Slovenská sporiteľňa, a. s., Member of Erste Group

Annual Report 2015

SLOVENSKÁ sporiteľňa

Contents

The Company at a glance

Basic information

Registered office: Tomášikova 48
832 37 Bratislava
Slovak Republic
Company reg. no. (IČO): 00151653
Legal form: joint-stock company
Line of business: universal bank

Profile

Slovenská sporiteľňa was established in 1825 as the first savings bank in Slovakia. Today, Slovenská sporiteľňa is the largest commercial bank in Slovakia servicing 2.3 million clients. For a long time it keeps its leadership in total assets, loans, clients' deposits, number of branches and ATMs (more than 780). It offers its complex services via almost 300 branches and 17 commercial centres in Slovakia.

In 2001, Slovenská sporiteľňa became a member of Erste Group, which was founded 1819 as the first Austrian savings bank. Since 1997, it has developed into one of the largest financial services providers in the eastern part of EU, with approximately 46 000 employees serving around 16.5 million clients in around 2 900 branches in 7 countries (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia, Serbia).

Shareholders as at 31.12.2015

Erste Group Bank AG, 100,00 %

Significant participations

Služby SLSP, s.r.o., 100.00%
Realitná spoločnosť Slovenskej sporiteľne, a. s., 100.00% (indirect participation via Služby SLSP, s.r.o.)
Derop B.V., 85.00%
LANED, a.s. 100.00% (indirect participation via Derop B.V.)
Erste Group IT SK, spol. s r.o., 100.00%
Procurement Services SK, spol. s r.o., 51.00%
Slovak Banking Credit Bureau, spol. s r.o., 33.33%
Prvá stavebná sporiteľňa, a. s., 9.98%
Leasing Slovenskej sporiteľne, a. s., 100.00% – On 31 October 2015, the company was dissolved without liquidation; merger with Slovenská sporiteľňa

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www.slsp.sk
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Credit ratings of Slovenská sporiteľňa, a.s. as at 31.12.2015

Fitch Ratings

Long-term Issuer Default Rating	**BBB+**
Short-term Issuer Default Rating	**F2**
Viability rating	**bbb+**
Support rating	**2**
Outlook	**stable**

This annual report has been prepared in accordance with Act no. 431/2002 Coll. on Accounting as later amended and in accordance with Act no. 566/2001 Coll. on Securities and Investment Services and changes and amendments to certain acts as later amended ("Securities Act") as Slovenská sporiteľňa is securities dealer. This annual report substitutes annual financial report as defined in Act no. 429/2002 Coll. on the Stock Exchange as later amended ("Stock Exchange Act") as Slovenská sporiteľňa is issuer of debt securities admitted to trading on a regulated market. Information stated in section "Annexes" includes information required by § 77 (2) b) of Securities Act. This annual report includes statement in accordance with § 34 (2) c) of Stock Exchange Act.

Financial highlights

According to IFRS	31 Dec 2012	31 Dec 2013	31 Dec 2014	31 Dec 2015
Prepared in accordance with the International Financial Reporting Standards	(mil. eur)	(mil. eur)	(mil. eur)	(mil. eur)
Balance sheet total	11 777	11 699	12 969	13 980
Loans and advances to credit institutions	290	80	179	122
Loans and advances to customers*	7 093	7 161	8 086	9 365
Financial assets	3 925	3 731	3 953	3 836
Customer deposits	8 413	9 091	9 666	10 672
Equity	1 205	1 291	1 311	1 539
Net profit	188	185	183	186
Selected ratios	(IN %)	(IN %)	(IN %)	(IN %)
Return on equity	16.9	15.1	14.5	13.8
Return on assets	1.6	1.6	1.5	1.4
Cost income ratio	42.3	42.8	44.5	44.3
Net interest margin	4.2	4.2	4.0	3.7
Loans to deposits ratio	84.3	82.6	83.6	87.8
Capital adequacy	20.1	25.2	19.9	21.9
Tier 1 ratio	16.3	20.8	17.7	20.3
Other figures				
Number of employees	4 210	4 208	4 275	4 205
Number of branches	297	292	292	291
Number of ATMs	773	770	779	790
Number of payment cards	1 261 358	1 327 197	1 390 876	1 402 291

** From 2013, net loans to customers are reported (in 2012 brutto loans)*

Statement by the Chairman of the Board and CEO

Dear partners,

I am certain that it has not escaped your attention that Slovenská sporiteľňa has been achieving excellent results for many years. However, the figures were not in the centre of our attention last year. We focused on raising customer satisfaction and fulfilling customer needs. We wish for people and businesses in Slovakia to fare better. We believe that if our customers are doing well, we too, will prosper. In 2015, we improved several products and services and introduced a number of new ones. These efforts affected our results. We managed to reach slightly higher net profit, alongside growth in loans and deposits. The risk costs remained stable. Their low level is a cornerstone of our future stability.

We will continue in our efforts to improve. Not only in retail business, where we are the leader, but also in corporate banking. We have the largest branch network in Slovakia, but we are working intensively on developing new digital channels as well. We released a new website, thanks to which it is now possible to set up accounts online, without the necessity of a branch visit. We also introduced new features and service improvements for corporate clients, making us the fastest growing bank in corporate banking in the third quarter, as well as the bank with the most satisfied clients. I am, therefore, very pleased that our work was appreciated by juries of prestigious competitions and that we retained the title Bank of the Year, awarded by the internationally renowned journals The Banker and Euromoney, as well as the Slovak weekly business magazine Trend.

It is natural for us that each year we give a part of money back to the society. Similar to previous years, we supported projects to develop financial literacy, sports, culture or social assistance in all regions of Slovakia. Overall, we contributed more than €1.2 million in 2015. We have also founded a unique programme for start-ups and non-profit organisations. The aim of the programme is to provide financing to those who would otherwise face difficulties. In this way, we hope to contribute to reducing unemployment in Slovakia and raising people's living standards. I am pleased that these projects have positive results.

In the coming year, we will continue to strengthen our position of a stable and profitable bank, while focusing still more on meeting clients' needs. Another challenging year lies ahead. We will have to deal with new regulations. Not only competition, but ourselves too, will challenge us. However, we will do our best to always remain as close as possible to our clients. Thank you for your trust. I am looking forward to our cooperation in the future.

Regards,

Štefan Máj

Top management
Board of Directors of Slovenská sporiteľňa, a.s.

ŠTEFAN MÁJ
Chairman of the Board and CEO

Štefan Máj is a graduate of the Management Faculty at the University of Economics in Bratislava. From 1991 to 1995 he worked for Slovenská sporiteľa, first as the head of Property Management Unit, then as general director of the Technology Division, and later as a board member. In 1995, he joined Komerční banka Bratislava, serving as a member of the Board of Directors and Deputy CEO until December 1998, when he returned to Slovenská sporiteľňa to become Deputy CEO. Mr. Máj was a member of the Slovak Finance Ministry's steering group for the restructuring and privatisation of selected banks and restructuring of the financial sector.

Mr. Máj was Deputy Chairman of the Board of Directors and First Deputy CEO of Slovenská sporiteľňa until the end of 2014. With effect from 01 January 2015 he was elected Chairman of the Board of Directors and CEO of Slovenská sporiteľňa. He is responsible for accounting, controlling, balance sheet management, facility, environment and construction, and physical security, and also the staff units: human resources, communication and sponsoring and strategy and quality management. From 01 January 2015 until 28 February 2015 he was temporarily responsible for risk management.

PETER KRUTIL
Deputy Chairman of the Board and the First Deputy CEO

Peter Krutil is a graduate of the Faculty of Management at the University of Economics in Bratislava. He served internships at Creditanstalt Vienna and Creditanstalt London. From 1991 to 1993, he was a securities dealer for VÚB, where he worked on the listing of new companies on the Bratislava Stock Exchange. In 1993, he joined Tatra banka as a dealer in money and capital markets. From 1993 to 1998 he was a managing director and later a member of the Board of Directors at Creditanstalt Securities, o.c.p., a.s., Bratislava. In 1998, Mr Krutil moved to the Slovak Ministry of Economy.

In December 1998 he was elected a member of the Board of Directors of Slovenská sporiteľňa. On 1 April 2015 he took up the position of Deputy Chairman of the Board of Directors and Deputy CEO of Slovenská sporiteľňa. He is responsible for the management of corporate banking and capital markets. From the beginning of 2015 until 14 June 2015 he was temporarily responsible for the management of retail banking.

ZDENĚK ROMÁNEK
Board Member and Deputy CEO

Zdeněk Románek is a graduate of the Charles University and University of Economics, Prague. He got an MBA degree in France at INSEAD Fontainebleau University. He began his professional career in 1999 in the consulting company KPMG in Prague. After a year at the Czech Revitalisation Agency, in 2001 he started working for consulting company McKinsey&Company in several European countries. In 2007 he moved to Česká pojišťovna, a part of the PFF Holding, where he was responsible for the sale, distribution and product management. Since 2013 he was responsible for the retail banking in Air Bank in Czech Republic.

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

BERNHARD SPALT
Board Member and Deputy CEO

Bernhard Spalt is a graduate of the Faculty of Law at the University of Vienna in Austria, with a degree in European Law. He joined Erste during his university studies as a specialist in international law, later as a workout specialist. In 1999, he moved from the position of the Head of Secretariat of Erste Bank to become the Head of Workout Department in Erste Bank ČR in Prague. A year later he was appointed Head of Corporate Restructuring & Workout Department in Česká spořitelna. Within Erste Bank in Austria, from 2002 until 2012, he moved from the position of the Head of Risk Management Division on the group level to the position of the member of the Board of Directors of Erste Group Bank responsible for risk. Since February 2012 he was a member of the Board of Directors and Deputy CEO of Erste Bank Hungary.

He was elected a member of the Board of Directors and Deputy CEO of Slovenská sporiteľňa on 1 March 2015. He is responsible for risk management, legal services, compliance and security.

RICHARD CHOMIST
Board Member and Deputy CEO

Richard Chomist holds a PhD degree in telecommunications from the Slovak University of Technology in Bratislava. For 12 years after graduation he worked in air traffic management in civil aviation where he held various senior positions in the areas of communication networks and AIS systems. During this time period he participated in numerousinternational internships and courses in the UK and Luxembourg. Since 2010, he worked in management positions in Erste Group IT SK, which is the main supplier of IT services for Slovenská sporiteľňa. Since 2012 he was the Head of IT & Operations Division, responsible for infrastructure and operations.

He was elected member of the Board of Directors and Deputy CEO of Slovenská sporiteľňa on 1 April 2015. He is responsible for IT and operations.

Changes in the Board of Directors

Petr Brávek
Board Member and Deputy CEO (until 31 March 2015)

Petr Brávek began his career in banking at Creditanstalt, where he was involved in the implementation of a number of key banking projects. In 2001, he moved to HVB Czech Republic as the member of the Board of Directors responsible for organisation, finance and private banking. From 2005, he served in the Board of Directors of Prague Airport, from where he moved to Česká spořitelna as Head of Organisation Division and CIO in 2007. He came to Slovenská sporiteľňa from the position of Chairman of the Board of Directors and CEO of sIT Solutions Holding in Vienna. There he participated in the important project of IT restructuring in Erste Group.

On 1 April 2012, he became a member of the Board of Directors of Slovenská sporiteľňa. Until March 2015 he was responsible for information technology, organisation, information systems security, central back office retail and payments & settlement.

Supervisory Board of Slovenská sporiteľňa, a.s.

Gernot Mittendorfer
Chairman

Gernot Mittendorfer studied law at the University of Linz. He joined Erste Group in 1990. He has held a number of management positions in Erste group companies in Austria and Czech Republic. He was appointed member of the Board of Directors of Erste Group Bank on January 2011, and since September 2013 he has been the CFO. He has been a member of the Supervisory Board of Slovenská sporiteľňa since 2012.

Heinz Knotzer
Deputy Chairman

Heinz Knotzer has held several management positions in banks in Czech Republic. He began his professional career in Czech Republic in Bank Austria Creditanstalt where he was responsible for corporate banking. Later he joined Erste Bank and after the privatization of Česká spořitelna he started working in Česká spořitelna. In 2004, he was appointed a member of the Board of Directors responsible for corporate banking. Since mid-2007 Heinz Knotzer has been responsible for risk management. Since 1 August 2013 he has been a member of the Board of Directors of Erste Group Immorent, responsible for risk management and finances. He was appointed a member of the Supervisory Board of Slovenská sporiteľňa on 01 October 2015, and on 11 December 2015 he assumed the position of Deputy Chairman.

Jan Homan
Member

Jan Homan studied economics at the University of Economics and Business in Vienna. He gained his banking experience in Chase Manhattan Bank in Frankfurt / New York / Dusseldorf, which he joined in 1972 and later in Bank Société Générale Alsacienne in Vienna. Since 1978 he has held a number of managing positions in international engineering and chemical corporations Sandvik Austria a Sun Chemical in Vienna. Since 1991 he has been the CEO of Constantia Teich Group and since 2004 the Chairman of the Board of Directors of Constantia Flexibles Group. In 2011 he was appointed a member of the Supervisory Board of Constantia Flexibles. He is currently a member of a number of supervisory boards, e.g. Supervisory Board of Erste Bank der österreichischen Sparkassen. He has been a member of the Supervisory Board of Slovenská sporiteľňa since 2012.

Andrea Burgtorf
Member since 11 September 2015

Andrea Burgtorf studied at the WHU - Otto Beisheim School of Management, a privately funded business school based in Vallendar, where she also got her PhD degree in 1995. She joined Deutsche Bank in Frankfurt while she was still at the university. During her twenty-year career at Deutsche Bank she acquired experience in risk management, stress testing and bank regulation. For fifteen years she has held managing positions. Since 2014 she has been the head of the Group Risk Operating Office in Erste Group. She has been a member of the Supervisory Board of Slovenská sporiteľňa since 11 September 2015.

Beatrica Melichárová
Member elected by employees

Beatrica Melichárová graduated from the Faculty of Law of Comenius University in Bratislava. She joined Slovenská sporiteľňa immediately after the graduation in 1981. Since 1987 she has held a number of management positions within the Bratislava branch. In 2002, she assumed the position of the Chairperson of the Trade union organization of Slovenská sporiteľňa. She is a member of the European Employee Council of Erste Bank and a member of its Board; Deputy Chairman of the Trade Union of Finance and Insurance Workers and an active member of the Slovak Trade Union Confederation committees. In 2003, she became a member of the Supervisory Board of Slovenská sporiteľňa elected by the employees for the first time. She was then repeatedly re-elected, the last time on 09 December 2013.

Štefan Šipoš
Member elected by employees

Štefan Šipoš graduated from the Slovak University of Agriculture in Nitra with a degree in Enterprise economics. In 1992, he joined a branch of Slovenská sporiteľňa in Michalovce. Since 1999 he has held a number of managing positions, including branch director and since 2002 he has been a regional director in Košice. On 24 June 2011 he was elected a member of the Supervisory Board of Slovenská sporiteľňa as a representative of employees.

Slovak economy in 2015

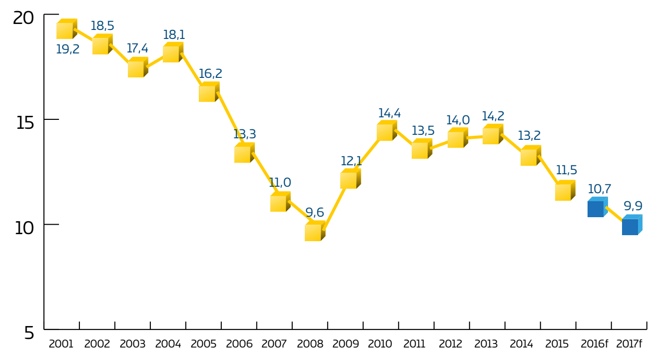
- **Economic growth shifted up a gear**
- **Labour market improvement continued**
- **Deflation persisted in 2015**
- **Eurozone growth accelerated**
- **ECB loosened monetary policy even further**
- **Outlook for 2016 remains favourable**
- **Fiscal deficit remains below 3% of GDP**

Economic growth accelerated and labour market improved further in 2015

Last year was rather favourable for the Slovak economy. Economic growth shifted up a gear and labour market marked a significant improvement, mainly due to strong employment growth. Real GDP growth reached 3.6% in 2015, surpassing 2014 growth by 1.1 percentage points. Domestic demand – consisting of investment, household consumption and government expenditure – was the sole driver of growth last year. Faster EU funds absorption from the previous programming period (2007-2013) substantially contributed to the dynamic growth of investment and thus also to the overall economic growth.

Households benefited from higher disposable income, which was also reflected in real household consumption growth that reached 2.3% % last year. Unemployment rate decreased gradually throughout the year and averaged 11.5%, which is 1.7 percentage points lower than in 2014. Dynamic growth of employment and higher real wages contributed not only to consumption growth but were also reflected in increased savings.

Unemployment rate development



Deflation deepened slightly in 2015

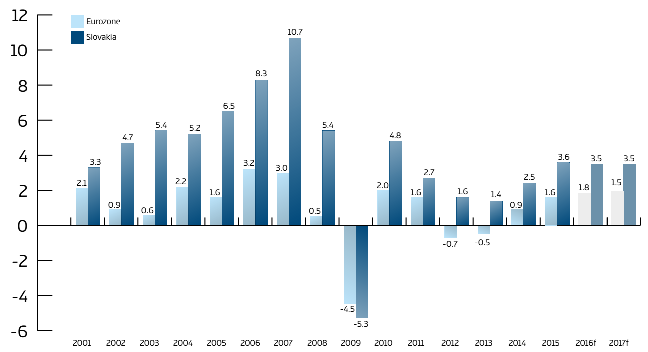
Consumer prices have been falling for over two years already. Deflation deepened somewhat in 2015, with consumer prices decreasing by 0.3% on average. Falling oil prices, and the ensuing lower energy and fuel prices, have been the main drag on inflation in Slovakia as well as in the rest of the Eurozone. Inflationary pressures that could compensate for the falling oil prices remain largely absent. We therefore expect only a small and gradual increase in consumer prices in 2016.

Eurozone growth gathered some speed

Eurozone managed to get out of recession in 2014. In 2015, growth in the Euro Area gathered some speed. Germany, Euro Area's main economic engine, marked its highest growth rate in the last 4 years, reaching 1.7% in 2015. Italy escaped from recession, and economic growth in Spain and Portugal accelerated. With the exception of Greece, the situation of the southern periphery marked an improvement. The Greek economy suffered from prolonged negotiations of the third aid programme, leading to early elections and introduction of capital controls in the country.

Unemployment rate continued to decrease, ending the year at 10.5% in December 2015. Even though the Eurozone unemployment rate has not yet reached its pre-crisis level, it is gradually getting closer to it.

GDP growth



ECB relaxed its monetary policy even further

Monetary policy of the European Central Bank (ECB) remains very accommodative. The central bank's interest rates are at record lows, with the main refinancing rate at 0.05% and the marginal lending facility rate at 0.3%. The ECB's December meeting lowered the deposit rate by 0.1pp to -0.3% while leaving the other rates unchanged. Furthermore, the ECB included government bonds and bonds of eligible European institutions in its asset-purchase programme in March 2015, embarking on full quantitative easing. The monthly volume of the extended asset-purchase programme should average EUR 60bn and the programme is expected to run at least until March 2017. As a result of that, the ECB's balance sheet should increase by about € 1.4tn. We expect the key refinancing rate to remain unchanged at least until mid-2017. Further lowering of the deposit rate cannot be ruled out, if worsening of the inflation outlook should warrant it. Overall, the low interest rate environment in the Euro Area should persist in 2016.

Favourable outlook for 2016

We expect a similar pace of economic growth in 2016 – GDP growth could average 3.5% in 2015. Domestic demand should remain the main driver of growth; however, net foreign trade should also contribute positively after two years of lukewarm performance. Investment is likely to take a second place to consumption in 2016, as EU funds absorption returns to lower levels. The new Jaguar Land Rover investment may partially compensate for the tail off in EU funds absorption. Labour market improvement should continue in 2016, as well. We expect the unemployment rate to decrease even further, averaging 10.7%.

There are some risks the Slovak economy may face in 2016, mainly the slowdown of the Chinese economy and its repercussions on global economic growth (especially our main trading partners). Furthermore, geopolitical tensions and potential fragility of the Eurozone growth remain as negative risks, too. On the other hand, a positive risk stems from the continuing low prices of oil. Slovakia is an oil-importing country and cheaper oil thus translates into lower production costs.

Public finance deficit remains below 3% of GDP

Fiscal deficit reached 2.8% of GDP at the end of 2014 and a similar result is likely to have been the case in 2015, too (2.7% of GDP). Deficit did not improve much despite better tax collection, resulting from improved macroeconomic situation and increased tax efficiency (mainly VAT), as expenditure was higher. The budgeted fiscal deficit for 2016 is lower, at 1.9% of GDP (approx. €1.56bn). However, as 2016 is an election year, the possibility of a slightly higher deficit remains.

Management report on the Bank's activities in 2015
Data taken from the consolidated financial statements

REVIEW OF FINANCIAL RESULTS

- **In 2015, Slovenská sporiteľňa achieved a consolidated net profit of €185.1 million, representing €3 million growth against a year earlier**
- **Slight profit growth despite low interest rate environment confirms the positive trend from previous years**
- **Balance sheet increased by 7.8% to €14.0 billion in 2015, mainly due to the increased lending to customers as well as deposits from customers**
- **Lending to customers rose by 16% while the volume of customer deposits rose by 10% in 2015**
- **Loan-to-deposit ratio at 87.8% confirms the stable position in liquidity and financing, and creates the potential for continued growth in the future**
- **Cost-income ratio improved slightly from 44.5% in 2014 to 44.3% in 2015, mostly due to growth in operating income**
- **Operating income grew by €3 million to €605 million**
- **Net interest income grew by €5 million against a year earlier, in particular due to increased retail and corporate lending**
- **Higher lending volumes helped to offset the fall in net interest margin and partially to eliminate the effect of low interest rates**
- **Fee & commission income fell by €2 million against a year earlier, in particular due to changes in reward system on current accounts and debit cards, as well as due to the fall in income from card fees and lower income for securities management**
- **In 2015, general operating expenses remained almost unchanged, largely thanks to the fall in the Deposit Protection Fund levy. The Deposit Protection Fund levy was €6.5 million lower against a year earlier; without this effect, operating costs would have risen by 2.4%**
- **Other operating result was positively influenced by €7.9 million fall in the bank levy, due to the reduction in the levy rate**
- **Slight decrease in provisioning mostly due to the favourable development in the Bank's risk profile**

Lending growth continued in 2015

At the end of 2015, total assets of Slovenská sporiteľňa rose to €14.0 billion, representing an 8% year-on year growth (€1 billion). The Bank has reached a market share of 21% based on standalone central bank data. In 2015, the Bank continued in a trend of significant growth in lending to customers, accompanied by strengthening of market shares. Lending to customers rose by 16% against 2014 (€1.3 billion), mostly due to retail lending, which also grew by 16% on a year earlier. Loans to corporate clients including the public sector increased by 267 million, to €2.5 billion*. The total volume of loans to customers rose to €9.4 billion, representing more than two thirds of total assets. In 2015, lending to banks fell by €57 million to €122 million.

The securities portfolio totalled €3.7 billion at the end of 2015, representing a fall of more than €100 million over the year. The share of securities held to maturity was approximately 67% of total portfolio. Almost all investments over the course of 2015 were purchases of Slovak government bonds. The credit risk of the overall portfolio is low as government bonds or bonds meeting the ECB eligibility criteria form 96% of the portfolio.

The slight decrease in intangible assets to €87 million was primarily due to depreciation of the banking information system and software. The decrease in the volume of tangible assets was mainly due to gradual depreciation and revaluation or sale of some tangible assets.

Over the year, the volume of total customer deposits increased by 10.4% (by more than €1 billion) to €10.7 billion, in large part thanks to retail deposits, where the Bank recorded growth of 9.6% (€760 million)*. This growth was largely due to increased volumes on current and giro accounts, as well as saving accounts. On the contrary, the Bank recorded a decline on standard term deposits.

Over the course of 2015, the Bank succeeded in raising the volume of deposits from corporate clients and public sector by €236 million to €2.0 billion*. The ratio of net loans to deposits stood at 87.8% at the end of 2015 (compared to 83.6% in 2014). The Bank's liquidity position is stable and supports further growth in lending to customers.

Slovenská sporiteľňa recorded a significant decline in deposits from banks, falling by €356 million to €385 million. This was due to an increase in customer deposits and issued securities. In 2015, the Bank issued debt securities for institutional and retail customers in a total volume of almost €470 million. Of this volume, mortgage bonds represented €310 million, the rest were other bonds and investment certificates. The Bank's equity strengthened over the year to more than €1.5 billion, mainly due to €150 million issue of additional Tier 1 capital and growth in retained earnings.

Fall in net interest margin offset by growth in volumes

Slovenská sporiteľňa's net interest income increased by €5 million (1.1%) against a year earlier to €469 million. The Bank achieved this growth thanks to continuing customer lending growth, as well as lower interest rates on deposit products. Change in the structure of deposit products in favour of current and giro accounts and away from term deposits contributed as well. The Bank achieved slight growth in net interest income despite low interest rates on the market and strong pressure on margins in both new and refinancing loans.

Total interest income fell by €4 million against 2014 to €526 million in 2015. This fall was caused primarily by lower yields on securities, which fell by €6 million against a year earlier. On the contrary, interest income from loans grew by €5 million, despite lower interest margins, to €402 million.

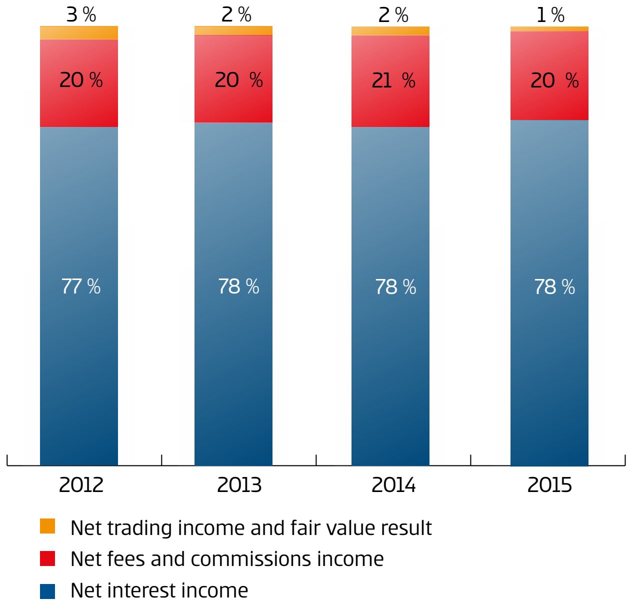
The fall in interest expenses on the liabilities side, by more than €9 million against a year earlier, was in large part attributable to the fall in interest rates on term deposits and savings accounts. A change in the structure of deposits in favour of current and giro accounts also played a role.

In 2015, net interest income to total operating income ratio remained unchanged at 78% even though the net interest margin fell by 28 basis points against 2014 to 3.72% in 2015. The decline in interest margins was brought about by the fall in interest rates on the market, as well as intense competition between banks, particularly in lending.

** Data from internal sources according to business lines.*

The Bank invested most of the surplus liquidity in short-term interbank assets within the Erste Group as well as in the Slovak government bonds. Transparent and responsible pricing policy, growing volumes of loans and deposits, as well as efficient liquidity management create favourable conditions for growth in net interest income in the near future.

Income structure



Fall in fee & commission income

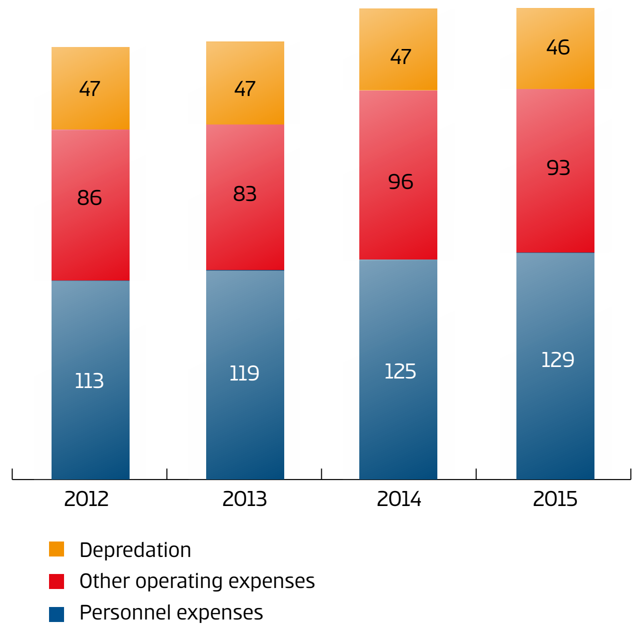
In 2015, net fee & commission income fell by 1.6% year-on-year to €121.4 million. The fall in fees was primarily due to the changes in customer reward system and simultaneous payment of the bonus for card payments. Another reason was a significant fall in card fees and securities management fees. The overall fall in management fees totalled €4.9 million. This fall was partially offset by higher income from documentary business, which rose by €2.1 million against a year earlier. Over the year, the Bank also saw a fall in penalty fees, which fell by €2.6 million against a year earlier. Other fee income rose by €1.2 million, thanks to higher income from Poisťovňa SLSP (insurance) and Asset Management Slovenskej sporiteľne. The proportion of the net fee & commission income in the Bank's total operating income fell from 21% in 2014 to 20% in 2015.

Net trading income and net income from revaluation of financial assets and liabilities at fair value fell by €0.8 million to €8.8 million in 2015. This fall was mainly due to lower income from the revaluation of financial assets and liabilities at fair value, which decreased by €0.8 million (mostly Sporo Real Estate Fund). In 2015, income from revaluation created a loss of €250 000. Net trading income at €8 million was the same as in 2014.

Operating expenses benefited from lower Deposit Protection Fund levy

In 2015, general operating expenses were almost unchanged at €267.6 million (€267.8 million in 2014). The main reason was the fall in contribution to the Deposit Protection Fund, which fell by €6.5 million to €2.4 million in 2015. Without this effect, operating expenses would have risen by 2.4% due to higher payroll costs. The €3.7 million (3% y/y) increase in payroll costs reflected positive business results, as well as the increased volume and number of transactions with customers. Payments for group services within Erste Group totalled €2.5 million (compared to €2 million in 2014).

General operating expenses

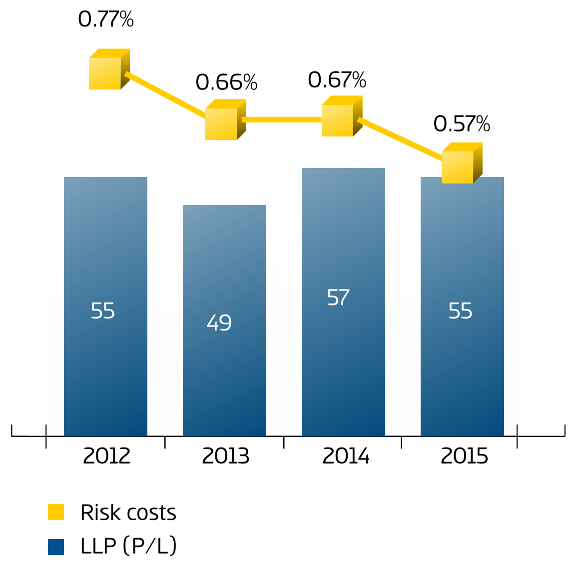


The other operating result was influenced positively by the fall in the bank levy by €7.9 million. In 2015, Slovenská sporiteľňa contributed €23.6 million while in 2014 it was €31.5 million. In 2014, the cumulative levy for the whole banking sector reached the second limit defined in the law, thus the levy rate was reduced from 0.4% to 0.2% of the basis from 1 January 2015. On the contrary, other operating result was affected negatively by the newly introduced resolution fund levy where bank contributed €7.3 million in 2015 (no contribution in 2014). The need for provisions for buildings also fell against 2014, by €3.6 million.

Stable development of risk costs

In 2015, risk costs of Slovenská sporiteľňa stood at 0.57%, slightly lower compared to 2014. Despite 15% growth of loan portfolio, net provisioning at €55 million was 4% lower than in 2014. In 2015, the risk costs fell due to improved risk profile in both the retail and corporate segment. On the contrary, provisioning was high in the real-estate sector (at €19.5 million) as several customers with large credit exposures defaulted over the course of the year.

Net provisioning and risk costs



Return on equity reached almost 14%

In 2015, consolidated net profit of the Bank grew slightly by €3 million to €185.1 million. The main reasons for growth were higher net interest income and the fall in the bank levy and the Deposit Protection Fund levy. The overall effective income tax rate was 24.7% in 2015, compared to 23.7% in 2014.

In 2015, the operating result grew by €3.3 million (1% y/y) to €337.1 million. Operating income grew slightly against a year earlier, by €3.1 million (0.5%) to €604.7 million, while operating expenses remained almost unchanged at €267.6 million.

In 2015, return on equity stood at 13.8% (compared to 14.5% in 2014).

CUSTOMER CARE AND SERVICE QUALITY

- **·Customer feedback helps improve processes and products**
- **Named Bank of the Year by Trend magazine for the fourth year in a row**

Customer-centric approach

One of the core objectives of Slovenská sporiteľňa is to provide products and services that help meet ordinary needs, simplify life and help customers fulfil their dreams.

In order to better understand clients' needs and expectations, the Bank conducts targeted surveys. These are an important input for the development and adaptation of products and related changes. The Bank strives to constantly improve the quality of services. The personal involvement of the staff helps to achieve this goal. Customer loyalty and satisfaction, as well as the reliability of processing customer requests are among the main indicators monitored by the Bank. They form a performance target for managers and employees alike.

The Bank pays particular attention to solving each customer complaint, analyses the reasons behind the negative experience, and tries to eliminate them as soon as possible. Customer complaints are assigned to a specialised team of the Slovenská sporiteľňa ombudsman, who always tries to find an acceptable solution for both parties.

The Bank actively evaluates feedback received from employees that interact with customers, be it at a branch, via a Client Centre or in a Corporate Centre, as well as on social networks, or elsewhere. The Bank sees this feedback as a valuable source of inspiration on how to improve.

All of the above mentioned activities contributed to excellent results in customer satisfaction and loyalty.

Slovenská sporiteľňa received prestigious awards both at home and abroad

As in previous years, Slovenská sporiteľňa received several major awards from both national and international institutions also in 2015. For the fourth consecutive year, the Bank won the most prestigious banking award in Slovakia – TREND TOP Bank of the Year 2015. Slovenská sporiteľňa won the award with a considerable margin ahead of the competition.

The renowned British magazine The Banker, member of the Financial Times group, named Slovenská sporiteľňa Bank of the Year 2015 in Slovakia for the fourth time in a row. This award is one of the most prized in global banking and is considered an internationally recognised indicator of a bank's health, strength and profitability. At the same time, the Bank was also awarded the title of Best Bank in Slovakia – Awards for Excellence 2015 by the British financial journal Euromoney. The bank received the price for the fifth time.

RETAIL SERVICES

- **Strengthened position in retail lending**
- **The Bank continued to help clients with property valuations and the cadastre**
- **Accounts for free with new loyalty scheme**
- **Almost half of customers with current account saved on savings account linked to it**
- **Customers with Saving for housing program receive best interest rate on mortgage**
- **Combination of term deposits and mutual funds is increasingly attractive**

Slovenská sporiteľňa continued in the successful sale of housing loans

In 2015, Slovenská sporiteľňa successfully financed housing for both new and existing clients. During the year, the Bank provided new housing loans and mortgage loans for young people in a total volume of €1.5 billion, representing a more than 5% growth against 2014. The Bank increased its market share in housing loans to 27.7%.

Approximately half of those who received a housing loan opted for a 5-year interest rate fixation period, while the rest preferred mainly 3-year fixation. In 2015, the average volume of a new loan increased to almost €52 000, up approximately €2 000 compared to a year earlier. The growth in the volume and quantity of housing loans was encouraged by low interest rates and favourable real estate prices.

Obstacle-free mortgage

Over the past year the Bank continued to offer the service presented during its spring campaign as an "Obstacle-Free Mortgage". In case of housing loans and mortgage loans for young people, the Bank paid for property valuation as well as for the application to the cadastre instead of a client, making it possible to save more than €200 per loan. In 2015, Slovenská sporiteľňa was the only bank in Slovakia providing such service free of charge and in such a scope. As a result, clients do not only save money, but the Obstacle-Free Mortgage saves clients' time as well. Moreover, it is transparent as to which steps need to be taken in order to get a mortgage.

The Bank also continued to provide well-established services, such as loan insurance and property insurance as well as the loyalty scheme. Thanks to the loyalty scheme, clients could receive a preferential interest of rate up to 0.7 percentage points lower compared to the standard rate. Almost every new housing loan was provided with a discount for remitting income in the loyalty scheme, and almost a third of loans received a discount thanks to loan insurance.

Consumer lending up

In 2015, Slovenská sporiteľňa provided consumer loans worth more than €1 billion, more than 20% more compared to 2014. Similar to the housing loans, the average size of a new consumer loan also increased in 2015.

Almost every new loan was provided with a discount under the loyalty scheme for remitting income, while a further discount for insurance was provided in almost three quarters of loans. Thanks to the loyalty scheme, clients could benefit from an interest rate up to 2 percentage points lower compared to standard rate. Last year, the Bank financed clients up to the age of 73, with a loan insurance possibility. Financing of this group of clients is rare in Slovakia.

In order to meet clients' expectations when it comes to new loans, Slovenská sporiteľňa supported alternative sales channels to provide a quality product or service without a necessity of a branch visit. In addition to this, the Bank also approached several thousand clients with pilot offers, in order to satisfy needs of selected clients with quick small loans that could serve as a reserve ahead of a payday.

The Bank also optimised processes for consolidating loans from other banks, whereby clients were able to obtain funds more quickly and easily than in 2014.

Last year, clients could be granted a Consumer Loan for Anything from €300 up to €30 000 at branch without specifying the purpose and without any collateral. This made loans accessible to a wider group of people, since the maximum loan was €25 000 in 2014.

Since the end of October 2015, a media campaign for Štedrá pôžička consumer loans has been under way. Clients were able to receive up to €300 more. The extra money was interest-free alongside an unchanged instalment and maturity period.

The Bank also simplified the process of filing a loan application. In branches, clients can now choose whether they want to sign a paper application or to sign on an electronic display unit.

New loyalty scheme

The most successful daily banking product of Slovenská sporiteľňa's is the Personal Account. Výhodný súčet loyalty scheme, which underwent some changes in 2015, contributes significantly to its popularity. In order for Personal Account to be for free, it is now sufficient to pay for purchases by debit or credit card, use standing orders or direct debits and have regular saving set up. Unlike most of the competition, Slovenská sporiteľňa does not make the discount conditional upon remitting income.

Besides the free account, there are also other benefits. Odmena+ scheme offers additional rewards for clients who use payment cards at partner merchants. More than 30 merchants, mostly market leaders, are involved in the scheme. The reward can be up to 10% of the purchase value and also increasingly popular contactless payments are eligible.

All generations save at Slovenská sporiteľňa

Slovaks are savers by tradition, and 2015 was no exception. Almost a half of clients with Personal Accounts also had savings set up with a preferential interest rate as a part of Lepšie úroky scheme. Clients also saved via investment savings scheme Šikovné investičné sporenie, where part of their money accrued interest at a preferential interest rate at the Bank, while the other part was invested in mutual funds.

Since September, clients could also save for new housing or housing reconstruction under favourable terms. Saving for housing is a new scheme which after two years of regular saving enables the client to obtain a mortgage at the best possible interest rate in an amount up to 10 times the savings, and up to 90% of the property value. Moreover, the client receives a preferential savings interest rate for one year. In addition to regular saving, clients can increase their savings by extra contribution once per year, thus accumulating funds more quickly. The volume of funds on all savings accounts rose by more than €200 million against a year earlier and reached €1.3 billion.

Slovenská sporiteľňa does not omit the children. In September, the Bank started offering children's savings books at a preferential interest rate. Moreover, accident insurance is also offered under favourable terms with the savings book. The offer has been taken up by quarter of clients since September 2015. During the autumn campaign, the sale of children's savings books was supported by an illustrated book of children's stories from renowned Slovak authors.

Term deposits with investment in mutual funds

Combined products bringing together term deposits with investment in mutual funds are also sought after. The Bank, together with Asset Management Slovenská sporiteľňa, has been offering these for several years now. They are attractive for clients who do not want to touch the money for a certain time period and who have also decided to invest in mutual funds. More than 13 000 customers set up this product last year and total investments in this product reached almost €175 million.

Steady growth of customers and assets under management at Erste Private Banking

The volume of the portfolio managed by private banking of Slovenská sporiteľňa - Erste Private Banking grew by 14% in 2015. For managing their portfolio, Erste Private Banking clients can use a professional tool – Actively Managed Portfolio. Currently, €95 million are under its management.

Suitable complements to Erste Private Banking clients' portfolio are investment certificates, i.e. short-term financial instruments with an attractive yield for the investor. In 2015, Erste Private Banking offered clients an opportunity to participate in several issues of investment certificates. The largest interest was in investment certificates with underlying assets, e.g. ČEZ, Statoil, Siemens, the Eurostoxx 50 index, or Shell. Erste Private Banking also offered a possibility to invest in a certificate with an underlying asset of the world luxury goods leader LVMH – Moët Hennessy Louis Vuitton.

Third party securities are also a part of Erste Private Banking product range. In November 2015, clients had a unique opportunity to participate in a primary issue of Kofola ČeskoSlovensko shares.

The year was successful for Erste Group Private Banking as marked by "Best Private Bank in Central and Eastern Europe" award from financial journals The Banker and PWM. Este Group Private Banking received it for the second consecutive year.

In 2015, Erste Private Banking began to use electronic channels more. It tries to keep clients up to date via new interactive website as well as electronic newsletters.

Erste Private Banking strives to improve continuously and to reach out to clients with new attractive investment opportunities. In 2015, new investment opportunity was introduced, namely the investment in diamonds.

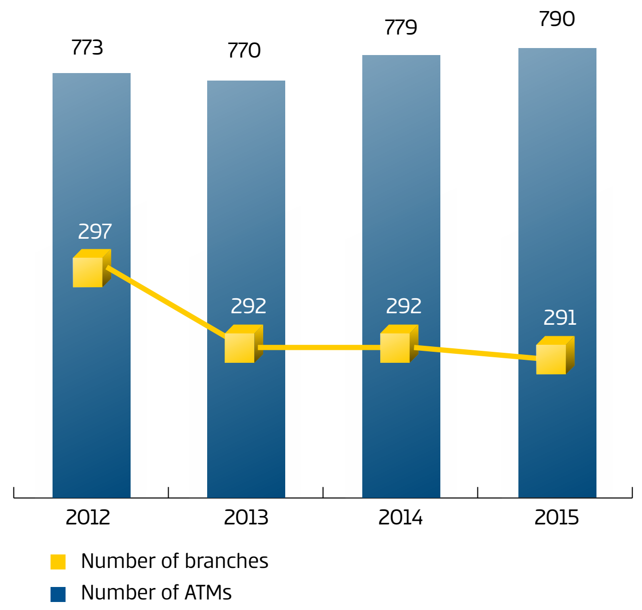
DISTRIBUTION NETWORK

- **The Bank continues to upgrade its branch network**
- **Number of payments at POS terminals rose by almost a quarter**
- **By the year-end all issued payment cards were contactless**
- **Bank released a new website**
- **Slovenská sporiteľňa is the only bank in Slovakia where an account can be set up via the web without a branch visit or courier**
- **Clients are interested in purchasing products via Internet banking**
- **Mobile applications are becoming increasingly popular**

Branch upgrades continue

Slovenská sporiteľňa, with 291 branches and 790 ATMs, has the largest bank distribution network in Slovakia. In 2015, it opened 5 new branches, relocated 5 branches to new premises and upgraded a further 13. As in the previous year, the Bank focused more on upgrading existing branches than on opening new ones also in 2015.

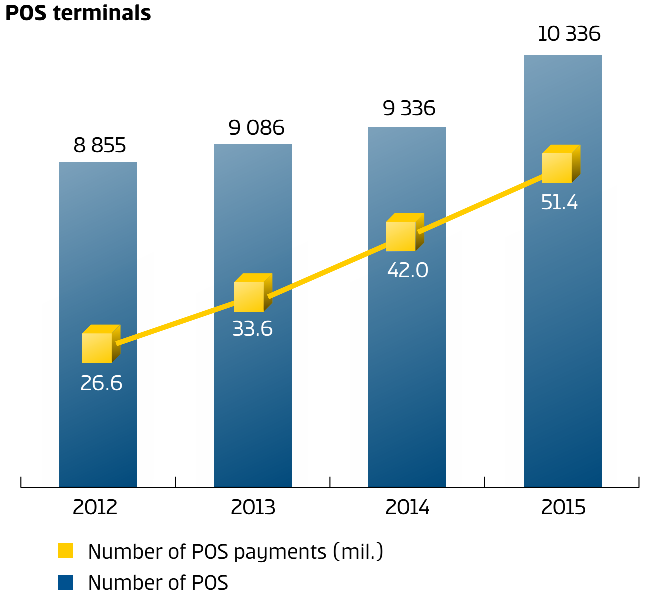
Branches and ATMs



Significant growth in transactions via payment terminals

In 2015, Slovenská sporiteľňa operated 10 336 payment terminals (POS), representing an 11% increase on a year earlier. The number of transactions made via payment terminals rose by almost a quarter to more than 51 million. The volume of payments rose by 13% to more than €1 billion. Clients are increasingly using POS terminals also for small payments. The average transaction fell over the year by €2 to €21. This is in large part due to the fact that almost three quarters of Slovenská sporiteľňa payment terminals now accept contactless cards.

