 (1) (d) (e) CRR

The Bank does not consider Art. 437 (1) (f) CRR for the calculation of own funds.

The table below presents the composition of the regulatory capital based on the Implementing Technical Standards on the disclosure of own funds published in the Official Journal of the EU. There are no transitional provisions that would affect the calculation of the own funds. The table is presenting own funds according to Basel 3 fully loaded regime.

The following table shows Own funds disclosure template according to Article 5 in Commission implementing regulation (EU) No 1423/2013:

Eur ths.		Regulation (EU) No 575/2013 Article reference	Reference to reconciliation tables	31.12.2017	31.3.2018
Common equity tier 1 (CET1) capital: instruments and reserves					
1	Common equity tier 1 (CET1) capital: instruments and reserves	26 ods. 1, 27, 28, 29, zoznam EBA 26 ods. 3	a	212 000	212 000
	thereof ordinary shares	zoznam EBA 26 ods. 3	a	212 000	212 000
2	Retained earnings	26 odst. 1 písm. c)	b	886 015	898 250
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	26 odst. 1		94 254	30 653
3a	Fund for general banking risk	26 ods. 1 písm. f)	c	-	-
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	486 ods. 2		-	-
	Public sector capital injections grandfathered until Jan 18	483 ods. 2		-	-
5	Minority interests (amount allowed in consolidated CET1)	84, 479, 480	d	-	-
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	26 ods. 2		-	-
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**			**1 192 269**	**1 140 903**
Common Equity Tier 1 (CET1) capital before regulatory adjustments					
7	Additional value adjustments (negative amount)	34, 105		(3 394)	(554)
8	Intangible assets (net of related tax liability) (negative amount)	36 ods. 1 písm. b), 37, 472 ods. 4	e	(55 457)	(49 739)
9	Empty Set in the EU			-	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	36 ods. 1 písm. c), 38, 472 ods. 5	f	(777)	(777)
11	Fair value reserves related to gains or losses on cash flow hedges	33 písm. a)	g	-	-
12	Negative amounts resulting from the calculation of expected loss amounts	36 ods. 1 písm. d), 40, 159, 472 ods. 6		-	-
13	Any increase in equity that results from securitised assets (negative amount)	32 ods. 1		-	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	33 písm. b)		241	178
15	Defined-benefit pension fund assets (negative amount)	36 ods. 1 písm. e), 41, 472 ods. 7		-	-
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	36 ods. 1 písm. f), 42, 472 ods. 8		-	-
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	36 ods. 1 písm. g), 44, 472 ods. 9		-	-
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	36 ods. 1 písm. h), 43, 45, 46, 49 ods. 2 a 3, 79, 472 ods. 10		-	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	36 ods. 1 písm. i), 43, 45, 47, 48 ods. 1 písm. b), 49 ods. 1 až 3, 79, 470, 472 ods. 11		-	-
20	Empty Set in the EU			-	-
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	36 ods. 1 písm. k)		-	-
20b	of which: qualifying holdings outside the financial sector (negative amount)	36 ods. 1 písm. k) bod i), 89 až 91		-	-
20c	of which: securitisation positions (negative amount)	36 ods. 1 písm. k) bod ii) 243 ods. 1 písm. b) 244 ods. 1 písm. b) článok 258		-	-
20d	of which: free deliveries (negative amount)	36 ods. 1 písm. k) bod iii), 379 od. 3		-	-

Table continues on the following page.