POS terminals



All payment cards are contactless

Customers of Slovenská sporiteľňa held more than 1.42 million cards at the end of 2015. The Bank maintained its market leader position among payment card issuers in Slovakia. Clients made 128 million card transactions, representing 15% growth on a year earlier. The volume of transactions also rose. In 2015, it reached more than €6 billion, up 5% on a year earlier. The Bank continued in issuing contactless cards. By the end of September, all cards issued were contactless, completing the Bank's migration to contactless technology. At the end of 2015, almost every other purchase made by payment card from Slovenská sporiteľňa was contactless.

Automated sale of loans via Internet Banking

Slovenská sporiteľňa continued improving the sale of products and services via electronic banking. In addition to simplifying and clarifying sales processes in Internet Banking, the Bank also focused on seeking more intuitive ways of approaching clients in this channel. In autumn, the Internet Banking loans application process was automated, enabling the number of applications received via this electronic channel to more than double. This confirms that customers of Slovenská sporiteľňa, too, have an appetite for purchasing products and services online, and their trust in electronic channels is growing.

New website with more intuitive and clearer information

In June 2015, Slovenská sporiteľňa launched a new website, presenting visitors with information in a more transparent way so that they can quickly and intuitively find what they need – be it related to housing, saving or everyday banking. The new website has a modern look, is more user-friendly and, thanks to a responsive design, adapts to all screen types, including tablets and smartphones.

Key changes include easier orientation and a more intuitive path to information on products and services. All product sub-pages are listed in the same order, describing core benefits of the product, key figures and other basic parameters. A possibility to request any product or service became a standard. Visitors have several choices. They can choose to visit a branch or make a purchase over the telephone or via Internet Banking. The novelty of 2015 is online sale.

In October 2015, Slovenská sporiteľňa was the first to offer the possibility of setting up an account online. Thanks to a unique solution, applicants do not have to go to a branch or additionally sign a contract via a courier, but can handle everything online on the website. Moreover, the service can be used even by those who are not clients of Slovenská sporiteľňa. An account set up in this way is free of charge for the first three months.

Number of mobile application users almost doubled

In 2015, Slovenská sporiteľňa saw a further increase in the number of clients using electronic banking to 919 000. Over the year, the Bank paid special attention to developing mobile applications and increasing the number of their users. It follows the trend in Slovakia, where the number of smartphone owners has quadrupled over the past three years to reach almost 2 million.

In April, the Bank completely redesigned its applications Accounts and Payments to make the banking simpler and quicker. In addition to changes to the graphics interface, navigation was made easier and more intuitive. Clients can also insert third-party loyalty cards into the application, which can then be used at merchants instead of plastic cards. The Bank decided to continue to support the concept of two mobile banking applications. The passive application Accounts, which provides access to balances and transactions on accounts and loans, and the active application Payments, in which payment orders can be made.

In 2015, the number of clients using mobile applications almost doubled to more than 100 000 users.

Communication with clients via alternative channels

As in previous year, clients of Slovenská sporiteľňa could communicate with the Bank via the alternative channels SporoChat, SporoCall and Skype also in 2015. In this way, the Bank seeks to accommodate clients' preferences and to save them time and money.

PAYMENTS AND TRANSACTIONS

- **Implementation of SEPA rules continues**
- **Faster transfers within the Erste Group**

Final stage of transition to SEPA

Slovenská sporiteľňa successfully implemented equal conditions for euro payments to other EU countries already in the past. Thus, in 2015 the Bank focused on changes concerning the end of transitional period for using accounts in the old BBAN format and replacing it with the new international IBAN format in all bank products and services. The aim was to ensure ease-of-use for clients. The Bank also worked on the cancelling of requirement to enter the BIC (SWIFT code) for SEPA payments from February 2016.

Introduction of the new Fast Intragroup Transfer (FIT 2.0) for euro transfers

The Bank extended the deadline for placing urgent transfers. Instead of the original time 12:00, clients were able to enter urgent international payments by 13:00, and urgent domestic payments by 14:30 in 2015. From 1 February 2016, deadlines will be harmonised at 14:30.

When a client places a standard domestic or cross-border euro-denominated payment to a bank of the Erste Group within the deadline for urgent transfers, the order is executed on the side of both the payer and payee in the course of the same business day for a standard fee. This is a major competitive advantage in euro-denominated intra-group payments between accounts of clients held at different banks of Erste Group.

ATM machines accepting euro banknote deposits

Slovenská sporiteľňa was the first bank in Slovakia to introduce ATM machines allowing the deposit of euro banknotes. The deposits are automatically credited to the client's account. Four such ATM machines are available so far.

CORPORATE BANKING

- **Further strengthening of market shares**
- **Participation in almost all major transactions in the market**
- **Transaction banking helps to strengthen position of main bank for corporate clients**

Corporate banking reaffirmed its strong position

In 2015, Slovenská sporiteľňa continued in strengthening its market position in corporate banking. The market share in loans to corporates and municipalities increased by 1 percentage point to 13%. On the deposits side, market share increased as well, albeit less pronouncedly, by 50 basis points to 13%. This was largely due to products and services provided by the Bank's new global transaction banking division.

In 2015, Slovenská sporiteľňa was involved in almost all major transactions in the Slovak banking market and at the same time it increased its profitability coming from transaction products and services for corporate clients.

As a part of the Bank's ongoing internal efficiency programme (SCOBA), Slovenská sporiteľňa focused on streamlining of internal processes and simplifying products and services for corporate clients.

In 2015, the Bank successfully implemented several important projects:

- New business accounts based on client needs, not company size
- New electronic banking service Business 24 available with new accounts. The service provides user convenience, based on a modern technology platform ensuring high security and availability. It allows access to the Bank without requiring installation by clients. Business 24 gives a comprehensive overview of client accounts and allows the entry not just of simple payments, but also the processing of files with a large number of transactions
- The Bank streamlined the lending process for both existing and new clients
- A newly-implemented electronic CRM platform simplifies the administration of all corporate segments and internal sales procedures, and facilitates sales management

Strengthened market position in the SME segment

Slovenská sporiteľňa considers small and medium-sized enterprises (SME) with an annual turnover of €1 million – €75 million to be important clients for the Bank. This segment is served through the Bank's eight corporate centres throughout Slovakia's regions.

In 2015, the Bank enjoyed another successful year in the SME segment. Slovenská sporiteľňa continued in steps toward achieving its objective of being the "Bank of first choice for corporate clients". Thanks to its business policy, the number of active clients grew, resulting in annual growth in income from loans, deposits and revenues from transaction banking.

The number of SME clients increased to 4 240. In 2015, loans to the SME segment increased by almost 15% year-on-year to €921 million, while assets under management rose to €433 million. The growth in the loan portfolio reflects the increased business activity of existing SME clients, as well as successful client acquisition and fulfilment of their financing needs.

Besides financing, the Bank also focused on transaction activities which led to an improved client satisfaction with the overall solution for their business activities as well as to an increase in revenue from transaction business. An important element contributing to increased transaction activities and revenue was support from the side of the new global transaction banking division.

Position in the large corporate clients segment reaffirmed

In 2015, Slovenská sporiteľňa reaffirmed its position in large corporates segment. Thanks to its active business policy, the Bank was involved in most of the important structured and syndicated loan transactions. Lending increased by 16% against a year earlier.

The Bank proactively offered transaction banking products, particularly factoring, and significantly increased its activity in club and syndicated financing.

In 2015, Slovenská sporiteľňa served more than 300 large corporate clients.

The Bank improved its market position due to larger volumes and numbers of payment transactions, alongside with the growth in term deposits. Additional part of revenues came from other transaction banking products and services, which helped improve lending and non-lending revenues.

Over the course of the past year, the Bank also focused on expanding services provided to corporate clients in other countries in which the Erste Group operates.

Stable volume of real estate financing

The Bank's approach to real estate financing remains conservative. The reason for higher volume of new lending was the market recovery and increased business opportunities. The volume of the loan portfolio remained stable mostly due to extra instalment payments and early repayments of loans.

In 2015, the Bank signed new loan agreements mostly for office space in Bratislava, residential and logistics premises, as well as commercial space around Slovakia.

Stable and strategic partner for the public sector

In 2015, Slovenská sporiteľňa was again, an important strategic partner for clients from public and non-profit sectors, maintaining a high market share in this segment. Lending rose by 8.5% against a year earlier to reach €523 million. Assets under management also increased substantially, to €215 million.

The Bank continued in close cooperation with the Association of Towns and Communities of Slovakia representing more than 95% of towns and villages in Slovakia, as well as with other professional organisations. Bank representatives regularly attend meetings of working groups with the aim of raising mutual awareness and knowledge concerning legal awareness, economic relations and risk prevention at local and municipal authorities. There is also a close cooperation with professional organisations of towns and villages, such as the Association of Communal Economists, the Association of Municipal Finance Officers, Association of Heads of Local Government Authorities and Association of Principal Controllers of the SR.

Global solutions for corporate clients

In 2015, the new global transaction banking department came into full operation. The mission of the department is to provide existing clients with complete solutions for financing of operating and investment needs though the most suitable products and also to design solutions for cash flow optimisation and appreciation of available funds on accounts.

Revenues from transaction banking grew by more than 13% against a year earlier. The Banks' advantage is the regional representation of transaction bankers which enables flexible and professional service.

Successful year also in the financial institutions segment

Slovenská sporiteľňa confirmed its strong position in the financial institutions segment by a successful placement of several issues of debt securities, be it government, corporate or banking, from both the Slovak and European markets.

An increased orientation on counter derivatives is notable as evidenced by almost double turnover in this asset class compared to a year ago.

The Bank has successfully started cooperation in transaction banking with new financial institutions clients. In 2015, Bank fared well also in securities administration and custody services, recording 8% growth of securities under custody.

FINANCIAL MARKETS

- **Bank issued almost €0.5 billion of debt securities**

A successful year in issuing debt securities

In 2015, Slovenská sporiteľňa was again successful in new debt securities issuance, both in the total volume issued and in the financing terms agreed. The Bank also introduced new innovative products. Over the past year, the Bank issued debt securities for institutional and retail clients totalling almost €470 million. Mortgage bonds accounted for approximately two thirds of this volume. Slovenská sporiteľňa also actively participated as a lead manager in a syndicated 12-year government bonds issue in the total volume of €1.5 billion, and also a 5-year bonds issue for property development company HB Reavis, in a total volume of €40 million.

RISK MANAGEMENT

- **Fall in the share of non-performing loans from 6.3% to 5.6% in 2015**
- **The fall was mostly due to favourable development in retail, where the share of non-performing loans decreased to 4.5%**
- **Capital adequacy increased from 19.9% to 21.9% in 2015**

Risk management principles

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

The Bank's objective in the area of risk management is to be able to identify all important risks to which it is exposed, accurately estimate their possible adverse impact and to have procedures in place to effectively manage to control them. Risk management is governed by the following basic principles:

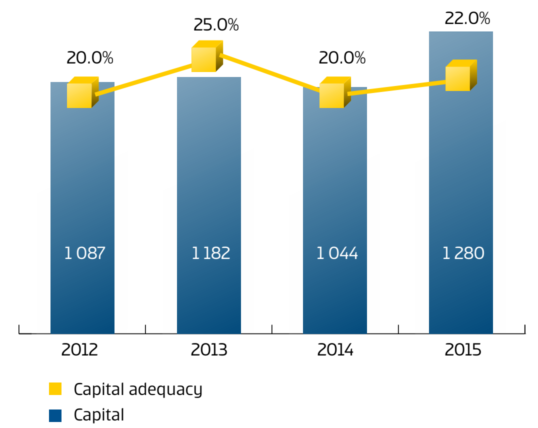
- prudent approach to risk, emphasising long-term sustainability,
- risk management is independent of business lines to the greatest possible degree, it is centralised and has sufficient resources and powers to fulfil its roles,
- risk management is integrated; the overall risk profile reflects linkages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

In 2015, the Bank redefined its binding Risk Appetite Statement, which is a set of indicators determining the Bank's target risk profile. This document was one of the defining starting points in creating the Bank's strategic business plan.

Increased capital base

The Bank's consolidated capital adequacy increased from 19.9% in 2014 to 21.9% in 2015. The key reason was an increase of capital. Throughout the year, the Bank fulfilled the ECB's requirement to maintain capital adequacy of at least 9.5%. The results of the stress testing exercise that the Bank conducted confirmed its financial stability and sufficient capital adequacy even in case of severely stressful scenario.

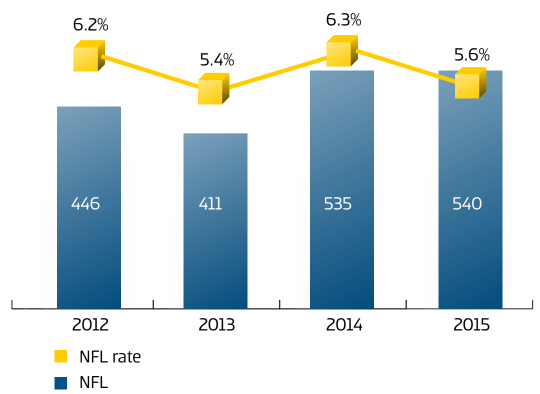
Capital adequacy



A significant drop in the share of non-performing loans

The Bank recorded a decrease in the share of non-performing loans from 6.3% in 2014 to 5.6% in 2015. This fall was due to a combination of the Bank's prudent lending policy, prevention, improved collection efficiency, and regular write-offs, as well as the sale of non-performing loans in 2015. Due to these positive trends in non-performing loans, particularly in retail, the Bank also reported a slight fall in provisioning from €57.4 million in 2014 to €55.0 million in 2015.

Non-performing loans



Note: The increase in the share of non-performing loans in 2014 was a result of change in the reporting of non-performing loans (definition in line with EBA guidance)

Substantial fall in non-performing loans in retail

The share of non-performing loans in retail fell from 5.3% in 2014 to 4.5% in 2015, confirming the improving quality of the retail portfolio.

In 2014, the Bank adopted a new methodology for reporting non-performing loans. It moved from a product-based approach to a more conservative client-based approach. According to the client-based approach, if a client has at least one loan product that is overdue more than 90 days, or shows other signs of default, then all client's loans are considered as non-performing, including those being repaid on time. For this reason, the indicators containing non-performing loans may not be comparable with periods prior to 2014. The reporting change was introduced as part of the harmonisation process within the Erste Group.

In 2015, there was a fall in the volume of non-performing retail loans over 90 days past due, which was a result of improvements in efficiency in the collection of claims by outsourcing (including claims secured by real estate), the use of voluntary auctions, favourable development in recovery achieved and the continuing sale of non-performing retail claims.

Focus on low-risk groups

In 2015, similar to previous year, a substantial part of the growth of the loan portfolio came from the Bank's own clients. Here, Slovenská sporiteľňa used the advantage of its strong position in retail banking in Slovakia. Moreover, the Bank knows its clients well and is thus able to assess their risk profile more precisely.

Loans secured by real estate drove the overall loan portfolio growth. This portfolio is, in terms of retail, the most important, and the Bank therefore carefully tests its sensitivity to system risks. Another important contribution to growth in the credit portfolio came from consumer loans. The growth was to a large degree affected by the ongoing market consolidation and by the Bank's appropriate reaction to current market trends. In consumer loans, the share of own customers in newly-granted loans is greater than in the case of loans secured by real estate.

Quicker property valuations

The Bank continued in developing contractual collaboration with valuation experts. It focused on the quality of the valuation and on streamlining of procedures. For contracted valuation experts, the Bank organised certification trainings and extended the Internet application used for exchanging electronic documentation for evaluating mortgaged property. The Bank made the application available also for the corporate segment, which significantly improved and accelerated the lending process.

In terms of internal processes, the most significant change was the preparation of a new statistical model for property price revaluation.

Slight fall in the share of non-performing corporate loans

In corporate banking, the share of investment-grade loans increased slightly. This was due to improved loan quality and higher volume of new loans.

For each segment the Bank adjusted the basic lending principles and policies. An important role is played by the Early Warning System, which is a subject to continuous improvement. The main objective is to identify a potential problem at its outset, thus enabling a timely response. Attention was focused on prevention and work with the standard portfolio.

Despite the adverse development in non-performing loans in the real estate financing segment, the improved financial situation of clients in the corporate segment translated into a fall in the share of non-performing corporate loans from 8.8% in 2014 to 8.5% in 2015. In 2015, Slovenská sporiteľňa maintained almost stable volume of non-performing loans. The number of clients overdue was stable at a 5% limit, and only 2% of clients in the standard portfolio were more than 1 day in arrears.

Following the successful automation of the lending process in retail, the Bank continued in this activity also in corporate segment. The aim is to constantly increase the level of automation and thereby also the quality and speed of the lending process. The Bank also continued in strengthening processes and in monitoring commercial property, so as to increase the admissibility of this type of collateral. Slovenská sporiteľňa implemented a comprehensive Collateral + Loss database in order to ensure the full integrity of all data collected.

Slovenská sporiteľňa is planning to continue in the steps already begun. The Bank puts an emphasis on prevention, continuing good work with the non-performing portfolio, workflow configuration and on expert specialisation.

HUMAN RESOURCES

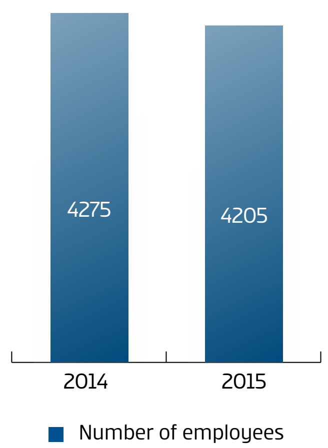
- **Implementation of new values supported by a series of workshops**
- **Two thirds of new managers from within the Bank, aided by a successful programme for potential managers**
- **The Banks supports volunteering of its employees**
- **The Bank introduced a sabbatical for managers**

The Bank implemented new values

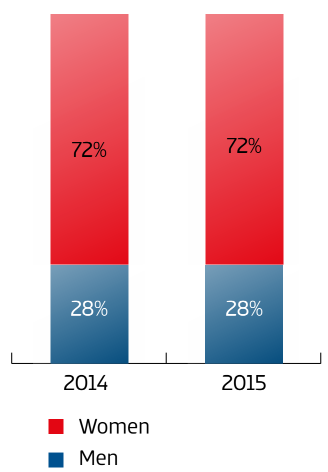
The main priority in human resources in 2015 was the implementation of new values of the Bank. Human resources, together with internal communication and top management, shaped the further development of corporate culture at Slovenská sporiteľňa. A survey among managers regarding the Bank's values led to an implementation of specific projects based on the survey results. Furthermore, a survey of employees' engagement was also conducted. A high level of participation, at 78.5%, indicates that employees care about what happens at the Bank.

Employees are the most important element in fulfilling the Bank's vision and meeting customers' needs. Qualified, engaged and committed staff motivated to achieve excellent performance, is a competitive advantage. Therefore, the Bank creates favourable working conditions, a friendly environment with open communication and opportunities for further development.

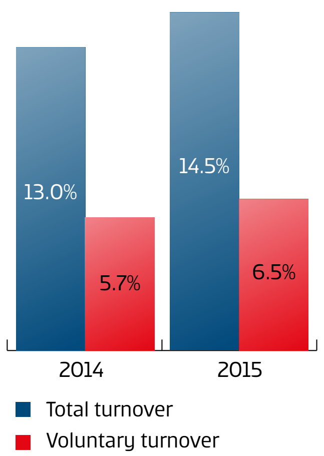
Number of employees



Average number of men and women



Turnover



The average age of employees rose from 40.3 years in 2014 to 40.6 years in 2015. The average length of employment increased from 11.8 years in 2014 to 12.1 years in 2015.

Two thirds of new managers appointed from within the Bank

In 2015, two thirds of managerial posts were filled by internal candidates from among Slovenská sporiteľňa staff. The share was the same as in 2014. Managerial staff comprised of 56.3% women and 43.7% men. This represents a 0.7 percentage point decrease in share of women.

Successful workshops with Daniel Hevier

Besides professional topics, development of personal and managerial skills is also supported. Employees can attend training in person but also a broad range of e-learning courses is available.

Slovenská sporiteľňa works with the so called "talented employees". For several years, the Bank has been running a development programme for potential managers. Both headquarters and retail network employees can participate. Around 75% of trainees completing the programme become managers at the Bank. Typically, one programme is run each year. Due to the high demand for graduates, two parallel groups were running in 2015. The Bank also benefits from its membership in the Erste Group and involves potential managers in group development activities.

Several successful projects continued in 2015, such as the Evening of Inspiration, intended for managers, as well as projects open to all staff, e.g. HydePark, where interesting guests are invited, or Coffee with the chairman of the board of directors for newly recruited employees. Workshops on the Bank's values, run by Daniel Hevier, have been very successful. They were organised for employees in all regions, as well as for the headquarters. Based on excellent feedback, a final workshop was also organised for top management.

Based on suggestions from the branch network, the adaptation training for new employees – Inspirational Training – was redesigned to focus fully on client needs. Employees who have been working at the Bank for a longer time attended company-wide training. The focus of the training was improving the service quality for private and corporate clients, and on the sale of deposit and loan products. The training in which staff invests time and energy should make sense and be beneficial not only for the staff, but ultimately for clients, too.

Sabbaticals and support for volunteering

In 2015, Slovenská sporiteľňa introduced a new feature for Bank managers who have been working there for several years, a sabbatical. A sabbatical is a paid leave intended to help managers to clear their minds. Managers can opt for sabbatical ranging between 1 to 6 months with several possible ways to do so.

Slovenská sporiteľňa cares about what happens outside of the Bank. It wants the values to make sense both internally within the organisation as well as outwardly towards the society. And not just towards the clients, but also towards those on the fringe of society. For the first time, employees had the opportunity to dedicate one working day to volunteer work. They have helped in various areas, such as working with disabled people, at crisis centres for mothers and children, on the restoration of cultural monuments and cleaning of tourist sites. In total, 308 employees volunteered in 2015.

At the end of 2015, the human resources division modified its approach to internal clients and introduced HR Business Partnering. The aim of the change was to be closer to business, to deal with needs more quickly and efficiently, to better identify talent and development needs, etc. This was also accompanied by changes in processes.

Compliance with EU legislation

Slovenská sporiteľňa transposed into its internal regulations the relevant provisions of the Directive of the European Parliament and of the Council on approach to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, i.e. CRD IV. The remuneration system takes into account the risk management system, business strategy and long-term objectives of the Bank. The remuneration principles reflect the risk profile of the company as well as the measures to avoid conflicts of interest.

Corporate Governance Report

CODE OF CORPORATE GOVERNANCE

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

Over the course of 2015, Slovenská sporiteľňa complied with all Group Governance Policy rules, as well as the applicable principles of the Governance Code.

The Bank has in place a Global Compliance Code, representing for Slovenská sporiteľňa and its staff a set of ethical standards, principles and binding rules. The responsibility of the Bank and its employees toward clients, as well as mutually between the Bank and its staff is the basis for strict compliance with the adopted rules and standards of the Global Compliance Code. The Bank applies a policy of zero tolerance to any violation of this code. The Global Compliance Code is designed according to European Union requirements for harmonising legislation and unifies the internal standards of Slovenská sporiteľňa with the internal standards of the Erste Group. The Global Compliance Code is also a practical guide on how to apply statutory provisions in day-to-day contact with information that could alter the behaviour of market entities. It is furthermore a point of reference for preventing or resolving conflicts of interest between the Bank, its staff, management and customers. Its configuration, implementation and compliance were verified by the highest supervisory authority in Slovakia – the National Bank of Slovakia in its role as the banking supervisor. Pursuant to requirements for raising the level of corporate culture, particularly in securities trading, the Bank consistently applies measures under the European Commission Directive on markets in financial instruments (MiFID) for strengthening consumer protection in using investment instruments.

RELEVANT INFORMATION REGARDING MANAGEMENT AND ORGANISATION OF THE COMPANY

The management structure of Slovenská sporiteľňa, as well as that of its parent company – Erste Group Bank, comprises a Supervisory Board and Board of Directors. The Supervisory Board is the Bank's supreme supervisory body. It supervises the activities of the Board of Directors and the implementation of the Bank's business activities. It regularly informs the General Assembly of its activity. The Board of Directors is the Bank's statutory body, managing its activity and acting on its behalf. It decides on all matters of the Bank not reserved under generally binding legal regulations or the Bank's Articles of Association for the General Assembly or Supervisory Board.

The basic and fundamental rules of the Bank's operation and existence are set out in the Slovenská sporiteľňa Articles of Association (the "Articles"). Any changes to the Articles must be approved by the General Assembly. In addition to mandatory requirements under the provisions of the Commercial Code no. 513/1991 and Act no. 483/2001 Coll. on banks (the "Banks Act") applicable to every joint-stock company, the Articles govern the Bank's organisation and system of management, relations and cooperation between the statutory body, Supervisory Board, the Bank's officers, internal audit unit and the Bank's committees. The Bank, in addition to those activities set out in the Articles and registered in the Commercial Register, may, following approval by the National Bank of Slovakia, also perform activities other than banking, related to the operations of the Bank and companies belonging to the consolidated and sub-consolidated Erste Group Bank AG. These activities, in accordance with the Banks Act, are not recorded in the Commercial Register.

The organisational structure, basic principles of the Company's organisational arrangement, responsibilities, activities and roles of the Company's organisational units are described in the Slovenská sporiteľňa Organisational Code. The Organisational Code is defined in accordance with the Commercial Code, Banks Act, Securities Act, the Articles and other generally binding legal regulations, and is binding for all Company employees.

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

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

Slovenská sporiteľňa does not have any foreign units and does not perform banking activity outside the Slovak Republic.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal control system

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

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

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

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

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

The Bank's employees are responsible for their work and are governed by the principles of the internal control system. They perform their work in accordance with applicable laws and the Company's internal guidelines. Moreover, they comply with competences related to the approval and authorization for their work. Internal control is a part of their work and responsibilities. The results of each inspection are documented and the responsible employees oversee the removal of any shortcomings found. They supervise the implementation of recommendations as well.

An independent component of the internal control system is the Internal Audit Division, which reports directly to the Bank's Supervisory Board. The CEO is responsible for its establishment and functioning. Internal Audit is fully independent from all Banks' activities. The independence is reflected in all stages of its work, particularly during identification and analysis of risks, the planning and preparation of audits, including the selection of review and evaluation methods, drafting and submission of audit reports, evaluation and follow-up of measures taken based on the audit findings. In accordance with applicable legislation, internal audit review and evaluation are also applied to outsourced and insourced activities, to the implementation of and compliance with remuneration principles, information systems security, etc. Approval of the internal audit strategy and inspections plan lies in the competence of the Supervisory Board, following prior consultation at the Supervisory Board Audit Committee. The Audit Committee also approves the Internal Audit Statute and monitors and evaluates the efficiency of Internal Audit Division.

The Bank pays particular attention to measures for protecting the Bank against money laundering and terrorism financing. The Bank established an independent Compliance & Security unit. The unit is in charge of monitoring compliance of the Bank's internal regulations with the legal regulations of regulatory bodies, and identifying and dealing with fraud, including the application of preventive mechanisms, in accordance with sanction policies and measures. Slovenská sporiteľňa applies a principle of zero tolerance of corrupt conduct and ensures compliance with and monitoring of this. The Bank consistently applies the guideline on the reporting and investigation of antisocial activities, including the establishment of an independent and anonymous means for reporting of corrupt or antisocial conductavailable 24 hours a day.

Risk Management System

Slovenská sporiteľňa has, in accordance with applicable Slovak legislation, a risk management system in place, which is based on clearly defined risk management strategy, Bank's risk appetite and the Bank's ethical values. The Bank has a designated person on the Board of Directors, responsible for risk management. Within its competence, the Board of Directors has established a Risk Management Committee, responsible for compliance with and monitoring of the effectiveness of the risk management system, periodic review of its effectiveness and adequacy. Effectiveness of risk management is subject to oversight by the Supervisory Board, or the Supervisory Board Audit Committee. Within its organisational structure, the Bank has trading and investment activities strictly separated from risk management. Organisational units for strategic risk management, corporate credit risk management, retail credit risk management, workout and compliance & security report to the member of the Board of Directors responsible for risk management.

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

The primary objective of the Bank's in risk management is to achieve a sustainable ability to identify all significant risks to which it is exposed, to evaluate and quantify the potential impact of risks on the value of the Bank's assets and to have in place policies and internal regulations enabling efficient risk management. For each identified risk, the Bank has a description of the process for managing it. The effectiveness and adequacy of the risk management system in place is, in the framework of the adopted strategy, reviewed upon each major change in the risk management process, or in any risk-related activity, though at least once a year. In accordance with statutory and regulatory provisions, the Bank both continuously evaluates and maintains its ability to bear risk in the changing economic and market environment in which it operates.

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

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

The rules for the appointment and dismissal of members of the Company's bodies are set out in the Slovenská sporiteľňa Articles, approved by the Shareholders' General Assembly, pursuant to the Commercial Code. In order to ensure the effectiveness of the Supervisory Board's monitoring and supervisory function, the election and dismissal of members of the statutory body fall within the competence of the Supervisory Board. The Supervisory Board appoints members of the Board of Directors subject to the prior approval by the European Central Bank (ECB). As a systematically important bank, Slovenská sporiteľňa falls under ECB's supervision since 1 November 2014. The appointment and dismissal of Supervisory Board members, other than representatives elected and dismissed by employees, lie in the authority of the General Assembly, following prior consent of the European Central Bank and after assessing the independence of the proposed candidates.

Shareholders' General Assembly

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

In 2015, one ordinary General Assembly was held and three decisions of sole shareholder were taken. At the General Assembly, the shareholder approved the annual standalone and consolidated financial statements, the profit distribution, as well as the Company's Annual Report for 2014. In addition, the shareholder also approved the financial statements of Factoring Slovenskej sporiteľne, a. s. for 2014, due to its merger with its parent company, Slovenská sporiteľňa, as at 1.11.2014. The General Assembly approved Ernst & Young Slovakia, s r.o. as the external auditor for auditing the Company's financial statements for 2015. By two decisions of the sole shareholder, exercising an authority of the General Assembly, it approved Andrea Burgtorf and Heinz Knotzer as new members of the Supervisory Board. The third decision of the sole shareholder taken in 2015 was the decision to wind up the 100% subsidiary Leasing Slovenskej sporiteľne, a. s, without liquidation, and its merger with Slovenská sporiteľňa. All information on the General Assembly's activities, its powers, a description of shareholders' rights and the procedure for their application are set out in the Company's Articles of Association, the full text of which is held at the Bank's headquarters and is available on its website. No amendments were made to the Articles during the course of 2015.

Supervisory Board of Slovenská sporiteľňa

The Supervisory Board is the Bank's supreme control body. The Supervisory Board has 6 members. Two thirds of its members are elected by the General Assembly. One third of the Supervisory Board members are elected by employees of the Bank. Each member is appointed for five-year tenure. Membership on the Supervisory of Directors may not be deputised. The Supervisory Board oversees the Board of Directors as well as the Bank's business operations. Meetings are normally held at a quarterly basis. The competences of the Supervisory Board include supervising compliance with generally binding legal regulations, compliance with the Bank's Articles of Association and the General Assembly's decisions, examining the Bank's financial statements and proposals for profit distribution or settlement of losses. The Supervisory Board regularly examines the report on the state of the Bank's business and balance of its assets, the Bank's risk management position and the report on the remuneration system. It submits its opinions, recommendations and proposals for decisions to the General Assembly and Board of Directors, and assesses information from the Board of Directors regarding the Bank's principal business objectives. It pre-approves the establishment of legal entities by the Bank, the appointment of the Internal Audit Division Director, elects members of the Board of Directors and, its Chairman. The Supervisory Board informs the General Assembly of its activities, by way of regular reports. The Supervisory Board may establish committees and set the scope of their activities.

Composition of the Supervisory Board and terms of office

Supervisory Board member	Year of birth	Date of first election	End of term
Gernot Mittendorfer (chairman)	1964	23.3.2012	23.3.2017
Heinz Knotzer (Deputy chairman)	1960	1.10.2015	1.10.2020
Jan Homan	1947	4.5.2012	4.5.2017
Andrea Burgtorf	1966	11.9.2015	11.9.2020
Beatrica Melichárová*	1957	19.12.2013	19.12.2018
Štefan Šipoš*	1961	24.6.2011	24.6.2016

**Supervisory Board member elected by employees*

Committees and advisory bodies of the Supervisory Board

In accordance with statutory and regulatory provisions and corporate governance rules, the following Supervisory Board committees operate within the Bank.

Audit Committee

The Audit Committee oversees the financial reporting process, the effectiveness of the internal control system (including IT security), compliance with statutory requirements, the effectiveness of risk management and internal audit activities. Moreover, it analyses recommendations made by external and internal auditors. Based on a proposal by the Board of Directors, it recommends an external auditor for the Company to the General Assembly. In accordance with applicable legal regulations, the committee has an independent member with professional experience in accounting and audit. As a rule, the audit committee convenes quarterly.

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

Remuneration Committee
The Remuneration Committee is established under the provisions of Act no. 493/2001 on banks, determining the rules for prudent management of banks and stockbrokers. The committee independently assesses the remuneration principles of selected categories of Bank employees. It focuses primarily on the mechanism for balancing all risks, liquidity and capital, and on compliance with the remuneration system, with the aim of achieving long-term prudent management of the Company. Implementation of the remuneration principles is subject to annual inspection by Internal Audit.

Nomination Committee
This committee was established by the Supervisory Board as an advisory body to fulfil its responsibilities related to the nomination of new members of the Bank's Board of Directors. It was established in accordance with Directive of the European Parliament CRD IV..

Board of Directors of Slovenská sporiteľňa

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

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

Composition of the Board of Directors and terms of office

The Board of Directors of Slovenská sporiteľňa has five members. The term of office of members of the Board of Directors is, in accordance with the Company's Articles, five years. In 2015, the Board had the following composition:

Member of the Board of Directors	Year of birth	Date of first election	End of term
Štefan Máj (Chairman)	1952	21.12.1998	2.1.2016 *
Peter Krutil (deputy chairman)	1968	17.12.1998	2.1.2016 *
Zdeněk Románek	1976	15.6.2015	15.6.2020
Bernhard Spalt	1968	1.3.2015	1.3.2020
Richard Chomist	1974	1.4.2015	1.4.2020
Petr Brávek	1961	1.4.2012	31.3.2015 **

** On 11 December 2015 the Supervisory Board of Slovenská sporiteľňa reconfirmed Štefan Máj and Peter Krutil as members of the Board of Directors for a further five year period until 3 January 2021. The nomination of both candidates was made after a prior approval from the European Central Bank.*

*** Petr Brávek served as a member of the Board of Directors until 31 January 2015. He resigned from theposition, due to his appointment as member of the Board of Directors at Erste Group Bank AG.*

Competences and responsibilities of members of the Board of Directors

Member of the Board of Directors	Responsibilities
Štefan Máj (Chairman)	Strategy & Quality Management, Human Resources, Communication & Sponsoring, Accounting & Controlling, Balance Sheet Management, Facilities, Environment & Construction, Physical Security
Peter Krutil (deputy chairman)	Large Corporate Clients, Public & Non--Profit Sector, Global Transaction Banking, Real Estate Financing & Project Financing, Corporate Centres, Corporate Banking Management & Development, Treasury
Zdeněk Románek	Development of Client Services & Value, Client Centre, Digital Banking & Marketing, Branch Network Management, Private Banking, Social Bank
Bernhard Spalt	Strategic Risk Management, Corporate Credit Risk Management, Retail Credit Risk Management, Compliance & Security, Restructuring & Workout, Legal Services. Appointed, pursuant to the Banks Act, as the person designated for risk management.
Richard Chomist (from 1.4.2015) Petr Brávek (until 31.3.2015)	Payments & Settlement, Central Back Office – Retail, Card Services, IT Architecture, Change Management & Project Management, Financial Management of IT Services. Appointed, pursuant to legislation, as the person responsible for environment.

Committees and advisory bodies of the Board of Directors

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

During 2015, the following committees operated at the Bank:

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

Operating Liquidity Management Committee
The committee's task is to analyse and evaluate the Bank's liquidity position, and where necessary submit proposals to ALCO regarding liquidity management.

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

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

Business Committee
The Committee analyses the business results and adopts measures to ensure that the business plan of the Bank is fulfilled. It ensures the implementation of the marketing strategy of the group, the Bank and its subsidiaries. It approves the annual marketing communication plan as well as individual campaigns; it allocates costs to campaigns and evaluates their effectiveness. It also pays attention to digitisation of the Bank as well as electronic sales channels.

Cost Committee
The committee's role is to make recommendations to the Board of Directors on how to keep costs in line with the business plan. The committee analyses opportunities for cost savings while supporting business activities, monitors the implementation of the cost-saving strategy as well as the responsibility of gestors for budget allocation to the individual Bank units, and keeping costs at or below the level of the business plan. It also considers analyses and comments that could lead to cost optimisation.

Operational Risk & Compliance Committee (ORCO)
The ORCO Committee defines the strategy and processes for operational risk management and sets the degree of acceptability and levels of tolerance for operational risk. It sets measures for reducing or mitigating operating risk, including compliance risk. It defines procedures and strategy for reducing or mitigating money laundering risk. In addition, it defines measures for reducing the number of frauds and for mitigating their impact.

Risk Management Committee
The committee's responsibility is to maintain an effective risk management system, to monitor and implement risk management strategy and procedures pursuant to Article 27 (1) of the Banking Act. Based on regular review of its effectiveness and adequacy, the committee proposes adjustments to the risk management system, taking into account the Bank's ability to bear risk in a changing economic environment. It approves changes to the IRB approach as defined by the NBS, as well as internal models in the risk management process, ICAAP principles, including the RAS (Risk Appetite Statement) methodology and stress testing. The committee provides support and information to the Board of Directors and Supervisory Board in with the context of risk identification, analysis, monitoring reporting and management of risks.

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

Client experience management committee
The committee is tasked with monitoring and evaluating indices and key parameters of customer satisfaction. The committee develops concepts for managing and measuring the quality of the client experience and identifies key problems and areas with a major impact on client's experience. Moreover, it regularly monitors their development and proposes specific measures for raising the quality of services and client's experience/customer satisfaction in line with the Company's strategic objectives.

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

Compliance officer – ensures the fulfilment of tasks in accordance with the programme of Slovenská sporiteľňa's own activity against money laundering and terrorism financing. She reports directly to the member of the Bank's Board of Directors responsible for risk management. In the absence of the Compliance Officer, her responsibilities and competences are taken over by the Deputy Compliance Officer.

Data privacy officer – assesses, prior to the processing of personal data at Slovenská sporiteľňa, whether there is any potential danger of infringement of subjects' rights and freedoms. Responsibilities and competences of the responsible person are detailed in the guideline "Ensuring Personal Data Privacy".

Persons responsible for specific areas in financial intermediation – they monitor compliance with the Act on Financial Intermediation and Financial Advice in deposit taking, lending, insurance and reinsurance.

Person responsible for MiFID – monitors and evaluates the effectiveness of measures and procedures to comply with the Bank's obligations as a securities dealer pursuant to the Securities Act, in providing investment services and related advice.

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

BCM Officer – is responsible for managing the policy and implementation of rules for ensuring operational and business continuity of the Bank.

Chief Risk Management Officer – is responsible for the implementation and monitoring of the effectiveness of risk management system of the Bank.

Consumer Protection Contact Person – coordinates and implements consumer protection requirements into systems, processes and products of the Bank. He also coordinates and implements requirements from consumer protection supervisory bodies.

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

Membership of the statutory body in management and supervisory bodies of other companies is set out in the Banks Act. In 2015, members of the Board of Directors operated in statutory or similar bodies of Slovak companies, or in interest groups in accordance with the Banks Act, as follows:

Member of the Board of Directors	Area of operation
Štefan Máj (Chairman)	Member of the presidium of the Slovak Banking Association, deputy chairman of the Deposit Protection Fund, chairman of supervisory boards of LANED and Realitná spoločnosť Slovenskej sporiteľne, chairman of the board of trustees of Slovenská sporiteľňa Foundation and chairman of the non-profit civic association Včelí dom, executive of Procurement Services SK, member of the advisory committee to Erste Group IT SK, member of the supervisory board of Leasing Slovenskej sporiteľne (until 31.10.2015)
Peter Krutil (deputy chairman)	Member of the board of trustees of Slovenská sporiteľňa Foundation, chairman of the supervisory board of Leasing Slovenskej sporiteľne (until 31.10.2015)
Zdeněk Románek	Member of the Supervisory Board of Realitná spoločnosti Slovenskej sporiteľne (since 1.12.2015)
Bernhard Spalt	Member of the Presidium of the Slovakia--Austrian Chamber of Commerce, member of the Supervisory Board of Leasing Slovenskej sporiteľne (from 31.3.2015 until 31.10.2015)
Richard Chomist	Member of the advisory committee to Erste Group IT SK (Chairman since 1.12.2015), member of the supervisory board of Slovenská sporiteľňa foundation

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

The remuneration policy for members of the Board of Directors and selected categories of employees is based on the Banks Act and directives of the European Parliament and Council concerning supervision over remuneration principles in banks, i.e. CRD IV. The policy takes into account principles and requirements of EU legislation for reducing the risk resulting from the motivation of persons who could have a significant impact on a Bank's activities and risks. Rules for remuneration of specific groups of employees adopted by the Bank are drawn up with regard to the Bank's activity, the Bank's risk profile and the significance of the impact of individual categories of employees on the risk profile. Members of the statutory body were, based on evaluation of qualitative and quantitative criteria, identified as persons having a significant impact on the risk profile of the Bank. The basic principles of remuneration for members of the Board of Directors, as identified persons, is approved by the Supervisory Board's committee for remuneration, which also monitors compliance with these principles. Implementation of remuneration principles is subject to annual review by the Internal Audit Division of Slovenská sporiteľňa.

In accordance with statutory requirements and rules adopted by the Erste Group, remuneration is divided into 2 parts – fixed and variable. Variable component of the wage may reach at most 100% of the fixed wage component. Slovenská sporiteľňa has two different arrangements for paying remuneration to members of the Board of Directors. In the first arrangement, a 3-year deferment is applied to 60% of the awarded variable remuneration component (i.e. the deferred part) in the form of investment securities, or certificates. 40% of the awarded variable remuneration component is divided into two equal parts, one of which is payable in cash and the other in the form of investment certificates maturing after one year. In the second arrangement, the 3-year deferment in the form of certificates is applied to 40% of the variable remuneration component and the 60% component is divided into two equal parts. One of which is payable in cash and the other in the form of investment securities maturing after one year. Payment of the variable part of remuneration is subject to predetermined criteria; the method of payment depends on the total amount of remuneration.

Activities of the Board of Directors in 2015

In 2015, the Board of Directors had 50 meetings. The Board of Directors regularly discussed the Bank's financial results. It dealt with control activity and security policy obligations either by considering reports drawn up by the Company's internal auditor by discussing reports on compliance and evaluation of the programme of own activity against money laundering and terrorism financing. Particular attention was paid to risk management, credit portfolio analyses, as well as monitoring of customer behaviour in order to protect shareholders' and clients' funds. In order to streamline workflows, the Board of Directors also decided on changes to the Company's organisational structure and approved projects and programmes aimed at change management with IT support. Changes in the legislative environment and regulatory requirements were reflected in decisions concerning consumer protection, business conditions and product policy. Moreover, the programme of own activity against money laundering and terrorism financing was updated and environmental protection policy was adopted.

SHAREHOLDER RIGHTS AND SHARE CAPITAL STRUCTURE

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

As at 31.12.2015, a qualified participation of 100% in the Bank's share capital was held by Erste Group Bank AG, Graben 21, 1010 Vienna, Austria. On 15 April 2015, based on the shareholder's decision, in order to simplify the Erste Group's shareholder structure, a transfer of 100% of the Bank's shares was made from the existing shareholder EGB Ceps Holding GmbH, which is a 100% subsidiary of EGB Ceps Beteiligungen GmbH, registered office Graben 21, 1010 Vienna, Austria to the current sole shareholder Erste Group Bank AG. The number of votes pertaining to the sole shareholder is 212 000. On 9 January 2016, the registered address of sole shareholder changed from Graben 21, 1100 Vienna, Austria to new address Am Belvedere 1, 1100 Vienna, Austria.

The Company applies principles of equal treatment of shareholders in a manner appropriate to the fact that the Bank has a sole shareholder. The voting rights of the sole shareholder are not limited, and the management of Slovenská sporiteľňa is not aware of the existence of any agreement that could restrict transferability of securities or restrict voting rights. As at the date of writing this report, Slovenská sporiteľňa has not issued any employee shares or shares with special control rights. In 2015, Slovenská sporiteľňa did not acquire any own shares, interim shares or participating interests or shares; nor did it acquire any interim shares or participating interests in its parent accounting entity pursuant to Article 22 of the Accounting Act. Any decision to increase or decrease the Bank's share capital, to issue or redeem shares lies in the direct responsibility of the General Assembly. The shareholder is entitled to participate at the General Assembly, to vote, to make proposals and to request information and explanations concerning the Company's affairs, or the affairs of entities controlled by the Company that relate to the subject of discussion of the General Assembly. The shareholder also has the right to a share in the Company's profit (dividend), which the General Assembly determines for distribution according to the Company's profit. Shareholder also has the right todecide on the payment of royalties for members of the Supervisory Board in the proposal for profit distribution. In accordance with the Company's Articles, the shareholder has the right to appoint and to dismiss members of the Supervisory Board, other than those elected by employees. The Bank provides regular information to the shareholder in annual, half yearly and quarterly reports submitted to the regulatory authority so that the shareholder is sufficiently informed about the Company's state and the state of its investment.