continued **Eur ths.**		**Regulation (EU) No 575/2013 Article reference**	**Reference to reconciliation tables**	**31.12.2017**	**31.3.2018**
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold , net of related tax liability where the conditions in 38 (3) are met) (negative amount)	36 ods. 1 písm. c), 38, 48 ods. 1 písm. a), 470, 472 ods. 5		-	-
22	Amount exceeding the 15% threshold (negative amount)	48 ods. 1		-	-
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	36 ods. 1 písm. i), 48 ods. 1 písm. b), 470, 472 ods. 11		-	-
24	Empty Set in the EU			-	-
25	of which: deferred tax assets arising from temporary differences	36 ods. 1 písm. c), 38, 48 ods 1 písm. a), 470, 472 ods. 5		-	-
25a	Losses for the current financial year (negative amount)	36 ods. 1 písm. a), 472 ods. 3		-	-
25b	Foreseeable tax charges relating to CET1 items (negative amount)	36 ods. 1 písm. l)		-	-
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			-	-
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468			-	-
	of which: unrealised loss	467		-	-
	of which: unrealised loss	468	h	-	-
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	481		-	-
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	36 ods. 1 písm. j)		-	-
	CET1 other deductions			(30 073)	(6 744)
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**			**(89 459)**	**(57 635)**
29	**Common Equity Tier 1 (CET1) capital**			**1 102 809**	**1 083 267**
Additional Tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	51, 52		150 000	150 000
31	of which: classified as equity under applicable accounting standards			150 000	150 000
32	of which: classified as liabilities under applicable accounting standards			-	-
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	486 ods. 3	i	-	-
	Public sector capital injections grandfathered until 1 January 2018	483 ods. 3		-	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	85, 86, 480		-	-
35	of which: instruments issued by subsidiaries subject to phase out	486 ods. 3		-	-
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**xx**	**xx**	**150 000**	**150 000**
Additional Tier 1 (AT1) capital: regulatory adjustments		**xx**	**xx**		
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	52 ods. 1 písm. b), 56 písm. a), 57, 475 ods. 2		-	-
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	56 písm. b), 58, 475 ods. 3		-	-
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	56 písm. c), 59, 60, 79, 475 ods. 4		-	-

Table continues on the following page.

continued **Eur ths.**		**Regulation (EU) No 575/2013 Article reference**	**Reference to reconciliation tables**	**31.12.2017**	**31.3.2018**
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)	56 písm. d), 59, 79, 475 ods. 4		-	-
41	Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (ie. CRR residual amounts)			-	-
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	472, 472 ods. 3 písm. a), 472 ods. 4, 472 ods. 6, 472 ods. 8 písm. a), 472 ods. 9, 472 ods. 10 písm. a), 472 ods. 11 písm. a)		-	-
	of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc			-	-
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	477, 477 ods. 3, 477 ods. 4 písm. a)		-	-
	of which items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc			-	-
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR	467, 468, 481		-	-
	of which: ... possible filter for unrealised losses	467		-	-
	of which: ... possible filter for unrealised gains	468		-	-
	of which: ...	481		-	-
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	56 písm. e)		-	-
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**			-	**-**
44	**Additional Tier 1 (AT1) capital**			**150 000**	**150 000**
45	**Tier 1 capital (T1 = CET1 + AT1)**			**1 252 809**	**1 233 267**
Tier 2 (T2) capital: Instruments and provisions					
46	Capital instruments and the related share premium accounts	62, 63	k	37 877	34 767
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	486 ods. 4		-	-
	Public sector capital injections grandfathered until 1 January 2018	483 ods. 4		-	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	87, 88, 480	l	-	-
49	of which: instruments issued by subsidiaries subject to phase out	486 ods. 4	m	-	-
50	Credit risk adjustments	62 písm. c) a d)		32 389	34 618
51	**Tier 2 (T2) capital before regulatory adjustments**			**70 266**	**69 384**

Table continues on the following page.

continued **Eur ths.**		**Regulation (EU) No 575/2013 Article reference**	**Reference to reconciliation tables**	**31.12.2017**	**31.3.2018**
Tier 2 (T2) capital: regulatory adjustments					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	63 písm. b) bod i), 66 písm. a), 67, 477 ods. 2		-	-
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	66 písm. b), 68, 477 ods. 3		-	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	66 písm. c), články 69, 70, 79, 477 ods. 4		-	-
54a	of which new holdings not subject to transitional arrangements			-	-
54b	of which holdings existing before 1 January 2013 and subject to transitional arrangements			-	-
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	66 písm. d), 69, 79, 477 ods. 4		-	-
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			-	-
56a	Residual amounts deducted from T2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	472, 472 ods. 3 písm. a), 472 ods. 4, 472 ods. 6, 472 ods. 8 písm. a), 472 ods. 9, 472 ods. 10 písm. a), 472 ods. 11 písm. a)		-	-
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc			-	-
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	475, 475 ods. 2 písm. a), 475 ods. 3, 475 ods. 4 písm. a)		-	-
	of which items to be detailed line by line, e.g. reciprocal cross holdings in AT1 instruments, direct holdings of non significant investments in the capital of other financial sector entities, etc			-	-
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	467, 468, 481		-	-
	of which: ... possible filter for unrealised losses	467		-	-
	of which: ... possible filter for unrealised gains	468		-	-
	of which: ...	481		-	-
57	**Total regulatory adjustments to Tier 2 (T2) capital**			**-**	**-**
58	**Tier 2 (T2) capital**			**70 266**	**69 384**
59	**Total capital (TC = T1 + T2)**			**1 323 075**	**1 302 652**
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			-	-
	of which: ... items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)	472, 472 ods. 5, 472 ods. 8 písm. b), 472 ods. 10 písm. b), 472 ods. 11 písm. b)		-	-
	of which: ... items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	475, 475 (2) (b), 475 (2) (c), 475 (4) (b)		-	-

Table continues on the following page.

continued **Eur ths.**		**Regulation (EU) No 575/2013 Article reference**	**Reference to reconciliation tables**	**31.12.2017**	**31.3.2018**
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)	477, 477 ods. 2 písm. b), 477 ods. 2 písm. c), 477 odst. 4 písm. b)		-	-
60	**Total risk-weighted assets**			**7 113 001**	**7 390 859**
Capital ratios and buffers					
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	92 ods. 2 písm. a), 465		16,0%	14,7%
62	Tier 1 (as a percentage of total risk exposure amount)	92 ods. 2 písm. b), 465		18,0%	16,7%
63	Total capital (as a percentage of total risk exposure amount)	92 ods. 2 písm. c)		19,0%	17,6%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	CRD 128, 129, 130		355 337	367 991
65	of which: capital conservation buffer requirement			177 825	184 771
66	of which: countercyclical buffer requirement			35 252	35 402
67	of which: systemic risk buffer requirement			71 130	73 909
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	CRD 131		71 130	73 909
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	CRD 128		11,0%	10,2%
69	[non-relevant in EU regulation]			-	-
70	[non-relevant in EU regulation]			-	-
71	[non-relevant in EU regulation]			-	-
Capital ratios and buffers					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	36 ods. 1 písm. h), 45, 46, 472 ods. 10, 56 písm. c), 59, 60, 475 ods. 4, 66 písm. c), 69, 70, 477 ods. 4		3 059	3 077
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	36 ods. 1 písm. i), 45, 48, 470, 472 ods. 11		23 038	23 044
74	Empty Set in the EU			-	-
75	Deferred tax assets arising from temporary differences (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)	36 ods. 1 písm. c), 38, 48, 470, 472 ods. 5		32 982	49 555
Applicable caps on the inclusion of provisions in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	62		-	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	62		-	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	62		68 165	70 950
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	62		32 389	34 618

Table continues on the following page.

continued **Eur ths.**		**Regulation (EU) No 575/2013 Article reference**	**Reference to reconciliation tables**	**31.12.2017**	**31.3.2018**
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)					
80	Current cap on CET1 instruments subject to phase-out arrangements	484 ods. 3, čl. 486 ods. 2 a 5		-	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	484 ods. 3, 486 ods. 2 a 5		-	-
82	Current cap on AT1 instruments subject to phase out arrangements	484 ods. 4, 486 ods. 3 a 5		-	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	484 ods. 4, 486 ods. 3 a 5		-	-
84	Current cap on T2 instruments subject to phase out arrangements	484 ods. 5, 486 ods. 4 a 5		-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	484 ods. 5, 486 ods. 4 a 5		-	-

39. Events after the reporting period

Since 31 March 2018 up to the date of issue of these interim separate financial statements there were no events identified that would require adjustments or disclosure.

These interim separate financial statements were signed and authorised for issue by the Board of Directors of the Bank on 30 April 2018.

________________________	________________________
Ing. Peter Krutil	Ing. Pavel Cetkovský
Chairman of the Board of Directors and Chief Executive Officer	Member of the Board of Directors and Deputy of Chief Executive Officer

ISSUER

Slovenská sporiteľňa, a.s.

Tomášikova 48

832 37 Bratislava, Slovak Republic

ARRANGER

Erste Group Bank AG

Am Belvedere 1

1100 Vienna, Republic of Austria

ADMINISTRATOR

Slovenská sporiteľňa, a.s.

Tomášikova 48

832 37 Bratislava, Slovak Republic

AUDITOR OF THE ISSUER

PricewaterhouseCoopers Slovensko, s.r.o.

Karadžičova 2

815 32 Bratislava – mestská časť Staré Mesto, Slovak Republic

LEGAL ADVISOR TO THE ISSUER

Allen & Overy Bratislava, s.r.o.

Eurovea Central 1, Pribinova 4

811 09 Bratislava, Slovak Republic