The Company is not aware of any significant agreements to which the Bank is a contracting party and which take effect, are amended or cease to be valid because of the change in control of the Bank, which occurred in connection with a takeover bid.

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

Slovenská sporiteľňa does not finance any in-house research and development. In 2015, the Bank created and adopted environmental policy. The specific programmes for environmental protection and for minimising negative impact on the environment are in line with standard STN EN ISO 14001:2005.

RIGHTS OF STAKEHOLDERS, INFORMATION DISLOSURE AND TRANSPARENCY

As the largest bank in the Slovak financial market, Slovenska sporitelna fully recognises the importance and degree of social responsibility that it has. A long-term interest of Slovenská sporiteľňa, which is reflected in its strategy and values, is that of delivering benefit to clients, the shareholder, employees and society as a whole. The Bank prepares both financial as well as business plans with all of these stakeholders in mind. The fundamental principles of effective and responsible corporate governance, as well as principles of transparency and information disclosure, are applied at all levels, both towards its shareholder, as well as clients and staff. The Bank strictly observes compliance with legal regulations, corporate governance principles and regularly provides all important information on its business, financial and operating results, and other important events to the shareholder and investors of the parent company. It informs its clients and the public about financial results and strategic priorities via press conferences and press releases, which are also available on the Bank's website. All information is prepared and disclosed in accordance with standards of accounting and disclosure of financial and non-financial information. Employees are kept informed about the Bank's strategy and results at regular meetings, regional conferences, conferences, by means of internal communication channels, training programmes and management personnel. Staff may exercise their right to information also via their deputies on the Supervisory Board.

The Bank has in place a Global Compliance Code, representing for Slovenská sporiteľňa and its staff a set of ethical standards, principles and binding rules. The responsibility of the Bank and its employees toward clients, as well as mutually between the Bank and its staff is the basis for strict compliance with the adopted rules and standards of the Global Compliance Code. The Bank applies a policy of zero tolerance to any violation of this code. The Global Compliance Code is designed according to European Union requirements for harmonising legislation and unifies the internal standards of Slovenská sporiteľňa with the internal standards of the Erste Group. The Global Compliance Code is also a practical guide on how to apply statutory provisions in day-to-day contact with information that could alter the behaviour of market entities. It is furthermore a point of reference for preventing or resolving conflicts of interest between the Bank, its staff, management and customers. Its configuration, implementation and compliance were verified by the highest supervisory authority in Slovakia – the National Bank of Slovakia in its role as the banking supervisor. Pursuant to requirements for raising the level of corporate culture, particularly in securities trading, the Bank consistently applies measures under the European Commission Directive on markets in financial instruments (MiFID) for strengthening consumer protection in using investment instruments.

One of the key documents strengthening customer protection in banking environment is the Code of Ethics. It is a set of ethical rules that represents the Bank's commitment to provide high quality financial services to its customers while respecting the principles of fair and transparent business. The Code of Ethics is published on the website of the Bank among the electronic information books.

The Bank ensures strict adherence to the basic principles of good governance by facilitating participation of stakeholders in the process of governance. Relevant information is made available to all stakeholders (shareholder, staff, customers and the regulator) via several communication channels, either on the Bank's website or via regular reports. Customers have a direct access to an independent ombudsman, a dedicated person who deals with their submissions or complaints on an individual basis. There is also an appointed person within the Bank, with a discreet telephone line and e-mail address, where employees can direct their complaints, proposals and initiatives outside of the established workflow, or hierarchy. The Bank acts towards related parties in accordance with the law. The approval of transactions with related parties is set aside for the Board of Directors; in case of the statutory body being related parties, the approval falls to the Supervisory Board.

Corporate Social Responsibility

- **In 2015, the Bank allocated almost €1.2 million through direct support and projects of the Slovenská sporiteľňa Foundation**
- **The main areas of support were financial education, culture and disadvantaged citizens**
- **The Bank supports employee volunteering**
- **The Bank continued in the Social Bank project**
- **Slovenská sporiteľňa was awarded an environmental management certificate**

The Bank continued to support financial education, culture and disadvantaged citizens

In 2015, Slovenská sporiteľňa continued in pursuing a strategy of responsible business based on the Bank's values. Slovenská sporiteľňa's corporate social responsibility policy is founded primarily on building long-term partnerships in areas that the Bank considers to be strategic from the perspective of its operation, impact or results achieved. Building on the traditional values of the Erste Group, the Bank often engages employees and the community in decision-making processes.

Through allocating almost €1.2 million via direct support and projects of the Slovenská sporiteľňa Foundation, Slovenská sporiteľňa ranked among the largest corporate donors in Slovakia again in 2015.

The Bank's support focused on several key areas.

Financial education is one of the most important areas of the Bank's support. Slovenská sporiteľňa perceives its responsibility in this area as natural resulting from its leading position in the banking market.

The successful project "Know your Money" continued in its sixth year in 2015. The project, conducted in collaboration with the Foundation for Children of Slovakia, focuses on developing financial literacy among children and students. A series of university lectures "Idea Transformed to Success" and the Students Business Prize developed together with Junior Chamber International continued as well. Slovenská sporiteľňa also supported the second year of the educational project "Teach for Slovakia", which focuses on keeping the most talented university graduates in Slovakia. In 2015, the Bank also supported the pilot year of the Duke of Edinburgh's International Award, which is another prestigious international educational project. The Bank sponsored start-up entrepreneurs via the Social Impact Award.

An equally important area of support is **culture**. The Bank perceives it as a tool that can convey positive emotions. Therefore, Slovenská sporiteľňa continued in its support of the leading Slovak theatre groups: Studio L+S, Andrej Bagar Theatre in Nitra, Slovak Chamber Theatre in Martin. Slovenská sporiteľňa also continued in its support of notable music festivals – Viva Musica, Bratislava Jazz Days and the festival Pohoda.

The Bank paid attention also to **disadvantaged citizens** by continuing in long-term cooperation with the café Radnička, which employs mentally disabled people, and the café Dobré a Dobre, which provides work for homeless people.

Slovenská sporiteľňa also supports a **sound civil society**. The Bank has done so by participating in the Fund for a transparent Slovakia, via a partnership in the international fundraising conference and through support of the prestigious awards "Journalist Award" and "Court Ruling of the Year".

Own grant programmes of Slovenská sporiteľňa Foundation totalling €235 000

A separate chapter is formed by **grant programmes of the Slovenská sporiteľňa Foundation**. In 2015, five programmes were implemented, allocating a total of €235 000.

In the fifth year of the grant programme **"Football is the Game!"** the Foundation supported projects to develop non-professional youth football clubs in Slovakia. Thanks to the money provided, clubs renovated locker rooms, purchased technical and sports equipment. A new feature in 2015 was the online public vote, in which more than 110 000 people participated.

In 2015, community projects were supported via the grant programme **"Municipalities Closer to You"**. Through this programme, 17 regional culture, heritage protection and environmental protection projects were supported in 2015.

In 2015, employees who support a project could gain support also from the Slovenská sporiteľňa Foundation via a grant programme **"Euro k euru"**. The Bank supported the best 58 projects. The selection criteria included votes by employees. A new feature was that besides financial support, employees could also support the project through paid volunteering.

Two smaller grant programmes were devoted to education. University students could again help their university by means of the programme **"Support a School with an Idea"**. Selected teams of **disabled athletes** received support via a specialised grant.

For six years now, Slovenská sporiteľňa Foundation has been supporting the **construction of multifunctional sports playgrounds** at schools throughout Slovakia via its grant programme. In 2015, two new playgrounds, in Bardejov and Ružomberok, in a total value of €100 000 were added to the existing 22 playgrounds.

Bank seeks to help groups having difficult access to bank services

In 2015, Slovenská sporiteľňa continued to develop the "Social Bank". Its aim is to provide banking services, financial education and advice to groups who would otherwise not have access to them. The Bank focused on start-up entrepreneurs, profit organisations and low-income groups. Slovenská sporiteľňa thus wants to contribute to solving social problems such as poverty, low financial literacy or obstacles for start-up entrepreneurs. The Bank wants activities to have the greatest possible impact, to be sustainable and, from the bank's perspective, without profit or loss.

Slovenská sporiteľňa wants to make it easier for entrepreneurs to set up their businesses and to create an economically sustainable model that would provide work for the entrepreneur and possibly for others as well. The Bank supports start-up entrepreneurs by providing them training, banking services including financing, which would otherwise be difficult for them to obtain, as well as mentoring. The Bank believes that advice for start-up entrepreneurs significantly raises the possibility of their success in business.

In 2015, the Bank financed a variety of projects throughout Slovakia via loan products for start-ups, for example a car service centre, IT services and grocery stores. The offer of training was taken up by more than 100 people. The Bank helped some start-up owners with business, in other cases it did not recommend continuing in their business plan. Some entrepreneurs were convinced that it is better to improve the efficiency of existing activities than expand their business into new areas.

Besides support for start-up entrepreneurs, Slovenská sporiteľňa focuses also on non-profit organisations, to which it also offers training, bank services including financing and mentoring. It wants to support their growth, positive impact on society and help them find operating models that are economically sustainable.

In retail segment, the Bank seeks to help people who have loan repayment problems due to objective reasons, i.e. they face difficult life situations such as a death in the family, illness of a partner or children, etc.

The Bank updated its environmental policy

In 2015, Slovenská sporiteľňa adopted an Environmental Policy and updated its Environmental Strategy and Environmental Action Plan. The plan contains more than 60 specific tasks for improving environmental protection in areas such as power consumption, IT, waste handling, external and internal environmental communication, transport, paper consumption, cooperation with non-governmental organisations and the procurement of goods and services.

Two e-learning sessions: "Environmental Protection at the Workplace" and "Environmental Driving" were released for all employees of Slovenská sporiteľňa.

In 2015, the Bank received certification under standard STN EN ISO 14001/2005 – Environmental Management Systems, as the first in the Erste Group. The certificate confirms that Slovenská sporiteľňa upholds the principles of environmental protection.

Outlook for 2016

Objectives for 2016

In 2016, Slovenská sporiteľňa wants to further strengthen its market leader position in retail segment, both in loans and deposits.

Slovenská sporiteľňa would like to become the "Bank of intuitive choice" in retail. The Bank wants to listen to its clients so that it can provide solutions to their needs and be able to fulfil their goals and expectations as they evolve. The Bank is placing ever greater emphasis on digitalisation and, alongside the still-important branch network, has the ambition to make greater use of digital sales and communication channels, so that the banking experience is pleasant for all clients. The Bank wants to turn feedback from clients into business opportunities to introduce new or innovative products. The Bank believes it is important to build a long-term relationship with customers.

Slovenská sporiteľňa is still pursuing the strategy to be the "Bank of first choice" for corporate clients. The continuing adjustment of processes and products, making them simpler and clearer from the customers' perspective, is contributing to strengthening the Bank's position in the corporate segment. The Bank also wants to bring digital solutions to its clients, thus increasing the convenience of banking with Slovenská sporiteľňa.

Slovenská sporiteľňa will continue to place emphasis on efficient cost management whilst considering the related business benefits. The Bank wants to keep its operating cost-income ratio at a low level. Development in the area of loans must be geared to the acceptable rate of risk.

Slovenská sporiteľňa wishes to be a valuable component of the broader Slovak society, contributing to the development and prosperity of its members.

Expected economic and financial situation of Slovenská sporiteľňa

In 2016, Slovenská sporiteľňa expects growth in the total balance sheet, mainly due to an increase in transactions with clients, both in loans provided as well as deposits received. The expected overall increase in business with customers should contribute to market share growth and thereby strengthen the Bank's position in the domestic market. The planned growth in lending should be funded mostly through deposits inflow, and partially also through issuance of debt securities. At the end of 2016, the loan-to-deposit ratio is expected in the mid 90ties, confirming the Bank's stable liquidity position. The Bank meets or exceeds by a fair margin all indicators and parameters required by the regulator in terms of capital requirements.

Slovenská sporiteľňa expects to achieve a positive financial result at the end of 2016. It should grow year-on-year, primarily due to increased net interest income and a reduction in provisioning. Net operating income should increase over the year, primarily thanks to growth in net interest income (rising volumes). Income from fees and commissions should fall slightly, due to EU regulation (interchange fee). Development in revenues from trading may be volatile it is affected by many market factors. Slovenská sporiteľňa's efficiency in cost management is confirmed by the cost-income ratio, which is expected to remain at a similar level as in 2015.

The main risks and uncertainties facing Slovenská sporiteľňa derive mainly from legislative changes in the Slovak Republic, the scope of new regulatory measures, and also from credit market conditions, resulting from the strengthening competition in a low interest rate environment.

Statement of responsible persons

The responsible persons of Slovenská sporiteľňa, with its registered office at Tomášikova 48, 832 37 Bratislava, entered in the Commercial Register of District Court Bratislava I, section: Sa, file no.: 601/B, corporate registration no.: 00151653: Ing. Štefan Máj, Chairman of the Board of Directors and CEO, and Ing. Peter Krutil, Member of the Board of Directors and Deputy CEO, to the best of their knowledge hereby declare that the financial statements contained herein give a true and fair representation of assets, liabilities, financial situation and results of Slovenská sporiteľňa and companies consolidated by Slovenská sporitelňa, and that this Corporate Governance Report and Annual Report represent a true and fair view of the development and results of Slovenská sporiteľňa's business operations and position, including the companies included in its consolidation for 2015, together with a description of the key risks and uncertainties it faces.

Supervisory Board Report

In performing its activities, the Supervisory Board of Slovenská sporiteľňa was governed by statutory provisions applicable in the Slovak Republic. It fulfilled tasks arising from the Bank's articles of association, took decisions on matters falling within its competence under the Bank's competence rules, and was governed by the Supervisory Board's internal rules of procedure.

In 2015, there were four regular meetings of the Supervisory Board and nine votes per rollam. The Supervisory Board discussed and adopted a position regarding the standalone and consolidated financial statements, the proposal for profit distribution and the report of the Board of Directors on Business Activities and Assets. During the year, it paid increased attention to monitoring of the Bank's position in risk management and inspection of the security and effectiveness of the risk management system through regular quarterly reports submitted by the Board of Directors. Within its competence, it approved the internal audit strategy and plans. The Board of Directors regularly informed the Supervisory Board of the Bank's business activities, fulfilment of the business plan, balance assets of the company, implementation of the Bank's major projects, participations and other matters related to the company's development. Under the amendment to Act no. 483/2001 Coll. on banks, the Supervisory Board also examined compliance with the remuneration principles.

The Supervisory Board in 2015 made personnel changes in the composition of the Board of Directors. Following acceptance of the resignation of directors Jozef Síkela (Chairman), Tomáš Salomon (board member) and Peter Brávek (board member) in connection with their acceptance of other positions within the Erste Bank Group, Štefan Máj was appointed to the position of Chairman of the Board of Directors and General Manager, effective from 1 January 2015. Over the course of 2015, the Supervisory Board appointed as board members and deputy general directors: Messrs Bernhard Spalt (effective from 1 March 2015), Richard Chomist (effective from 1 April 2015) and Zdeněk Románek (effective from 15 June 2015).

In 2015, the General Assembly elected two new Supervisory Board members: Andrea Burgtorf (effective from 11 September 2015) and Heinz Knotzer (effective from 1 October 2015), who was subsequently elected deputy chairman of the Supervisory Board.

In 2015, the Supervisory Board worked with the support of advisory committees, namely the audit, credit, remuneration and nomination committees.

The Audit committee of the Supervisory Board considered reports concerning internal control, passed a resolution approving an update to the internal audit statute, and made itself familiar with the level of internal audit, which was assessed in accordance with international standards by a specialised external company. The committee discussed the annual financial statements, including the external auditor's opinion, and also the auditor's recommendations listed in the letter to the management. An important part of the agenda are the reports on the Bank's activities related to compliance, fraud and fulfilment of the programme of own activity against money laundering and terrorism financing.

Decisions related to the Bank's lending business were made by the Credit Committee of the Supervisory Board. The decisions were made on an ad hoc basis and in accordance with the Bank's Competence Code.

The Remuneration Committee of the Supervisory Board considered, approved and inspected the remuneration principles for members of the Board of Directors as well as selected categories of employees. The primary focus was on the balancing of all risks related to the remuneration system so as to ensure long-term prudent management of the Company, including its liquidity, capital, etc. It also approved the KPIs of members of the board of directors and their evaluation for the preceding accounting period.

The Nomination committee of the Supervisory Board addresses the personnel responsibilities of the Supervisory Board regarding the nomination of new members of the Bank's Board of Directors.

The Supervisory Board discussed the audit of the consolidated and standalone balance sheet of Slovenská sporiteľňa as well as the related profit and loss statement as at 31 December 2015. The audit was carried out and verified by Ernst & Young Slovakia, spol. s r. o., in accordance with International Financial Reporting Standards as adopted by the EU. It confirmed that the financial statements give a true and fair view of the Bank's financial situation as at 31 December 2015 in all material regards and that it had no objections to them. Consequently, the Supervisory Board recommended the General Assembly to approve the financial statements for 2015, including the proposal for profit distribution for 2015.

Annexes

Disclosure for Own funds and capital 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

for year ended at 31 December 2015

Own funds and capital requirements

Regulatory Scope of Application

In the following Slovenská sporiteľňa, a.s. (SLSP) 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, SLSP Group has been calculating the regulatory capital and the regulatory capital requirements according to Basel 3. The requirements were implemented within the EU by the Capital Requirements Regulation (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 SLSP Group for regulatory purposes and for the disclosure of regulatory information.

Accounting Principles

The financial and regulatory figures published by SLSP Group are based on IFRS regulatory capital components. Eligable 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 uniform closing date of the consolidated financial statements and consolidated regulatory figures of SLSP Group is the 31 December of each respective year.

Comparison of consolidation for accounting purposes and regulatory purposes

Disclosure requirements: Art. 436 (b) CRR

Scope of consolidation

The regulatory scope of consolidation is used as a synonym for the scope of consolidation that follows the regulatory requirements for consolidation as defined by the CRR.

Regulatory scope of consolidation

The regulatory scope of consolidation is defined in Part One, Title II, chapter 2 Section 3 of the CRR.
The definition of entities to be consolidated for regulatory purposes are mainly defined in Article 4 (1) (3) and (16) to (27) CRR. Based on the relevant sections in Article 4 CRR, entities to be consolidated are determined based on the business activity of the relevant entities.

Main differences between the accounting scope and the regulatory scope based on the different requirements as defined within IFRS and CRR:

- Based on the CRR, mainly credit institutions pursuant to Article 4 (1) (1) CRR, investment firms pursuant to Article 4 (1) (2) CRR, ancillary services undertakings pursuant to Article 4 (1) (18) CRR and financial institutions pursuant to Article 4 (1) (26) CRR have to be considered within the regulatory scope of consolidation. Under IFRS all other entities not required to be consolidated under CRR, such as insurance undertakings, must be included in the financial scope of consolidation.
- Exclusion of entities from the regulatory scope of consolidation can be applied based on Article 19 CRR. According to Article 19 (1) CRR, entities can be excluded from the regulatory scope if their total assets and off-balance sheet items are less than the lower amount of either EUR 10 mio or 1% of the total amount and off-balance sheet items of the parent company. SLSP Group makes use of Article 19 (1) CRR.
- According to Article 19 (2) CRR, entities can also be excluded if the limits defined in Article 19 (1) CRR are exceeded, but are not relevant for regulatory purposes. Exclusion of entities based on Article 19 (2) CRR needs the prior approval of the competent authorities. For entities that exceed the limits as defined in Article 19 (1) CRR by insignificant amounts, Erste Group makes use of Article 19 (2) CRR and follows the requirements for the approval process as defined within this article. SLSP Group does not apply Article 19 (2) CRR for credit institutions and investment firms.

Consolidation methods

Main differences between the financial consolidation method and the regulatory consolidation method, considering regulatory adjustments

- For the calculation of consolidated own funds, SLSP Group generally applies the same consolidation methods as used for accounting purposes. The difference applies only to Article 18 (4) CRR, which requires proportional consolidation of entities and financial institutions managed by an undertaking included in the consolidation together with one or more undertakings not included in the consolidation, where the liability of those undertakings is limited to the share of the equity held by the institution. SLSP Group does not apply proportional consolidation for any entity.

Consideration of consolidation methods for the calculation of consolidated own funds pursuant to the CRR

The amounts used for the calculation of the own funds derive from the balance sheet according to IFRS. The amounts that are used as the basis for the calculation of own funds are recalculated based on the definition of the regulatory scope of consolidation pursuant to the CRR. The difference between the IFRS balance sheet and the regulatory balance sheet is the difference in the scope of consolidation. Amounts that relate to the own shares as well as to the minority interests in fully consolidated entities are therefore determined based on the regulatory scope of consolidation according to CRR. Minority interests are calculated based on the requirements as defined in Articles 81 to 88 CRR. Minority interests that relate to entities other than credit institutions are excluded from the own funds. Minority interests that relate to credit institutions are limited to capital requirements that relate to the minority interests in the relevant credit institutions. SLSP Group did not make use of Article 84 CRR.

Consideration of non-consolidated financial sector entities and deferred tax assets that rely on future profitability arising from temporary differences within the calculation of consolidated common equity Tier 1 of SLSP Group

Carrying amounts representing the investments in financial sector entities as defined in Article 4 (27) CRR that are not fully consolidated or considered by using the at equity consolidation method for regulatory purposes 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, SLSP Group did not exceed any of the aforementioned thresholds. Hence, direct, indirect and synthetic investments in financial sector entities were not deducted from the consolidated own funds of SLSP Group and therefore are considered in RWAs.

Threshold calculations according to Articles 46 and 48 CRR

in EUR ths.	Dec 2015
Non significant investments in financial sector entities	
Threshold (10% of CET1)	103 911
Holdings in CET1	678
Holdings in AT1	0
Holdings in T2	0
Distance to threshold	**103 233**
Significant investments in financial sector entities	
Threshold (10% of CET1)	103 911
Holdings in CET1	1 097
Distance to threshold	**102 814**
Deferred tax assets	
Threshold (10% of CET1)	103 911
Deferred tax assets that are dependent on future profitability and arise from temporary differences	30 819
Distance to threshold	**73 092**
Combined threshold for deferred tax assets and significant investments	
Threshold (17.65% of CET1)	183 403
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	31 916
Distance to threshold	**151 487**

Presentation of the scope of consolidation

Entity Name	Accounting treatment IFRS	Accounting treatment CRR scope	Classification
LANED a.s.	fully consolidated	fully consolidated	Ancillary service undertaking
Derop B.V.	fully consolidated	fully consolidated	Financial institution
Realitná spoločnosť Slovenskej sporiteľne, a.s.	fully consolidated	fully consolidated	Ancillary service undertaking
Erste Group IT SK, spol. s r.o.	fully consolidated	fully consolidated	Ancillary service undertaking
Služby SLSP, spol. s r. o.	fully consolidated	fully consolidated	Ancillary service undertaking
Prva stavebna sporitelna, a.s.	at equity method	at equity method	Credit institutions
Slovak Banking Credit Bureau, s.r.o.	at equity method	at equity method	Ancillary service undertaking
s IT Solutions SK, spol. s r.o.	at equity method	at equity method	Ancillary service undertaking
Procurement Services SK, s.r.o.	fully consolidated	not consolidated according to article 19 CRR	Ancillary service undertaking

As of 31 December 2015 the number of companies consolidated pursuant to IFRS was 9. As of 31 December 2015 the number of companies consolidated pursuant to regulatory capital requirements, except those entities which are covered by Art. 19 (1) and (2) CRR) was 8.

In November 2015 Leasing Slovenskej sporiteľne, a.s. (fully consolidated subsidiary) merged with its mother company Slovenska sporiteľňa, a.s.

There were no other changes within the fully consolidated entities within the regulatory scope of consolidation in the year 2015.

Balance sheet reconciliation
Disclosure requirements: Art. 437 (1) (a) CRR

The table below represents the difference between the financial scope of consolidation and the regulatory scope of consolidation

Balance sheet reconciliation

in EUR ths.	IFRS	effects - scope of consolidation	CRR
Assets			
Cash and cash balances	322 811	0	322 811
Financial assets - held for trading	84 414	0	84 414
Derivatives	84 414	0	84 414
Financial assets - at fair value through profit or loss	17 668	0	17 668
Financial assets - available for sale	1 211 611	0	1 211 611
Financial assets - held to maturity	2 490 694	0	2 490 694
Loans and receivables to credit institutions	121 600	0	121 600
Loans and receivables to customers	9 365 307	0	9 365 307
Derivatives - hedge accounting	7 418	0	7 418
Property and equipment	183 238	0	183 238
Investment properties	2 880	0	2 880
Intangible assets	86 971	0	86 971
Investments in associates and joint ventures	24 603	120	24 723
Current tax assets	15	-15	0
Deferred tax assets	30 849	-30	30 819
Other assets	29 947	-63	29 883
Total assets	**13 980 026**	**11**	**13 980 037**
Liabilities and equity			
Financial liabilities - held for trading	85 508	0	85 508
Derivatives	85 508	0	85 508
Financial liabilities measured at amortised costs	12 158 455	188	12 158 643
Deposits from banks	384 965	0	384 965
Deposits from customers	10 671 536	188	10 671 724
Debt securities issued	1 101 954	0	1 101 954
Derivatives - hedge accounting	42 915	0	42 915
Provisions	28 109	0	28 109
Current tax liabilities	7 196	0	7 196
Deferred tax liabilities	314	0	314
Other liabilities	118 048	-242	117 806
Total equity	**1 539 481**	**66**	**1 539 547**
Equity - attributable to non-controlling interests	2 994	-26	2 968
Equity - attributable to owners of the parent	1 536 487	92	1 536 579
Total liabilities and equity	**13 980 026**	**11**	**13 980 037**

Further details regarding the number of entities within the different scopes of consolidation are disclosed in table "Presentation scope of consolidation".

Total equity

in EUR ths.	IFRS	effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Subscribed capital	212 000	0	212 000	0	212 000	
Capital reserve	118 899	0	118 899	0	118 899	
AT1 capital instruments and the related share premium accounts	150 000	0	150 000	0	150 000	a
Retained earnings	774 422	78	774 500	-22 965	751 535	b
Other comprehensive income (OCI)	124 182	0	124 182	-49 069	75 113	c
Cash flow hedge reserve	0	0	0	0	0	g
Available for sale reserve	124 182	0	124 182	-49 069	75 113	
unrealized gains according to Art. 35 CRR	124 544	0	124 544	-47 338	77 205	h
unrealized losses according to Art. 35 CRR	-362	0	-362	-1 730	-2 092	
other	0	0	0	0	0	
Currency translation	-386	-1	-387	387	0	
Remeasurement of net liability of defined pension plans	-658	0	-658	325	-333	
Deferred tax	-27 320	0	-27 320	10 795	-16 525	
Profit or loss attributable to equity holders of the parent	185 126	-21	185 105	-185 105	0	
Other	222	0	222	-222	0	
Equity attributable to the owners of the parent	1 536 487	76	1 536 543	-37 783	1 313 654	
Equity attributable to non-controlling interests	2 994	-26	2 968	-2 968	0	d
Total equity	1 539 481	51	1 539 511	-63 717	1 290 689	

Further details regarding the development of IFRS equity are disclosed under section III "Group Statement of Changes in Total Equity".

Intangible assets

in EUR ths.	IFRS	effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Intangible assets	86 971	0	86 971	0	-86 971	e
deductible from CET1 acc. to transitional provisions	0	0	0	0	0	
deductible from AT1 acc. to transitional provisions	0	0	0	0	0	
Intangible assets	86 971	0	86 971	0	-86 971	e

Details regarding the development of intangible assets are disclosed under Note "Intangible assets".

Deferred Taxes

in EUR ths.	IFRS	effects - scope of consolidation	CRR / Own Funds	Own funds disclosure table - reference
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	0	0	0	
related DTA allocated on or after Jan 14 for which 100% deduction is required according to CRR transitional provisions	0	0	0	f
related DTA allocated before Jan 14 for which 0% deduction from CET1 is required according to CRR transitional provisions	0	0	0	
Deferred tax assets that rely on future profitability and arise from temporary differences	30 819	0	30 819	
Deferred tax assets	30 819	0	30 819	

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 SLSP Group at year end 2015. In accordance with Article 48 (4) CRR the non-deductible amount is risk weighted with 250% and considered within the credit risk.

Details regarding deferred tax assets are disclosed under Note "Tax assets and liabilities".

Subordinated liabilities

in EUR ths.	IFRS	effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Subordinated issues and deposits and supplementary capital	172 334	0	172 334	-97 318	75 016	
Tier 2 capital instruments (including related share premium) issued by the parent company	172 334	0	172 334	-97 318	75 016	k
Qualifying own funds instruments included in consolidated Tier 2 capital issued by subsidiaries and held by third party	0	0	0	0	0	l
Instruments issued by subsidiaries	0	0	0	0	0	m
Hybrid issues	0	0	0	0	0	i
Subordinated liabilities	172 334	0	172 334	0	75 016	

Details regarding subordinated liabilities are disclosed under Note "Financial liabilities-at fair value through profit or loss" and Note "Financial liabilities measured at amortised costs".

Own funds development

in EUR ths.	2015
CET1 as of 1 Jan 2015	929 741
Changes in retained earnings	39 387
Changes in accumulated other comprehensive income	0
Changes in minority interest	-3 794
Changes in prudential filters	2 201
Changes in regulatory deductions	2 993
goodwill	0
other intangibles	2 993
Other	68 580
CET1 as of 31 Dec 2015	1 039 108
Additional Tier 1 development	
AT1 as of 1 Jan 2015	0
Net increase / decrease in AT1	150 000
Changes in regulatory deduction	0
Other	0
AT1 as of 31 Dec 2015	150 000
Tier 2 development	
T2 as of 1 Jan 2015	113 823
Net decrease in T2	-25 899
Changes in regulatory deduction	0
IRB Excess and SA credit risk adjustments	3 123
T2 as of 31 Dec 2015	91 047
Total own funds	1 280 155

Transitional provisions

The Transitional Provisions are not applied by SLSP Group.

Own funds template during the transitional period
Disclosure requirements: Art. 437 (1) (d) (e) CRR

SLSP Group does not consider Art. 437 (1) (f) CRR for the calculation of consolidated 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.

Own funds disclosure template

Disclosure according to Article 5 in Commission implementing regulation (EU) No 1423/2013

in EUR ths.	2015	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	REFERENCE TO RECONCILIATON TABLES
Common equity tier 1 (CET1) capital: instruments and reserves			
1 Common equity tier 1 (CET1) capital: instruments and reserves	212 000	26 (1), 27, 28, 29, EBA list 26 (3)	a
thereof ordinary shares	212 000	EBA list 26 (3)	a
2 Retained earnings	870 434	26 (1) (c)	b
3 Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	57 869	26 (1)	
3a Fund for general banking risk	0	26 (1) (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	0	486 (2)	
Public sector capital injections grandfathered until Jan 18	0	483 (2)	
5 Minority interests (amount allowed in consolidated CET1)	0	84, 479, 480	d
5a Independently reviewed interim profits net of any foreseeable charge or dividend	0	26 (2)	
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	**1 140 303**		
Common Equity Tier 1 (CET1) capital before regulatory adjustments			
7 Additional value adjustments (negative amount)	-5 668	34, 105	
8 Intangible assets (net of related tax liability) (negative amount)	-86 971	36 (1) (b), 37, 472 (4)	e
9 Empty Set in the EU	0		
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)	0	36 (1) (c), 38, 472 (5)	f
11 Fair value reserves related to gains or losses on cash flow hedges	0	33 (a)	g
12 Negative amounts resulting from the calculation of expected loss amounts	0	36 (1) (d), 40, 159, 472 (6)	
13 Any increase in equity that results from securitised assets (negative amount)	0	32 (1)	
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	1 047	33 (b)	
15 Defined-benefit pension fund assets (negative amount)	0	36 (1) (e), 41, 472 (7)	
16 Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0	36 (1) (f), 42, 472 (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)	0	36 (1) (g), 44, 472 (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)	0	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (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)	0	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	
20 Empty Set in the EU	0		
20a Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0	36 (1) (k)	
20b of which: qualifying holdings outside the financial sector (negative amount)	0	36 (1) (k) (i), 89 to 91	

in EUR ths.	2015	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	REFERENCE TO RECONCILIATON TABLES
20c of which: securitisation positions (negative amount)	0	36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	
20d of which: free deliveries (negative amount)	0	36 (1) (k) (iii), 379 (3)	
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)	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22 Amount exceeding the 15% threshold (negative amount)	0	48 (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	0	36 (1) (i), 48 (1) (b), 470, 472 (11)	
24 Empty Set in the EU	0		
25 of which: deferred tax assets arising from temporary differences	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
25a Losses for the current financial year (negative amount)	0	36 (1) (a), 472 (3)	
25b Foreseeable tax charges relating to CET1 items (negative amount)	0	36 (1) (l)	
26 Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	0		
26a Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0		
unrealised loss	0	467	
unrealised gain	0	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	0	481	
27 Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	0	36 (1) (j)	
CET1 other deductions	-9 603		
28 Total regulatory adjustments to Common equity Tier 1 (CET1)	**-101 195**		
29 Common Equity Tier 1 (CET1) capital	**1 039 108**		
Additional Tier 1 (AT1) capital: instruments			
30 Capital instruments and the related share premium accounts	150 000	51, 52	
31 of which: classified as equity under applicable accounting standards	150 000		
32 of which: classified as liabilities under applicable accounting standards	0		
33 Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	486 (3)	i
Public sector capital injections grandfathered until 1 January 2018	0	483 (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	0	85, 86, 480	
35 of which: instruments issued by subsidiaries subject to phase out	0	486 (3)	
36 Additional Tier 1 (AT1) capital before regulatory adjustments	**150 000**		

in EUR ths.	2015	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	REFERENCE TO RECONCILIATON TABLES
Additional Tier 1 (AT1) capital: regulatory adjustments			
37 Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	0	52 (1) (b), 56 (a), 57, 475 (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)	0	56 (b), 58, 475 (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)	0	56 (c), 59, 60, 79, 475 (4)	
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)	0	56 (d), 59, 79, 475 (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)	0		
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	0	472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc	0		
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	0	477, 477 (3), 477 (4) (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	0		
41c Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR	0	467, 468, 481	
Of which: … possible filter for unrealised losses	0	467	
Of which: … possible filter for unrealised gains	0	468	
Of which: …	0	481	
42 Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	56 (e)	
43 Total regulatory adjustments to Additional Tier 1 (AT1) capital	**0**		
44 Additional Tier 1 (AT1) capital	**150 000**		
45 Tier 1 capital (T1 = CET1 + AT1)	**1 189 108**		
Tier 2 (T2) capital: Instruments and provisions			
46 Capital instruments and the related share premium accounts	75 016	62, 63	k
47 Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	486 (4)	
Public sector capital injections grandfathered until 1 January 2018	0	483 (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	0	87, 88, 480	l
49 of which: instruments issued by subsidiaries subject to phase out	0	486 (4)	m
50 Credit risk adjustments	16 031	62 c) & (d)	
51 Tier 2 (T2) capital before regulatory adjustments	**91 047**		

in EUR ths.	2015	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	REFERENCE TO RECONCILIATON TABLES
Tier 2 (T2) capital: regulatory adjustments			
52 Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0	63 (b) (i), 66 (a), 67, 477 (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)	0	66 (b), 68, 477 (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)	0	66 (c), 69, 70, 79, 477 (4)	
54a Of which new holdings not subject to transitional arrangements	0		
54b OF which holdings existing before 1 January 2013 and subject to transitional arrangements	0		
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)	0	66 (d), 69, 79, 477 (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)	0		
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	0	472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc	0		
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	0	475, 475 (2) (a), 475 (3), 475 (4) (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	0		
56c Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	0	467, 468, 481	
Of which: … possible filter for unrealised losses	0	467	
Of which: … possible filter for unrealised gains	0	468	
Of which: …	0	481	
57 Total regulatory adjustments to Tier 2 (T2) capital	**0**		
58 Tier 2 (T2) capital	**91 047**		
59 Total capital (TC = T1 + T2)	**1 280 155**		
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)	0		
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.)	0	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (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.)	0	475, 475 (2) (b), 475 (2) (c), 475 (4) (b)	
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.)	0	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	
60 Total risk-weighted assets	**5 853 099**		

in EUR ths.	2015	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	REFERENCE TO RECONCILIATON TABLES
Capital ratios and buffers			
61 Common Equity Tier 1 (as a percentage of risk exposure amount)	17.8%	92 (2) (a), 465	
62 Tier 1 (as a percentage of total risk exposure amount)	20.3%	92 (2) (b), 465	
63 Total capital (as a percentage of total risk exposure amount)	21.9%	92 (2) (c)	
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)	146 327	CRD 128, 129, 130	
65 of which: capital conservation buffer requirement	146 327		
66 of which: countercyclical buffer requirement	0		
67 of which: systemic risk buffer requirement	0		
67a of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0	CRD 131	
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	13.3%	CRD 128	
69 [non-relevant in EU regulation]	0		
70 [non-relevant in EU regulation]	0		
71 [non-relevant in EU regulation]	0		
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)	678	36 (1) (h), 45, 46, 472 (10)	
56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)			
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)	1 097	36 (1) (i), 45, 48, 470, 472 (11)	
74 Empty Set in the EU	0		
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)	30 819	36 (1) (c), 38, 48, 470, 472 (5)	
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)	0	62	
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach	0	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)	16 031	62	
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	16 031	62	

in EUR ths.	2015	REGULATION (EU) No 575/2013 ARTICLE REFERENCE	REFERENCE TO RECONCILIATON TABLES
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	0	484 (3), 486 (2) & (5)	
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484 (3), 486 (2) & (5)	
82 Current cap on AT1 instruments subject to phase out arrangements	0	484 (4), 486 (3) & (5)	
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	484 (4), 486 (3) & (5)	
84 Current cap on T2 instruments subject to phase out arrangements	0	484 (5), 486 (4) & (5)	
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484 (5), 486 (4) & (5)	

Slovenská sporiteľňa, a.s.

Consolidated Financial Statements
prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2015

and Independent Auditors' Report

Independent Auditors' Report to the Shareholder of Slovenská sporiteľňa, a.s.

EY
Building a better working world

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Independent Auditors' Report

To the Shareholder of Slovenská sporiteľňa, a.s.:

We have audited the accompanying consolidated financial statements of Slovenská sporiteľňa, a.s. and consolidated companies ('the Group'), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

16 February 2016
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Mgr. Ján Džuppa
UDVA Licence No. 1032

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

I. Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2015

Statement of Profit or Loss

EUR ths.	Notes	2014	2015
Net interest income	1	463 937	468 985
Net fee and commission income	2	123 393	121 446
Dividend income	3	720	858
Net trading and fair value result	4	9 611	8 787
Net result from equity method investments		2 119	2 732
Rental income from investment properties & other operating leases	5	1 846	1 908
Personnel expenses	6	(125 081)	(128 812)
Other administrative expenses	7	(96 020)	(92 651)
Depreciation and amortisation	8	(46 676)	(46 150)
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	9	1 266	902
Net impairment loss on financial assets not measured at fair value through profit or loss	10	(51 352)	(58 041)
Other operating result	11	(44 219)	(33 406)
Pre-tax result from continuing operations		**239 544**	**246 558**
Taxes on income	12	(56 798)	(60 788)
Net result for the period		**182 746**	**185 770**
Net result attributable to non-controlling interests		**603**	**644**
Net result attributable to owners of the parent		**182 143**	**185 126**

Statement of Other Comprehensive Income

in ths. EUR	2014	2015
Net result for the period	**182 746**	**185 770**
Other comprehensive income		
Remeasurement of net liability of defined pension plans	64	(325)
Total	64	(325)
Items that may be reclassified to profit or loss		
Available for sale reserve (including currency translation)	32 275	48 696
Gain/loss during the period	32 377	49 138
Reclassification adjustments	(102)	(442)
Deferred taxes relating to items that may be reclassified	(7 101)	(10 713)
Gain/loss during the period	(7 123)	(10 810)
Reclassification adjustments	22	97
Total	25 175	37 983
Total other comprehensive income	**25 239**	**37 658**
Total comprehensive income	**207 985**	**223 428**
Total comprehensive income attributable to non-controlling interests	**603**	**644**
Total comprehensive income attributable to owners of the parent	**207 381**	**222 784**

Earnings per Share

		2014	2015
Net result attributable to owners of the parent	EUR ths.	182 143	185 126
Number of outstanding shares		212 000	212 000
Earnings per share	**in EUR**	**859**	**873**

II. Consolidated Statement of Financial Position

as at 31 December 2015

EUR ths.	Notes	2014	2015
Assets			
Cash and cash balances	13	408 119	322 811
Financial assets - held for trading		101 547	84 414
Derivatives	14	101 547	84 414
Financial assets - at fair value through profit or loss	15	20 203	17 668
Financial assets - available for sale	16	1 219 152	1 211 611
Financial assets - held to maturity	17	2 579 817	2 490 694
Loans and receivables to credit institutions	18	179 056	121 600
Loans and receivables to customers	19	8 085 570	9 365 307
Derivatives - hedge accounting	20	8 322	7 418
Property and equipment	22	188 726	183 238
Investment properties		3 306	2 880
Intangible assets	23	89 964	86 971
Investments in subsidiaries and associates	21	24 313	24 603
Current tax assets	24	296	15
Deferred tax assets	24	34 249	30 849
Other assets	25	26 010	29 947
Total assets		**12 968 650**	**13 980 026**
Liabilities and equity			
Financial liabilities - held for trading		103 439	85 508
Derivatives	11	103 439	85 508
Financial liabilities measured at amortised cost	26	11 336 810	12 158 455
Deposits from banks	26	740 685	384 965
Deposits from customers	26	9 666 285	10 671 536
Debt securities issued	27	929 840	1 101 954
Derivatives - hedge accounting	20	49 077	42 915
Provisions	28	30 300	28 109
Current tax liabilities	24	22 958	7 196
Deferred tax liabilities	24	569	314
Other liabilities	29	114 716	118 048
Total equity		**1 310 781**	**1 539 481**
Equity attributable to non-controlling interests		3 802	2 994
Equity attributable to owners of the parent	30	1 306 979	1 536 487
Total liabilities and equity		**12 968 650**	**13 980 026**

The notes on pages 89 to 165 are an integral part of these financial statements.

III. Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

EUR ths.	Subscribed capital	Other capital instruments	Legal reserve fund	Other funds	Retained earnings	Available for sale reserve	Currency translation	Remeasurement of net liability of defined pension plans	Deferred tax	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
As of 31 December 2013	**212 000**	**-**	**79 795**	**39 326**	**923 917**	**43 211**	**(386)**	**(397)**	**(9 508)**	**1 287 958**	**3 215**	**1 291 173**
Dividends paid	-	-	-	-	(188 259)	-	-	-	-	(188 259)	(14)	(188 273)
Other changes	-	-	-	-	(104)	-	-	-	2	(102)	(2)	(104)
Total comprehensive income	-	-	-	-	182 143	32 275	-	64	(7 100)	207 381	603	207 985
Net result for the period	-	-	-	-	182 143	-	-	-	-	182 143	603	182 746
Other comprehensive income	-	-	-	-	-	32 275	-	64	(7 100)	25 239	-	25 239
As of 31 December 2014	**212 000**	**-**	**79 795**	**39 326**	**917 697**	**75 486**	**(386)**	**(333)**	**(16 606)**	**1 306 979**	**3 802**	**1 310 781**
As of 31 December 2014	**212 000**	**-**	**79 795**	**39 326**	**917 697**	**75 486**	**(386)**	**(333)**	**(16 606)**	**1 306 979**	**3 802**	**1 310 781**
Dividends paid	-	-	-	-	(143 196)	-	-	-	-	(143 196)	(16)	(143 212)
Changes in scope of consolidation (EGIT purchase of share)	-	-	-	-	-	-	-	-	-	-	(335)	(335)
Other changes	-	-	-	-	(80)	-	-	-	-	(80)	(1 101)	(1 181)
Other equity instruments AT1	-	150 000	-	-	-	-	-	-	-	150 000	-	150 000
Total comprehensive income	-	-	-	-	185 126	48 696	-	(325)	(10 713)	222 784	644	223 428
Net result for the period	-	-	-	-	185 126	-	-	-	-	185 126	644	185 770
Other comprehensive income	-	-	-	-	-	48 696	-	(325)	(10 713)	37 658	-	37 658
As of 31 December 2015	**212 000**	**150 000**	**79 795**	**39 326**	**959 547**	**124 182**	**(386)**	**(658)**	**(27 319)**	**1 536 487**	**2 994**	**1 539 481**

The notes on pages 89 to 165 are an integral part of these financial statements. Further details are disclosed in the note 30.

During the year 2015 the Group has issued an investment certificate in amount of 150 mil. eur that is classified as equity instrument according to the standard IAS 32.

IV. Consolidated Statement of Cash Flows

For the Year Ended 31 December 2015

EUR ths.	2014	2015
Profit before income taxes	**239 544**	**246 558**
Adjustments for:		
Provisions for losses on loans, advances, off-balance sheet write-offs and unwinding	44 685	61 118
Provisions for liabilities and other liabilities	10 426	3 330
Impairment of tangible and intangible assets net	1 659	(1 198)
Depreciation and amortization	46 676	46 150
Profit/(loss) on disposal of fixed assets	2 040	1 305
Transfer of interest for financing activity	19 412	18 672
Net gains/(losses) from investing activities	(110 696)	(104 205)
Impairment of investments in subsidiaries and associates	-	(860)
Cash flows from operations before changes in operating assets and liabilities	**253 747**	**270 869**
(Increase)/decrease in operating assets:		
Minimum reserve deposits with the central bank	(47 719)	86 520
Loans and advances to financial institutions	(94 923)	71 884
Loans and advances to customers	(969 015)	(1 340 900)
Financial assets at fair value through profit or loss and securities available for sale	(316 506)	58 771
Other assets	18 279	(3 481)
Increase / (decrease) in operating liabilities:		
Amounts owed to financial institutions	316 286	(355 720)
Amounts owed to customers	575 725	1 005 251
Increase/(decrease) in derivative financial instruments (net)	28 323	(6 055)
Provision for liabilities and other provisions	(185)	(7 673)
Other liabilities	12 135	12 390
Net cash flows provided by / (used in) operating activities before income tax	**(223 854)**	**(208 143)**
Income taxes paid	(40 711)	(84 038)
Net cash flows provided by / (used in) operating activities	**(264 565)**	**(292 181)**
Cash flows from investing activities		
Purchase of securities held to maturity	(267 567)	-
Proceeds form securities held to maturity	458 339	93 095
Interest received from the securities held to maturity	103 166	96 467
Dividends received from subsidiaries, associates and other investments	2 836	3 401
Purchase of share in subsidiaries and associates	-	(8 988)
Purchase of intangible assets, property and equipment	(28 408)	(41 295)
Proceeds from sale of intangible assets, property and equipment	6 317	3 946
Net cash flows provided by / (used in) investing activities	**274 683**	**146 625**
Cash flows from financing activities		
Dividends paid	(188 259)	(143 196)
Interest paid on subordinated debt	(2 146)	(1 775)
Issue of the bonds	370 491	319 414
Repayment of the bonds and subordinated debt	(147 029)	(147 939)
Interest paid to the holders of the bonds	(8 228)	(16 334)
Other financing activities	-	150 000
Net cash flows provided by / (used in) financing activities	**24 829**	**160 171**
Effect of foreign exchange rate changes on cash and cash equivalents	(522)	1 005
Net increase / (decrease) in cash and cash equivalents	**34 425**	**15 621**
Cash and cash equivalents at beginning of period	**298 198**	**332 623**
Cash and cash equivalents at end of period	**332 623**	**348 244**
Operational cash flows from interest and dividends		
Interest paid	(55 903)	(43 084)
Interest received	422 666	434 090

The notes on pages 89 to 165 are an integral part of these financial statements.

Cash and cash equivalents include accounts with central Banks (note 13) and accounts with other credit institutions repayable on demand (note 18). The minimum mandatory reserves are excluded from cash and cash equivalents.

V. Notes to the Consolidated Financial Statement

A. GENERAL INFORMATION

Slovenská sporiteľňa, a. s. (hereafter 'the Bank' or 'Parent company') has its registered office at Tomášikova 48, 832 37 Bratislava, the 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 and its tax identification number 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 December 2015 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 ultimate parent) will be available after their completion the austrian court Firmenbuchgericht Wien, Marxergasse 1a, 1030 Vienna.

The Board of Directors of the Parent company had five members as at 31 December 2015:
Ing. Štefan Máj (Chairman), Ing. Peter Krutil (Deputy Chairman), Mag. Bernard Spalt (Member), Ing. Richard Chomist (Member) a Ing. Zdeněk Románek (Member).

Effective from 1 January 2015 Mr. Štefan Máj (the former Deputy Chairman) has been nominated by the Supervisory Board of the Bank as a new Chairman and the Chief Executive Officer (CEO).

Effective from 1 April 2015 Mr. Peter Krutil (the former Member) has become a Deputy Chairman of the Bank.

Mr. Bernard Spalt is a new member of the Board of Directors since 1 March 2015. Mr. Richard Chomist is a new member of the Board of Directors since 1 April 2015. Mr. Zdeněk Románek is a new member of the Board of Directors since 15 June 2015.

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 Parent company had six members as at 31 December 2015:
Gernot Mittendorfer M.B.A. (Chairman), Dr. Heinz Knotzer (Deputy Chairman), Mag. Jan Homan (Member), Dr. Andrea Burgtorf (Member), JUDr. Beatrica Melichárová (Member) and Ing. Štefan Šipoš (Member).

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

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

These consolidated financial statements are statements of the Bank and its subsidiaries and associates (the Group) that are disclosed in note 21.

B. SIGNIFICANT ACCOUNTING POLICIES

1) 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 their separate and consolidated financial statements and annual report according to 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 Accounting Standards effectively replaced the financial statements prepared under Slovak Accounting Standards.

The consolidated financial statements of the Group for the year ended 31 December 2015 and the related comparative information are prepared in compliance with applicable International Financial Reporting Standards ('IFRS ') as adopted by the European Union ('EU') on the basis of Regulation (EC) 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 Group has assessed that the standards not endorsed by the EU would not impact significantly the Bank's separate financial statements if they were applicable as at the presented balance sheet date.

2) Basis of preparation

These consolidated financial statements have been approved by the Board of Director of the Bank and will be submitted for approval to the Supervisory Board and the General Assembly.

The Group's consolidated financial statements the prior period (the year ended 31 December 2014) were signed and authorised for issue on 11 February 2015.

These Consolidated Financial Statements were prepared using the going concern assumption that the Group will continue to operate in the foreseeable future.

In accordance with the applicable measurement models defined or allowed by IFRS, these consolidated 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 and hedging derivatives, all of which were measured at fair value.

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

The comparative amounts presented in these consolidated financial statement are those presented in the Consolidated Statement of Financial Positions as at 31 December 2014 and the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2014.

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'.

3) Subsidiaries and associates

The Consolidated Financial Statements present the accounts and results of the Group.

Subsidiaries

All subsidiaries controlled by the Bank are consolidated in the Group financial statements on the basis of the subsidiaries' annual accounts as of 31 December 2015 and for the year then ended.

Subsidiaries are consolidated from the date when control is obtained until the date when control is lost. Control is achieved when the Bank is exposed to, or has rights to, variable returns from its involvement with subsidiary (the investee) and has the ability to affect those returns through its power to govern the relevant activities of this company. Relevant activities of the company are those which most significantly affect the variable returns of an entity. In general, control is presumed when investor retains more than 50% of shares or voting rights.

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

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

Investments in associates and joint ventures

Investments in associates are accounted for using the equity method. Under the equity method, an interest in an associate is recognised on the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity. The Group's share of the associate's profit or loss is recognised in the income statement. Entities accounted for using the equity method are recognised on the basis of annual financial statements as of 31 December 2015 and for the year then ended.

Investments in associates ('associates') represent entities over which the Group exercises significant influence. Significant influence is the power to participate in financial and operating policy decisions of the investee but is not control or joint control of those policies. In general, significant influence is presumed when investor retains more between 20% and 50% of shares or voting rights.

Joint ventures are joint arrangements under which the Group exercises control jointly with one or more venturers and the venturers have rights to the net assets of the arrangement, rather than to the assets and liabilities relating to the arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group is not involved in any joint venture.

Acquisitions, sales and mergers during the year 2015

In the year 2015 the Bank acquired remaining shares (49-percent) of the subsidiary Erste Group IT SK, spol. s r.o. and became its 100-percent shareholder.

During the year 2015 Leasing Slovenskej sporiteľne, a.s. (former subsidiary) was merged with the Bank (Parent company).

No other acquisitions or disposals of subsidiaries or associates occurred during the year 2015.

Changes in the scope of consolidation during 2015

During the year 2015 the Bank had established a subsidiary Služby SLSP, s.r.o., which subsequently purchased 100-percent share in the former subsidiary Realitná spoločnosť Slovenskej sporiteľne, a.s. Nothing change in consolidation method. The company Realitná spoločnosť Slovenskej sporiteľne, a.s. is fully consolidated by the Bank.

Information on the group structure of Slovenská sporiteľňa, a.s. and the transactions mentioned above is presented in the note 21.

Effective from 1 November 2014 Factoring Slovenskej sporiteľne, a.s. (former subsidiary) was merged with Slovenská sporiteľňa, a.s. (Parent company).

4) Accounting and measurement methods

Foreign currency translations

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

Transactions in foreign currencies are initially translated to euro at the exchange rate effective as at the transaction date. Subsequently, monetary assets and liabilities denominated in foreign currencies are translated to euro at the exchange rate as at the balance sheet date. All resulting exchange differences are recognised in the income statement line item 'Net trading and fair value result'. Non-monetary items that are measured at historical costs in foreign currencies are translated to euro using the exchange rates as at the dates of the initial transactions.

For foreign currency translation, the Group uses exchange rates quoted by the European Central Bank.

Financial instruments – recognition and measurement

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.

With reference to an investment strategy, the Group 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
- financial liabilities measured at amortised cost

The categories of financial instruments relevant for measurement (as per IAS 39) are not necessarily presented separately on the balance sheet. Specific relationships between the balance sheet line items and particular categories of financial instruments are described in the note (x).

(i) Initial recognition and measurement of financial instruments

Financial instruments are initially recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way (spot) purchases and sales of financial assets are recognised at settlement date, when an asset is delivered. Regular way trades are purchases or sales of financial assets that require delivery of an asset within the time frame generally established by a regulation or convention in the market place. The classification of financial instruments at initial recognition depends on their characteristics, as well as on the management's intention for which the financial instruments were acquired.

Financial instruments are measured initially at their fair value including transaction costs. However, in case of financial instruments at fair value through profit or loss, transaction costs are not included in the initial measurement and are directly recognised in the income statement.

(ii) Cash and balances with central banks

Balances with central Banks include only claims (deposits) against central Banks, which are repayable on demand. Repayable on demand means that a deposit may be withdrawn at any time or with a term of notice of one business day (or 24 hours). Minimum mandatory reserves are also shown under this position.

(iii) Derivative financial instruments

Derivative financial instruments used by the Group include mainly interest rate and currency swaps, forward rate agreements, futures, interest rate and currency options and others. Derivatives are measured at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

For presentation purposes derivatives are split into:

- derivatives – held for trading
- derivatives – hedge accounting

Derivatives – held for trading are those which are not designated as hedging instruments. These derivatives are presented on the balance sheet under the heading 'Financial assets / financial liabilities – held for trading', as a separate line item 'Derivatives'. This line item includes all types of non-hedging derivatives regardless of their internal classification, i.e. both derivatives held in trading book and Banking book.

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

Interest income/expense related to derivatives – held for trading is recognised in the income statement line item 'Net interest income' if held in the Banking book or in the income statement line item 'Net trading and fair value result' if held in the trading book.

Derivatives – hedge accounting are those which are designated as hedging instruments in hedges complying the conditions of IAS 39. They are presented on the balance sheet line item 'Derivatives - hedge accounting', on asset or liability side.

Changes in fair value (clean price) of derivatives in fair value hedges are recognised in the income statement line item 'Net trading and fair value result'. Interest income / expense related to derivatives in fair value hedges is recognised in the income statement line item 'Net interest income'. Interest income / expense related to derivatives in fair value hedges is recognised in the income statement line item 'Net interest income'.

Changes in fair value (dirty price) of derivatives in cash flow hedges is reported separately for the effective part, which is recognised in the other comprehensive income line item 'Cash flow hedge reserve' and for the ineffective part, which is recognized in the income statement line item 'Net trading and fair value result'.

Interest income/expense on derivatives in cash flow hedges is a part of dirty price measurement, which is split into effective and ineffective part as described abovereported in the line items mentioned above depending on the hedge effectiveness.

(iv) Financial assets and liabilities – held for trading

Financial assets and financial liabilities classified as held for trading comprise of derivatives is described in the note (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. They are presented on the balance sheet under the heading 'Financial assets/liabilities – held for trading' as a separate line item 'Other trading assets/liabilities'.

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

If securities purchased under 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 under the heading 'Financial liabilities – held for trading' as a separate line item 'Other trading liabilities'.

(v) Financial assets or financial liabilities - at fair value through profit or loss

Financial assets or financial liabilities classified in this category have been designated at fair value at their initial recognition based on the management's decision.

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

Financial assets designated at fair value through profit or loss are recognised on the balance sheet line item 'Financial assets - at fair value through profit or loss'. Changes in fair value are reported in the income statement line item 'Net trading and fair value result'. Interest earned on debt instruments is reported in the income statement line item 'Net interest income'. Dividend income on equity instruments is shown in the income statement line item 'Dividend income'.

The Group uses the fair value option also for some hybrid financial liabilities in the following cases:

- if 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
- if the entire hybrid contract is designated at fair value through profit or loss due to the existence of an embedded derivative.

The amount of fair value change attributable to changes in own credit risk of financial liabilities designated at fair value through profit or loss is calculated in compliance with IFRS 7. It is calculated as a difference between the present value of the liability and its observed market price at the end of the reporting period. The rate used for discounting the liability is the sum of the observed interest rate at the end of the reporting period and the instrument-specific component of internal rate of return determined at the beginning of the period.

Financial liabilities designated at fair value through profit or loss are recognised on the balance sheet line item 'Financial liabilities – at fair value through profit or loss', further broken down into 'Deposits from customers' and 'Debt securities issued'. Changes in fair value are reported in the income statement line item 'Net trading and fair value result'. Interest incurred is reported in the income statement line item 'Net interest income'.

(vi) Financial assets – available for sale

Financial assets available-for-sale include debt and equity securities, as well as interests in other 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 may be sold in response to needs for liquidity or changes in market conditions.

Financial assets available for sale are measured at fair value. and are disclosed on the balance sheet line item 'Financial assets – available for sale'.

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

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

If the fair value of investments in non-quoted equity instruments cannot be measured reliably, they are recorded at cost less impairment. This is the case when the range of reasonable fair value estimates as calculated by valuation models is significant and the probabilities of the various estimates cannot be reasonably assessed. There is no market for such investments. The Group does not have any specific plan to dispose of such investments.

(vii) Financial assets – held to maturity

Financial assets held to maturity include non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group intends and is able to hold until maturity following the approved investment strategy. These financial assets are reported on the balance sheet line item 'Financial assets – held to maturity'. After initial recognition, these securities are measured at amortised cost calculated with regard to any discount, premium and transaction costs, which are integral parts of the effective interest rate.

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

(viii) Loans and receivables

The balance sheet line items 'Loans and receivables to credit institutions' and 'Loans and receivables to customers' include financial assets meeting the definition of loans and receivables. Moreover, finance lease receivables accounted for using IAS 17 are presented on 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 Group 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 Group, upon initial recognition, designates as available for sale; or
- those for which the Group may not recover substantially all of its initial investment for other reasons than credit deterioration.

After initial recognition, loans and receivables are measured at amortised cost. Interest income earned on loans and receivables is recognised in the income statement line item 'Net interest income'. Impairment losses arising from loans and receivables are reported in the income statement line item 'Net impairment loss on financial assets not measured at fair value through profit or loss'.

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

Finance lease receivables are subsequently measured as specified in the note 'Leasing' with the section 'Accounting and measurement methods'.

(ix) Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are disclosed under the balance sheet line item 'Financial liabilities measured at amortised cost' and further broken down to the following categories: '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 expense incurred by these financial liabilities is reported in the income statement line item 'Net interest income'. Gains and losses from derecognition (mainly repurchase) of financial liabilities at amortised cost are reported in the income statement line item 'Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net'.

(x) Relationships between balance sheet line items, measurement methods and categories of financial instruments:

Balance sheet position	Measurement principle			Financial instrument category
	Fair value	At amortized 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 not presented in the table above are part of IFRS 7 disclosures. These are financial guarantees and irrevocable loan commitments.

Reclassifications of financial assets

IAS 39 allows various alternatives to reclassify financial assets between the categories of financial instruments and also imposes some restrictions regarding their reclassification. The Group makes applies a reclassification option only with held-to-maturity financial assets. If a significant credit deterioration of a held-to-maturity financial asset results in the change of the Group's intention and ability to hold the asset until maturity, it is reclassified to the category of available-for-sale financial assets. The Group also reclassifies financial assets held to maturity to be sold, in case they are sold close to their maturity. Such reclassifications are in compliance with IAS 39 ('tainting rule') and does not triggers automatic reclassification of the entire held-to-maturity portfolio.

Derecognition of financial assets and financial liabilities

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

- expiration of the contractual rights to receive cash flows from the asset; or
- transfer of the contractual rights to receive cash flows from the asset; or
- acceptance of an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;
- and the Group either:
  - has transferred substantially all the risks and rewards connected with the ownership of the asset; or
  - 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.

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

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Details on valuation techniques applied for fair value measurement and fair value hierarchy are disclosed in the note 38.

Impairment of financial assets and credit risk losses of contingent liabilities

The Group assesses 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 a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset ('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 Group 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 Group without realizing collaterals;
- a retail / corporate client is past due more than 90 days on any material credit obligation to the Group;
- whatever condition or obligation under the contract has been breached by a client, on the basis of which the Group 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, indications of impairment are observable data indicating there is a measurable decrease in the estimated future cash flows, such as changes in overdue amounts or economic conditions that correlate with defaults.

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.

(i) Financial assets at amortised cost

At first, the Group 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 Group 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 18 and 19. 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 Group.

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.

(ii) Financial assets available-for-sale

In case of debt instruments classified as available for sale, the Group 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 ine 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.

(iii) 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'.

Repurchase and reverse repurchase agreements

Sale and repurchase agreements, also known as 'repo transactions', represent transactions where securities are sold under an agreement to repurchase them at a specified future date. The securities sold as a part of such transactions are not derecognised, i.e. remain on the balance sheet and continue in measurement applicable to the respective financial assets. The reason for this is that the Group retains substantially all risks and rewards related to the ownership of these securities, which are repurchased when the repo transaction ends. Moreover, the Group is the beneficiary of all coupons and other income payments received on the transferred securities over the repo transactions period. These payments are remitted to the Group or are reflected in the repurchase price.

Cash proceeds from the sold securities are recognised on the balance sheet together with a corresponding liability, which is recorded on the balance sheet line item 'Financial liabilities measured at amortised cost', further broken down to 'Deposits from banks' or 'Deposits from customers'. These financial liabilities reflect the transaction's economic substance as a loan to the Group with the obligation to return cash amount. The difference between the sale and repurchase prices is treated as an interest expense and is accrued in the income statement line item 'Net interest income' over the life of the agreement.

Conversely, the 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 in the respective line items as either 'Loans and receivables to credit institutions' or 'Loans and receivables to customers' reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is treated as an interest income and is accrued in the income statement line item 'Net interest income' over the life of the agreement.

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 lending duration. The transfer of securities to counterparties via securities lending does not result in derecognition. The Group, as a lender, retains substantially all risks and rewards related to the ownership of the transferred securities, because they are received at the end of the securities lending transaction. Moreover, the Group is the beneficiary of all coupons and other income payments received on the transferred securities over the securities lending period.

Conversely, the securities borrowed are not recognised on the balance sheet, unless they are sold to third parties. In this case, the obligation to return the securities is recorded under the heading 'Financial liabilities – held for trading' as a separate line item 'Other trading liabilities'.

Embedded derivatives

In the normal course of business, the Group is involved in debt instruments containing structured features. The structured feature means that a derivative is embedded in a host debt instrument.

The embedded derivatives are separated from host debt instruments if:

- the embedded derivative meets the definition of derivative according IAS 39; and
- the economic characteristics of the derivative are not closely related to the economic characteristics and risks of the host debt instrument; and
- the hybrid instrument is not a financial asset or financial liability held for trading or designated at fair value through profit or loss.

The embedded derivatives, which are separated are accounted for as stand-alone derivatives and reported on the balance sheet under the heading 'Financial assets – held for trading' as a separate line item 'Derivatives'. They are embedded mainly in host issued debt instruments recognised as liabilities. The most typical examples are deposits and bonds issued that contain interest caps, floors or collars, as well as financial instruments linked to non-interest variables such as FX rates, equity and commodity prices and indices or third-party credit risk.

Hedge accounting

The Group utilises derivative instruments to manage its exposure to interest rate risk and foreign currency risk. At inception of a hedge transaction, the Group formally documents the relationship between a hedged item and a hedging instrument, including the nature of risk, the strategy and the objective for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. A hedge is expected to be highly effective if the changes in fair value or cash flows during the period attributable to the hedged risk for which the hedge is designated are expected to be offset by the fair value changes of the hedging instrument in a range of 80 % to 125 %. The hedge effectiveness is assessed at inception and throughout the term of each hedging relationship. The Group defines specific conditions for particular types of hedges and for effectiveness testing in internal hedge policy.

(i) Fair value hedge

Fair value hedges are used to reduce market risk. For qualifying and designated fair value hedges, the change in fair value (clean price) of the hedging instrument is recognised in the income statement line item 'Net trading and fair value result'. The change in fair value of the hedged item attributable to the hedged risk is also recognised in the income statement line item 'Net trading and fair value result' and adjusts the carrying amount of the hedged item. Interest income and expense on hedging derivatives are recognised in the income statement line item 'Net interest income'.

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

(ii) Cash flow hedge

Cash flow hedges are used to eliminate uncertainty in the future cash flows in order to stabilise the net interest income. For designated and qualifying cash flow hedges, the effective portion of gain or loss on the hedging instrument is recognised in the other comprehensive income line item 'Cash flow hedge'. The ineffective portion of gain or loss on the hedging instrument is recognised in the income statement line item 'Net trading and fair value result'. For quantification of the effective and ineffective portions, the derivative is considered including the interest component (dirty price). If the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is reclassified from other comprehensive income to the corresponding income or expense line item of the income statement (mainly 'Net interest income'). In case of cash flow hedges, accounting treatment of the hedged items in not affected.

The hedge relationship is terminated, when the hedging instrument expires, is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. In this case, the cumulative gain or loss on the hedging instrument previously recognised in other comprehensive income remains as separately reported 'Cash flow hedge' until the transaction occurs.

Offsetting financial instruments

Financial assets and financial liabilities are offset and their net amount is presented 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 them on a net basis or to realise the asset and settle the liability simultaneously.

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. The depreciation period and method are reviewed at least at each financial year-end and adjusted if necessary. Depreciation 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 2015 and 2014
Own buildings and structures	30 years
Rented premises	10 years
Office furniture and equipment	4 – 6 years
Computer hardware	4 years
Passenger cars	4 years
Fixture and fittings	6 – 12 years

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

Investment property

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

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and impairment. Investment property is presented on the balance sheet 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. The useful live of investment property is identical to that of buildings reported under property and equipment. Rental income is recognised in the income statement line item 'Rental income from investment properties & other operating leases'.

Intangible assets

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

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

The estimated useful lives are as follows:

Type of intangible assets	Useful life in years 2015 and 2014
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 Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. Testing for impairment is performed at individual asset level if the asset generates cash inflows that are largely independent of those from other assets. The typical case is investment property. Otherwise, the impairment test is carried out at the level of cash-generating unit ('CGU') to which the asset belongs. CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of those from other assets or groups of assets.

When an asset is tested for impairment annually or if any indication of impairment exists, the Group estimates its recoverable amount. The 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 Group estimates the asset's or CGU's recoverable amount. The previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. However, impairment on goodwill cannot be reversed.

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

Non-current assets and disposal groups held for sale

Non-current assets are classified as held for sale if they can be sold in their present condition and the sale is highly probable within 12 months from the classification as held for sale. If assets are to be sold as part of a group that may also contain liabilities (e.g. subsidiary) they are referred to as disposal group held for sale.

Assets classified as held for sale and assets belonging to disposal groups held for sale are reported on the balance sheet line item 'Assets held for sale'. Liabilities belonging to the disposal groups held for sale are presented on the balance sheet line item 'Liabilities associated with assets held for sale'. Non-current assets and disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

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 is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. All other lease agreements are classified as operating leases.

(i) The Group as a lessor

In the case of finance lease the Group recognises a receivable from the lessee on the balance sheet line items 'Loans and receivables to customers' or 'Loans and receivables to credit institutions'. 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 income statement line item 'Net interest income'.

In the case of an operating lease, the Group reports the leased asset on the balance sheet line items 'Property and equipment' or '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 income statement line item 'Rental income from investment properties & other operating leases'.

(ii) The Group as a lessee

The Group has not entered into any leases meeting the conditions of finance lease.

Operating lease payments are recognised on a straight-line basis over the lease term in the income statement line item 'Other administrative expenses'.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reported on the balance sheet line item 'Provisions'. They include credit risk loss provisions for contingent liabilities (particularly financial guarantees and loan commitments), as well as provisions for litigation and restructuring. Expense or income related to provisions are reported in the income statement line item 'Other operating result'.

Defined employee benefit plans

Defined employee benefit plans operated by the Group are for pensions and working anniversary benefits. According to IAS 19 categorisation, perspective pension benefits qualify as post-employment defined 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 28.

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.

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.

Dividends on ordinary shares

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

Financial guarantees

In the ordinary course of business, the Group provides financial guarantees, consisting of various types of guarantees and letters of credit. According to IAS 39, financial guarantee is a contract that requires the guarantor to make specified payments to reimburse the holder for a loss incurred in case the specified debtor fails to make a payment when due in accordance with the original or modified terms of a debt instrument.

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

The Group as a guarantor recognises the financial guarantee as soon as it becomes a contracting party (i.e. when the guarantee offer is accepted). Financial guarantees are initially measured at fair value. Generally, the initial measurement is the premium received for a guarantee. If no premium is received at contract inception, the fair value of a financial guarantee is nil, as this is the price that would be paid to transfer the liability in an orderly transaction between market participants. Subsequent to initial recognition, the financial guarantee contract is reviewed whether a provision is required according IAS 37. Such provisions are recorded on the balance sheet line item 'Provisions' and the related income or expenses are recognised in the income statement line item 'Other operating result'.

The premium received for a financial guarantee issued is recognised on a straight-line basis over the life of the guarantee in the income statement line item 'Net fee and commission income'.

Fiduciary assets

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

Recognition of income and expenses

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

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

(i) Net interest income

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 Group 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 lending fees, guarantee fees, commission income from asset management, custody and other management and advisory fees, as well as fees from insurance brokerage, building society brokerage and foreign exchange transactions.

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 dividend 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, which are not consolidated or not accounted for using the equity method due to their insignificance. Such non-consolidated subsidiaries, associates and joint ventures are presented on the balance sheet line item 'Other assets'.

(iv) Net trading and fair value result

Results arising from trading activities include all gains and losses from changes in fair value (clean price) on financial assets and financial liabilities classified as held for trading, including all derivatives not designated as hedging instruments, as well as foreign exchange gains and losses.

In addition, net trading result also contains interest income or expense on derivative financial instruments held in the trading book. However, interest income or expenses on derivative financial instruments held in the banking book are reported in the income statement line item 'Net interest income'. Net trading result also includes any ineffective portions recorded in fair value and cash flow hedge transactions.

(v) Net result from equity method investments

The line item contains result from associates and joint ventures recorded by applying the equity method (measured as investor's share of profit or loss in the associates and joint ventures).

However, impairment losses, reversal of impairment losses and realised gains and losses on investments in associates or joint ventures accounted for using the equity method are reported under the line item 'Other operating result'.

(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.

This line item also includes service costs for defined benefit obligations (pension and jubilee) and the actuarial remeasurements of jubilee obligations.

(viii) Other administrative expenses

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

Furthermore this line item contains deposit insurance fund contributions.

(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 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 loans and receivables, financial assets available-for-sale, financial assets held-to-maturity and financial liabilities measured at amortised cost. However, if such gains or losses relate to individually impaired financial assets, they are reported in the income statement line item 'Net impairment loss on financial assets not measured at fair value through profit or loss'.

(xi) Net impairment loss on financial assets not measured at fair value through profit or loss

Net impairment losses on financial assets comprise of impairment losses and reversals of impairment on loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. 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.

(xii) Other operating result

Other operating result includes all income and expenses not directly attributable to the Group's ordinary activities.

This line item includes results on the sale, impairment losses or reversal of impairment related to non-financial assets, such as property and equipment and intangible assets. Any impairment losses on goodwill are presented as other operating result.

In addition, this line item includes gains or losses on derecognition of investments in subsidiaries, joint ventures and associates, as well as the related impairment losses or their reversals.

Other operating result also contains expenses for allocations to provisions, income from their release and other taxes.

The significant items reported within other operating result are legally imposed levies related to the banking activities:

- banking tax, and
- contribution to the National Resolution Fund.

Renegotiated loans

The Group seeks to restructure loans, rather than to repossess collaterals, where possible . The restructuring involves extending of payment arrangements and/or agreement on new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR calculated before the modification of terms. These loans continue to be subject to individual or collective impairment assessment. The renegotiated loan is no longer considered past due. Management of the Group continually reviews renegotiated loans to ensure that all criteria are met and future payments are likely to occur.

Collateral repossessed

The Group's policy is to decide on a beneficial treatment of repossessed assets, whether it should be used for internal operations or should be sold. The assets determined to be useful for internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured assets. The assets determined to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Group's policy.

Collateral valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms, such as cash, securities, guarantees / letters of credit, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of a collateral is generally assessed, at a minimum, at inception and according to the Group's reporting schedule. To the extent possible, the Group uses active market data for valuation of the financial assets held as collaterals. Other financial assets, which do not have a readily determinable market value, are valued using models. Non-financial collaterals, such as real estates, are valued based on data provided by third parties, e.g. mortgage brokers, housing price indices, and other independent sources.

5) Significant accounting judgements, assumptions and estimates

The financial statements contain amounts that have been determined on the basis of judgements using estimates and assumptions. The estimates and assumptions used are based on a historical experience and other factors, such as planning, 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, in the future periods actual results could 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:

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 by a variety of valuation techniques using mathematical models. Inputs to these models are derived from observable market data. Where observable market data is not available, a judgement is required to establish fair value. The disclosures for fair values of financial instruments, the fair value hierarchy and valuation models are presented in the note 38.

Impairment of financial assets

The Group reviews 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 income statement. For determining an impairment loss it is required to assess whether there is an objective evidence of impairment as a result of a loss event occurring after initial recognition and to estimate the amount and timing of the future cash flows.

The disclosures concerning impairment are provided in the note 37. The development of loan allowances is described in the notes 18 and 19.

(i) Individual assessment of impairment

Loans and receivables to credit institutions, sovereigns and corporate customers are generally considered by the Group as individually significant and are analysed on an individual basis regardless materiality limits.

Loans and receivables to retail customers with exposures exceeding 200 thousand Eur are generally considered by the Group as individually significant and are analysed on an individual basis.

For impairment classification, the Group uses expected loss threshold of 250 euro per client. Losses under this amount are considered to be immaterial.

Loans and receivables with identified impairment are internally rated as defaulted. The calculation of specific provisions is based on an estimate of expected cash flows reflecting the estimated delinquency in loan repayments and proceeds from collateral. Impairment amount is determined by the difference between the gross carrying amount of the loan and the net present value ('NPV') of the estimated cash flows discounted by the loan's original effective interest rate.

(ii) Portfolio assessment of impairment

For the purpose of collective assessment of impairment, the financial assets are grouped on the basis of the Group's internal credit rating system.

Future cash flows from a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for the assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce differences between the loss estimates and the actual loss experience.

Impairment of non-financial assets

The Group reviews its non-financial assets at each balance sheet date to assess whether an impairment loss should be recorded in the income statement. Judgements and estimates are required to determine the value in use and the fair value less costs to sell, based on estimated discount rates, timing and the amount of future expected cash flows.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Recognition of provisions requires a judgement whether such an obligation exists. Furthermore, estimates are necessary with respect to the amount and timing of the future cash flows to determine the amount of provisions. Details of provisions are disclosed in the note 28 and 37.

Defined benefit obligation plans

The cost of the defined benefit obligation plans is determined using an actuarial valuation. This involves making assumptions about discount rates, expected rates of return on assets, future salary increases, future pension increases, fluctuation, mortality rates and retirement age. The assumptions used for the defined benefit obligation calculations and the related amounts are disclosed in the note 28.

Deferred tax assets

Deferred tax assets are recognised with respect of tax losses and deductible temporary differences. They are recorded to the extent that it is probable that a taxable profit will be available against which the losses can be utilised. A judgement is required to determine the amount of deferred tax assets that can be recognised, based on likely timing and level of future taxable profits, together with future tax planning strategies. The disclosures concerning deferred taxes are in the notes 12 and 24.

6) Application of amended and new IAS / IFRS

The accounting policies adopted are consistent with those used in the previous financial year except for standards and interpretations that became effective for financial years beginning after 1 January 2015. Regarding new standards and interpretations and their amendments, only those that are relevant for the business of the Group are listed below.

Effective standards and interpretations

The following standards and their amendments have become mandatory for the financial year 2015, endorsed by EU:

IFRIC 21 Levies
This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014, but in EU for annual periods beginning on or after 17 June 2014.

Annual Improvements to IFRSs 2011 2013 Cycle
In December 2013, the IASB issued a set of amendments to various standards. The amendments are effective for annual periods beginning on or after 1 July 2014, but in EU for annual periods beginning on or after 1 January 2015. Application of these amendments did not have a significant impact on Group's financial statements.

Standards and interpretations not yet effective

The standards, amendments and interpretations shown below were issued by the IASB but are not yet effective.

(i) The following standards, amendments and interpretations are not yet endorsed by the EU:

IFRS 9: Financial Instruments (IASB Effective Date: 1 January 2018)
IFRS 9 was issued in July 2014 and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 addresses three main areas of accounting for financial instruments: classification and measurement, impairment and hedge accounting.

During the year 2015, the Group proceeded with the development of business concepts and business requirements documentation addressing the changes in policies, procedures, processes and systems, assessed as necessary in preparation for transition to IFRS 9 on 1 January 2018. As part of this effort, iterative financial impact studies (notably with regards to classification/measurement and impairment of financial assets) were made and the analysis and assessments are planned to continue throughout 2016, along with gradually moving from the concept phase to the implementation phase of the documented business requirements.

On this basis, the Group upholds its original expectations that this standard will have not a significant effect on balance sheet items and measurement methods for financial instruments.

Thus, in the area of classification and measurement, the Group did not identified a significant risk that part of its loan portfolio will have to be re-measured at fair value through profit or loss, due to the contractual cash flow characteristics. On the other hand, some debt securities currently measured at fair value through other comprehensive income may be measured at amortised cost due to the 'held-to-collect contractual cash' flows business model applied to them.

In the area of impairment loss, allowances are expected to increase more than insignificantly for some non-defaulted exposures.

The Group also expects that the structure of the financial statements (both main components and explanatory notes) will have to be adapted, notably in the light of the new reporting and disclosure requirements of IFRS7, as triggered by IFRS9. Such adaptions would also consider any new regulatory reporting requirements (notably FINREP related) which EU or national regulators may contemplate as part of preparing for initial application of IFRS 9 at the level of the wider European and national Banking sector.

IFRS 9 provides an accounting policy in the area of hedge accounting. Entities can either continue to apply the hedge accounting requirements of IAS 39 until the macro hedging project is finalized, or can apply IFRS 9 (with the scope exception only for fair value macro hedges of interest rate risk). The Group plans to continue to apply IAS 39 until the macro hedging project is finalized.

IFRS 14 Regulatory Deferral Accounts (IASB Effective Date: 1 January 2016)
The Group does not expect any significant impact from application of IFRS 14.

IFRS 15 Revenue from Contracts with Customers (IASB Effective Date: 1 January 2018)
IFRS 15 was issued in May 2014 and is effective for annual periods beginning on or after 1 January 2018. As the standard is not focused on recognition of revenues from financial services. The impact on Group's financial statements will be analysed.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (IASB Effective Date: 1 January 2016)
Amendments to IFRS 10 and IAS 28 were issued in September 2014 and are effective for annual periods beginning on or after 1 January 2016. Application of these amendments is not expected to have a significant impact on Group's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (IASB Effective Date: 1 January 2016)
Application of these amendments is not expected to have a significant impact on Group's financial statements.

(ii) The following standards, amendments and interpretations are already endorsed by the EU:

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (IASB Effective Date: 1 July 2014; EU Endorsement Effective Date 1 February 2015)
Amendments to IAS 19 were issued in November 2013 and are effective for annual periods beginning on or after 1 July 2014, but in EU for annual periods beginning on or after 1 Febuary 2015. Application of these amendments is not expected to have a significant impact on Group's financial statements.

Annual Improvements to IFRSs 2010 2012 Cycle (IASB Effective Date: 1 July 2014; EU Endorsement Effective Date 1 February 2015)
In December 2013, the IASB issued a set of amendments to various standards. The amendments are effective for annual periods beginning on or after 1 July 2014, but in EU for annual periods beginning on or after 1 Febuary 2015. Application of these amendments is not expected to have a significant impact on Group's financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (IASB Effective Date: 1 January 2016)
Amendments to IAS 16 and IAS 38 were issued in May 2014 and are effective for annual periods beginning on or after 1 January 2016. Application of these amendments is not expected to have a significant impact on Group's financial statements.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (IASB Effective Date: 1 January 2016)
Amendments to IFRS 11 were issued in May 2014 and are effective for annual periods beginning on or after 1 January 2016. Application of these amendments is not expected to have a significant impact on Group's financial statements.

Amendments to IAS 1: Disclosure Initiative (IASB effective date: 1 January 2016)
These changes and clarifications are not expected to trigger significant changes in the presentation of Group's IFRS separate financial statements.

Annual Improvements to IFRSs 2012 2014 Cycle (IASB effective date: 1 January 2016)
In September 2014, the IASB issued a set of amendments to various standards. The amendments are effective for annual periods beginning on or after 1 January 2016. Application of these amendments is not expected to have a significant impact on Group's financial statements.

IFRS 16 Leases (IASB Effective Date: 1 January 2019)
In January 2016, the IASB issued IFRS 16 being effective for annual periods beginning on or after 1 January 2019. The impact on the group financial statements will be evaluated.

Amendments to IAS 12 – Recognition of deferred tax assets for unrealised losses (IASB effective date: 1 January 2017)
Amendments to IAS 12 were issued in January 2016 and are effective for annual periods beginning on or after 1 January 2017. The impact on the group financial statements will be evaluated, but it is not expected that these amendments will have a significant impact.

C. NOTES TO THE INCOME STATEMENT AND THE BALANCE SHEET

1) Net interest income

EUR ths.	2014	2015
Interest income		
Financial assets - at fair value through profit or loss	527	273
Financial assets - available for sale	27 800	30 071
Financial assets - held to maturity	108 867	100 418
Loans and receivables	397 383	402 051
Derivatives - hedge accounting, interest rate risk	(5 107)	(7 274)
Other assets	160	50
Total interest income	**529 630**	**525 589**
Interest expenses		
Financial liabilities measured at amortised cost	(66 324)	(57 311)
Derivatives - hedge accounting, interest rate risk	760	799
Other liabilities	(129)	(92)
Total interest expense	**(65 693)**	**(56 604)**
Net interest income	**463 937**	**468 985**

Interest income for the year 2015 includes the amount of 7.9 mil. eur relating to impaired financial assets (2014: 7.5 mil. eur).

2) Net fee and commission income

EUR ths.	2014	2015
Securities	5 888	8 054
Transfer orders	6 398	8 736
Other	(510)	(682)
Custody	219	215
Payment services	84 154	82 220
Card business	23 196	22 758
Other	60 958	59 462
Customer resources distributed but not managed	10 527	11 392
Collective investment	644	626
Insurance products	9 850	10 736
Other	28	30
Lending business	21 655	18 412
Guarantees given, guarantees received	3 738	3 751
Loan commitments given, loan commitments received	89	65
Other lending business	17 828	14 596
Other	950	1 153
Net fee and commission income	**123 393**	**121 446**

3) Dividend income

EUR ths.	2014	2015
Financial assets designated at fair value through profit or loss	438	443
Available-for-sale financial assets	283	415
Total	**720**	**858**

4) Net trading and fair value result

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

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

EUR ths.	2014	2015
Net trading result	9 053	9 077
Securities and derivatives trading	1 448	6 820
Foreign exchange transactions	7 605	2 258
Result from financial assets and liabilities designated at fair value through profit or loss	558	(290)
Total	**9 611**	**8 787**

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

5) Rental income from investment properties & other operating leases

EUR ths.	2014	2015
Investment properties	387	397
Other operating leases	1 459	1 511
Total	**1 846**	**1 908**

6) Personnel expenses

EUR ths.	2014	2015
Wages and salaries	(90 206)	(92 938)
Compulsory social security	(31 052)	(30 528)
Long-term employee provisions	(240)	(485)
Other personnel expenses	(3 583)	(4 861)
Total	**(125 081)**	**(128 812)**

As at 31 December 2015 the Group had 4 205 employees (2014: 4 275).

Average number of employees in the year 2015 was 4 231, thereof five members of the Board of Directors. In the year 2014 average number of employees was 4 223 with the same number of the Board of Directors members.

7) Other administrative expenses

EUR ths.	2014	2015
Deposit insurance contribution	(8 854)	(2 354)
IT expenses	(30 609)	(32 447)
Expenses for office space	(21 128)	(21 030)
Office operating expenses	(12 039)	(11 979)
Advertising/marketing	(14 188)	(14 483)
Legal and consulting costs	(3 196)	(3 798)
Sundry administrative expenses	(6 006)	(6 560)
Total	**(96 020)**	**(92 651)**

The Group is legally obliged to make a contribution to the Deposit Protection Fund, which is calculated based on its customer deposit liabilities.

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

EUR ths.	2014	2015
Audit fees	(321)	(245)
Other services involving the issuance of a report	(245)	(398)
Tax consultancy fees	(82)	(41)
Other services	(122)	(123)
Total	**(770)**	**(807)**

8) Depreciation and amortisation

EUR ths.	2014	2015
Software and other intangible assets	(22 943)	(23 407)
Owner occupied real estate	(14 060)	(13 255)
Investment properties	(1 425)	(1 560)
Office furniture and equipment and sundry property and equipment	(8 248)	(7 928)
Total	**(46 676)**	**(46 150)**

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

EUR ths.	2014	2015
From sale of financial assets available for sale	102	442
From sale of financial assets held to maturity	1 060	446
From sale of loans and receivables	97	11
From repurchase of liabilities measured at amortised cost	7	3
Total	**1 266**	**902**

Derecognition of the held-to-maturity financial assets relates to the sales close to maturity without breaching tainting rule as defined by IAS 39.

10) Net impairment loss on financial assets not measured at fair value through profit or loss

EUR ths.	2014	2015
Loans and receivables	(51 355)	(58 062)
Allocation to risk provisions	(321 125)	(342 744)
Release of risk provisions	268 879	273 051
Direct write-offs	(2 974)	-
Recoveries recorded directly to the income statement	3 865	11 631
Financial assets - held to maturity	3	21
Total	**(51 352)**	**(58 041)**

The line item 'Recoveries recorded directly to the income statement' includes recoveries related to the amounts previously written off, as well as recoveries resulting from the official upgrades of customers to non-defaulted rating grades.

11) Other operating result

EUR ths.	2014	2015
Result from properties/movables/other intangible assets	(879)	1 052
Allocation to/release of other provisions	(448)	(455)
Allocation to/release of provisions for commitments and guarantees given	(6 031)	2 995
Levies on banking activities	(31 530)	(30 919)
Other taxes	(316)	(205)
Result from other operating expenses/income	(5 015)	(5 874)
Total	**(44 219)**	**(33 406)**

There are two significant items within other operating result for the year 2015 presented in the line item 'Levies on Banking activities':

- levy of selected financial institutions ('bank tax') in the amount of 23.6 mil. eur (2014: 31.5 mil. eur),
- contribution to the National Resolution Fund ('resolution fund') in the amount of 7.3 mil. eur (2014: 0 eur).

Effective from 1 January 2012 banks and branches of foreign Banks acting in Slovakia are legally obliged to pay a levy of selected financial institutions. Originally the levy rate was 0,4 % p.a. from the total amount of liabilities defined by the law No. 384/2011. On 25 July 2014 the total amount paid by the participating fiancial institutions subject to this levy reached the limit of 500 mil. Eur set by the law. In accordance with the law amendment the levy rate was adjusted to 0.2% p.a. with effectiveness from the year 2015. Banking tax is divided to four payments (payable at the begining of qaurtal) and the respective costs are accrued evenly during the year.

Effective from 1 January 2015 banks and selected firms are obliged to pay a contribution to the National Resolution Fund ('NRF') according to local legislation No. 371/2014. NRF is a part of the Single Resolution Fund ('SRF'), which is an essential element of the Single Resolution Mechanism ('SRM'). This mechanism harmonizes resolution of credit institutions and certain investment firms within 19 participating member states. The mechanism, as well as the methodology of contribution calculation are defined in the Commission Delegated Regulation (EU) 2015/63 and the Council Implementing Regulation (EU) 2015/81. SRF will be build up during the first eight years (2016-2023) and shall reach at least 1% of the covered deposits of all credit institutions authorized in the participating member states.

The Group's contribution for the year 2015 was determined by the National Resolution Authority and dependens on the size of the group´s liabilities and its calculated risk profile.

The Group accounts for the contribution to the National resolution fund in line with IFRIC 21. During the year an estimated amount of the contribution is reported in the balance sheet line item 'Provisions'. Once a final decision on the contribution amount is announced, the Group settles the payment as use of the provisions booked.

12) Taxes on income

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

EUR ths.	2014	2015
Pre-tax profit/loss	239 544	246 558
Statutory tax rate	22%	22%
Income tax expense for the financial year at the domestic	52 700	54 244
Impact of tax-exempt earnings of investments	2 078	-
income and other tax-exempt	(8 353)	(10 982)
Tax increases due to non-deductible	4 688	10 426
expenses, additional business tax and similar elements	10 426	19 527
Net impact of non-valued fiscal losses for the year	1 283	33
Tax losses carried forward obtained in connection with merger	-	(2 428)
Tax income not atributable to the reporting period	88	272
Other effects	654	121
Total	**56 798**	**60 788**

EUR ths.	2014	2015
Current tax expense / income	(61 333)	(68 278)
current period	(61 333)	(68 278)
Deferred tax expense / income	4 535	7 490
current period	4 535	7 490
Total	**(56 798)**	**(60 788)**

13) Cash and cash balances

EUR ths.	2014	2015
Cash on hand	320 727	321 939
Cash balances at central banks	87 392	872
Total	**408 119**	**322 811**

During the monthly period covering the date of 31 December 2015 the required average balance of minimum compulsory reserves was in the amount of 105.6 mil. eur and the actual average balance amounted 116.2 mil. eur representing 110.07% of the requirement.

During the monthly period covering the date of 31 December 2014 the required average balance of minimum compulsory reserves was in the amount of 92.6 mil. eur and the actual average balance amounted 92.8 mil. eur representing 100.24% of the requirement.

14) Financial assets – held for trading/Derivatives

in ths. EUR	Notional value		Positive fair value		Negative fair value	
	2014	2015	2014	2015	2014	2015
Interest rate	1 312 100	1 238 955	26 700	17 699	29 601	20 334
Equity	70 032	77 114	765	1 541	765	1 541
Foreign exchange	1 107 952	408 140	65 555	37 752	64 624	36 385
Credit	50 000	50 000	-	4	142	-
Commodity	484 244	291 598	8 527	27 418	8 307	27 248
Total	**3 024 328**	**2 065 807**	**101 547**	**84 414**	**103 439**	**85 508**

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

15) 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 Group to manage them on fair value basis.

EUR ths.	2014	2015
Equity instruments	13 526	10 993
Debt securities	6 677	6 675
Total	**20 203**	**17 668**

The amounts represent the maximum exposure to credit risk.

16) Financial assets - available for sale

EUR ths.	2014	2015
Equity instruments	21 558	51 796
Debt securities	1 197 594	1 159 815
General governments	998 457	972 722
Credit institutions	76 719	61 680
Non-financial corporations	122 418	125 413
Total	**1 219 152**	**1 211 611**

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

In the year 2015 the amount of 0.7 mil. eur relates to financial assets available for sale measured at cost (2014: 0.7 mil. eur).

With reference to the published announcement of Visa Inc. and Visa Europe Ltd. from 2 November 2015 the Group has revalued its equity holding in Visa Europe Ltd. to the fair value that reflects the definite agreement of Visa Inc. to acquire Visa Europe Ltd, creating a single global company. The transaction is going to be undertaken during the year 2016 and involves an upfront consideration with potential for an additional earn-out payable following the fourth anniversary of thre transaction closing. The upfront consideration comprises of cash and preferred stock convertible into Visa Inc. class A common stock. The transaction is still subject to regulatory approvals.

As at 31 December 2015 fair value of the Group's equity holding in Visa Europe Ltd. amounted 24.5 mil. eur and the revaluation was recognized in Other comprehensive income in amount of 24.5 mil. eur.

17) Financial assets – held to maturity

EUR ths.	Gross carrying amount		Collective allowances		Net carrying amount	
	2014	2015	2014	2015	2014	2015
General governments	2 541 352	2 451 290	(239)	(223)	2 541 113	2 451 067
Credit institutions	38 626	39 545	(23)	(17)	38 603	39 528
Non-financial corporations	101	101	-	(2)	101	99
Total	**2 580 079**	**2 490 936**	**(262)**	**(242)**	**2 579 817**	**2 490 694**

The amounts represent the maximum exposure to credit risk.

18) Loans and receivables to credit institutions

EUR ths.	Gross carrying amount		Collective allowances		Net carrying amount	
	2014	2015	2014	2015	2014	2015
Loans and advances						
Credit institutions	179 109	121 629	(53)	(29)	179 056	121 600
Total	**179 109**	**121 629**	**(53)**	**(29)**	**179 056**	**121 600**

The amounts represent the maximum exposure to credit risk.

As at 31 December 2015 the accounts in credit institutions repayable on demand (disclosed in the Statement of Cash Flows) amounted 26.3 mil. eur (2014: 11.9 mil. eur).

At the end of years 2015 and 2014 the Bank had no reverse repo agreements.

Allowances for loans and receivables to credit institutions were as follows:

EUR ths.	2014	Allocations	Releases	2015
Collective allowances				
Loans and advances	(53)	(110)	135	(29)
Total	**(53)**	**(110)**	**135**	**(29)**

EUR ths.	2013	Allocations	Releases	2014
Collective allowances				
Loans and advances	(10)	(161)	140	(53)
Total	**(10)**	**(161)**	**140**	**(53)**

19) Loans and receivables to customers

EUR ths.	Gross carrying amount		Specific allowances		Collective allowances		Net carrying amount	
	2014	2015	2014	2015	2014	2015	2014	2015
Loans and advances to customers								
General governments	216 779	235 986	-	-	(454)	(449)	216 325	235 537
Other financial corporations	84 169	80 891	(516)	(55)	(395)	(303)	83 258	80 533
Non-financial corporations	1 920 990	2 208 759	(115 747)	(126 835)	(17 368)	(18 001)	1 787 875	2 063 923
Households	6 211 626	7 194 600	(148 245)	(148 580)	(65 269)	(60 706)	5 998 112	6 985 314
Total	**8 433 564**	**9 720 236**	**(264 508)**	**(275 470)**	**(83 486)**	**(79 459)**	**8 085 570**	**9 365 307**

Allowances for loans and receivables to customers were as follows:

EUR ths.	2014	Allocations	Use	Releases	Interest income from impaired loans	Other changes and exchange-rate (+/-)	2015	Recoveries of amounts previously written off	Amounts written off
Specific allowances									
Loans and advances to customers	(264 508)	(191 096)	54 228	117 373	7 973	562	(275 470)	11 632	-
Other financial corporations	(516)	-	279	162	-	20	(55)	-	-
Non-financial corporations	(115 747)	(93 415)	20 393	60 249	1 661	25	(126 835)	(1 021)	-
Households	(148 245)	(97 681)	33 556	56 962	6 312	517	(148 580)	12 653	-
Collective allowances									
Loans and advances to customers	(83 486)	(151 538)	-	155 543	-	20	(79 459)	-	-
General governments	(454)	(259)	-	264	-	-	(449)	-	-
Other financial corporations	(395)	(1 456)	-	1 548	-	-	(303)	-	-
Non-financial corporations	(17 368)	(45 524)	-	44 870	-	20	(18 001)	-	-
Households	(65 269)	(104 299)	-	108 861	-	-	(60 706)	-	-
Total	**(347 994)**	**(342 634)**	**54 228**	**272 916**	**7 973**	**582**	**(354 929)**	**11 632**	**-**

EUR ths.	2013	Allocations	Use	Releases	Interest income from impaired loans	Other changes and exchange-rate (+/-)	2014	Recoveries of amounts previously written off	Amounts written off
Specific allowances									
Loans and advances to customers	(262 285)	(170 525)	48 198	106 054	7 519	6 033	(264 508)	3 865	(2 974)
Other financial corporations	(23)	(101)	14	9	1	(410)	(516)	-	-
Non-financial corporations	(104 372)	(85 428)	18 132	57 644	2 334	5 904	(115 747)	219	(816)
Households	(157 891)	(84 996)	30 052	48 400	5 184	539	(148 245)	3 646	(2 158)
Collective allowances									
Loans and advances to customers	(89 265)	(150 439)	-	162 685	-	(5 970)	(83 486)	-	-
General governments	(387)	(473)	-	511	-	(103)	(454)	-	-
Other financial corporations	(145)	(172)	-	198	-	(276)	(395)	-	-
Non-financial corporations	(18 151)	(21 917)	-	26 046	-	(2 853)	(17 368)	-	-
Households	(70 582)	(127 877)	-	135 930	-	(2 738)	(65 269)	-	-
Total	**(351 550)**	**(320 964)**	**48 198**	**268 739**	**7 519**	**63**	**(347 994)**	**3 865**	**(2 974)**

As at 31 December 2015, 15 largest customers accounted for 7.6% of the gross loan portfolio amounting 736.9 mil. eur (2014: 7,7%, 649.8 mil. eur).

The column item 'Recoveries recorded directly to the income statement' includes recoveries related to the amounts previously written off, as well as recoveries resulting from the official upgrades of customers to non-defaulted rating grades.

Mandate loans

During the year 2015 the Group cooperated with 11 external companies (2014: 8 companies). Following mandate contracts the management and administration of certain non-performing receivables is outsourced. The Group maintains risks and rewards associated with the underlying exposures and shares part of recoveries with the external service providers.

As at 31 December 2015 the total amount of gross loans outsourced was 128.2 mil. eur (2014: 94.8 mil. eur).

Write off and sale of receivables

During the year 2015 the Group sold loan receivables in the amount of 51.4 mil. eur (2014: 65.3 mil. eur) for a consideration of 14.1 mil. eur (2014: 14.5 mil. eur) and used the corresponding allowances amounting 43.4 mil. eur (2014: 50.8 mil. eur).

In the year 2015 the Group has also written off loans with the amount of 19.2 mil. eur (2014: 10.2 mil. eur) and used the respective allowances amounting 18.4 mil. eur (2014: 9.5 mil. eur).

Finance Leases

Loans and advances to customers also include net investments in finance leases. The principal assets held under lease arrangements include cars and other technical equipment. Accumulated allowance for uncollectible minimum lease payments receivable amounted 2.8 mil. eur (2014: 7.8 mil. eur).

EUR ths.	2014	2015
Gross investment in finance leases	**13 831**	**18 147**
Thereof:		
< 1 year	5 286	7 642
1-5 years	8 371	10 241
> 5 years	174	264
Unearned income	**(483)**	**(856)**
Net investment in finance leases	**13 348**	**17 291**
Thereof:		
< 1 year	5 027	7 205
1-5 years	8 154	9 826
> 5 years	167	260

20) Derivatives – hedge accounting

EUR ths.	Notional value		Positive fair value		Negative fair value	
	2014	2015	2014	2015	2014	2015
Fair value hedges	347 821	347 821	8 322	7 418	49 077	42 915
Interest rate	347 821	347 821	8 322	7 418	49 077	42 915
Total	**347 821**	**347 821**	**8 322**	**7 418**	**49 077**	**42 915**

Fair value hedge of assets

As at 31 December 2015 the Group held in its portfolio fixed rate bonds denominated in Eur with face value of 331.0 mil. eur (2014: 331.0 mil. eur). As the purchases of these bonds increased exposure to interest rate risk in the period from five to fifteen years, the Group entered into interest rate swap deals in order to hedge the changes of fair value caused by changes of risk-free interest rates, paying fixed and receiving floating rates.

During the year 2015 the hedges were effective in hedging fair value exposure to interest rate movements. During the period the Group recognised a net gain on the hedging instruments in the amount of 7.1 mil. eur (2014: net loss 29.3 mil. eur). On the other hand, a net loss on the hedged item attributable to the hedged risk amounted to 7.1 mil. eur (2014: net gain 27.9 mil. eur).

Fair value hedge of liabilities

In July 2007 the Group issued fixed rate mortgage bonds with maturity in July 2027 also disclosed in the note 27. At the same time the Group entered into interest rate swap deals in order to hedge interest rate risk. As at 31 December 2015 the notional value of these hedged mortgage bonds was 16. 6 mil. eur (2014: 16.6 mil. eur).

During the year 2015 the hedges were effective in hedging fair value exposure to interest rate movements. During the period the Group recognised a net loss on the hedging instruments in the amount of 0.9 mil. eur (2014: net gain 3.2 mil. eur). On the other hand, a net gain on the hedged item attributable to the hedged risk amounted to 0.9 mil. eur (2014: net loss 3.1 mil. eur).

21) Investment in subsidiaries and associates

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

Investment in subsidiaries

EUR ths.	Služby SLSP, s.r.o. 2014	Služby SLSP, s.r.o. 2015	Realitná spoločnosť Slovenskej sporiteľne, a.s. (100% dcérska spoločnosť Služby SLSP, s.r.o.) 2014	2015	Erste Group IT SK, spol. s r.o. 2014	2015
Place of business	Tomášikova 48, 832 01 Bratislava, Slovak Republic		Tomášikova 48, 832 10 Bratislava, Slovak Republic		Tomášikova 48, 831 04 Bratislava, Slovak Republic	
Main business activity	Supporting banking services		Real estate agency		IT services and IT systems maintenance	
Ownership held	100%		100%		100%	
Voting rights held	100%		100%		100%	

EUR ths.	Derop B.V. 2014	Derop B.V. 2015	Laned,a.s. (100% dcérska spoločnosť Derop B.V) 2014	2015	Procurement Services SK, s.r.o.. 2014	2015
Place of business	Naritaweg 165 1043 BW Amsterdam The Netherlands		Tomášikova 48 832 71 Bratislava, Slovak Republic		Tomášikova 48 832 75 Bratislava Slovak Republic	
Main business activity	Incorporation, management and financing of companies		SPE-Real estate company		Procurement	
Ownership held	85%		85%		51%	
Voting rights held	85%		85%		51%	

On 19 August 2015 new subsidiary Služby SLSP, s.r.o. was established with 100% participation of the Bank.

On 30 September 2015 Realitná spoločnosť Slovenskej sporiteľne, a.s. (former subsidiary) was sold to the new subsidiary Služby SLSP, s.r.o., which became its 100% owner. The transaction was carried out under arm's length conditions.

On 17 December 2015 the Bank's participation in its subsidiary Erste Group IT SK, spol. s r.o. increased from 51% to 100%. The consideration paid for the share bought amounted 1,0 mil. eur. The transaction was carried out under arm's length conditions.

Investment in associates

EUR ths.	Prvá stavebná sporiteľňa, a.s. („PSS") 2014	2015	Slovak Banking Credit Bureau, 2014	2015	sIT Solutions SK, spol. s r.o. 2014	2015
Place of business	Bajkalská 30 829 48 Bratislava Slovak Republic		Malý trh 2/A 811 08 Bratislava Slovak Republic		Tomášikova 48 831 04 Bratislava Slovak Republic	
Main business activity	Banking		Retail credit register		Software company	
Ownership held	9.98%		33.33%		23.50%	
Voting rights held	35.00%		33.33%		23.50%	
IFRS Classification (JV/A)	Associate		Associate		Associate	
Reporting currency	EURO		EURO		EURO	
Dividend income received	2 539	2 237	-	-	-	-
Impairment loss recognized (cumulative basis)	-	-	-	-	(2 409)	(2 409)
Impairment loss recognized (for the reporting year)	-	-	-	-	-	-
Loan commitments, financial guarantees and other commitments given	-	-	-	-	-	-

Investee's key financial information for the reporting year (as at reporting year-end)

Cash and cash balances	230	338	119	282	-	-
Other current assets	2 491 630	2 615 059	9	-	-	-
Non-current assets	80 246	78 685	21	22	-	-
Current liabilities	2 306 429	2 413 589	9	142	-	-
Non-current liabilities	24 519	35 310	2	3	-	-
Operating Income	(43 559)	(42 265)	14	11	-	-
Post-tax result from continuing operations	20 654	23 542	3	3	-	-
Other comprehensive income	2 916	5 679	-	-	-	-
Total comprehensive income	23 570	29 221	3	3	-	-
Depreciation and amortization	(3 114)	(3 614)	(10)	(7)	-	-
Interest income	109 213	108 631	-	-	-	-
Interest expense	(53 269)	(48 922)	-	-	-	-
Tax expense/income	(6 879)	(6 927)	-	-	-	-

As at 31 December 2015 the Bank held 9.98% share of Prvá stavebná sporiteľňa, a.s. (2014: 9.98%). In accordance with a contract, the Bank acts on behalf of its parent company Erste Group Bank AG, which holds 25.02% shares in PSS (the same in years 2015 and 2014). In the year 2004, following the approval of the National Bank of Slovakia, the Bank nominated a representative in the Supervisory Board of PSS, who replaced a representative of Erste Group Bank AG. Consequently the Bank has established significant influence in PSS and therefore the Bank's investment in PSS is presented as an associate.

The company s IT Solutions SK, spol. s r.o. does not perform any economic activity and therefore the Group does not recognise any value of assets and liabilities.

22) Property, equipment and other assets

Cost

EUR ths.	Land and buildings	Office equip-ment / other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Balance as of 31. 12. 2013	**301 963**	**71 218**	**58 041**	**7 460**	**438 682**	**6 079**
Additions in current year	4 574	3 861	2 028	875	11 338	-
Disposals	(8 415)	(3 059)	(8 994)	(1 208)	(21 676)	(381)
Reclassification	(2 182)	-	-	-	(2 182)	2 182
Balance as of 31. 12. 2014	**295 940**	**72 020**	**51 075**	**7 127**	**426 162**	**7 880**
Additions in current year	5 403	3 863	9 893	391	19 550	-
Disposals	(9 885)	(8 420)	(5 503)	(2 475)	(26 282)	(89)
Reclassification	296	-	(731)	1	(434)	(296)
Balance as of 31. 12. 2015	**291 754**	**67 463**	**54 734**	**5 044**	**418 996**	**7 495**

Accumulated depreciation

EUR ths.	Land and buildings	Office equip-ment / other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Balance as of 31. 12. 2013	**(117 419)**	**(61 085)**	**(47 384)**	**(2 553)**	**(228 441)**	**(3 274)**
Amortisation and depreciation	(14 060)	(4 130)	(4 118)	(1 179)	(23 487)	(246)
Disposals	4 294	3 035	8 892	737	16 958	211
Impairment	(5 793)	-	-	-	(5 793)	(79)
Reversal of impairment (+)	1 938	-	-	203	2 141	-
Reclassification	1 186	-	-	-	1 186	(1 186)
Balance as of 31. 12. 2014	**(129 854)**	**(62 180)**	**(42 610)**	**(2 792)**	**(237 436)**	**(4 574)**
Amortisation and depreciation	(13 266)	(3 608)	(4 315)	(380)	(21 570)	(251)
Disposals	5 104	8 214	5 382	2 800	21 499	48
Impairment	(3 135)	-	-	-	(3 135)	(92)
Reversal of impairment	4 347	-	-	-	4 347	77
Reclassification	(177)	-	714	-	537	177
Balance as of 31. 12. 2015	**(136 981)**	**(57 574)**	**(40 829)**	**(372)**	**(235 758)**	**(4 615)**

Carrying amount

EUR ths.	Land and buildings	Office equip-ment / other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Balance as of 31. 12. 2014	**166 086**	**9 840**	**8 465**	**4 335**	**188 726**	**3 306**
Balance as of 31. 12. 2015	**154 773**	**9 889**	**13 905**	**4 672**	**183 238**	**2 880**

Cost of property and equipment, which are fully depreciated but still used by the Group as at 31 December 2015 amounted 81.3 mil. eur (2014: 87.1 mil. eur).

As at 31 December 2015 the Group owned property and equipment not yet put in use in the amount of 1.0 mil. eur (2014: 0.9 mil. eur).

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

Investment properties

As at 31 December 2015 the carrying amount of investment properties was 2.9 mil. eur (2014: 3.3 mil. eur). Total rental income earned on this property for the year 2015 amounted 0,4 mil. eur (2014: 0.4 mil. eur) and is separately presented in the line item 'Rental income from investment properties & other operating leases'. Depreciation of rented property for the year 2015 amounted 0.3 mil. eur (2014: 0.2 mil. eur) and is presented in the line item 'Depreciation'.

Operating leases

Summary of future minimum lease payments under non-cancellable operating leases where the Group acts as lessee:

EUR ths.	2014	2015
< 1 year	1 428	7 254
1-5 years	13 833	14 551
> 5 years	3 042	1 224
Total	**18 303**	**23 029**

The Group does not act as a lessor in any non-cancellable operating lease transaction.

23) Intangible assets

Cost

EUR ths.	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 31. 12. 2013	**211 699**	**18 416**	**3 104**	**233 219**
Additions	4 454	11 191	51	15 696
Disposals	(1 187)	-	-	(1 187)
Reclassification (+/-)	9	-	(9)	
Balance as of 31. 12. 2014	**214 975**	**29 607**	**3 146**	**247 728**
Additions	3 498	16 754	146	20 397
Reclassification (+/-)	731	-	-	731
Balance as of 31. 12. 2015	**219 204**	**46 361**	**3 292**	**268 856**

Accumulated amortisation

EUR ths.	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 31. 12. 2013	**(133 640)**	**-**	**(2 347)**	**(135 985)**
Amortisation and depreciation	(20 325)	(2 302)	(316)	(22 943)
Disposals	1 187	-	(21)	1 164
Reclassification (+/-)	**448**	**(448)**	**-**	**-**
Balance as of 31. 12. 2014	(152 330)	(2 750)	(2 684)	(157 764)
Amortisation and depreciation	(18 924)	(4 282)	(201)	(23 407)
Reclassification (+/-)	(714)	-	-	(714)
Balance as of 31. 12. 2015	**(171 968)**	**(7 032)**	**(2 885)**	**(181 885)**

Carrying amount

EUR ths.	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 31. 12. 2014	**62 645**	**26 857**	**462**	**89 964**
Balance as of 31. 12. 2015	**47 236**	**39 329**	**407**	**86 971**

Cost of intangible assets, which are fully depreciated but still used by the Group as at 31 December 2015 amounted 89.9 mil. eur (2014: 74.3 mil. eur).

As at 31 December 2015 the Group owned intagible assets not yet put in use in the amount of 3.4 mil. eur (2014: 2.3 mil. eur).

During the year 2015 the Group put in use upgrade of the core banking system, which amounted 16.9 mil. eur (2014: 11.1 mil. eur).

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

24) Tax assets and liabilities

The structure of tax assets and liabilities was as follows:

EUR ths.	Tax assets		Tax liabilities		Net variance		
	31.12.2014	31.12.2015	31.12.2014	31.12.2015	Through profit or loss	Through other comprehen-sive income	Total
Assets							
Financial assets available for sale	243	234	(16 524)	(27 160)	-	(10 713)	(10 713)
Loans and receivables	44 863	47 853	-	-	2 991	-	2 991
Tangible assets		-	(5 972)	(4 743)	1 229	-	1 229
Tax loss carried forward	340	1 956	-	-	1 616	-	1 616
Liabilities							
Provisions	4 246	3 566	-	-	(681)	-	(681)
Pensions and other post employment defined benefit obligations	888	994	-	-	106	-	106
Other liabilities	5 596	7 809	-	-	2 203	-	2 203
Gross deferred taxes	**56 176**	**62 439**	**(22 496)**	**(31 904)**	**7 490**	**(10 713)**	**(3 223)**
Net deferred taxes	34 249	30 849	(569)	(314)	-	-	-
Total current taxes	296	15	(22 958)	(7 196)	-	-	-
Total taxes	**34 545**	**30 864**	**(23 527)**	**(7 510)**	**-**	**-**	**-**

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

Deferred tax assets and liabilities are offset in accordance with the Group's accounting policy.

25) Other assets

EUR ths.	2014	2015
Prepayments and accrued income	5 132	4 862
Inventories	1 682	711
Sundry assets	19 196	24 374
Total	**26 010**	**29 947**

26) Financial liabilities measured at amortised costs

Deposits from banks

EUR ths.	2014	2015
Overnight deposits	94 434	5 058
Term deposits	574 724	278 351
Repurchase agreements	71 528	101 556
Total	**740 685**	**384 965**

Deposits from customers

EUR ths.	2014	2015
Overnight deposits	**4 544 340**	**5 122 007**
Non-savings deposits	4 544 340	5 122 007
General governments	138 692	52 825
Other financial corporations	154 244	166 469
Non-financial corporations	933 189	1 092 227
Households	3 318 215	3 810 486
Term deposits - Deposits with agreed maturity	**3 474 516**	**3 614 957**
Non-savings deposits	3 474 516	3 614 957
General governments	377 656	343 164
Other financial corporations	122 739	273 475
Non-financial corporations	299 611	441 263
Households	2 674 510	2 557 055
Deposits redeemable at notice	**1 647 429**	**1 934 572**
Households	1 647 429	1 934 572
General governments	**516 348**	**395 989**
Other financial corporations	**276 983**	**439 944**
Non-financial corporations	**1 232 800**	**1 533 490**
Households	**7 640 154**	**8 302 113**

As at 31 December 2015, term deposits from Banks include subordinated debt from the parent Bank 100.0 mil. eur (2014: 100.0 mil. eur). The subordinated deposit is a debt, which ranks behind other liabilities in case of financial difficulties of the Group.

As at 31 December 2015, no deposits from customers were collateralised by securities (neither at the year-end 2014).

As at 31 December 2015, no embedded derivatives were included in deposits from customers (neither at the year-end 2014).

27) Debt securities issued

EUR ths.	2014	2015
Subordinated liabilities	75 102	72 305
Subordinated issues and deposits	75 102	72 305
Other debt securities issued	854 738	1 029 649
Bonds / Certificates	137 407	137 738
Mortgage covered bonds	717 331	891 911
Total	**929 840**	**1 101 954**

Subordinated bonds

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2014	2015
Subordinated Bonds	June 2010	June 2015	0,00%	-	10 000	EUR	5 099	-
Subordinated Bonds	June 2011	June 2018	4,25%	700	10 000	EUR	6 712	6 771
Subordinated Bonds	June 2011	June 2018	4,90%	132	50 000	EUR	6 611	6 611
Subordinated Bonds	October 2011	October 2018	4,00%	543	10 000	EUR	5 074	5 134
Subordinated Bonds	December 2011	December 2018	4,00%	407	10 000	EUR	3 795	3 828
Subordinated Bonds	August 2010	August 2020	4,30%	10 000	1 000	EUR	11 532	11 984
Subordinated Bonds	August 2011	August 2021	4,30%	10 000	1 000	EUR	11 036	11 478
Subordinated Bonds	June 2012	June 2022	5,80%	11 000	1 000	EUR	11 683	12 326
Subordinated Bonds	November 2012	November 2022	4,30%	9 000	1 000	EUR	9 070	9 484
Subordinated Bonds	November 2011	November 2023	4,58%	4 250	1 000	EUR	4 490	4 689
Total							**75 102**	**72 305**

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

The bonds marked as 'Subordinated bonds*' include embedded derivatives which were separated and are disclosed on the balance sheet line item 'Financial liabilities – held for trading'. As at 31 December 2015 fair value of these derivatives amounted 1.5 mil. eur (2014: 2.1 mil. eur).

Bonds issued

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2014	2015
Mortgage Covered Bonds	February 2010	February 2015	0,00%	-	1 000	EUR	2 162	-
Mortgage Covered Bonds	February 2012	February 2015	0,00%	-	10 000	EUR	3 436	-
Mortgage Covered Bonds	March 2010	March 2015	0,00%	-	50 000	EUR	20 072	-
Mortgage Covered Bonds	September 2012	March 2015	0,00%	-	50 000	EUR	20 085	-
Mortgage Covered Bonds	April 2010	April 2015	0,00%	-	1 000	EUR	9 646	-
Mortgage Covered Bonds	June 2011	June 2015	0,00%	-	1 000	EUR	7 689	-
Mortgage Covered Bonds	July 2010	July 2015	0,00%	-	50 000	EUR	15 147	-
Mortgage Covered Bonds	July 2010	July 2015	0,00%	-	50 000	EUR	10 006	-
Mortgage Covered Bonds	February 2011	August 2015	0,00%	-	1 000	EUR	9 800	-
Mortgage Covered Bonds	August 2010	August 2015	0,00%	-	50 000	EUR	17 184	-
Investment Certificates	October 2014	October 2015	0,00%	-	1 000	EUR	2 196	-
Mortgage Covered Bonds	November 2010	November 2015	0,00%	-	1 000	EUR	9 844	-
Investment Certificates	November 2014	November 2015	0,00%	-	1 000	EUR	1 789	-
Senior Unsecured Bonds	December 2010	December 2015	0,00%	-	1 000	EUR	2 822	-
Investment Certificates	December 2014	December 2015	0,00%	-	5 000	NOK	640	-
Investment Certificates	December 2014	December 2015	0,00%	-	1 000	EUR	332	-
Mortgage Covered Bonds	June 2013	December 2015	0,00%	-	50 000	EUR	9 987	-
Mortgage Covered Bonds	July 2011	January 2016	3,20%	2 449	1 000	EUR	2 530	2 485
Investment Certificates	January 2015	January 2016	8,00%	500	10 000	NOK	-	564
Investment Certificates	February 2015	February 2016	8,25%	371	1 000	EUR	-	402
Investment Certificates	February 2015	February 2016	8,00%	343	5 000	NOK	-	193
Mortgage Covered Bonds	February 2014	February 2016	0,63%	600	50 000	EUR	30 121	30 161
Mortgage Covered Bonds	February 2012	February 2016	3,70%	8 800	1 000	EUR	8 930	8 914
Mortgage Covered Bonds	August 2011	February 2016	3,20%	5 310	1 000	EUR	5 392	5 369
Mortgage Covered Bonds	March 2011	March 2016	3,10%	14 680	1 000	EUR	14 866	14 829
Investment Certificates	March 2014	March 2016	4,50%	40	1 000	EUR	42	41
Mortgage Covered Bonds	March 2006	March 2016	0,12%	500	33 194	EUR	16 609	16 602
Investment Certificates	April 2015	April 2016	7,25%	100	5 000	EUR	-	539
Investment Certificates	April 2015	April 2016	7,25%	100	5 000	EUR	-	540
Investment Certificates	April 2015	April 2016	7,25%	100	5 000	EUR	-	540
Investment Certificates	June 2015	June 2016	7,00%	70	5 000	EUR	-	378
Investment Certificates	June 2015	June 2016	7,50%	214	5 000	EUR	-	1 162
Investment Certificates	July 2015	July 2016	7,15%	160	100 000	CZK	-	638
Mortgage Covered Bonds	January 2012	July 2016	3,70%	6 159	1 000	EUR	6 261	6 257
Mortgage Covered Bonds	February 2013	August 2016	1,15%	240	50 000	EUR	12 058	12 058
Investment Certificates	August 2013	August 2016	4,50%	441	1 000	EUR	475	459
Mortgage Covered Bonds	August 2014	August 2016	0,20%	200	50 000	EUR	10 017	10 007
Investment Certificates	September 2015	September 2016	7,60%	92	100 000	CZK	-	372
Investment Certificates	September 2015	September 2016	8,10%	100	5 000	EUR	-	549
Investment Certificates	September 2015	September 2016	8,10%	52	5 000	EUR	-	285
Investment Certificates	September 2015	September 2016	11,25%	5	100 000	EUR	-	560
Investment Certificates	October 2013	October 2016	4,50%	525	1 000	EUR	567	546
Mortgage Covered Bonds	December 2011	December 2016	3,50%	6 316	1 000	EUR	6 333	6 331
Mortgage Covered Bonds	June 2012	December 2016	2,85%	2 764	1 000	EUR	2 791	2 768
Senior Unsecured Bonds	December 2013	December 2016	3,00%	1 181	5 000	PLN	1 383	1 386
Investment Certificates	December 2015	December 2016	9,20%	200	50 000	NOK	-	1 173
Mortgage Covered Bonds	July 2012	January 2017	2,88%	7 996	1 000	EUR	8 109	8 100
Senior Unsecured Bonds	March 2011	March 2017	3,65%	49	50 000	EUR	2 473	2 473
Mortgage Covered Bonds	April 2014	April 2017	0,85%	300	50 000	EUR	15 055	15 068
Mortgage Covered Bonds	May 2012	May 2017	3,30%	700	50 000	EUR	35 767	35 766
Senior Unsecured Bonds	May 2014	May 2017	3,00%	942	5 000	PLN	1 122	1 125
Mortgage Covered Bonds	June 2012	June 2017	2,92%	400	50 000	EUR	20 323	20 322
Mortgage Covered Bonds	July 2014	July 2017	0,23%	1 120	50 000	EUR	56 134	56 063
Senior Unsecured Bonds	July 2014	July 2017	2,00%	24 786	100	EUR	2 523	2 537
Mortgage Covered Bonds	February 2011	August 2017	3,55%	51	50 000	EUR	2 586	2 586
Mortgage Covered Bonds	October 2012	October 2017	1,95%	300	50 000	EUR	15 050	15 050

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2014	2015
Mortgage Covered Bonds	February 2013	February 2018	1,75%	460	50 000	EUR	23 354	23 353
Mortgage Covered Bonds	March 2015	March 2018	0,50%	250	100 000	EUR	-	25 102
Mortgage Covered Bonds	March 2014	March 2018	1,22%	400	50 000	EUR	20 197	20 197
Mortgage Covered Bonds	March 2015	March 2018	0,44%	100	100 000	EUR	-	10 035
Mortgage Covered Bonds	March 2015	March 2018	0,31%	300	100 000	EUR	-	30 020
Mortgage Covered Bonds	August 2014	August 2018	0,50%	900	50 000	EUR	44 945	44 983
Mortgage Covered Bonds	September 2012	September 2018	2,85%	9 984	1 000	EUR	10 063	10 058
Investment Certificates	November 2015	November 2018	4,00%	570	1 000	EUR	-	647
Senior Unsecured Bonds	December 2012	December 2018	2,00%	2 029	1 000	EUR	2 088	2 032
Mortgage Covered Bonds	December 2013	December 2018	0,41%	600	50 000	EUR	30 008	30 005
Investment Certificates	December 2013	December 2018	5,00%	612	1 000	EUR	702	680
Mortgage Covered Bonds	February 2015	February 2019	0,43%	500	100 000	EUR	-	50 084
Mortgage Covered Bonds	February 2013	February 2019	2,30%	4 966	1 000	EUR	5 019	5 008
Mortgage Covered Bonds	March 2013	March 2019	2,30%	4 932	1 000	EUR	5 014	4 966
Investment Certificates	March 2014	March 2019	5,25%	574	5 000	PLN	737	726
Investment Certificates	March 2014	March 2019	4,00%	784	1 000	EUR	897	870
Mortgage Covered Bonds	April 2013	April 2019	2,30%	4 957	1 000	EUR	4 982	4 981
Mortgage Covered Bonds	August 2013	August 2019	2,00%	2 574	1 000	EUR	2 595	2 595
Mortgage Covered Bonds	August 2013	August 2019	2,00%	4 294	1 000	EUR	4 337	4 325
Senior Unsecured Bonds	September 2014	September 2019	1,07%	1 000	100 000	EUR	100 295	100 294
Mortgage Covered Bonds	September 2013	September 2019	2,00%	6 426	1 000	EUR	6 475	6 461
Senior Unsecured Bonds	September 2014	September 2019	1,50%	15 280	1 000	EUR	15 651	15 338
Mortgage Covered Bonds	October 2013	October 2019	2,00%	5 886	1 000	EUR	5 943	5 908
Mortgage Covered Bonds	November 2013	November 2019	2,00%	6 670	1 000	EUR	6 686	6 685
Senior Unsecured Bonds	December 2013	December 2019	1,50%	677	1 000	EUR	673	689
Mortgage Covered Bonds	December 2013	December 2019	2,05%	70	50 000	EUR	3 504	3 504
Mortgage Covered Bonds	December 2012	December 2019	2,50%	66	50 000	EUR	3 304	3 304
Mortgage Covered Bonds	June 2013	December 2019	2,00%	4 179	1 000	EUR	4 189	4 182
Mortgage Covered Bonds	December 2013	December 2019	2,00%	9 636	1 000	EUR	9 688	9 642
Mortgage Covered Bonds	July 2013	January 2020	2,00%	2 235	1 000	EUR	2 256	2 256
Mortgage Covered Bonds	March 2015	March 2020	1,25%	4 249	1 000	EUR	-	4 267
Mortgage Covered Bonds	June 2015	June 2020	1,20%	4 984	1 000	EUR	-	4 987
Mortgage Covered Bonds	July 2015	July 2020	1,20%	5 000	1 000	EUR	-	5 026
Mortgage Covered Bonds	July 2015	July 2020	0,88%	500	100 000	EUR	-	50 063
Mortgage Covered Bonds	February 2014	August 2020	2,00%	9 961	1 000	EUR	10 053	10 040
Mortgage Covered Bonds	August 2015	August 2020	1,20%	4 999	1 000	EUR	-	5 020
Mortgage Covered Bonds	September 2015	September 2020	1,20%	4 346	1 000	EUR	-	4 360
Mortgage Covered Bonds	October 2015	October 2020	1,20%	3 577	1 000	EUR	-	3 585
Mortgage Covered Bonds	November 2015	November 2020	0,63%	400	100 000	EUR	-	40 020
Mortgage Covered Bonds	November 2014	November 2020	0,88%	150	100 000	EUR	15 015	15 015
Mortgage Covered Bonds	November 2015	November 2020	1,20%	3 080	1 000	EUR	-	3 084
Mortgage Covered Bonds	March 2014	March 2021	2,00%	8 525	1 000	EUR	8 579	8 572
Mortgage Covered Bonds	April 2008	April 2021	5,00%	250	66 388	EUR	17 183	17 182
Mortgage Covered Bonds	May 2014	May 2021	1,90%	4 991	1 000	EUR	5 013	5 004
Mortgage Covered Bonds	June 2014	June 2021	1,75%	9 575	1 000	EUR	9 588	9 585
Mortgage Covered Bonds	July 2014	July 2021	1,55%	3 548	1 000	EUR	3 579	3 573
Mortgage Covered Bonds	December 2015	December 2021	0,63%	200	100 000	EUR	-	19 996
Mortgage Covered Bonds	February 2015	February 2022	0,88%	350	100 000	EUR	-	35 244
Mortgage Covered Bonds	March 2014	March 2022	2,00%	220	50 000	EUR	11 072	11 084
Mortgage Covered Bonds	August 2015	August 2022	1,00%	100	100 000	EUR	-	9 999
Mortgage Covered Bonds	January 2013	January 2025	3,10%	87	50 000	EUR	4 412	4 412
Mortgage Covered Bonds	August 2015	August 2025	1,38%	100	100 000	EUR	-	9 982
Mortgage Covered Bonds	July 2007	July 2027	4,95%	250	66 388	EUR	24 774	23 911
Mortgage Covered Bonds	June 2013	June 2028	3,00%	132	50 000	EUR	6 615	6 615
Mortgage Covered Bonds	February 2014	February 2029	2,80%	97	50 000	EUR	4 899	4 899
Total							**854 738**	**1 029 649**

All securities listed above 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. All securities are unsecured. The bonds are traded on the Bratislava Stock Exchange.

As at 31 December 2015, debt securities issued included embedded derivatives (equity and commodities) in the amount of 1.5 mil. eur (2014: 0.7 mil. eur), which were separated and are disclosed in the line items 'Financial assets – held for trading' and 'Financial liabilities – held for trading'.

28) Provisions

EUR ths.	2014	2015
Long-term employee benefits provisions	4 110	4 818
Pending legal issues and tax litigation	7 001	7 086
Commitments and guarantees given	18 891	15 906
Provisions for guarantees - off balance sheet (defaulted customers)	10 470	5 716
Provisions for guarantees - off balance sheet (non-defaulted customers)	8 421	10 190
Other provisions	298	298
Provisions	**30 300**	**28 109**

Long-term employee benefits provisions

The Parent has a defined employee benefit program under which all employees are entitled to a lump-sum payment upon working anniversaries or retirement. Number of employees as at the end 2015 and 2014 are detailed in the note 6.

During the year 2015 the Group reassessed the amount of long-term employee benefits provisions using updated data. The recalculation was performed through actuarial model based on the projected unit credit method.

The amounts relating to long-term employee benefits provisions recognised on the balance sheet and the income statement were as follows:

EUR. ths	Pension obligations	Jubilee provisions	Total
Long-term employee benefits provisions, 31 Dec 2013	**2 075**	**1 902**	**3 977**
Service cost	154	200	354
Interest cost	55	52	107
Payments	(64)	(90)	(154)
Components recognised in other comprehensive income (Remeasurements)			
Actuarial gains/losses arising from changes in demographic assumptions	3	1	4
Actuarial gains/losses arising from changes in financial assumptions	118	57	175
Actuarial gains/losses arising from changes from experience assumptions	(180)	(172)	(353)
Long-term employee benefits provisions as of 31 Dec 2014	**2 161**	**1 949**	**4 110**
Service cost	172	224	397
Interest cost	48	44	91
Payments	(59)	(135)	(194)
Components recognised in other comprehensive income (Remeasurements)			
Actuarial gains/losses arising from changes in demographic assumptions	167	76	243
Actuarial gains/losses arising from changes in financial assumptions	4	2	6
Actuarial gains/losses arising from changes from experience assumptions	154	11	165
Long-term employee provisions as of 31 Dec 2015	**2 648**	**2 171**	**4 818**

The actuarial calculation of working anniversary provisions used the following assumptions:

Assumptions for the actuarial calculation of pension obligations	2014	2015
Annual real discount rate	2,25%	1,56%
Annual real rate of salary increase in future	0,00%	0,00%
Annual employee turnover	2,07% - 15,15%	3,80% - 15,82%
Retirement age	62 years	62 years

The actuarial calculation of pension provision used the following assumptions:

Assumptions for the actuarial calculation of jubilee provisions	2014	2015
Annual real discount rate	2,25%	1,56%
Annual real rate of salary increase in future	0,00%	0,00%
Annual employee turnover	2,07% - 15,15%	3,80% - 15,82%
Retirement age	62 years	62 years

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

Provisions for legal issues

Provisions for legal issues relate to legal cases where the Group 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 are used for discounting).

Other provisions

In the past the Group several time cancelled dormant accounts and pass books with minor balances. Cancellation of these deposits did not affect rights of customers.

The Group transfered the cancelled deposits balances to off-balance sheet. At the same time, the Group created a provision for these cancelled deposits, which is used in case of withdrawals made by clients.

The movements of the above mentioned provisions were as follows:

EUR ths.	2014	Additions, includ. increases in exist. provisions	Amounts used	Unused amounts reversed during the period	Exchange-rate and other changes	2015
Pending legal issues and tax litigation	7 001	1 128	(369)	(674)	-	7 086
Provisions for contingent credit risk liabilities	18 891	38 459	-	(41 453)	9	15 906
Other provisions	298	7 303	(7 303)	-	-	298
Total	**26 190**	**46 891**	**(7 672)**	**(42 129)**	**9**	**23 290**

EUR ths.	2013	Additions, includ. increases in exist. provisions	Amounts used	Unused amounts reversed during the period	Exchange-rate and other changes	2014
Pending legal issues and tax litigation	6 738	456	(185)	(8)	-	7 001
Provisions for contingent credit risk liabilities	12 861	68 177	-	(62 146)	-	18 891
Other provisions	298	-	-	-	-	298
Total	**19 897**	**68 633**	**(185)**	**(62 155)**	**-**	**26 190**

The movement of other provisions reflects accounting treatment of the contribution to the National resolution Fund, that was presented as a provision during the reporting period and the payment itself was booked against this provision.

29) Other liabilities

EUR ths.	2014	2015
Client settlement	45 024	37 028
Suppliers (including accruals)	32 708	42 948
Personnel balances and reserves, Social fund	27 414	30 678
State budget, social and health insurance, taxes	6 478	4 386
Other	3 092	3 008
Total	**114 716**	**118 048**

The development of social fund liability included in 'Other liabilities' was as follows:

EUR ths.	2014	2015
As at 1 January 2015	216	796
Additions	2 341	1 582
Withdrawals	(1 761)	(2 078)
As at 31 December 2015	**796**	**300**

30) Equity

Share capital

Authorised share capital was fully paid and consists of the following:

	2014	2015
Nominal value in eur	1 000	1 000
Number of shares	212 000	212 000
Total	**212 000 000**	**212 000 000**

The following table presents distribution of profits for the years 2014 (approved) and 2015 (proposal):

Dividends per share	2014	2015
Profit of the year	181 477	184 132
Distribution for Investment certificate 2015 SLSP AT1 PNC5	-	11 700
Dividends pay-out to the shareholder	143 196	163 810
Transfer to retained earnings	38 281	8 622
Number of shares EUR 1 000 each	212 000	212 000
Amount of dividends per EUR 1 000 share (EUR)	**675**	**773**

Dividends for the year 2014 were paid in April 2015 following the resolution of General Assembly of the Group dated 25. March 2015.

Other capital instruments

During the year 2015 the Group has an issued investment certificate in amount of 150 mil. Eur that is classified as equity instrument with respect to IAS 32. This certificate is a perpetual instrument with the agreed interest rate of 7.8% p.a.

Legal reserve fund

According to Commercial Code all companies are required to create a legal reserve fund to cover adverse financial conditions in the future. The Group is obliged to contribute to the fund the amount, which is not less than 10% of its annual net profit until the cumulative amount of annual contributions reaches 20% of its share capital. As at 31 December 2015 Legal reserve fund amounted 79.8 mil. eur (2014: 79.8 mil. eur) and in both years exceeded the required 20% of the share capital. Legal reserve fund is not available for distribution to the shareholder.

Other funds

Other funds include only Statutory fund created from distributable profits to strengthen the Group's capital base. This fund is not available for distribution to the shareholder. Once the Group's share capital or legal reserve fund is increased, Statutory fund may be terminated and transferred back to the distributable profits with the approval of the Supervisory Board and of the General Assembly. As at 31 December 2015 Statutory fund amounted 39.1 mil. eur (2014: 39.1 mil. eur).

Revaluation reserves

Revaluation reserves represent the unrealised revaluation of securities available for sale. They are disclosed net of deferred tax effect. Revaluation reserves are not available for distribution to the shareholder. As at 31 December 2015 revaluation reserves were in the amount of 96.9 mil. eur (2014: 58.9 mil. eur).

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 Group is controlled by the only shareholder Erste Group Bank AG, which directly owns 100-percent share on the voting rights of the Group. Further related parties include subsidiaries, which are under control of the Group and associates, over which the Group has significant influence. Moreover, other members of the Erste group are also related parties of the Group.

Number of transactions with related parties occur in the normal course of business. These transactions primarily include loans and deposits.

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

EUR ths.	Erste Group Bank		Companies under the control of Erste Group Bank		Associates	
	2014	2015	2014	2015	2014	2015
Assets						
Derivatives	6 671	23 706	670	313	-	-
Loans and advances with banks	12 972	2 622	40 108	18 688	-	-
Loans and advances with customers	-	-	50 891	48 793	-	-
Other assets - other	4 000	5 656	901	33	-	1
Total	**23 643**	**31 984**	**92 570**	**67 827**	**-**	**1**
Liabilities						
Derivatives held for trading	70 378	56 094	16 835	4	-	-
Deposits from banks	371 593	150 973	516	1 068	57 724	-
Deposits from customers	-	-	14 773	8 830	-	498
Debt securities issued	100 295	100 294	-	-	-	-
Derivatives – Hedge accounting	49 077	42 915	-	-	-	-
Other liabilities other	3 275	2 838	2 656	6 004	-	-
Total	**594 617**	**353 114**	**34 781**	**15 906**	**57 724**	**498**

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

EUR ths.	Erste Group Bank		Companies under the control of Erste Group Bank		Associates	
	2014	2015	2014	2015	2014	2015
Interest income	(4 529)	(6 797)	1 548	1 420	-	-
Interest expense	(2 108)	(3 066)	(22)	(12)	(27)	-
Dividend income	-	-	200	274	-	2 237
Net fee and commisssion income	460	323	5 520	7 165	116	-
Gains / losses on financial assets and liabilities held for trading	(65 784)	30 177	(1 901)	3 892	-	-
General administrative expenses	(3 934)	(4 026)	(7 956)	(8 184)	-	-
Other operating result	407	603	2 036	826	-	5
Total	**(75 488)**	**17 214**	**(575)**	**5 381**	**89**	**2 242**

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

The Group has entered into a loan contract with its parent company Erste Group Bank AG on providing a subordinated debt. As at 31 December 2015 the principal amounted 100.0 mil. eur (2014: 100.0 mil. eur).

During the year 2015 the Group has issued investment certificates in amount of 150 mil. eur purchased by Erste Bank AG disclosed in the note 30.

The Group has received a guarantee from its parent company Erste Group Bank AG covering exposures towards subsidiaries and other group members. As at 31 December 2015 the guarantee was in the amount of 23.2 mil. eur (2014: 23.2 mil. eur).

The Group has received guarantee from its sister company Česká spořitelna, a.s. covering credit exposures towards s_Autoleasing SK, s.r.o. , which is the Erste group member. As at 31 December 2015 the maximum amount of the guarantee 22.6 mil. eur (2014: 17.6 mil. eur).

As at 31 December 2015 the Group had another gaurantee from its sister company Česká spořitelna, a.s. covering exposures towards Slovenské elektrárne. Under this agreement, Česká spořitelna, a.s. pledged securities issued by the Slovak Republic with a face value amounting to 100.0 mil. eur (2014: 100.0 mil. eur). As at 31 December 2015 the maximum amount of the guarantee was 100.0 mil. eur (2014: 100.0 mil. eur).

The Group received guarantees from its sister company Česká spořitelna, a.s. covering clients' exposures in amount of 1.1 mil. eur as at the reporting date.

The Group also received a guarantee from its sister company Erste Bank AD Podgorica covering client's exposure in amount of 0.1 mil. eur as at the reporting date.

As at 31 December 2015 the Group owned a share in real estate fund Sporo realitny fond SPF of Asset Management Slovenskej sporiteľne, a.s. in the amount of 10.0 mil. eur (2014: 12.3 mil. eur).

The Group received dividends from its associates in the amount of 2.2 mil. eur (2014: 2.6 mil. eur).

Transactions with key management personnel

The remuneration of the Board of Directors memebers and the Supervisory Board members paid during the year 2015 in form of short-term employee benefits amounted to 1.8 mil. eur (2014: 2.0 mil. eur). The remuneration policy of the Board of Directors members is in compliance with CRD directive as adopted in the national legislation.

33) Collaterals

The Group holds collaterals against loans and advances to customers in form of real estates, securities, received bank guaranties and other credit enhancements. The fair values of collaterals are estimated based on their value at the time of borrowings and are regularly updated. In general, collaterals are not held against loans and advances to banks, except for securities held as a part of reverse repurchase activities, commented in the note 18.

Estimated fair values of collaterals and other credit enhancements related to loans to customers, granted financial guarantees, letter of credit and undrawn loan commitments were as follows:

EUR ths.	2014	2015
Real estates	6 428 925	7 514 967
Securities	207 120	215 426
Bank guaranties	77 978	109 820
Other	418 095	245 188
Total	**7 132 118**	**8 085 401**

33) Off-balance Sheet items

In the normal course of business, the Group enters various contracts and transactions, which are not reflected on the balance sheet and are referred to as off-balance sheet financial instruments. The following information represents notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

Loan comitments, guarantees and letters of credit

Bank guarantees and letters of credit are used by customers to cover their liabilities (payment and non-payment) against third parties, who are beneficiaries in these transactions. The primary purpose of these instruments is to ensure that funds are available to the customers as required.

Bank guarantee represents an irrevocable liability of the Group to pay the agreed amount in case that the debtor fails to fulfil an obligation or other conditions as stated in the guarantee.

Letter of credit represents a written obligation of the Group to pay the agreed amount to the seller based on the instruction of the buyer against the documents specified in the letter of credit documentation. The Group deals with letters of credit in accordance with the 'Unified Rules and Customs for Documentary Letter-of-credit' as published by the International Chamber of Commerce.

Guarantees and standby letters of credit are irrevocable assurances that the Group will make payments in the event when the customer cannot meet its obligations against a third party and therefore these carry the same credit risk as loans. Documentary and commercial letters of credit are written undertakings of the Group to provide a third party with the agreed amount on behalf of the customer under specific conditions. As these are collateralised by the underlying shipment of goods (or transfer of the right to use), they carry less credit risk than direct borrowings.

Loan commitment represent an unused portion of the authorised credit limit, which can be drawn in the form of loan, guarantee or letter of credit. In relation to loan commitments, the Group is exposed to credit risk and a potential loss equals to the total amount of the unused credit limits. However, most of the loan commitments are contingent upon maintaining specific credit standards by customers and therefore the likely amount of loss is less than the total amount of loan commitments.

The following table presents off-balance sheet credit exposures and also treasury commitments:

EUR ths.	2014	2015
Guarantees provided	311 776	251 344
Guarantees from letter of credit	1 737	1 918
Loan commitments and undrawn loans	981 691	889 929
Total	**1 295 204**	**1 143 192**

Assets pledged as collaterals

The following table presents assets pledged as collaterals for the Group's liabilities:

2015 EUR ths.	Carrying amount of transferred assets				Carrying amount of associated liabilities		
	Total	Repurchase agreements	Assets pledged for derivatives	Assets pledged for covered bonds	Total	Repurchase agreements	Other associated liabilities
Available-for-sale financial assets	66 407	-	66 407	-	(58 475)	-	(58 475)
Loans and receivables	1 120 655	-	-	1 120 655	(891 911)	-	(891 911)
Held-to-maturity investments	112 347	102 423	9 924	-	92 818	101 556	(8 738)
Total	**1 299 409**	**102 423**	**76 331**	**1 120 655**	**1 060 680**	**101 556**	**959 124**

2014 EUR ths.	Carrying amount of transferred assets				Carrying amount of associated liabilities		
	Total	Repurchase agreements	Assets pledged for derivatives	Assets pledged for covered bonds	Total	Repurchase agreements	Other associated liabilities
Available-for-sale financial assets	49 483	-	49 483	-	56 637	-	56 637
Held-to-maturity investments	79 214	69 354	9 861	-	82 814	71 528	11 286
Total	**128 697**	**69 354**	**59 344**	**-**	**139 451**	**71 528**	**67 923**

34) Offsetting of financial assets and financial liabilities

2015 EUR ths.	Gross amounts of recognised financial liabilities	Amounts of financial assets set off against financial liabilities	Net amounts of financial liabilities in the balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting Financial instruments	Cash collateral pledged	Non-cash financial collateral pledged	Net amount after potential offsetting
Assets							
Derivatives	84 414	-	84 414	-	-	-	84 414
Derivatives - hedge accounting	7 418	-	7 418	-	-	-	7 418
Total assets	**91 832**	**-**	**91 832**	**-**	**-**	**-**	**91 832**
Liabilities							
Derivatives	85 508	-	85 508	-	-	47 297	38 211
Derivatives - Hedge Accounting	42 915	-	42 915	-	-	19 916	22 998
Repurchase agreements	101 556	-	101 556	-	-	101 556	-
Total liabilities	**229 978**	**-**	**229 978**	**-**	**-**	**168 769**	**61 209**

2014 EUR ths.	Gross amounts of recognised financial liabilities	Amounts of financial assets set off against financial liabilities	Net amounts of financial liabilities in the balance sheet	Financial instruments	Cash collateral pledged	Non-cash financial collateral pledged	Net amount after potential offsetting
Assets							
Derivatives	101 574	-	101 574	-	-	-	101 574
Derivatives - hedge accounting	8 322		8 322				8 322
Total	**109 896**	**-**	**109 896**	**-**	**-**	**-**	**109 896**
Liabilities							
Derivatives	103 439	-	103 439	-	4 490	39 428	59 521
Derivatives - hedge accounting	49 077	-	49 077	-	-	19 916	29 161
Repurchase agreements	71 528	-	71 528	-	-	71 528	-
Total	**224 043**	**-**	**224 043**	**-**	**4 490**	**130 872**	**88 682**

35) Assets under administration

The Group provides custody, trustee, investment management and advisory services to third parties, which involves making decisions on purchase, sale and allocation related to a wide range of financial instruments. The assets held in a fiduciary capacity are not included in these financial statements.

As at 31 December 2015 the Group held assets for collective investment undertakings in the amount of 1 144.8 mil. eur (2014: 1 007.5 mil. eur).

As at 31 December 2015 the Group also held assets for customers other than collective investment undertakings in the amount of 4 637.1 mil. eur (2014: 4 463.0 mil. eur).

36) Segment reporting

The segment reporting of the Group is based on IFRS 8 - Operating Segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal management reporting that is regularly reviewed by the chief operating decision maker to assess the performance of the segments and make decisions regarding the allocation of resources. Within the Group the function of the chief operating decision maker is executed by the Board of Directors. In addition, the Group's segment reporting follows the standards of the Erste group issued for the purpose to unify presentation, measurement and steering of the group.

Structural change

Following a strategic review, the segment structure and the methodology for capital allocation has been changed. Since 1 January 2014 the Group, as a member of the Erste group, has introduced a new segment reporting, which is based on a matrix organization (business information) and provides comprehensive information for assessment of the performance of the business.

Furthermore, the segmentation criteria for corporate business were changed with no retrospective adjustments. The former local large corporate business (part of SME segment until the year-end 2013) was reallocated either to Large Corporates segment or to SME segment, depending on annual turnover thresholds.

Business segmentation

For the purpose of transparent presentation of the Groups structure, reflecting internal steering and measurement, the segment reporting is divided into the following business segments in line with the segment structure of the Erste group:

- Retail,
- SME,
- Assets and Liabilities Management (ALM) and Local Corporate Centre (LCC),
- Large Corporates (LC),
- Commercial Real Estate (CRE),
- Group Markets (GM),
- Free Capital.

The Group applies account manager principle for the definition of segments/business lines. It means that each client has assigned one account manager from a particular segment/business line. Subsequently, profit or loss on business transactions with the client is allocated to that account manager.

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, 76 areas and 291 branches (status as at 31 December 2015). In addition the Retail segment also includes the results of Prvá stavebná sporiteľňa, a.s.

The SME segment primarily comprises small, medium and local corporate enterprises with the annual turnover from 1 mil. eur up to 75 mil. eur., as well as public sector (e.g. municipalities).

The ALM segment includes activities related to balance sheet management, investment securities management, new issues of debt securities, as well as the responsibility for setting of internal transfer rates. In this segment a transformation margin is reported, which is a consequence of time and curency mismatch in the balance sheet. In addition, the ALM segment contains non-client business of the Group, mainly items, which cannot be directly allocated to any specific segment (e.g. reconciliation items) or activities, which are managed centrally.

The Large Corporates (LC) segment comprises the business with large corporate customers whose annual turnover exceeds the defined threshold of 75 mil. eur.

The Commercial Real Estate (CRE) segment covers the real estate value chain (lending, leasing, real estate investment, project development and construction services, as well as infrastructure business) provided to corporate clients, project developers, real estate investors, municipalities and other public sector agencies.

The Group Markets (GM) segment includes divisionalized business units such as Treasury Trading and Treasury Sales (Retail, Corporate and Institutional Sales). Treasury activities of the Group are reported within this segment. These are focused on a client-oriented business with institutional clients.

The Free Capital segment represents free capital, which is defined as the difference between the average IFRS equity and the average economical equity allocated to the segments.

Measurement

The segment reporting of the Group, as well as internal management reporting is prepared in accordance with IFRS. It means, that accounting policies and measurement methods used in the segment reporting are the same as those applied in the separate financial statement.

The profit and loss statement presented in the segment report is based on the measures reported to the management of the Group for the purpose of resource allocation and segments' performance assessment.

In line with the regular internal reporting prepared for the management of the Group, 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 Group 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 and fair value result, net result from equity method investments, rental income from investment properties & other operating lease).

EUR ths.	Retail		SME		ALM & LCC		Large Corporates	
	2014	2015	2014	2015	2014	2015	2014	2015
Net interest income	332 708	373 735	35 574	35 590	57 796	21 565	12 616	14 642
Net fee and commission income	109 710	106 342	10 964	8 358	(11 080)	(5 340)	7 869	6 987
Dividend income	-	-	-	-	720	858	-	-
Net trading and fair value result	3 047	2 960	331	480	149	(2 679)	7	734
Net result from equity method investments	2 113	2 732	-	-	6	-	-	-
Rental income from investment properties & other operating leases	-	-	1 459	1 123	387	785	-	-
General administrative expenses	(214 344)	(213 895)	(21 896)	(23 310)	(19 369)	(17 632)	(4 866)	(5 013)
thereof depreciation and amortization	(39 022)	(38 666)	(3 406)	(4 366)	(2 332)	(1 410)	(946)	(1 091)
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	-	-	-	-	1 326	902	(60)	(4)
Net impairment loss on financial assets not measured at fair value through profit or loss	(31 878)	(30 224)	(5 859)	(3 739)	(3 155)	676	3 250	(5 212)
Other operating result	(23 070)	(16 733)	(1 006)	920	(7 798)	(12 921)	(6 476)	(660)
Levies on banking activities	(22 792)	(16 901)	(1 400)	(1 777)	(3 908)	(6 939)	(1 175)	(1 264)
Pre-tax result from continuing operations	**178 286**	**224 916**	**19 568**	**19 422**	**18 981**	**(13 785)**	**12 340**	**11 475**
Taxes on income	(38 756)	(48 880)	(4 237)	(4 131)	(8 808)	(4 256)	(2 715)	(2 524)
Net result for the period	139 530	176 035	15 330	15 292	10 174	(18 041)	9 625	8 950
Net result attributable to non-controlling interests	-	-	-	-	603	644	-	-
Net result attributable to owners of the parent	**139 530**	**176 035**	**15 330**	**15 292**	**9 571**	**(18 685)**	**9 625**	**8 950**
Operating income	447 581	485 767	48 328	45 552	47 978	15 190	20 491	22 363
Operating expenses	(214 344)	(213 895)	(21 896)	(23 310)	(19 369)	(17 632)	(4 866)	(5 013)
Operating result	**233 236**	**271 872**	**26 432**	**22 242**	**28 610**	**(2 442)**	**15 625**	**17 350**
Risk-weighted assets (credit risk, eop)	2 228 832	2 704 897	1 004 941	1 078 337	552 811	460 469	490 286	455 782
Average allocated capital	194 924	234 941	80 891	67 761	172 607	181 907	34 061	32 428
Cost/income ratio	47,9%	44,0%	45,3%	51,2%	40,4%	>100%	23,7%	22,4%
Return on allocated capital	71,58%	1	19,0%	22,6%	5,9%	-9,9%	28,3%	27,6%
Total assets (eop)	6 043 506	7 046 995	1 229 658	1 375 046	4 562 037	4 374 807	657 888	768 931
Total liabilities excluding equity (eop)	7 935 996	8 696 307	460 689	647 739	1 772 568	1 861 781	288 691	385 525
Impairments and risk provisions	**(32 158)**	**(30 055)**	**(6 260)**	**(1 541)**	**(3 057)**	**834**	**(2 050)**	**(4 607)**
Net impairment loss on loans and receivables from credit institutions and customers	(31 880)	(30 224)	(5 859)	(3 739)	307	655	3 250	(5 212)
Net impairment loss on other financial assets not measured at fair value through profit and loss	1	-	-	-	1	21	1	-
Allocation/release of provisions for contingent credit risk liabilities	(278)	167	(402)	2 198	99	-	(5 301)	605
Net impairment loss on other non financial assets	-	-	-	-	(3 464)	159	-	-

EUR ths.	Commercial Real Estate		Group Markets		Free capital		Total group	
	2014	2015	2014	2015	2014	2015	2014	2015
Net interest income	7 986	7 833	5 550	5 120	11 707	10 500	463 937	468 985
Net fee and commission income	1 432	485	4 498	4 614	-	-	123 393	121 446
Dividend income	-	-	-	-	-	-	720	858
Net trading and fair value result	68	(377)	6 009	7 669	-	-	9 611	8 787
Net result from equity method investments	-	-	-	-	-	-	2 119	2 732
Rental income from investment properties & other operating leases	-	-	-	-	-	-	1 846	1 908
General administrative expenses	(1 665)	(1 660)	(5 637)	(6 103)	-	-	(267 777)	(267 613)
thereof depreciation and amortization	(140)	(248)	(830)	(369)	-	-	(46 676)	(46 150)
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	-	-	-	4	-	-	1 266	902
Net impairment loss on financial assets not measured at fair value through profit or loss	(17 131)	(19 567)	(43)	25	-	-	(54 816)	(58 041)
Other operating result	(310)	(237)	(2 094)	(3 775)	-	-	(40 754)	(33 406)
Levies on banking activities	(165)	(258)	(2 090)	(3 780)	-	-	(31 530)	(30 919)
Pre-tax result from continuing operations	**(9 620)**	**(13 525)**	**8 282**	**7 555**	**11 707**	**10 500**	**239 544**	**246 558**
Taxes on income	2 116	2 975	(1 822)	(1 662)	(2 576)	(2 310)	(56 798)	(60 788)
Net result for the period	(7 504)	(10 549)	6 460	5 893	9 131	8 190	182 746	185 770
Net result attributable to non-controlling interests	-	-	-	-	-	-	603	644
Net result attributable to owners of the parent	**(7 504)**	**(10 549)**	**6 460**	**5 893**	**9 131**	**8 190**	**182 143**	**185 126**
Operating income	9 485	7 941	16 056	17 404	11 707	10 500	601 626	604 717
Operating expenses	(1 665)	(1 660)	(5 637)	(6 103)	-	-	(267 777)	(267 613)
Operating result	**7 820**	**6 281**	**10 419**	**11 301**	**11 707**	**10 500**	**333 849**	**337 104**
Risk-weighted assets (credit risk, eop)	160 087	241 792	63 492	117 779	-	-	4 500 449	5 059 056
Average allocated capital	22 517	14 818	7 338	10 783	712 098	800 870	1 224 436	1 343 508
Cost/income ratio	17,5%	20,9%	35,1%	35,1%	0,0%	0,0%	44,5%	44,3%
Return on allocated capital	-33,3%	-71,2%	1	54,6%	1,3%	1,0%	14,9%	13,8%
Total assets (eop)	355 787	333 690	119 774	80 557	-	-	12 968 650	13 980 026
Total liabilities excluding equity (eop)	67 362	40 907	957 462	808 286	175 102	-	11 657 870	12 440 545
Impairments and risk provisions	**(17 276)**	**(19 548)**	**(47)**	**30**	**-**	**-**	**(60 848)**	**(54 887)**
Net impairment loss on loans and receivables from credit institutions and customers	(17 130)	(19 567)	(43)	25	-	-	(51 355)	(58 062)
Net impairment loss on other financial assets not measured at fair value through profit and loss	-	-	-	-	-	-	3	21
Allocation/release of provisions for contingent credit risk liabilities	(145)	19	(4)	6	-	-	(6 031)	2 995
Net impairment loss on other non financial assets	-	-	-	-	-	-	(3 464)	159

37) Risk management

Risk strategy and policy

SLSP takes a prudent and responsible approach to risk and risk-adjusted approach to revenues. Risk appetite of the Group (that is the maximum level of risk that the Group is willing to undertake) is clearly defined, measurable, and widely understood. The Group offsets its risk appetite with sufficient amount of internal capital to cover unexpected losses.

The Group prefers sustainability to short-term high-risk returns. The risk/return profile and the balance of risks follow this principle in order to generate sustainable and adequate return on capital.

Risk functions are independent from the commercial business lines. Risk management is centralized and the Group strives for an integrated risk management framework where all relevant risks are managed comprehensively and where dependencies between different risk types are accounted for.

The Group shall make sure that risk management is properly supported in terms of human, IT, and other resources needed for comprehensive coverage of all major drivers of risk.

Group's primary risk management objective is to achieve a position where it will be able to identify all significant risks it faces, assess their potential impact and have policies in place to manage them effectively. These policies must be periodically reviewed in order to ensure their appropriateness in terms of their performance and in terms of changing circumstances of Group's operating environment.

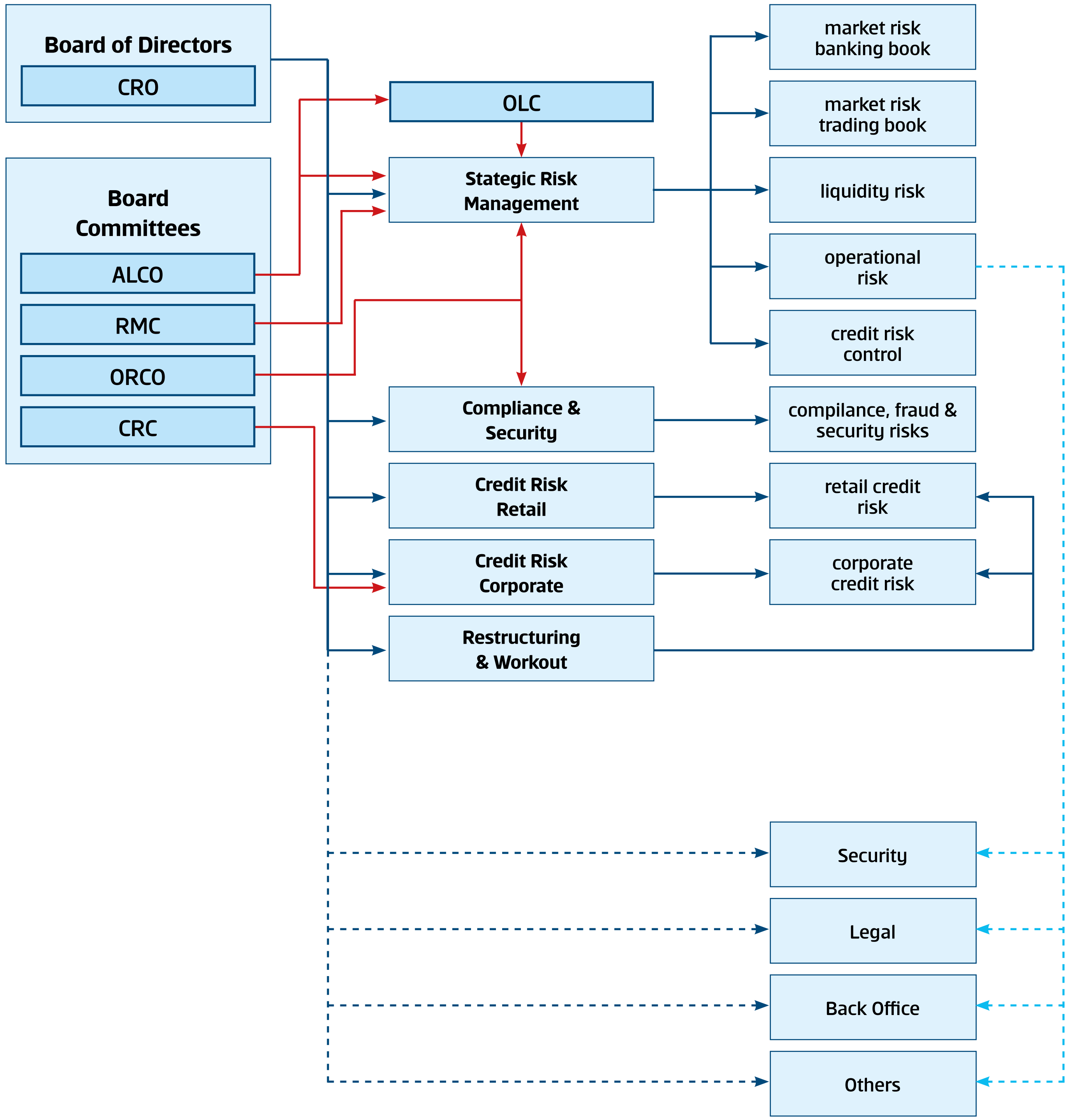
Risk taking is an inseparable part of Group's operations and Group business operations inevitably carry a certain degree of risk. Proper risk management should allow for better exploitation of business opportunities. Therefore, risk management strategy must be clearly linked to the business strategies.

Ultimately, risks should be quantified to the greatest possible extent (considering reasonable effort) and performance measurement of the Group should be risk weighted. Therefore, the model for calculation and allocation of economic capital is continuously being improved and the Group has established a internal capital management process (ICAAP).

The Group is also committed to follow the risk management provisions defined by both local and international law and regulators.

Risk management organization

Risk monitoring and control is achieved through a clear organisational structure with defined roles and responsibilities, delegated authorities and risk limits. The following chart presents the organizational structure of risk in the Group:



Risk management structure

The ultimate risk management body is the Board of Directors. However, it may delegate some of its authority for particular risk management areas to the respective committees. The Board of Directors also designates one of its members to serve as the Chief Risk Officer ('CRO').

Asset & Liability Committee ('ALCO') has the ultimate authority over market risk of both, trading and banking books (including interest rate risk) and over liquidity risk.

Credit Risk Committee ('CRC') is the ultimate decision making body for corporate credit risk.

Operational Risk and Compliance Committee ('ORCO') is the authorized body to make decisions on operational risk strategies and procedures, risk appetite and tolerance levels, also decides on mitigation measures for operational risk, compliance, financial crime, security, and anti-money laundering issues.

ALCO, CRC and ORCO are composed of the members of the Board of Directors and senior managers. The Chief Risk Officer is a member of all three committees.

Operating Liquidity Committee ('OLC') governs the execution of liquidity management. OLC reports directly to ALCO. It analyses the liquidity situation of the Group on a regular basis and proposes measures to be taken. OLC consists of members of Treasury, BSM and Strategic Risk Management.

Risk Management Committee ('RMC') is a committee consisting of selected members of the Board of Directors and senior managers. It is responsible for the development and maintenance of effective system of risk management, approval and monitoring of risk management strategy and procedures, ICAAP and risk appetite, as well as for comprehensive stress testing.

The bottom (executive) level of the risk management organization consists of five crucial units:

- Corporate Credit Risk Management Division carries out all activities concerning operative credit risk of corporate clients.
- Retail Credit Risk Management Division is responsible for management of credit risk for retail lending, specifically credit policy, organization of lending process, early collection process and portfolio management of the retail segment.
- Strategic Risk Management ('SRM') is responsible for integrated risk management ('ICAAP'), operational risk, liquidity risk, market risk (overall, as well as particular trading and banking books), credit risk control, provisioning, credit risk statistical and rating models. Within operational risk, SRM coordinates activities of global scope of other relevant departments (blue/dashed lines in the chart above).
- Compliance & Security is responsible for compliance risk management (e.g. code of ethics, full compliance with legal requirements, anti-money laundering program, MiFID rules), for fraud risk management (prevention, detection, investigation, deterrence and recovery of financial fraud) and for security (information and strategic security, business continuity management).
- Restructuring & Work out is responsible for effective debt recovery and write-off management. It is also responsible for monitoring, restructuring of receivables over-due, specific provisions and collateral management.

In the chart above, black lines show the assignment of different risk types to the respective units. Solid black lines show the areas directly subordinated to the Chief Risk Officer. Strategic Risk Management and Corporate Credit Risk Management may also report directly to their respective committees as shown by red/dotted lines.

Risk management is not limited to risk management units only. Rather, all organizational units have to be risk-aware and should contribute to risk management.

All responsibilities regarding risk management are in detail described in the Group's risk management strategy.

Comprehensive risk and capital management

Internal Capital Adequacy Assessment Process (´ICAAP´) is a process in which all significant risks that the Group faces must be covered by internal capital (coverage potential). This means that all material risks are determined, quantified, aggregated, and compared to the coverage potential. Limits and lower trigger levels are defined and regularly monitored, so that corrective actions may be taken, thus avoiding situations when risk exposures are not sufficiently covered by capital.

Objectives of ICAAP are to integrate risk management for different risk types into a single high-level process, which then enables to continuously monitor and adjust capital levels to changing risk profiles. It is a comprehensive process that within the Group consists of the following steps:

- Risk materiality assessment
  - – identification of the most important risk types which are to be the major focus and which will be included into economic capital calculation
- Risk-bearing capacity calculation
  - – calculation of the risk exposure for each particular material risk
  - – aggregation of the individual risks into a single economic capital figure
  - – calculation of internal capital (coverage potential)
  - – relating economic to internal capital
- Stress testing
  - – verification of economic capital figures via severe, yet plausible stress scenarios
- Capital management
  - – management of consistency between economic and internal capital including forecasting

In addition to the ICAAP's ultimate goal of assuring capital adequacy and sustainability at all times, the whole process serves to support the Group's management in pursuing its strategy.

Risk materiality assessment

The risk materiality assessment serves the purpose of identification of the most important risk types which are to be the major focus and which will be included in the economic capital calculation. It is an annual process based on both quantitative and qualitative factors, which is conducted for each identified risk type the Group faces.

The output of the risk materiality assessment is the set of material risks, which have to be quantified and covered by capital. It also includes other risk management practices to control and mitigate the identified risks (material or non-material).

Risk-bearing capacity calculation

The risk-bearing capacity calculation (´RCC´) is ultimately the tool to define capital adequacy required by the ICAAP. Within the RCC, risk exposure for each particular material risk is quantified. The figures are aggregated into a capital requirement and compared to the coverage potential and the Group´s own funds. The integral forecast, risk appetite limit as well as a traffic light system support management in its discussions and decision processes.

The Board of Directors is briefed regularly, at least on a quarterly basis, in relation to the results of the capital adequacy calculation. The report includes movements in risks and available capital and coverage potential, the degree of risk limit's utilization and the overall status of capital adequacy. It also contains a comprehensive forecast of risk-weighted assets and capital adequacy.

Besides the Pillar 1 risk types (credit, market and operational risks) and in the context of Pillar 2, interest rate risks in the banking book, business and strategic risk, and credit risk for sovereign counterparties are explicitly considered within the required economic capital via internal models. The economic capital requirement for unexpected losses is computed on a one-year time horizon with a 99.9% confidence level. During the year 2015 the utilization of the economic capital was between 47%-49%.

Other risks, namely liquidity risk, credit concentration risk, residual credit risk and macroeconomic risks in particular are managed by means of a proactive management framework that includes forward-looking scenarios, stress testing, trigger levels and/or are covered by capital buffer. The capital buffer is proposed by Strategic risk management typically during the risk materiality assessment process and is approved by the Board of Directors.

The coverage potential required to cover risks and unexpected losses is based on regulatory own funds combined with profit of the current year considering subordinated liabilities and regulatory deductibles as well. The coverage potential must be sufficient to absorb unexpected losses resulting from the Group's operations.

Stress testing

Risk exposure calculation models carry inherent statistical error since they must work at extreme confidence interval and time horizon. 99.9% confidence on one year horizon means an extreme loss that occurs once in 1000 years. At this levels the model is impossible to back test, therefore it must be stress tested.

Stress testing is also used to analyse risks which are not covered by capital, mainly concentration, macroeconomic, and liquidity risks, as well as to identify potential vulnerabilities of covered risks which may not be properly covered by the calculation model used. Further, stress testing should also provide management with steering impulses and should yield to corrective actions, if deemed necessary.

Stress testing focuses on impact of severe, yet plausible scenarios on the Group's positions, thus providing further assurance of internal capital adequacy. Should stress testing results show potentially higher losses than calculated risk exposures, the ICAAP profile has to be adjusted either via add-ons to risk exposures or via capital cushion.

The Group was reviewed within a comprehensive assessment conducted by the European Central Bank (ECB) in the year 2014.

Capital Management

Within capital management, the volume of internal capital (coverage potential) is compared against the calculated risk exposures and should any discrepancies arise, measures must be taken in order to correct the situation. This is carried out quarterly, but the frequency may be increased should the situation require so, and is also forward-looking in that it considers forecasted figures.

Capital management is also part of the Group's business strategy (worked out through budget) which determines risk appetite and capital coverage levels. Comprehensive limit framework is established for each major risk type in order to ensure day-to-day adherence to the approved risk profile and capital levels.

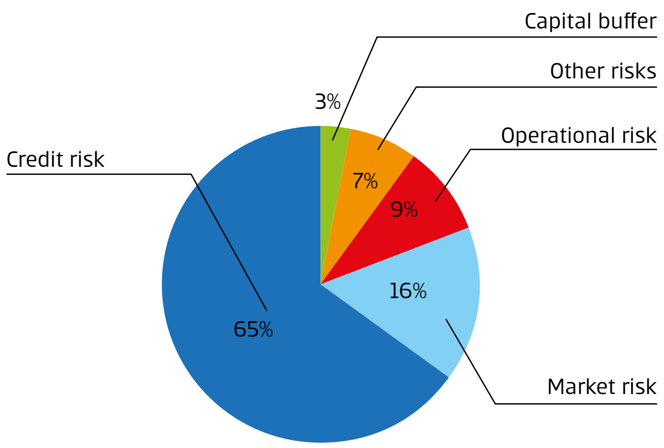
Risk planning and forecasting

The responsibility for risk management includes ensuring sound risk planning and forecasting processes. The forecasts determined by risk management are the result of close co-operation with all stakeholders in the overall planning process. The risk planning and forecasting process includes both a forward- and backward-looking component, focusing on portfolio and economic environment changes.

Capital allocation

An important task integral to the risk planning process is the allocation of capital to business lines. Each particular risk (both Pillar I and Pillar II) is allocated to business lines based on their risk consumption. The process is done with close cooperation between Strategic Risk Management and Accounting and Controlling.

The following diagram presents composition of the Group´s aggregate capital requirement at 30 September 2015 according to the type of risk (shown in %).



Credit risk

Credit risk, in broad terms, is the risk that a loss will be incurred if the Group's counterparty to a transaction does not fulfill its financial obligations in a timely manner. More precisely, credit risk is the risk of financial loss arising out of entering into a particular contract or portfolio investment.

Credit risk is the largest single risk in the Group. It results from traditional lending activities where losses are incurred by default (deteriorating creditworthiness) of borrowers, as well as from trading in market instruments. Credit risk includes also sovereign, country, concentration, settlement, counterparty, and dilution risks.

The Group shall follow the policy of long-term risk-adjusted profitability and the principle of adequate pricing (higher credit risk leads to higher risk premium).

The Group shall annually review its credit risk tolerance, and shall set priorities, i.e. quantitative and qualitative measures, for the next term with respect to the credit risk point of view.

Three fundamental layers of documents regulate the credit activity of the Group. Credit strategy, defined by the top management, introduces the overall orientation, areas of activity and strategic objectives of the Group. The credit policy sets out the principles, identifies operating procedures, and specifies framework responsibilities related to credit activities. Subordinated internal provisions take the form of detailed manuals or department-specific instructions or guidelines, describing precisely responsibilities to the lowest levels, any applicable deadlines, reports and other relevant contingencies of credit process and credit risk management.

The organization of the Group's credit activity is governed by the following principles:

- clear segregation of credit risk management function from business activities or delegation of these activities to business function with clearly defined split of responsibilities
- centralization of operative credit risk management – independent credit risk management divisions for both corporate and retail segments
- flexibility and accuracy of credit process and quality of credit decisions
- personally assigned and clearly specified competences
- general application of four-eye principle in all critical lending processes (with justified exceptions)
- diversification of credit portfolio in order to keep the exposures within defined limits
- independent credit risk control function – Strategic Risk Management.

Strategic Risk Management

Strategic Risk Management, more specifically its Credit Risk Models department, is the independent risk control unit in line with Basel Capital Accord. SRM is not involved in the operative credit decision-making. However it is responsible for the design of rating systems, testing and monitoring of accuracy and selectivity of internal rating grades, production and analysis of summary reports from the Group's rating systems. SRM is also responsible for the design and implementation of models for calculation of risk parameters (PD, LGD, CCF, etc.), standard risk costs and portfolio provisions. It is also responsible for the design and implementation of models for calculation of risk-weighted assets according to CRR/CRD 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) are determined and monitored by SRM.

Retail Credit Risk Management Division

Retail Credit Risk Management Division formulates the credit policy and internal provisions 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 as well as limits documentation, and performs early collection.

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.

Restructuring & Workout

Restructuring & Workout is responsible for strategy and effective debt recovery (work-out and late collection) and write-off management. It is also responsible for monitoring, restructuring of receivables overdue, specific provisions and collateral management.

Internal rating system

The Group, as the first bank in Slovakia, reports capital adequacy using the "internal-ratings based" (IRB) approach to credit risk since July 2008. The approval by the Financial Market Authority of Austria and the National Bank of Slovakia indicated that the Group's credit risk measurement and control systems are sound and implemented properly into risk management, credit process and capital adequacy estimation as well as into internal controls and reporting and that they play the essential role.

All material aspects of the rating and estimation processes shall be approved by the Board of Directors. Together with Senior management they shall possess a general understanding of the internal rating system and detailed comprehension of associated management reports.

Senior management, with main responsibility on the head of Strategic Risk Management, shall ensure on an ongoing basis that the rating systems are operating properly. Senior management shall be regularly informed by the credit risk control unit about the performance of the rating process, areas needing improvement, and the status of efforts to improve previously identified deficiencies.

The rating system of the Group comprises all methods, processes, control mechanisms, data collection and IT systems supporting credit risk measurement, assigning exposures to risk grades and risk pools and quantification of risk parameters. The rating system consists of several rating methods and rating tools depending on obligor asset class and other obligor characteristics.

Internal rating is a cornerstone of a complex credit risk management system of the Group. It is a fundamental indicator of the probability of default of a client. The result of a rating assessment is the allocation of an obligor into a particular rating grade.

The internal rating is composed of hard and soft facts about the client and possibly also includes transformed selected external investment rating(s). The Group shall use comprehensive rating systems for evaluation of both retail and corporate clients. Obligors in a given asset class and rating method, which have similar probability of default should have the same rating grade. Rating scale should have sufficient discriminatory power to properly distinguish between various levels of credit risk. Distribution of obligors in a given rating grade should be such that the risk parameters quantification for that grade is sufficiently accurate.

Credit Risk Models department is responsible for development of scoring and rating models. Performance of the models, i.e., accuracy and selectivity of internal rating grades, is regularly monitored and reported. Full scope validation of the models is performed on an annual basis.

Assigned ratings shall be reviewed at least annually. Behavioural (batch) rating shall be used for retail exposures, other exposure classes shall be reviewed by Corporate Credit Risk Management Division. If new and important information about the obligor or exposure is available, the rating shall be updated too. It is possible to override a rating only based on information, which is not used by the rating tool, or was not considered during rating approval. All rating overrides shall be recorded and analysed.

The internal rating system shall be properly documented. Detailed principles and processes of the internal rating system shall be specified within internal guidelines.

Risk grades

The classification of credit assets into risk grades is based on SLPS's internal ratings. SLSP uses two internal risk scales for risk classification: for customers that have not defaulted, a risk scale of 8 risk grades (for retail) and 13 risk grades (for all other segments) is used. 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 Group without realizing collaterals;
- a retail / corporate client is past due more than 90 days on any material credit obligation to the Group;
- whatever condition or obligation under contract has been breached by client, on the basis of which the Group 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 Group defines 5 default events:

- E1 – unlikely to pay
- E2 – 90 days overdue
- E3 – distressed restructuring on exposure, non-performing 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 CRR/CRD criteria and influences estimation of LLP, SRC, etc.

Maximum exposure to credit risk

Maximum exposure to the credit risk of financial assets is represented by their net carrying amount (carrying amount in the case of derivatives measured at fair value).

Maximum exposure to credit risk for off balance sheet commitments (e.g. undrawn loan limits, financial guarantees granted) is represented by the maximum amount the Group has to pay if the commitment is called on.

Information regarding exposure to credit risk arising from financial assets other than loans and off balance sheet commitments is detailed in individual notes.

Exposure to credit risk of loans and advances to customers, financial guarantees granted and undrawn loan commitments

The following table presents the maximum exposure to credit risk of loans and advances to customers, financial guarantees granted and undrawn loan commitments:

EUR ths.	2014	2015
Gross amount	**9 728 769**	**10 863 428**
On-balance sheet total	8 433 564	9 720 236
Off-balance sheet total	1 295 204	1 143 192
Gross amount	**9 728 769**	**10 863 428**
Retail (incl. micros)	6 613 377	7 658 542
Corporate and other classes	3 115 393	3 204 886
Allowance for impairment	**(366 886)**	**(370 835)**
Retail (incl. micros)	(231 599)	(228 493)
Corporate and other classes	(135 287)	(142 343)
Net amount	**9 361 884**	**10 492 592**
Retail (incl. micros)	6 381 778	7 430 049
Corporate and other classes	2 980 106	3 062 543

The following table presents total exposure according to the EBA definition:

2015 EUR ths.	Total exposure	There off Performing	Non performing	Non performing Of which: defaulted	Of which: impaired
On-balance sheet exposure	9 720 236	9 180 241	539 995	530 427	458 260
Off-balance sheet exposure	1 143 192	1 120 091	23 100	23 088	21 606
Total exposure	**10 863 428**	**10 300 332**	**563 095**	**553 516**	**479 866**

2014 EUR ths.	Total exposure	There off Performing	Non performing	Non performing Of which: defaulted	Of which: impaired
On-balance sheet exposure	8 433 565	7 898 146	535 419	525 380	433 832
Off-balance sheet exposure	1 295 204	1 227 183	68 021	68 005	50 547
Total	**9 728 769**	**9 125 329**	**603 440**	**593 385**	**484 379**

Loss allowances were structured as follows:

EUR ths.	2014	2015
Provisions for losses on loans and advances	347 994	354 929
Provissions for off-balance sheet items	18 892	15 906
Allowance for impairment	**366 886**	**370 835**

The following table presents total loss allowances and provisions according to the EBA definition:

2015 EUR ths.	Total loss allowances and provisions	There off Performing	Non performing	Non performing Of which: defaulted	Of which: impaired
Loss allowances on loans and advances	354 929	63 198	291 731	290 969	275 470
Provissions for off-balance sheet items	15 906	9 919	5 987	5 986	5 713
Allowance for impairment	**370 835**	**73 117**	**297 718**	**296 955**	**281 183**

2014 EUR ths.	Total loss allowances and provisions	There off Performing	Non performing	Non performing Of which: defaulted	Of which: impaired
Loss allowances on loans and advances	347 994	61 153	286 840	286 151	264 508
Provissions for off-balance sheet items	18 892	8 000	10 892	10 892	10 467
Total	**366 886**	**69 153**	**297 733**	**297 043**	**274 975**

The following table presents information on credit quality of loans and advances to customers, financial guarantees granted and undrawn loan commitments, classified as retail asset class by the Group:

EUR ths.	2014	2015
Total exposure		
Investment grade (1-5)	5 935 606	6 968 149
Subinvestment grade (6)	160 832	178 864
Subinvestment grade (7)	87 260	92 456
Subinvestment grade (8)	87 708	88 455
Non-performing loans (NPE)**	341 970	330 617
Gross amount	**6 613 377**	**7 658 541**
Allowance for impairment	(231 599)	(228 493)
Net amount	**6 381 778**	**7 430 048**
Collective assessment comprises		
0 days	6 083 204	7 129 180
1-30 days	159 249	167 941
31-60 days	18 225	19 617
61-90 days	10 611	11 015
90 days+ *	117	171

** Overdue amount is non material, i.e. less than 50 eur per client (materiality limit introduced in the year 2009).*

NPE loans and irrevocable commitments
NPE loans and irrevocable commitments are those for which the Group determines that it is probable it will be unable to collect all principal and interest due according to the contractual terms of these financial instruments.

Past due but not NPE loans
'Past due but not NPE loans are the loans where contractual interest or principal payments are past due but the Group believes that NPE is not applicable.

Neither past due nor NPE loans
Loans where contractual interest or principal payments are not past due and the Group does not expect impairment.

The following table presents information on credit quality of loans and advances to customers, financial guarantees granted and undrawn loan commitments, classified as corporate, institutional or sovereign asset class:

EUR ths.	2014	2015
Total exposure		
Investment grade (1-5)	2 696 015	2 802 276
Subinvestment grade (6)	109 291	107 731
Subinvestment grade (7)	26 567	26 763
Subinvestment grade (8)	22 050	35 638
Non-performing loans (NPE)**	261 470	232 477
Gross amount	**3 115 393**	**3 204 886**
Allowance for impairment	(135 287)	(142 343)
Net amount	**2 980 106**	**3 062 543**
Individually impaired		
Gross amount	**261 470**	**232 477**
Allowance for impairment	(113 794)	(118 551)
Net amount	**147 676**	**113 926**
Past due but not impairment		
Investment grade (1-5)	84 903	88 355
Subinvestment grade (6)	4 365	6 774
Subinvestment grade (7)	2 417	5 524
Subinvestment grade (8)	2 747	395
Non-performing loans (NPE)**	-	-
Gross amount	**94 432**	**101 048**
Allowance for impairment	(1 152)	(1 265)
Net amount	**93 280**	**99 783**
Past due but not impaired comprises:		
1-30 days	90 316	99 782
31-60 days	4 042	1 172
61-90 days	22	3
90 days+ *	52	91
Neither past due nor impaired		
Investment grade (1-5)	2 611 112	2 713 922
Subinvestment grade (6)	104 926	100 957
Subinvestment grade (7)	24 151	21 239
Subinvestment grade (8)	19 303	35 244
Non-performing loans (NPE)**	-	-
Gross amount	**2 759 491**	**2 871 361**
Allowance for impairment	(20 341)	(22 527)
Net amount	**2 739 151**	**2 848 833**

** Overdue amount is non material, i.e. less than 250 eur per client (materiality limit introduced in the year 2009).*

The Increasing internal rating of exposures corresponds with their increasing credit risk; when assigning the rating the Group considers financial position and performance of counterparty, qualitative factors as well as general economic trends in particular industry and country.

Exposures rated as 1 – 8 according to the Group's internal rating are not considered to be individually impaired.

Renegotiated loans

In September 2014 the SLSP has implemented a forbearance definition based on the EBA definition. The forborne exposure can be identified in both performing and non performing portfolios.

- Performing forbearance – renegotiated loans for customers without financial difficulties.
- Non performing forbearance – restructured loans for customers, which defaulted after restructuring.
- Defaulted forbearance – restructured loans for customers in default.

The following table presents carrying amounts of renegotiated loans, which are exposures with performing forbearance status:

EUR ths.	2014	2015
Renegotiated loans	76 315	95 442

Concentration risk

The following table presents summary of concentrations of financial assets (including derivatives), loan commitments and guarantees based on the debtors' industry:

2015 EUR ths.	Loans and advances to customers		Loans and advances to financial institutions		Investment securities	
	Gross	Net	Gross	Net	Gross	Net
Natural Resources & Commodities	459 244	448 038	-	-	-	-
Utilities & Renewable Energy	454 624	452 767	-	-	-	-
Construction and building materials	354 963	310 522	-	-	-	-
Automotive	54 339	52 759	-	-	-	-
Cyclical Consumer Products	216 992	204 859	-	-	-	-
Non-Cyclical Consumer Products	203 146	194 827	-	-	12 986	12 986
Machinery	148 271	142 193	-	-	6 641	6 641
Transportation	381 468	374 989	-	-	112 428	112 428
Telecommunications, Media, Technology and Paper & Packaging	51 533	50 457	-	-	-	-
Healthcare & Services	150 324	145 726	-	-	-	-
Hotels, Gaming & Leisure Industry	87 344	76 212	-	-	-	-
Real Estate	808 962	750 959	-	-	10 993	10 993
Public Sector	239 704	239 246	-	-	3 406 020	3 405 797
Financial Institutions	116 146	115 801	121 629	121 600	255 561	255 542
Private Households	7 136 296	6 933 198	-	-	-	-
Other	73	41	-	-	-	-
Total	**10 863 428**	**10 492 592**	**121 629**	**121 600**	**3 804 629**	**3 804 387**

2014 EUR ths.	Loans and advances to customers		Loans and advances to financial institutions		Investment securities	
	Gross	Net	Gross	Net	Gross	Net
Natural Resources & Commodities	387 915	378 427	-	-	-	-
Utilities & Renewable Energy	470 291	469 029	-	-	-	-
Construction and building materials	418 921	372 681	-	-	-	-
Automotive	87 774	85 242	-	-	-	-
Cyclical Consumer Products	143 840	133 242	-	-	-	-
Non-Cyclical Consumer Products	190 359	177 562	-	-	13 108	13 108
Machinery	126 416	120 275	-	-	6 646	6 646
Transportation	335 148	328 042	-	-	-	-
Telecommunications, Media, Technology and Paper & Packaging	54 961	54 004	-	-	-	-
Healthcare & Services	101 949	98 177	-	-	-	-
Hotels, Gaming & Leisure Industry	80 469	65 712	-	-	-	-
Real Estate	803 278	758 450	-	-	13 526	13 526
Public Sector	221 201	220 740	-	-	3 506 530	3 506 267
Financial Institutions	131 064	130 240	179 109	179 056	382 257	381 172
Private Households	6 175 144	5 970 024	-	-	-	-
Other	40	37	-	-	-	-
Total	**9 728 769**	**9 361 884**	**179 109**	**179 056**	**3 922 067**	**3 920 719**

The following table presents summary of concentrations of financial assets (including derivatives), loan commitments and guarantees based on asset classes:

EUR ths.	Gross		Net	
	2014	2015	2014	2015
Retail	6 613 377	7 658 542	6 381 778	7 430 049
Corporate	2 861 897	2 934 311	2 727 095	2 792 438
Institution	252 695	270 012	252 229	269 542
Sovereigns	800	563	782	562
Carrying amount	**9 728 769**	**10 863 428**	**9 361 884**	**10 492 592**

The following table presents a summary of the Bank's credit risk to the Slovak Republic, companies controlled by the Slovak government, guarantees issued by the Slovak government, self-governing regions and similar exposures:

EUR ths.	Amount		Portion of total assets %	
	2014	2015	2014	2015
Cash and balances at the central bank	87 392	872	0,68%	0,01%
Loans and advances to customers	536 330	498 451	4,14%	3,57%
Securities portfolios	3 418 612	3 310 004	26,41%	23,73%
Deferred income tax asset	34 249	30 849	0,26%	0,22%
Total	**4 076 583**	**3 840 176**	**31,5%**	**27,52%**

The following table presents a breakdown of state debt securities held by the Bank per portfolio and type of security:

EUR ths.	2014	2015
Financial assets at fair value through profit or loss	**-**	**-**
State bonds denominated in EUR	-	-
Securities available for sale	**922 281**	**888 507**
Treasury bills	-	-
Slovak government Eurobonds	922 281	888 507
Companies controlled by the Slovak government	-	-
Securities held to maturity	**2 496 331**	**2 421 497**
State bonds denominated in EUR	2 467 393	2 389 311
State bonds denominated in USD	28 938	32 186
Companies controlled by the Slovak government	-	-
Total	**3 418 612**	**3 310 004**

The sovereign issuer rating of the Slovak Republic according to the international rating agency Standard & Poor's is A+ with stable outlook (since 1 August 2015).

Market risk

Market risk is the risk of losses in on- balance sheetand offbalance sheet positions arising from movements in market factors, i.e. prices, interest rates, foreign exchange rates, volatilities, etc. The risk management process comprises of the four key elements:

- risk identification - identify all risks inherent in the trading operations and in new products (new products check), and ensure these are subject to adequate procedures and controls before being introduced or undertaken
- risk measurement – calculation of risk exposure using sensitivities and value-at-risk.
- limits management - comprehensive limit system and limit allocation in order to restrict the maximum risk exposure
- risk monitoring and reporting

The entire market risk management is independent from the business lines and is carried out by Strategic Risk Management (SRM). Trading and investment operations are subject to strict rules defined by SRM and approved by ALCO committee.

Methods and instruments employed

All positions of the Group, both in banking and trading books, that are subject to market risk are re-valued daily (including positions held-to-maturity), either to market or to model, and respective Profit or Loss is calculated.

The main tool to measure market risk exposure in the Group is sensitivity analysis and value-at-risk (VAR) which is complemented by back testing and stress testing programme.

VAR for trading book and investment portfolios of banking book estimates the maximum potential loss over 1-day holding period with 99% confidence interval and is based on historical simulation (2-years history window, equally weighted) while all positions are treated via full valuation in the calculation (i.e. no simplification of positions for the purpose of VAR). VAR is measured consistently across all portfolios (both banking and trading book) and relevant market factors. The Group's VAR model was approved by the regulator to be used for the regulatory capital charge calculation.

In addition to that, a stressed value-at-risk measure is calculated whereby the above described model is repeatedly applied to a 1-year rolling window of historical rates within longer time span to come up with the most severe VAR measure over a current position.

VAR for the overall banking book uses 99% confidence interval, 10-day holding period, 6-year rolling window for the historical simulation and a decay factor of 0.99.

In order to validate the value-at-risk model, daily back testing routines are applied. In the procedure the real value of closing position of the previous trading day is computed first using relevant market rates of that day. The same closing position is then revalued using the closing market rates of the current day. The difference between the two values is the so-called hypothetical profit and loss, i.e. profit and loss that would have been obtained if the position remained unchanged during the last trading day. If this profit or loss figure exceeds the value-at-risk figure, an exception is recorded and documented. Back testing is conducted not only for the whole trading book, but also for each trading desk, and additionally for each applicable risk factor (interest rate, FX rate, stock price, volatility, etc.).

VAR is subject to some model assumptions (e.g. historical simulation), hence stress testing is established in order to partially tackle these shortcomings by estimating losses due to extreme changes in market factors, the probabilities of which are very small. Position or portfolios are tested under a number of potential extreme scenarios and their impact on value and hence profit and loss is computed.

Furthermore, the application of the extreme value theory ('EVT') allows describing the influence of events with extreme low probability on the result of trading portfolio, and thus well supports other stress testing measures and the model itself. The Group uses EVT based on approximation of empirical market data (2-years history) by Pareto probability distribution function. From this function, it is possible to obtain maximum loss (i.e. the EVT loss) with confidence level of 99.95% (compared to 99% VAR). It is measured on daily basis.

Overall market risk of the entire balance sheet is also measured using market value of equity measure – all positions of the Group are re-valued using an extreme (200bp) up and down parallel shift of the yield curve and the resulting sensitivity is related to available capital.

Risk mitigation and reporting

In order to manage the maximum risk exposure, a comprehensive system of limits is established, including VAR, sensitivity, and stop-loss limits. Limits are structured according to individual sub-portfolios (separate limits are defined for derivative trades). Monitoring is performed daily by SRM.

Risk reporting is done daily for relevant management and monthly for ALCO.

Market risk measures

The following tables summarize the risk measures – Value at Risk of banking book and trading book:

EUR ths.	2014	2015
Trading book VAR	27	45
Banking book VAR - ALM portfolio	6 783	12 873
Banking book VAR - Corporate portfolio	915	1 770
Overall Banking book VAR (November 2015)	49 249	130 191
Overall Banking book sensitivity (200bp shock) (November 2015)	188 722	157 861

Liquidity risk

The liquidity risk is defined in SLSP as the inability to meet Group's cash obligations as they come due because of an inability to liquidate assets or obtain adequate funding. Accordingly, a distinction is made between market liquidity risk, which is the risk that the Group cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the banks will not be able to meet efficiently both expected and unexpected current and future cash flows and collateral needs without affecting either daily operations or the financial condition of Group.

Liquidity risk is within the authority of ALCO. The Local Operating Liquidity Committee (´L-OLC´) is responsible for operational managing and analysing of the liquidity situation of the Group.

Actual management of liquidity risk is done by Strategic Risk Management. Structural liquidity management is performed by Balance Sheet Management and daily liquidity managing and the fulfilment of minimum required reserves is performed by the Treasury department.

Liquidity strategy

The primary goal of the Funding Strategy in the year 2015 was to cover the planned funding gap coming from the core business by increased issuance of own bonds as well as local and intragroup money market funding, and thus to reach an optimal liquidity status in terms of structure and costs versus risk tolerance. This goal has been successfully reached when the notional value of the own issues portfolio have increased from 914 mil. Eur to 1 081 mil. Eur, and the rest of the gap was financed via treasury operations mainly by intragroup deals with Erste Holding.

SLSP has maintained sufficient liquidity reserve throughout the year 2015 created mainly by government bond portfolio. As at 31 December 2015 total liquidity reserve was 3.8bn Eur. Volume of an available liquidity reserve used for Survival Period Analysis (´SPA´) calculation was 3.8bn Eur on average during year the 2015. This fact together with a very high share of stable customer deposits indicates a strong liquidity position.

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period (SPA) on weekly basis. This analysis determines the maximum period during which the Group can survive different crisis scenarios (severe market, idiosyncratic, or combined crisis) while relying on its pool of liquid assets. The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflow.

Liquidity ratios defined by the regulator (LCR, NSFR, and local LCR) are periodically monitored and are all at very satisfactory levels. All limits defined by the regulator are observed with large buffer.

Additionally, the static liquidity gap is monitored regularly on weekly basis and reported monthly to ALCO. Funding concentration risk is continuously analysed in respect to counterparties and is also reported to ALCO monthly.

Strategic Risk Management provides the reverse stress testing of liquidity where several assumptions (withdrawal, rollover, reserve haircuts) are modelled in order for the Group to survive exactly one month. This is done on a monthly basis and is reported to ALCO.

Methods and instruments of risk mitigation

General standards of liquidity risk controlling and management (standards, limits and analysis) have been defined and are continuously reviewed and improved by L-OLC and ALCO.

The short-term liquidity risk is managed by limits resulting from the survival period analysis where horizon limits are defined for each scenario as follows:

- ordinary course of business – over 3 months
- severe name crisis – over 2 months
- severe market crisis – over 2 months
- combined name and market crisis – over 1 month

The minimum volume of the liquidity buffer (counter-balancing capacity) is limited by 1.5 bn eur. The Group daily monitors its counter-balancing capacity, which consists of cash, excess minimum reserve at the central banks as well as unencumbered central Group eligible assets. These assets can be mobilized in the short term to offset potential cash outflows in a crisis situation.

Further, short-term risk is managed by regulatory and internal (more severe) limits on LCR, NFSR, and local LCR ratios.

Funding Concentrations management - no client may account for more than 30% of the total whole-sale funding. Should this amount be exceeded, the minimum liquidity reserve must be increased by the amount of excess. Sum of top 10 biggest clients may not account for more than 50% of the total wholesale funding. Should this amount be exceeded, the minimum liquidity reserve must be increased by the amount of excess.

Based on analysis and measurement, and based on liquidity strategy, medium and long-term (structural) management of liquidity is carried out by BSM while major decisions have to be approved by ALCO. Strategic Risk Management must ensure that the execution is in line with the approved Liquidity Strategy and that the approved limits are being followed. ALCO must be informed on the status of structural liquidity within the regular ALCO liquidity reports.

The Contingency Plan ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis.

Analysis of liquidity risk

Regulatory Ratios

All regulatory ratios were well above the defined regulatory limits during the year 2015. As at 31 December 2015, LCR was over 200%, locally defined LCR was at 163%, the liquid assets ratio was 1.23 (limit >1.0).

Internal Analysis

Counter-balancing capacity – the minimum amount of highly-liquid ECB eligible securities to cover unexpected cash outflow was 3.8bn eur at 31 December 2015 and was well above the limit during the year 2015.

The following tables show term structure of the Bank's counterbalancing capacity at the year-ends:

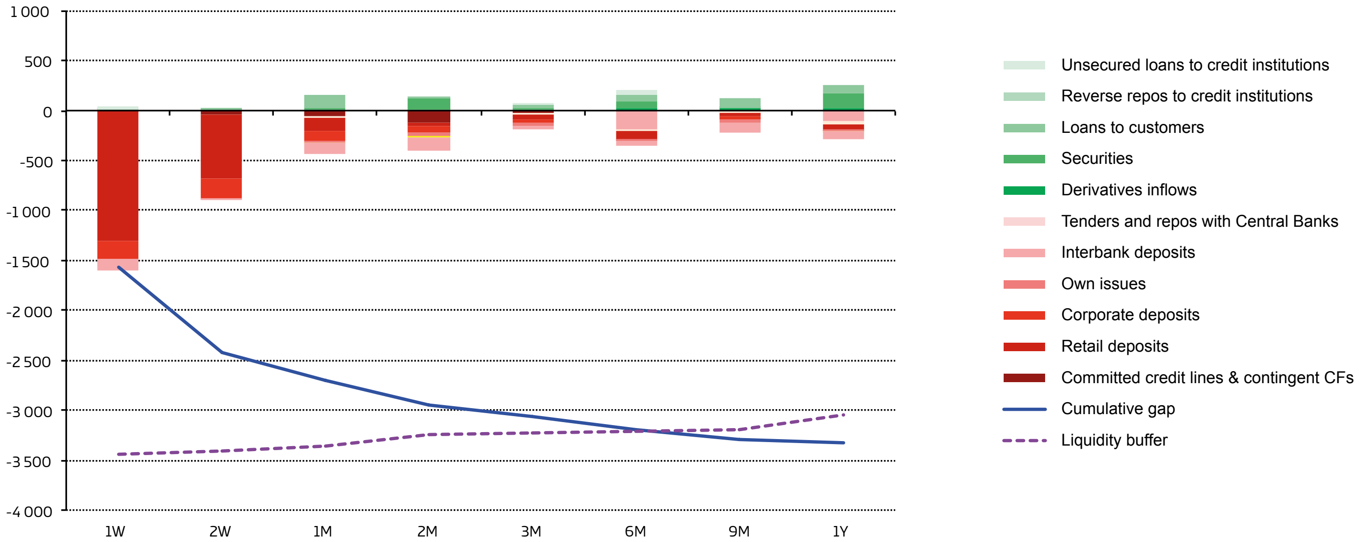
2015 in EUR million	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
Cash, excess reserve	300	-	-	-	-
Liquid assets	3 509	-	-107	-	-121

2014 in EUR million	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
Cash, excess reserve	261	-	-	-	-
Liquid assets	3 827	-	-16	-14	0

Survival Period Horizont

During the year 2015 all SPA limits were fulfilled. The most severe scenario (combined crisis) had a minimum value of 50 days but increased to three months toward the year-end.

The results for the combined crisis (survival period horizon) were as follows



Funding concentrations - during the year 2015 both concentrations limits were fulfilled at all times.

Operational risk

Main objectives of effective system of operational risk management are:

- set up a bank-wide framework for operational risk management and to translate this framework into specific policies, procedures or processes that can be implemented and verified within different business units
- properly identify major drivers of operational risk
- develop model for quantification of risk exposure profile and for calculation of both economic and regulatory capital
- prevent or minimize losses due to operational risk by adaptation of suitable processes, preventive measures or by selecting suitable insurance
- implement and update of insurarnce program
- define outsourcing and internal control system principles
- prepare ORCO meetings
- continuously improve the operational risk management process (described in subsequent chapters on risk identification, measurement and management)
- provide quality reporting and documentation

Risk Identification

Comprehensive risk identification is imperative for each subsequent stages of the operational risk management life cycle. Its primary objective is to provide information needed for correct decision making within operational risk management. Prompt risk identification may lead to quick detection and correction of deficiencies in policies or processes, and may substantially reduce the potential frequency and/or severity of loss events.

Risk identification should be generally forward-looking. While it is inevitable to use historical loss data, they should be supported by forward-looking approaches in order to obtain better quality assessment. Whenever possible, identification factors should be translatable into quantitative measures.

The most significant sources of operational risk in the Group are:

- theft and fraud (both external and internal)
- legal risks
- human proWcessing error
- data, infrastructure, and system related risks
- improper practices (including incomplete or ambiguous internal guidelines)
- natural disaster and wilful damage

These sources of risk must be consistently assessed and re-evaluated using a variety of risk identification techniques, described in the following sub-sections. The results of the risk identification are regularly reported to high-level decision bodies (ORCO, Board of Directors).

Internal Data

The Group shall maintain a central database of operational risk events and losses. This should be as comprehensive as possible in that it captures all material activities throughout the Group. Data collection is conducted via a web-based application EMUS.

Operational risk event is defined as an event due to inadequate or failed processes, human factors or systems, or external events, which lead (or have the potential to lead) to losses, or have other negative impact on the Group. All organizational units and their employees are obligated to report operational risk events, encountered or potential loss (both direct and indirect) of which is higher than defined threshold, or is not quantifiable yet relevant. Reporting is done via EMUS, where every employee of the Group has an access right. Information on loss amounts, recoveries, date of event and other relevant descriptive information must be provided.

Events have two-stage acceptance procedure. Depending on the type of event, first stage is conducted by either IT Security, Physical Security, Financial Crime & Compliance, Card Services, Internal Services or Strategic Risk Management. Second stage is a data consistency check and is performed by Strategic Risk Management. Events should be categorized according to business lines. Special attention must be paid to events that span more than one business line, or events that arise in centralized function that cannot be directly mapped to a business line. Internal data collection process shall be covered by Strategic Risk Management in an associated guideline. This guideline covers definitions, principles for event and loss classification, minimum loss threshold, event acceptance procedure, required data for each event, etc.

External Data

As severe operational risk events are scarce, and may not have been captured in internal data collection, the Group shall also include adequate external event data in its risk identification system. These should cover infrequent severe events with relevance to the Group or financial industry. The Group should systematically incorporate external data into its risk measurement methodology. External data collection shall be coordinated with the Erste Group efforts on this matter and will be conducted by Strategic Risk Management.

Scenario Analysis

Contrary to internal and external data collection, scenario analysis is a forward-looking tool of risk identification. The Group shall include such analysis in order to evaluate its exposure to high-severity events and to derive reasonable estimates of potential severe losses. The results will in turn serve as input factors to the risk measurement process. Scenarios must be periodically reassessed for meaningfulness and should consider breakdown of assumed correlation patterns (i.e. the possibility of two or more severe events happening simultaneously). Scenario analysis is conducted by Strategic Risk Management.

Risk Mapping and Key Risk Indicators

The objective of this risk identification technique is to map the level of different operational risks across the Group and to set up a measurable framework known as key risk indicators(´KPI´) that tracks the most important drivers of operational risk and that could subsequently be used in risk measurement. Risk mapping is a top-down approach. Strategic Risk Management, with the help of respective senior or third level manager, will conduct an analysis and grading of operational risks inherent in each unit's activities, in order to come with overall risk map of the Group. The resulting map will have three dimensions, namely:

- risk category
- business line/product
- functional process level – where applicable, this provides depth for the business line/product dimension (e.g. stages of particular process or lifecycle phases of product)

The outcome of risk mapping will provide the basis for defining KRI, which will in turn be periodically monitored. It will serve as input for risk measurement and operational risk management decision making. Reporting on KRI is the responsibility of business units.

KRI should have the following properties:

- it should be easy to use, i.e. available for reliable periodical measurement, cost effective to measure, and easy to understand and communicate
- it should be effective, i.e. apply to high risk points, reflect objective measurement rather than subjective judgment, and provide useful management information.

Risk Measurement

The Group measures its operational risk exposure using the loss distribution approach. In this, the probability distribution of both frequency of loss and amount of loss is modelled, and is recombined (typically using Monte Carlo simulation) into a compound distribution of yearly losses. Out of this distribution, both expected and unexpected losses could be calculated. In accordance with Basel II, the confidence interval for unexpected loss should be at least 99.9% and the holding period should be one year.

In modelling the distribution, all outcomes of risk identification process should be used, i.e. both internal and external data, scenario analysis, risk mapping, and factors reflecting the business environment and internal control systems should be used. In calculating the exposure, mitigation techniques (specifically insurance) may be included. This is done via decreasing of the gross loss for individual loss events by probable insurance coverage.

The Group should be able, given both adequate data and sound models are available, to arrive at sufficiently granular profile of the risk exposures, i.e. to calculate the exposures for all major drivers of operational risk (along business lines and risk types). Over time, the model should be validated through comparison to actual experience and appropriate corrections should be made. Design of the risk measurement model is within the responsibility of Erste Holding (for more details see the group AMA documentation). Modelling inputs are provided by Strategic Risk Management.

Managing Operational Risk

Management of operational risk is primarily the responsibility of each individual business unit in its daily course of operations. In addition, Strategic Risk Management has a harmonization role and performs activities of global scope.

In general, operational risk can be managed via any (or a combination) of the following:

- risk mitigation, including insurance and internal control system
- risk acceptance
- decrease of the extent or disposal of the risky activity.

Selection of the approach is by definition the responsibility of senior managers or of the Board of Directors for the activities and risks of global scope. For risks identified as significant, senior managers are required to present the selected risk management tactics to a high-level decision body (ORCO, the Board of Directors) for approval.

The following sub-sections give an overview of the main activities regarding operational risk management within the Group.

Operational Risk and Compliance committee is the ultimate decision-making body for operational risk issues. It is defined as a high-level management committee that deals with operational risk strategies and procedures, decides on risk appetite and tolerance levels, and decides on mitigation measures for, or risk acceptance of operational risk, compliance, financial crime, IT security and operations, anti-money laundering, etc.

SRM or any other unit may present results of risk identification and risk measurement processes or other operational risk issues to ORCO for a risk acceptance/disapproval decision. It will typically happen in case high risk was identified during risk mapping or larger loss event was recorded or any substantial activity carrying possible high operational risk is planned. In case ORCO does not accept the identified risk, it assigns tasks to senior management to come up with mitigation measures. ORCO consists of selected board members, senior managers, and other representatives.

System of Internal Controls

Each unit manager shall implement a system of internal controls ('ICS') within his area of competence, with the objective of identification and mitigation of operational risks. Within the system, a set of operative controls is created, in order to systematically check selected product, service, process, etc. Each unit manager is responsible for effectiveness and quality of the system. It is also his responsibility to identify problematic or risky areas that should be covered by operative controls.

Internal control system shall consist of:

- risk assessment – in order to determine what are the most important processes and what controls are needed
- written policies and procedures – all important operations must be covered by operation manuals
- control activities – control procedures itself
- review – in order to assess the appropriateness of controls
- accounting, information, and communication systems – a proper combination of such systems in order to provide detailed, accurate, and timely information

Principles to be followed when implementing ICS include, but are not limited to:

- four-eye principle
- thorough task assignment and monitoring
- substitutability of staff
- required vacation or absence from duties (for relevant units only)
- segregation of duties
- avoidance of conflict of interest

Internal Audit shall regularly conduct an audit of the Group's ICS in order to determine whether the Group is following enacted policies and procedures. Strategic Risk Management shall issue associated Internal Control System Policy giving detailed information on the system. However, SRM does not assume any coordination role in the implementation and execution of ICS by individual managers.

Insurance

In order to mitigate operational risk, the Group shall engage in a comprehensive insurance program. This should cover direct or indirect losses due to all major sources of operational risk, i.e. improper use or failure of internal processes, human factor failures, system failures or external factors, and that in both the Group and its daughter companies. The primary objective of the insurance program is to safeguard the Group against catastrophic events. Insurance does not serve for protection against common, expected losses. Responsibility for the insurance program is given to Strategic Risk Management. It shall design suitable and cost-effective insurance program with the objective of minimizing losses due to operational risk. Overall insurance program is designed on Erste Holding level. The program is to be documented in an associated guideline which should, inter alia, cover procedures in case of insurance incident.

Outsourcing

Outsourcing is defined as long-term delegation of internal operation to external entity that specializes in that operation. In context of operational risk management, the primary focus is on outsourcing of banking operations.

Outsourcing should be governed by the following high-level principles:

- outsourcing of any banking operation must be approved by the board of directors,
- the Group neither relinquishes the responsibility for, nor does it get disposed of the risks brought along by such activity
- special attention is to be paid to legal and regulatory issues

General outsourcing policy is defined on Erste Holding level. Strategic Risk Management is responsible for local implementation of this policy, giving detailed definition of principles and procedures for outsourcing. These shall be documented in associated internal policy. All outsourced activities must strictly follow this policy.

Each outsourcing must have an outsourcing sponsor and an outsourcing manager (both coming from the Group) who are responsible for governance, correct functioning, operational risk, and other issues related to the outsourced activity.

Operational risk management related to outsourcing is within the responsibility of respective outsourcing sponsor and outsourcing manager. Strategic Risk Management shall periodically conduct overall risk assessment of outsourcing.

Outsourcing shall be periodically checked by Internal audit.

38) Fair values of financial assets and liabilities

The best indication of a fair value is quoted market prices in an active market. Where such prices are available, they are used to measure the fair value (Level 1 of the fair value hierarchy).

In case a market quote is used for a valuation, but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators), the instrument is classified as Level 2 of the fair value hierarchy. In case no market prices are available, the fair value is determined by using valuation models, which are based on observable market data. If all the significant inputs in a valuation model are observable, the instrument is classified as Level 2 of the fair value hierarchy. For Level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters.

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor using valuation models that rely entirely on observable market data. In these cases individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently, the instrument is classified as Level 3 of the fair value hierarchy. For Level 3 valuations typically credit spreads derived from both external sources (similar securities or issuers) and internal sources (risk parameters such as rating, PD or LGD) are used, besides observable parameters.

Financial instruments measured at fair value

All financial instruments of this category are measured at fair value on a recurring basis.

In the Group the measurement of fair value is primarily based on external sources of data (stock market prices or broker quotes in highly liquid market segments). The financial instruments for which fair value is determined on the basis of quoted market prices are mainly listed securities, liquid OTC bonds and derivatives.

Description of the valuation models and inputs

The Group uses only valuation models which have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently.

Securities

For plain vanilla debt securities (fixed and floating) the fair value is calculated by discounting the future cash flows using a discounting curve depending on the interest rate for the respective issuance currency and a spread adjustment. The spread adjustment is usually derived from the credit spread curve of the issuer. If no issuer curve is available the spread is derived from a proxy instrument and adjusted for differences in the risk profile of the instrument. If no close proxy is available, the spread adjustment is estimated using other information, including estimation of the credit spread based on internal ratings and PDs or management judgment. For more complex debt securities (e.g. including option-like features as callable, cap/floor, index-linked) the fair value is determined using combinations of discounted cash-flow models and more sophisticated modelling techniques including also methods described for OTC-derivatives. All securities are valued using the bid/ask levels (depending whether asset or liability), i.e. more conservative then the mid level.

OTC-derivative financial instruments

Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps, commodity swaps) are valued by standard valuation models. These models include discounting cash flow models, option models of Black-Scholes-type and Hull-White-type. Models are calibrated on quoted market data (including implied volatilities). Valuation model for more complex instruments also use Monte-Carlo-techniques. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used. The Group values derivatives at mid-market levels.

Credit value adjustments (CVA) for counterparty risk and debt value adjustments (DVA) for the own default credit risk are applied to OTC-derivatives. For CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and the Group's credit quality. The Group has implemented an approach, where the modelling of the expected exposure is based on option replication strategies. This modelling approach is considered for the most relevant products and portfolios. The methodology for the remaining entities and products is determined by market value plus add-on considerations. The probability of default of counterparties which are not traded in an active market is determined from internal PDs mapped to a basket of liquid titles being present in the central European market. Thereby market based valuation concepts have been incorporated. Counterparties with liquid bond or CDS markets are valued by the respective single-name market based PD derived from the prices. The Group's probability of default has been derived from the buy-back levels of the Group's issuances. Netting has only been considered for a few counterparties where the impact was material. For those netting has been applied for both CVA and DVA. The methodology and the calculation itself are carried out by Erste Holding.

For collateralised derivatives the effect of collateral received is considered and reduces the amount of CVA accordingly. For counterparties with CSA-agreements in place no CVA was taken into account for all cases with immaterial threshold amounts.

As at 31 December 2015 the cumulative CVA adjustment amounted 4.0 mil. eur (2014: 3.9 mil.) and the cumulative DVA adjustment amounted 1.0 mil. (2014: 1.7 mil. eur).

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, among others. 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.

The substantial surge of Level 3 Market Values in the Category "Financial Assets – Available for Sale" is based on the fair value valuation of the VISA Europe participation as of 31 December 2015. The revaluation of the participation was necessary due to a purchase offer posted by VISA Inc. The proposed offer comprises a combination of an initial cash payment combined with preferred shares of VISA Inc. and a potential earn out payment in 2020. All these elements have been considered in the determination of the fair value. As significant input parameters for the fair value determination could not be derived from external observable parameters, it was necessary to include assumptions and estimations in the determination of the fair value. In total this revaluation led to an increase within the category "Financial Assets – Available for Sale" amounting to eur 24.5 million.

The cash payment was accounted for with its present value as of 31 December 2015. The preferred shares, which are issued as part of the initial purchase price can only be sold after a minimum holding period of 12 years. In addition, the preferred shares are subject to restrictions for which a non-fulfilment would affect the conversion into market tradable VISA Inc. shares. Based on these restrictive conditions, the preferred shares were subject to a discount compared to tradable VISA Inc. shares. Moreover, the amount of the potential earn out payment depends on various external factors for which the probability of fulfilment cannot be derived from external observable parameters. As a consequence, the potential earn out payment was derived from estimated assumptions.

Fair value hierarchy

The methods used to determine fair values with respect to the levels of fair value hierarchy were as follows:

	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			
EUR ths.	2014	2015	2014	2015	2014	2015	2014	2015
ASSETS								
Financial assets held for trading	-	-	99 467	83 512	2 081	902	101 547	84 414
Derivatives held for trading	-	-	99 467	83 512	2 081	902	101 547	84 414
Financial assets designated at FV through profit or loss	-	-	6 646	6 641	13 557	11 027	20 203	17 668
Financial assets - available for sale	1 001 348	989 390	187 637	184 067	29 489	37 476	1 218 474	1 210 933
Derivatives - Hedge accounting	-	-	8 322	7 418	-	-	8 322	7 418
Total Assets	**1 001 348**	**989 390**	**302 072**	**281 638**	**45 127**	**49 405**	**1 348 547**	**1 320 433**
LIABILITIES								
Financial liabilities held for trading	-	-	103 439	85 508	-	-	103 439	85 508
Derivatives held for trading	-	-	103 439	85 508	-	-	103 439	85 508
Derivatives - Hedge accounting	-	-	49 077	42 915	-	-	49 077	42 915
Total Liabilities	**-**	**-**	**152 516**	**128 423**	**-**	**-**	**152 516**	**128 423**

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.

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.	2014	Gains / Losses in profit or loss	Gains / Losses in other comprehensive income	Purchase	Sales / Settlements	Transfer into Level 3	Transfer out of level 3	2015
ASSETS								
Financial assets held for trading	2 081	(40)	-	-	(2 319)	1 388	(207)	902
Derivatives held for trading	2 081	(40)	-	-	(2 319)	1 388	(207)	902
Financial assets designated at fair value through Profit & Loss	13 557	(21)	-	-	(2 509)	-	-	11 027
Financial assets available for sale	29 489	650	24 589	-	(654)	5	(16 603)	37 476
Total	**45 127**	**589**	**24 589**	**-**	**(5 482)**	**1 393**	**(16 810)**	**49 405**

EUR ths.	2013	Gains / Losses in profit or loss	Gains / Losses in other comprehensive income	Purchase	Sales / Settlements	Transfer into Level 3	Transfer out of level 3	2014
ASSETS								
Financial assets held for trading	-	-	-	-	-	2 081	-	2 081
Derivatives held for trading	-	-	-	-	-	2 081	-	2 081
Financial assets designated at fair value through Profit & Loss	13 752	976	-	-	(1 198)	28		13 557
Financial assets available for sale	34 444	962	338	2 000	(8 255)	-	-	29 489
Total	**48 196**	**1 938**	**338**	**2 000**	**(9 453)**	**2 109**	**-**	**45 127**

Gains or losses on Level 3 financial instruments held at the end of the reporting period, which are included in the income statement were as follows:

EUR ths.	2014	2015
ASSETS		
Financial assets held for trading	2 124	(650)
Derivatives held for trading	2 124	(650)
Financial assets designated at FV through profit or loss	912	(327)
TOTAL	**3 036**	**(977)**

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 December 2015:

EUR ths.	Carrying amount	Fair value	Quoted market prices in active marktes Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
ASSETS					
Cash and cash balances	322 811	322 811	-	-	-
Financial assets - held to maturity	2 490 694	2 992 288	2 951 504	40 681	103
Loans and receivables to credit institutions	121 600	121 793	-	-	121 793
Loans and receivables to customers	9 365 307	9 666 089	-	-	9 666 089
LIABILITIES					
Financial liabilities measured at amortised costs	12 158 455	12 152 217	-	1 134 150	11 018 067
Deposits from banks	384 965	379 633	-	-	379 633
Deposits from customers	10 671 536	10 638 434	-	-	10 638 434
Debt securities issued	1 101 954	1 134 150	-	1 134 150	-

The following table shows fair values and fair value hierarchy of the financial instruments disclosed in the notes as at 31 December 2014:

EUR ths.	Carrying amount	Fair value	Quoted market prices in active marktes Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
ASSETS					
Cash and cash balances	408 119	408 119	-	-	-
Financial assets - held to maturity	2 579 817	3 061 949	2 995 616	66 231	102
Loans and receivables to credit institutions	179 056	163 124	-	-	163 124
Loans and receivables to customers	8 085 570	8 096 877	-	-	8 096 877
LIABILITIES					
Financial liabilities measured at amortised costs	11 336 810	10 903 537	-	936 200	9 967 337
Deposits from banks	740 685	732 923	-	-	732 923
Deposits from customers	9 666 285	9 459 321	-	-	9 459 321
Debt securities issued	929 840	936 200	-	936 200	-

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 grouped 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 resulting loan equivalents are treated like other on-balance sheet assets. 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 Group are based on valuation reports relying essentially on observable market inputs (such as selling price per square meter charged in recent market observable transactions for similar assets). Such measurements are disclosed as Level 2 of the fair value hierarchy. If fair values of non-financial assets result from valuation models using expected future rental income method they are presented in Level 3 of the fair value hierarchy.

For non-financial assets owned by the Group the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenants and other material factors. Such measurements are presented in Level 3 of the fair value hierarchy.

Investment property
Investment property is measured at fair value on recurring basis.

As at 31 December 2015 the estimated fair value of investment property was in amount of 2.8 mil. eur (2014: 3.2 mil. eur). The Group uses its own model for determining the fair value of investment property, which is based on discounting future rental income decreased by direct operating expenses. Future rental income was determined using market rental rates for buildings with similar conditions and location. Such measurements are presented in Level 2 of the fair value hierarchy.

39) Current and non-current assets and liabilities

The classification of assets, liabilities and equity to current (due within one year) and non-current (due over one year) based on their remaining contractual maturity is shown in the following table:

EUR ths.	2014		2015	
	< 1 year	> 1 year	<1 year	> 1 year
ASSETS				
Cash and cash balances	408 119	-	322 811	-
Financial assets - held for trading	23 923	77 624	25 372	59 042
Derivatives	23 923	77 624	25 372	59 042
Financial assets - at fair value through profit or loss	4	20 199	6 641	11 027
Financial assets - available for sale	54 627	1 164 525	129 441	1 082 170
Financial assets - held to maturity	80 896	2 498 921	107 120	2 383 574
Loans and receivables to credit institutions	179 056	-	121 600	-
Loans and receivables to customers	1 316 462	6 769 108	1 449 375	7 915 932
Derivatives - hedge accounting	-	8 322	-	7 418
Property and equipment	-	188 726	-	183 238
Investment properties	-	3 306	-	2 880
Intangible assets	-	89 964	-	86 971
Investments in subsidiaries and associates	-	24 313	-	24 603
Deferred tax assets	36	34 213	-	30 849
Other assets	26 010	-	29 947	-
Total Assets	**2 089 427**	**10 879 223**	**2 192 322**	**11 787 704**
LIABILITIES				
Financial liabilities - held for trading	29 411	74 028	28 139	57 368
Derivatives	29 411	74 028	28 139	57 368
Financial liabilities measured at amortised cost	10 031 349	1 305 461	10 635 103	1 523 352
Deposits from banks	499 595	241 090	198 193	186 771
Deposits from customers	9 378 803	287 482	10 310 802	360 734
Debt securities issued	152 952	776 888	126 108	975 846
Derivatives - hedge accounting	-	49 077	-	42 915
Provisions	-	30 300	-	28 109
Current tax liabilities	22 958	-	7 196	-
Other liabilities	114 357	359	118 048	1
Total Liabilities	**10 198 434**	**1 459 435**	**10 788 487**	**1 652 058**

The following table details the Group's non-derivative financial liabilities based on their remaining contractual maturity (calculated as undiscounted cash flows):

2015 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Financial liabilities measured at amortised cost						
Deposits from banks	31 972	42 196	124 400	97 330	95 173	391 071
Deposits from customers	7 747 437	1 037 144	1 536 692	363 688	-	10 684 961
Debt securities issued	3 051	76 671	46 935	799 783	239 218	1 165 658
Total	**7 782 461**	**1 156 011**	**1 708 026**	**1 260 801**	**334 391**	**12 241 690**

2014 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Financial liabilities measured at amortised cost						
Deposits from banks	403 616	82 068	14 093	181 279	64 563	745 618
Deposits from customers	6 932 558	1 031 685	1 419 849	290 859	-	9 674 952
Debt securities issued	539	47 856	105 918	642 916	204 938	1 002 167
Total	**7 336 711**	**1 161 610**	**1 539 860**	**1 115 055**	**269 502**	**11 422 737**

40) Own funds and capital requirements

The supervising authorities for the Group are the European Central Bank together with the National Bank of Slovakia and the Austrian Financial Market Authority. Based on their common decision the Group shall, on an individual basis, at all times satisfy the overall capital ratio equal to 6.85% in terms of CET1 ratio as defined in the Regulation (EU) no. 575/2013 of the European Parliament and of the Council, as well as the own funds requirement of 11,69 %. As at 31 December 2015 the Group fulfilled the minimum level of capital adequacy and also at the end of the year 2014. The capital adequacy is defined as a ratio of the total capital to 12,5-multiple of the capital requirement defined by the Slovak Banking Act and other related legislation.

The Group calculates requirements for credit risk using the Basel II IRB approach. For market risk of its trading portfolios, the Group uses internal VaR models. For operational risk the Group uses AMA approach.

The Group's regulatory capital is assessed in two tiers:

Tier 1 – capital, which includes ordinary share capital, share premium, retained earnings, translation reserve after deduction for goodwill, intangible assets, AFS reserve (negative revaluation only) and other regulatory adjustments relating to the items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 – capital, which includes qualifying subordinated liabilities and the element of fair value reserve relating to unrealised gains on equity instruments classified as available for sale.

Various limits are applied to the particular elements of the Group's capital base. The amount of qualifying tier 2 capital cannot exceed tier 1 capital and the amount of qualifying term subordinated loans may not exceed 50% of tier 1 capital. Other deductions from capital include the carrying amount of investments qualifying as financial institutions exceeding 10-percent participation on their share capital.

The Group's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain the future development of its business. The Group's policies relating to capital management and allocation are reviewed regularly by the Board of Directors.

The Group's regulatory capital position (according to the Regulation (EU) no. 575/2013) was as follows:

EUR ths.	Basel III 2014	Basel III 2015
Tier 1 capital		
Ordinary share capital	212 000	212 000
Capital reserves	118 899	118 899
Retained earnings	712 147	751 535
Less intangible assets	(89 964)	(86 971)
Other regulatory adjustments	(27 135)	43 645
Total	**929 741**	**1 039 108**
Additional Tier 1 capital		
Paid up capital instruments	-	150 000
Total	**-**	**150 000**
Tier 2 capital		
IRB Surplus	12 909	16 031
Paid up capital instruments and subordinated loans	100 914	75 016
Total	**113 823**	**91 047**

41) Events after the reporting period

From 31 December 2015 up to the date of issue of these consolidated financial statements there were no events identified that would require adjustments or disclosure, other than the stated below:

These consolidated financial statements were signed and authorised for issue by the Board of Directors of the Bank on 16 February 2016.

Ing. Štefan Máj
Chairman of the Board of Directors and
Chief Executive Officer

Ing. Peter Krutil
Deputy Chairman of the Board of Directors
First Deputy of Chief Executive Officer

Slovenská sporiteľňa, a.s.

Separate Financial Statements
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union
for the year ended 31 December 2015

and Independent Auditors' Report

Independent Auditors' Report to the Shareholder of Slovenská sporiteľňa, a.s.

EY
Building a better working world

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Independent Auditor's Report

To the Shareholder of Slovenská sporiteľňa, a.s.:

We have audited the accompanying separate financial statements of Slovenská sporiteľňa, a.s. ('the Bank'), which comprise the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of the Bank as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

16 February 2016
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
SKAU Licence No. 257

Mgr. Ján Džuppa
UDVA Licence No. 1032

THIS IS A TRANSLATION OF THE ORIGINAL SLOVAK REPORT

Spoločnosť zo skupiny Ernst & Young Global Limited
Ernst & Young Slovakia, spol. s r.o., IČO: 35 840 463, zapísaná v Obchodnom registri Okresného súdu Bratislava I, oddiel: Sro, vložka číslo: 27004/B a v zozname audítorov vedenom Slovenskou komorou audítorov pod č. 257.

I. Separate Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2015

Statement of Profit or Loss

EUR ths.	Notes	2014	2015
Net interest income	1	462 711	469 081
Net fee and commission income	2	123 641	121 139
Dividend income	3	3 274	3 844
Net trading and fair value result	4	9 537	8 875
Rental income from investment properties	5	391	401
Personnel expenses	6	(111 381)	(117 080)
Other administrative expenses	7	(114 424)	(110 816)
Depreciation and amortisation	8	(41 143)	(40 864)
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	9	1 266	902
Net impairment loss on financial assets not measured at fair value through profit or loss	10	(50 937)	(58 338)
Other operating result	11	(45 372)	(32 971)
Pre-tax result from continuing operations		**237 563**	**244 173**
Taxes on income	12	(56 086)	(60 041)
Net result for the period		**181 477**	**184 132**
Net result attributable to owners of the parent		**181 477**	**184 132**

Statement of Other Comprehensive Income

EUR ths.	2014	2015
Net result for the period	**181 477**	**184 132**
Items that may not be reclassified to profit or loss		
Remeasurement of net liability of defined pension plans	60	(325)
Total	**60**	**(325)**
Items that may be reclassified to profit or loss		
Available for sale reserve	32 243	48 342
Gain/loss during the period	32 345	48 783
Reclassification adjustments	(102)	(442)
Deferred taxes relating to items that may be reclassified	(7 094)	(10 634)
Gain/loss during the period	(7 116)	(10 733)
Reclassification adjustments	22	98
Total	**25 150**	**37 708**
Total other comprehensive income	**25 210**	**37 383**
Total comprehensive income	**206 686**	**221 514**
Total comprehensive income attributable to owners of the parent	**206 686**	**221 514**

Earnings per Share

		2014	2015
Net result attributable to owners of the parent	EUR ths.	181 477	184 132
Number of outstanding shares		212 000	212 000
Earnings per share	**in EUR**	**856**	**869**

The notes on pages 173 to 253 are an integral part of these financial statements.

II. Separate Statement of Financial Position

as at 31 December 2015

EUR ths.	Notes	2014	2015
Assets			
Cash and cash balances	13	408 119	322 811
Financial assets - held for trading	14	101 574	84 414
Derivatives	14	101 574	84 414
Financial assets - at fair value through profit or loss	15	20 203	17 668
Financial assets - available for sale	16	1 219 152	1 211 611
Financial assets - held to maturity	17	2 579 817	2 490 694
Loans and receivables to credit institutions	18	179 005	121 583
Loans and receivables to customers	19	8 142 383	9 414 716
Derivatives - hedge accounting	20	8 322	7 418
Property and equipment	22	113 801	111 947
Investment properties		3 306	2 880
Intangible assets	23	89 963	86 971
Investments in subsidiaries and associates	21	19 493	21 399
Deferred tax assets	24	33 923	29 739
Other assets	25	23 525	27 214
Total assets		**12 942 586**	**13 951 065**
Liabilities and equity			
Financial liabilities - held for trading		103 439	85 508
Derivatives		103 439	85 508
Financial liabilities measured at amortised cost	26	11 354 415	12 164 938
Deposits from banks	26	740 686	384 965
Deposits from customers	26	9 683 889	10 678 019
Debt securities issued	27	929 840	1 101 954
Derivatives - hedge accounting		49 077	42 915
Provisions	28	30 260	28 067
Current tax liabilities		22 765	5 925
Other liabilities	29	109 332	115 948
Total equity		**1 273 298**	**1 507 764**
Equity attributable to owners of the parent	30	1 273 298	1 507 764
Total liabilities and equity		**12 942 586**	**13 951 065**

The notes on pages 173 to 253 are an integral part of these financial statements.

III. Separate Statement of Changes in Equity

for the year ended 31 December 2015

EUR ths.	Subscribed capital	Other capital instruments	Legal reserve fund	Other funds	Retained earnings	Available for sale reserve	Remeasure-ment of net liability of defined pen-sion plans	Deferred tax	Equity attributable to owners of the parent	Total equity
As at 1 January 2014	**212 000**	**-**	**79 795**	**39 326**	**890 272**	**42 870**	**(393)**	**(9 431)**	**1 254 438**	**1 254 438**
Dividends paid	-	-	-	-	(188 259)	-	-	-	(188 259)	(188 259)
Merger of subsidiary (Factoring SLSP)	-	-	-	-	433	-	-	-	433	433
Total comprehensive income	-	-	-	-	181 477	32 243	60	(7 094)	206 686	206 686
Net result for the period	-	-	-	-	181 477	-	-	-	181 477	181 477
Other comprehensive income	-	-	-	-	-	32 243	60	(7 094)	25 210	25 210
As at 31 December 2014	**212 000**	**-**	**79 795**	**39 326**	**883 923**	**75 113**	**(333)**	**(16 525)**	**1 273 298**	**1 273 298**
As at 1 January 2015	**212 000**	**-**	**79 795**	**39 326**	**883 923**	**75 113**	**(333)**	**(16 525)**	**1 273 298**	**1 273 298**
Dividends paid	-	-	-	-	(143 196)	-	-	-	(143 196)	(143 196)
Merger of subsidiary (Leasing SLSP)	-	-	-	-	6 148	-	-	-	6 148	6 148
Other capital instruments (AT1)	-	150 000	-	-	-	-	-	-	150 000	150 000
Total comprehensive income	-	-	-	-	184 132	48 342	(325)	(10 635)	221 514	221 514
Net result for the period	-	-	-	-	184 132	-	-	-	184 132	184 132
Other comprehensive income	-	-	-	-	-	48 342	(325)	(10 635)	37 382	37 382
As at 31 December 2015	**212 000**	**150 000**	**79 795**	**39 326**	**931 007**	**123 455**	**(658)**	**(27 160)**	**1 507 764**	**1 507 764**

The notes on pages 173 to 253 are an integral part of these financial statements. Further details are disclosed in the note 30.

During the year 2015 the Bank has issued an investment certificate in amount of 150 mil. eur that is classified as equity instrument according to the standard IAS 32.

IV. Separate Statement of Cash Flows

for the year ended 31 December 2015

EUR ths.	2014	2015
Profit before income taxes	**237 563**	**244 173**
Adjustments for:		
Loss allowances for loans and advances, Provisions for off-balance sheet	48 263	59 530
Provisions for liabilities and other liabilities	11 538	4 740
Impairment of tangible and intangible assets net	3 933	(1 198)
Depreciation and amortization	41 143	40 864
Profit/(loss) on disposal of fixed assets	2 040	1 363
Transfer of interest for financing activity	18 759	17 941
Net gains/(losses) from investing activities	(111 619)	(104 410)
Impairment of investments in subsidiaries and associates	(2 706)	(860)
Cash flows from operations before changes in operating assets and liabilities	**248 913**	**262 142**
(Increase)/decrease in operating assets:		
Minimum reserve deposits with the central bank	(47 719)	86 524
Loans and advances to financial institutions	(94 880)	71 855
Loans and advances to customers	(969 391)	(1 325 117)
Financial assets at fair value through profit or loss and securities available for sale	(316 538)	58 418
Other assets	14 707	(3 616)
Increase / (decrease) in operating liabilities:		
Amounts owed to financial institutions	316 309	(355 717)
Amounts owed to customers	582 456	994 130
Increase/(decrease) in derivative financial instruments (net)	28 414	(6 029)
Provision for liabilities and other provisions	(185)	(7 673)
Other liabilities	13 891	6 299
Net cash flows provided by / (used in) operating activities before income tax	**(224 024)**	**(218 783)**
Income taxes paid	(40 092)	(83 330)
Net cash flows provided by / (used in) operating activities	**(264 116)**	**(302 113)**
Cash flows from investing activities		
Purchase of securities held to maturity	(267 567)	-
Proceeds form securities held to maturity	458 339	93 095
Interest received from the securities held to maturity	103 166	96 467
Dividends received from subsidiaries, associates and other investments	3 274	2 986
Purchase of share in subsidiaries and associates	-	(1 046)
Purchase of intangible assets, property and equipment	(26 121)	(39 303)
Proceeds from sale of intangible assets, property and equipment	2 470	3 560
Net cash flows provided by / (used in) investing activities	**273 561**	**155 759**
Cash flows from financing activities		
Dividends paid	(188 259)	(143 196)
Repayment of subordinated debt	-	(5 099)
Interest paid on subordinated debt	(2 146)	(1 775)
Issue of the bonds	370 491	319 414
Repayment of the bonds	(147 029)	(142 840)
Interest paid to the holders of the bonds	(7 468)	(15 531)
Other financing activities	-	150 000
Net cash flows provided by / (used in) financing activities	**25 589**	**160 973**
Effect of foreign exchange rate changes on cash and cash equivalents	(522)	1 005
Net increase / (decrease) in cash and cash equivalents	**34 512**	**15 624**
Cash and cash equivalents at beginning of period	**298 111**	**332 620**
Cash and cash equivalents at end of period	**332 623**	**348 244**
Operational cash flows from interest and dividends		
Interest paid	(56 779)	(43 897)
Interest received	421 217	434 172

The notes on pages 173 to 253 are an integral part of these financial statements.

Cash and cash equivalents include accounts with central Banks (note 13) and accounts with other credit institutions repayable on demand (note 18). The minimum mandatory reserves are excluded from cash and cash equivalents.

V. Notes to the Separate Financial Statement

A. GENERAL INFORMATION

Slovenská sporiteľňa, a. s. (hereafter 'the Bank') has its registered office at Tomášikova 48, 832 37 Bratislava, the 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 and its tax identification number 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 December 2015 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 ultimate parent) will be available after their completion the austrian court Firmenbuchgericht Wien, Marxergasse 1a, 1030 Vienna.

The Board of Directors of the Bank had five members as at 31 December 2015:
Ing. Štefan Máj (Chairman), Ing. Peter Krutil (Deputy Chairman), Mag. Bernard Spalt (Member), Ing. Richard Chomist (Member) a Ing. Zdeněk Románek (Member).

Effective from 1 January 2015 Mr. Štefan Máj (the former Deputy Chairman) has been nominated by the Supervisory Board as the Chairman and the Chief Executive Officer (CEO) of the Bank.

Effective from 1 April 2015 Mr. Peter Krutil (the former Member) has become a Deputy Chairman of the Bank.

Mr. Bernard Spalt is a new member of the Board of Directors since 1 March 2015. Mr. Richard Chomist is a new member of the Board of Directors since 1 April 2015. Mr. Zdeněk Románek is a new member of the Board of Directors since 15 June 2015.

The Chairman of the Board of Directors is also the Chief Executive Officer (CEO) of the Bank. The Deputy Chairman of
the Board of Directors is the First Deputy of the Chief Executive Officer. Other members of the Board of Directors are
the Deputies of the Chief Executive Officer.

The Supervisory Board of the Bank had six members as at 31 December 2015:
Gernot Mittendorfer M.B.A. (Chairman), Dr. Heinz Knotzer (Deputy Chairman), Mag. Jan Homan (Member),
Dr. Andrea Burgtorf (Member), JUDr. Beatrica Melichárová (Member) and Ing. Štefan Šipoš (Member).

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

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

B. SIGNIFICANT ACCOUNTING POLICIES

1) 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 their separate and consolidated financial statements and annual report according to 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 Accounting Standards effectively replaced the financial statements prepared under Slovak Accounting Standards.

These separate financial statements for the year ended 31 December 2015 and the related comparative information are prepared in compliance with applicable International Financial Reporting Standards ('IFRS ') as adopted by the European Union ('EU') on the basis of Regulation (EC) 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 the Bank's separate financial statements if they were applicable as at the presented balance sheet date.

2) Basis of preparation

The Bank is required to prepare also the consolidated financial statements. These separate financial statements do not include consolidation of assets, liabilities and operational results of subsidiaries. The Bank has issued Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2015, which were signed and authorised for issue by the Board of Directors of the Bank on 16 February 2016 and are available at its registered office or on the web page.

These separate financial statements have been approved by the Board of Director of the Bank and will be submitted for approval to the Supervisory Board and the General Assembly.

The Bank's separate and consolidated financial statements for the prior period (the year ended 31 December 2014) were signed and authorised for issue on 11 February 2015.

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

In accordance with the applicable measurement models defined or allowed by IFRS, these 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 and hedging derivatives, all of which were measured at fair value.

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

The comparative amounts presented in these separate financial statement are those presented in the Separate Statement of Financial Positions as at 31 December 2014 and the Separate Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2014.

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'.

3) Subsidiaries and associates

These separate financial statements present accounts and results of the Bank only.

Subsidiaries

The Bank holds controlling interests in the subsidiaries described in the note 21. In these separate financial statements the subsidiaries are recognised at cost, less any impairment losses.

Subsidiaries are recognized on the balance sheet from the date when control is obtained until the date when control is lost. Control is achieved when the Bank is exposed to, or has rights to, variable returns from its involvement with the subsidiary (the investee) and has the ability to affect those returns through its power to govern the relevant activities of this comapny. Relevant activities of the company are those which most significantly affect the variable returns of an entity. In general, control is presumed when investor retains more than 50% of shares or voting rights.

Investments in associates and joint ventures

The Bank has significant influence in the associates described in the note 21. In these separate financial statements the investments in associates are recognised at cost, less any impairment losses.

Investments in associates ('associates') represent entities over which the Bank exercises significant influence. Significant influence is the power to participate in financial and operating policy decisions of the investee but is not control or joint control of those policies. In general, significant influence is presumed when investor retains more between 20 % and 50 % of shares or voting rights.

Joint ventures are joint arrangements under which the Bank exercises control jointly with one or more venturers and the venturers have rights to the net assets of the arrangement, rather than to the assets and liabilities relating to the arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Bank is not involved in any joint venture.

Acquisitions, sales and mergers during the year 2015

During the year 2015 the Bank had established a subsidiary Služby SLSP, s.r.o., which subsequently.purchased 100-percent share in the former subsidiary Realitná spoločnosť Slovenskej sporiteľne, a.s.

In the year 2015 the Bank acquired remaining shares (49 %) of the subsidiary Erste Group IT SK, spol. s r.o. and became its 100-percent shareholder.

During the year 2015 Leasing Slovenskej sporiteľne, a.s. (former subsidiary) was merged with the Bank.

Information on the group structure of Slovenská sporiteľňa, a.s.and the transactions mentioned above is presented in the note 21.

4) Accounting and measurement methods

Foreign currency translations

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

Transactions in foreign currencies are initially translated to Euro at the exchange rate effective as at the transaction date. Subsequently, monetary assets and liabilities denominated in foreign currencies are translated to Euro at the exchange rate as at the balance sheet date. All resulting exchange differences are recognised in the income statement line item 'Net trading and fair value result'. Non-monetary items that are measured at historical costs in foreign currencies are translated to Euro using the exchange rates as at the dates of the initial transactions.

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

Financial instruments – recognition and measurement

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.

With reference to an investment strategy, the Bank uses the following categories of financial instruments:
- financial assets or financial liabilities at fair value through profit or loss
- financial assets available for sale
- financial assets held to maturity
- loans and receivables
- financial liabilities measured at amortised cost

The categories of financial instruments relevant for measurement (as per IAS 39) are not necessarily presented separately on the balance sheet. Specific relationships between the balance sheet line items and particular categories of financial instruments are described in the note 21.

(i) Initial recognition and measurement of financial instruments

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 settlement date, when an asset is delivered. Regular way trades are purchases or sales of financial assets that require delivery of an asset within the time frame generally established by a regulation or convention in the market place. The classification of financial instruments at initial recognition depends on their characteristics, as well as on the management's intention for which the financial instruments were acquired.

Financial instruments are measured initially at their fair value including transaction costs. However, in case of financial instruments at fair value through profit or loss, transaction costs are not included in the initial measurement and are directly recognised in the income statement.

(ii) Cash and cash balances

Balances with central Banks include only claims (deposits) against central Banks, which are repayable on demand. Repayable on demand means that a deposit may be withdrawn at any time or with a term of notice of one business day (or 24 hours). Minimum mandatory reserves are also shown under this position.

(iii) Derivative financial instruments

Derivative financial instruments used by the Bank include mainly interest rate and currency swaps, forward rate agreements, futures, interest rate and currency options and others. Derivatives are measured at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

For presentation purposes derivatives are split into:
- derivatives – held for trading
- derivatives – hedge accounting

Derivatives – held for trading are those which are not designated as hedging instruments. These derivatives are presented on the balance sheet under the heading 'Financial assets / liabilities – held for trading', as a separate line item 'Derivatives'. This line item includes all types of non-hedging derivatives regardless of their internal classification, i.e. both derivatives held in trading book and Banking book.

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

Interest income/expense related to derivatives – held for trading is recognised in the income statement line item 'Net interest income' if held in the Banking book or in the income statement line item 'Net trading and fair value result' if held in the trading book.

Derivatives – hedge accounting are those which are designated as hedging instruments in hedges complying the conditions of IAS 39. They are presented on the balance sheet line item 'Derivatives - hedge accounting', on asset or liability side.

Changes in fair value (clean price) of derivatives in fair value hedges are recognised in the income statement line item 'Net trading and fair value result'. Interest income / expense related to derivatives in fair value hedges is recognised in the income statement line item 'Net interest income'.

Changes in fair value (dirty price) of derivatives in cash flow hedges is reported separately for the effective part, which is recognised in the other comprehensive income line item 'Cash flow hedge' and for the ineffective part, which is recognized in the income statement line item 'Net trading and fair value result'. Interest income / expense on derivatives in cash flow hedges is a part of dirty price measurement, which is reported in the line items mentioned above depending on the hedge effectiveness.

(iv) Financial assets and liabilities – held for trading

Financial assets and financial liabilities classified as held for trading comprise of derivatives is described in the note (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. They are presented on the balance sheet under the heading 'Financial assets / liabilities – held for trading' as a separate line item 'Other trading assets / liabilities'.

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

If securities purchased under 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 under the heading 'Financial liabilities – held for trading' as a separate line item 'Other trading liabilities'.

(v) Financial assets or financial liabilities – at fair value through profit or loss

Financial assets or financial liabilities classified in this category have been designated at fair value at their initial recognition based on the management's decision.

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 of the Bank, the performance of this portfolio is evaluated and regularly reported to the management.

Financial assets designated at fair value through profit or loss are recognised on the balance sheet line item 'Financial assets - at fair value through profit or loss'. Changes in fair value are reported in the income statement line item 'Net trading and fair value result'. Interest earned on debt instruments is reported in the income statement line item 'Net interest income'. Dividend income on equity instruments is shown in the income statement line item 'Dividend income'.

The Bank uses the fair value option also for some hybrid financial liabilities in the following cases:
- if 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
- if the entire hybrid contract is designated at fair value through profit or loss due to the existence of an embedded derivative.

The amount of fair value change attributable to changes in own credit risk of financial liabilities designated at fair value through profit or loss is calculated in compliance with IFRS 7. It is calculated as a difference between the present value of the liability and its observed market price at the end of the reporting period. The rate used for discounting the liability is the sum of the observed interest rate at the end of the reporting period and the instrument-specific component of internal rate of return determined at the beginning of the period.

Financial liabilities designated at fair value through profit or loss are recognised on the balance sheet line item 'Financial liabilities – at fair value through profit or loss', further broken down into 'Deposits from customers' and 'Debt securities issued'. Changes in fair value are reported in the income statement line item 'Net trading and fair value result'. Interest incurred is reported in the income statement line item 'Net interest income'.

(vi) Financial assets – available for sale

Financial assets available-for-sale include debt and equity securities, as well as interests in other 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 may be sold in response to needs for liquidity or changes in market conditions.

Financial assets available for sale are measured at fair value. and are disclosed on the balance sheet line item 'Financial assets – available for sale'.

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

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

Investments in non-quoted equity instruments are recorded at cost less impairment, if their fair value cannot be measured reliably. This is the case when there is no active market for such investments, the range of reasonable fair value estimates calculated by valuation models is significant and the probabilities of various estimates cannot be reasonably assessed.

(vii) Financial assets – held to maturity

Financial assets held to maturity include non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank intends and is able to hold until maturity following the approved investment strategy. These financial assets are reported on the balance sheet line item 'Financial assets – held to maturity'. After initial recognition, these securities are measured at amortised cost calculated with regard to any discount, premium and transaction costs, which are integral parts of the effective interest rate.

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

(viii) Loans and receivables

The balance sheet line items 'Loans and receivables to credit institutions' and 'Loans and receivables to customers' include financial assets meeting the definition of loans and receivables. Moreover, finance lease receivables accounted for using IAS 17 are presented on 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 for other reasons than credit deterioration.

After initial recognition, loans and receivables are measured at amortised cost. Interest income earned on loans and receivables is recognised in the income statement line item 'Net interest income'. Impairment losses arising from loans and receivables are reported in the income statement line item 'Net impairment loss on financial assets not measured at fair value through profit or loss'.

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

Finance lease receivables measurement is described in the note 'Leasing'.

(ix) Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are disclosed under the balance sheet line item 'Financial liabilities measured at amortised cost' and further broken down to the following categories: '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 expense incurred by these financial liabilities is reported in the income statement line item 'Net interest income'. Gains and losses from derecognition (mainly repurchase) of financial liabilities at amortised cost are reported in the income statement line item 'Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net'.

(x) Relationships between balance sheet line items, measurement methods and categories of financial instruments:

BALANCE SHEET POSITION	MEASUREMENT METHOD			FINANCIAL INSTRUMENT CATEGORY
	Fair value	At 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 not presented in the table above are part of IFRS 7 disclosures. These are financial guarantees and irrevocable loan commitments.

Reclassification of financial assets

IAS 39 allows various alternatives to reclassify financial assets between the categories of financial instruments and also imposes some restrictions regarding their reclassification. The Bank makes applies a reclassification option only with held-to-maturity financial assets. If a significant credit deterioration of a held-to-maturity financial asset results in the change of the Bank's intention and ability to hold the asset until maturity, it is reclassified to the category of available-for-sale financial assets.
The Bank also reclassifies financial assets held to maturity to be sold, in case they are sold close to their maturity. Such reclassifications are in compliance with IAS 39 ('tainting rule') and does not triggers automatic reclassification of the entire held-to-maturity portfolio.

Derecognition of financial assets and financial liabilities

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

- expiration of the contractual rights to receive cash flows from the asset; or
- transfer of the contractual rights to receive cash flows from the asset; or
- acceptance of 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:
  – has transferred substantially all the risks and rewards connected with the ownership of the asset; or
  – 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.

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

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Details on valuation techniques applied for fair value measurement and fair value hierarchy are disclosed in the note 38.

Impairment of financial assets and credit risk losses of contingent liabilities

The Bank assesses 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 a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset ('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, indications of impairment are observable data indicating there is a measurable decrease in the estimated future cash flows, such as changes in overdue amounts or economic conditions that correlate with defaults.

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.

(i) 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 18 and 19. 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.

(ii) 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.

(iii) 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'.

Repurchase and reverse repurchase agreements

Sale and repurchase agreements, also known as 'repo transactions', represent transactions where securities are sold under an agreement to repurchase them at a specified future date. The securities sold as a part of such transactions are not derecognised, i.e. remain on the balance sheet and continue in measurement applicable to the respective financial assets. The reason for this is that the Bank retains substantially all risks and rewards related to the ownership of these securities, which are repurchased when the repo transaction ends. Moreover, the Bank is the beneficiary of all coupons and other income payments received on the transferred securities over the repo transactions period. These payments are remitted to the Bank or are reflected in the repurchase price.

Cash proceeds from the sold securities are recognised on the balance sheet together with a corresponding liability, which is recorded on the balance sheet line item 'Financial liabilities measured at amortised cost', further broken down to 'Deposits from banks' or 'Deposits from customers'. These financial liabilities reflect the transaction's economic substance as a loan to the Bank with the obligation to return cash amount. The difference between the sale and repurchase prices is treated as an interest expense and is accrued in the income statement line item 'Net interest income' over the life of the agreement.

Conversely, the 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 in the respective line items as either 'Loans and receivables to credit institutions' or 'Loans and receivables 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 an interest income and is accrued in the income statement line item 'Net interest income' over the life of the agreement.

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 lending duration. The transfer of securities to counterparties via securities lending does not result in derecognition. The Bank, as a lender, retains substantially all risks and rewards related to the ownership of the transferred securities, because they are received at the end of the securities lending transaction. Moreover, the Bank is the beneficiary of all coupons and other income payments received on the transferred securities over the securities lending period.

Conversely, the securities borrowed are not recognised on the balance sheet, unless they are sold to third parties. In this case, the obligation to return the securities is recorded under the heading 'Financial liabilities – held for trading' as a separate line item 'Other trading liabilities'.

Embedded derivatives

In the normal course of business, the Bank is involved in debt instruments containing structured features. The structured feature means that a derivative is embedded in a host debt instrument.

The embedded derivatives are separated from host debt instruments if:
- the embedded derivative meets the definition of derivative according IAS 39; and
- the economic characteristics of the derivative are not closely related to the economic characteristics and risks of the host debt instrument; and
- the hybrid instrument is not a financial asset or financial liability held for trading or designated at fair value through profit or loss.

The embedded derivatives, which are separated are accounted for as stand-alone derivatives and reported on the balance sheet under the heading 'Financial assets – held for trading' as a separate line item 'Derivatives'. They are embedded mainly in host issued debt instruments recognised as liabilities. The most typical examples are deposits and bonds issued that contain interest caps, floors or collars, as well as financial instruments linked to non-interest variables such as FX rates, equity and commodity prices and indices or third-party credit risk.

Hedge accounting

The Bank utilises derivative instruments to manage its exposure to interest rate risk and foreign currency risk. At inception of a hedge transaction, the Bank formally documents the relationship between a hedged item and a hedging instrument, including the nature of risk, the strategy and the objective for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. A hedge is expected to be highly effective if the changes in fair value or cash flows during the period attributable to the hedged risk for which the hedge is designated are expected to be offset by the fair value changes of the hedging instrument in a range of 80 % to 125 %. The hedge effectiveness is assessed at inception and throughout the term of each hedging relationship. The Bank defines specific conditions for particular types of hedges and for effectiveness testing in internal hedge policy.

(i) Fair value hedge

Fair value hedges are used to reduce market risk. For qualifying and designated fair value hedges, the change in fair value (clean price) of the hedging instrument is recognised in the income statement line item 'Net trading and fair value result'. The change in fair value of the hedged item attributable to the hedged risk is also recognised in the income statement line item 'Net trading and fair value result' and adjusts the carrying amount of the hedged item. Interest income and expense on hedging derivatives are recognised in the income statement line item 'Net interest income'.

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

(ii) Cash flow hedge

Cash flow hedges are used to eliminate uncertainty in the future cash flows in order to stabilise the net interest income. For designated and qualifying cash flow hedges, the effective portion of gain or loss on the hedging instrument is recognised in the other comprehensive income line item 'Cash flow hedge'. The ineffective portion of gain or loss on the hedging instrument is recognised in the income statement line item 'Net trading and fair value result'. For the quantification of effective and ineffective portions, cash flows attributable to the hedged risk are considered (both, from the hedged item and the hedging instrument). If the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is reclassified from other comprehensive income to the corresponding income or expense line item of the income statement (mainly 'Net interest income'). In case of cash flow hedges, accounting treatment of the hedged items in not affected.

The hedge relationship is terminated, when the hedging instrument expires, is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. In this case, the cumulative gain or loss on the hedging instrument previously recognised in other comprehensive income remains as separately reported 'Cash flow hedge' until the transaction occurs.

Offsetting financial instruments

Financial assets and financial liabilities are offset and their net amount is presented 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 them on a net basis or to realise the asset and settle the liability simultaneously.

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. The depreciation period and method are reviewed at least at each financial year-end and adjusted if necessary. Depreciation 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 2015 and 2014
Own buildings and structures	30 years
Rented premises	10 years
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. The useful live of investment property is identical to that of buildings reported under property and equipment. 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 2015 and 2014
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'.

Non-current assets and disposal groups held for sale

Non-current assets are classified as held for sale if they can be sold in their present condition and the sale is highly probable within 12 months from the classification as held for sale. If assets are to be sold as part of a group that may also contain liabilities (e.g. subsidiary) they are referred to as disposal group held for sale.

Assets classified as held for sale and assets belonging to disposal groups held for sale are reported on the balance sheet as a separate line item 'Assets held for sale'. Liabilities belonging to the disposal groups held for sale are presented on the balance sheet as a separate line item 'Liabilities associated with assets held for sale'. Non-current assets and disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

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 is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. All other lease agreements are classified as operating leases.

(i) The Bank as a lessor

In the case of finance lease, the Bank recognises a receivable from the lessee on the balance sheet line items 'Loans and receivables to customers' or 'Loans and receivables to credit institutions'. 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 income statement line item 'Net interest income'. The Bank provides finance lease as a result of the merger with the former subsidiary Leasing Slovenskej sporiteľne, a.s. during the year 2015.

In the case of an operating lease, the Bank reports the leased asset on the balance sheet line items 'Property and equipment' or '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 income statement line item 'Rental income from investment properties'. With respect to regulatory restrictions the Bank does not provide operating lease.

(ii) The Bank as a lessee

The Bank has not entered into any leases meeting the conditions of finance lease.

Operating lease payments are recognised on a straight-line basis over the lease term in the income statement line item 'Other administrative expenses'.

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'. They include credit risk loss provisions for contingent liabilities (particularly financial guarantees and loan commitments), as well as provisions for litigation and restructuring. Expense or income related to provisions are reported 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 28.

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.

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.

Dividends on ordinary shares

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

Financial guarantees

In the ordinary course of business, the Bank provides financial guarantees, consisting of various types of guarantees and letters of credit. According to IAS 39, financial guarantee is a contract that requires the guarantor to make specified payments to reimburse the holder for a loss incurred in case the 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 a guarantee holder, the financial guarantee is not recorded on the balance sheet but is taken into consideration as a collateral when determining impairment of the guaranteed asset.

The Bank as a guarantor recognises the financial guarantee as soon as it becomes a contracting party (i.e. when the guarantee offer is accepted). Financial guarantees are initially measured at fair value. Generally, the initial measurement is the premiumreceived for a guarantee. If no premium is received at contract inception, the fair value of a financial guarantee is nil, as this is the price that would be paid to transfer the liability in an orderly transaction between market participants. Subsequent to initial recognition, the financial guarantee contract is reviewed whether a provision is required according IAS 37. Such provisions are recorded on the balance sheet line item 'Provisions' nad the related income or expenses are recognised in the income statement line item 'Other operating result'. The premium received for a financial guarantee issued is recognised on a straight-line basis over the life of the guarantee in the income statement line item 'Net fee and commission income'.

Fiduciary assets

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

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 lending fees, guarantee fees, commission income from asset management, custody and other management and advisory fees, as well as fees from insurance brokerage, building society brokerage and foreign exchange transactions.

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 dividend 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, which are not consolidated or not accounted for using the equity method due to their insignificance. Such non-consolidated subsidiaries, associates and joint ventures are presented on the balance sheet line item 'Other assets'.

(iv) Net trading and fair value result

Results arising from trading activities include all gains and losses from changes in fair value (clean price) on financial assets and financial liabilities classified as held for trading, including all derivatives not designated as hedging instruments, as well as foreign exchange gains and losses.

In addition, net trading result also contains interest income or expense on derivative financial instruments held in the trading book. However, interest income or expenses on derivative financial instruments held in the banking book are reported in the income statement line item 'Net interest income'.

Net trading result also includes any ineffective portions recorded in fair value and cash flow hedge transactions.

(v) Rental income from investment properties

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

(vi) Personnel expenses

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

This line item also includes service costs for defined benefit obligations (pension and jubilee) and the actuarial remeasurements of jubilee obligations.

(vii) Other administrative expenses

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

Furthermore this line item contains deposit insurance fund contributions.

(viii) Depreciation and amortisation

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

(ix) 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 loans and receivables, financial assets available-for-sale, financial assets held-to-maturity and financial liabilities measured at amortised cost. However, if such gains or losses relate to individually impaired financial assets, they are reported in the income statement line item 'Net impairment loss on financial assets not measured at fair value through profit or loss'.

(x) Net impairment loss on financial assets not measured at fair value through profit or loss

Net impairment losses on financial assets comprise of impairment losses and reversals of impairment on loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. 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.

(xi) Other operating result

Other operating result includes all income and expenses not directly attributable to the Bank's ordinary activities.

This line item includes results on the sale, impairment losses or reversal of impairment related to non-financial assets, such as property and equipment and intangible assets. Any impairment losses on goodwill are presented as other operating result.

In addition, this line item includes gains or losses on derecognition of investments in subsidiaries, joint ventures and associates, as well as the related impairment losses or their reversals.

Other operating result also contains expenses for allocations to provisions, income from their release and other taxes.

The significant items reported within other operating result are legally imposed levies related to the banking activities:

- banking tax, and
- contribution to the National Resolution Fund.

Renegotiated loans

The Bank seeks to restructure loans, rather than to repossess collaterals, where possible,. The restructuring involves extending of payment arrangements and/or agreement on new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR calculated before the modification of terms. These loans continue to be subject to individual or collective impairment assessment. The renegotiated loan is no longer considered past due. Management of the Bank continually reviews renegotiated loans to ensure that all criteria are met and future payments are likely to occur.

Collateral repossessed

The Bank's policy is to decide on a beneficial treatment of repossessed assets, whether it should be used for internal operations or should be sold. The assets determined to be useful for internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured assets. The assets determined to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Bank's policy.

Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms, such as cash, securities, guarantees / letters of credit, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of a collateral is generally assessed, at a minimum, at inception and according to the Bank's reporting schedule. To the extent possible, the Bank uses active market data for valuation of the financial assets held as collaterals. Other financial assets, which do not have a readily determinable market value, are valued using models. Non-financial collaterals, such as real estates, are valued based on data provided by third parties, e.g. mortgage brokers, housing price indices, and other independent sources.

5) Significant accounting judgements, assumptions and estimate

The financial statements contain amounts that have been determined on the basis of judgements using estimates and assumptions. The estimates and assumptions used are based on a historical experience and other factors, such as planning, 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, in the future periods actual results could 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:

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 by a variety of valuation techniques using mathematical models. Inputs to these models are derived from observable market data. Where observable market data is not available, a judgement is required to establish fair value. The disclosures for fair values of financial instruments, the fair value hierarchy and valuation models are presented in the note 38.

Impairment of financial assets

The Bank reviews 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 income statement. For determining an impairment loss it is required to assess whether there is an objective evidence of impairment as a result of a loss event occurring after initial recognition and to estimate the amount and timing of the future cash flows.

The disclosures concerning impairment are provided in the note 37. The development of loan allowances is described in the notes 10, 18 and 19.

(i) Individual assessment of impairment

Loans and receivables to credit institutions, sovereigns and corporate customers are generally considered by the Bank as individually significant and are analysed on an individual basis regardless materiality limits.

Loans and receivables to retail customers with exposures exceeding 200 thousand eur are generally considered by the Bank as individually significant and are analysed on an individual basis.

For impairment classification, the Bank uses expected loss threshold of 250 eur per client. Losses under this amount are considered to be immaterial.

Loans and receivables with identified impairment are internally rated as defaulted. The calculation of specific provisions is based on an estimate of expected cash flows reflecting the estimated delinquency in loan repayments and proceeds from collateral. Impairment amount is determined by the difference between the gross carrying amount of the loan and the net present value ('NPV') of the estimated cash flows discounted by the loan's original effective interest rate.

(ii) Portfolio assessment of impairment

For the purpose of collective assessment of impairment, the financial assets are grouped on the basis of the Bank's internal credit rating system.

Future cash flows from a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for the assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce differences between the loss estimates and the actual loss experience.

Impairment of non-financial assets

The Bank reviews its non-financial assets at each balance sheet date to assess whether an impairment loss should be recorded in the income statement. Judgements and estimates are required to determine the value in use and the fair value less costs to sell, based on estimated discount rates, timing and the amount of future expected cash flows.

Provisions

Provisions are recognised when the Bank has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Recognition of provisions requires a judgement whether such an obligation exists. Furthermore, estimates are necessary with respect to the amount and timing of the future cash flows to determine the amount of provisions. Details of provisions are disclosed in the note 28 and 37.

Defined benefit obligation plans

The cost of the defined benefit obligation plans is determined using an actuarial valuation. This involves making assumptions about discount rates, expected rates of return on assets, future salary increases, future pension increases, fluctuation, mortality rates and retirement age. The assumptions used for the defined benefit obligation calculations and the related amounts are disclosed in the note 28.

Deferred tax assets

Deferred tax assets are recognised with respect of tax losses and deductible temporary differences. They are recorded to the extent that it is probable that a taxable profit will be available against which the losses can be utilised. A judgement is required to determine the amount of deferred tax assets that can be recognised, based on likely timing and level of future taxable profits, together with future tax planning strategies. The disclosures concerning deferred taxes are in the notes 12 and 24.

6) Application of new and amended IAS / IFRS

The accounting policies adopted are consistent with those used in the previous financial year except for standards and interpretations that became effective for financial years beginning after 1 January 2015. Regarding new standards and interpretations and their amendments, only those that are relevant for the business of the Bank are listed below.

Effective standards and interpretations

The following standards and their amendments have become mandatory for the financial year 2015, endorsed by EU:

IFRIC 21 Levies
This interpretation has no impact on the Bank as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014, but in EU for annual periods beginning on or after 17 June 2014.

Annual Improvements to IFRSs 2011 2013 Cycle
In December 2013, the IASB issued a set of amendments to various standards. The amendments are effective for annual periods beginning on or after 1 July 2014, but in EU for annual periods beginning on or after 1 January 2015. Application of these amendments did not have a significant impact on Bank's financial statements.

Standards and interpretations not yet effective

The standards, amendments and interpretations shown below were issued by the IASB but are not yet effective.

(i) The following standards, amendments and interpretations are not yet endorsed by the EU:

IFRS 9: Financial Instruments (IASB Effective Date: 1 January 2018)
IFRS 9 was issued in July 2014 and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 addresses three main areas of accounting for financial instruments: classification and measurement, impairment and hedge accounting.

During the year 2015, the Bank proceeded with the development of business concepts and business requirements documentation addressing the changes in policies, procedures, processes and systems, assessed as necessary in preparation for transition to IFRS 9 on 1 January 2018. As part of this effort, iterative financial impact studies (notably with regards to classification/measurement and impairment of financial assets) were made and the analysis and assessments are planned to continue throughout 2016, along with gradually moving from the concept phase to the implementation phase of the documented business requirements.

On this basis, the Bank upholds its original expectations that this standard will have not a significant effect on balance sheet items and measurement methods for financial instruments.

Thus, in the area of classification and measurement, the Bank did not identified a significant risk that part of its loan portfolio will have to be re-measured at fair value through profit or loss, due to the contractual cash flow characteristics. On the other hand, some debt securities currently measured at fair value through other comprehensive income may be measured at amortised cost due to the 'held-to-collect contractual cash' flows business model applied to them.

In the area of impairment loss, allowances are expected to increase more than insignificantly for some non-defaulted exposures.

The Bank also expects that the structure of the financial statements (both main components and explanatory notes) will have to be adapted, notably in the light of the new reporting and disclosure requirements of IFRS7, as triggered by IFRS9. Such adaptions would also consider any new regulatory reporting requirements (notably FINREP related) which EU or national regulators may contemplate as part of preparing for initial application of IFRS 9 at the level of the wider European and national Banking sector.

IFRS 9 provides an accounting policy in the area of hedge accounting. Entities can either continue to apply the hedge accounting requirements of IAS 39 until the macro hedging project is finalized, or can apply IFRS 9 (with the scope exception only for fair value macro hedges of interest rate risk). The Bank plans to continue to apply IAS 39 until the macro hedging project is finalized.

IFRS 14 Regulatory Deferral Accounts (IASB Effective Date: 1 January 2016)
The Bank does not expect any significant impact from application of IFRS 14.

IFRS 15 Revenue from Contracts with Customers (IASB Effective Date: 1 January 2018)
IFRS 15 was issued in May 2014 and is effective for annual periods beginning on or after 1 January 2018. As the standard is not focused on recognition of revenues from financial services. The impact on Bank's financial statements will be analysed.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (IASB Effective Date: 1 January 2016)
Amendments to IFRS 10 and IAS 28 were issued in September 2014 and are effective for annual periods beginning on or after 1 January 2016. Application of these amendments is not expected to have a significant impact on Bank's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (IASB Effective Date: 1 January 2016)
Application of these amendments is not expected to have a significant impact on Banks's financial statements.

(ii) The following standards, amendments and interpretations are already endorsed by the EU:

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (IASB Effective Date: 1 July 2014; EU Endorsement Effective Date 1 February 2015)
Amendments to IAS 19 were issued in November 2013 and are effective for annual periods beginning on or after 1 July 2014, but in EU for annual periods beginning on or after 1 Febuary 2015. Application of these amendments is not expected to have a significant impact on Bank's financial statements.

Annual Improvements to IFRSs 2010 – 2012 Cycle (IASB Effective Date: 1 July 2014; EU Endorsement Effective Date 1 February 2015)
In December 2013, the IASB issued a set of amendments to various standards. The amendments are effective for annual periods beginning on or after 1 July 2014, but in EU for annual periods beginning on or after 1 Febuary 2015. Application of these amendments is not expected to have a significant impact on Bank's financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (IASB Effective Date: 1 January 2016)
Amendments to IAS 16 and IAS 38 were issued in May 2014 and are effective for annual periods beginning on or after 1 January 2016. Application of these amendments is not expected to have a significant impact on Bank's financial statements.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (IASB Effective Date: 1 January 2016)
Amendments to IFRS 11 were issued in May 2014 and are effective for annual periods beginning on or after 1 January 2016. Application of these amendments is not expected to have a significant impact on Bank's financial statements.

Amendments to IAS 1: Disclosure Initiative (IASB effective date: 1 January 2016)
These changes and clarifications are not expected to trigger significant changes in the presentation of Bank's IFRS separate financial statements.

Annual Improvements to IFRSs 2012 2014 Cycle (IASB effective date: 1 January 2016)
In September 2014, the IASB issued a set of amendments to various standards. The amendments are effective for annual periods beginning on or after 1 January 2016. Application of these amendments is not expected to have a significant impact on Bank's financial statements.

IFRS 16 Leases (IASB Effective Date: 1 January 2019)
In January 2016, the IASB issued IFRS 16 being effective for annual periods beginning on or after 1 January 2019.The impact on the group financial statements will be evaluated.

Amendments to IAS 12 – Recognition of deferred tax assets for unrealised losses (IASB effective date: 1 January 2017)
Amendments to IAS 12 were issued in January 2016 and are effective for annual periods beginning on or after 1 January 2017.The impact on the group financial statements will be evaluated, but it is not expected that these amendments will have a significant impact.

C. NOTES TO THE INCOME STATEMENT AND THE BALANCE SHEET

1) Net interest income

EUR ths.	2014	2015
Interest income		
Financial assets - at fair value through profit or loss	527	273
Financial assets - available for sale	27 800	30 071
Financial assets - held to maturity	108 867	100 418
Loans and receivables	396 276	402 158
Derivatives - hedge accounting, interest rate risk	(5 107)	(7 274)
Other assets	160	50
Total interest income	**528 523**	**525 696**
Interest expenses		
Financial liabilities measured at amortised cost	(66 443)	(57 322)
Derivatives - hedge accounting, interest rate risk	760	799
Other liabilities	(129)	(92)
Total interest expense	**(65 812)**	**(56 615)**
Net interest income	**462 711**	**469 081**

Interest income for the year 2015 includes the amount of 7.9 mil. eur relating to impairmed financial assets (2014: 7.5 mil. eur).

2) Net fee and commission income

EUR ths.	2014	2015
Securities	5 889	8 054
Transfer orders	6 398	8 736
Other	(509)	(682)
Custody	219	215
Payment services	84 154	82 220
Card business	23 196	22 758
Other	60 958	59 462
Customer resources distributed but not managed	10 522	11 393
Collective investment	644	626
Insurance products	9 850	10 737
Other	28	30
Lending business	21 687	18 417
Guarantees given, guarantees received	3 738	3 751
Loan commitments given, loan commitments received	89	65
Other lending business	17 860	14 601
Other	1 170	840
Net fee and commission income	**123 641**	**121 139**

3) Dividend income

EUR ths.	2014	2015
Financial assets designated at fair value through profit or loss	437	443
Available-for-sale financial assets	283	415
Dividend income from equity investments	2 554	2 986
Total	**3 274**	**3 844**

4) Net trading and fair value result

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

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

EUR ths.	2014	2015
Net trading result	8 979	9 165
Securities and derivatives trading	1 458	6 844
Foreign exchange transactions	7 521	2 321
Result from financial assets and liabilities designated at fair value through profit or loss	558	(290)
Total	**9 537**	**8 875**

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

5) Rental income from investment properties

EUR ths.	2014	2015
Investment properties	391	401
Total	**391**	**401**

The Bank does not provide any operating lease.

6) Personnel expenses

EUR ths.	2014	2015
Wages and salaries	(80 135)	(84 471)
Compulsory social security	(27 761)	(27 605)
Long-term employee provisions	(235)	(484)
Other personnel expenses	(3 250)	(4 520)
Total	**(111 381)**	**(117 080)**

As at 31 December 2015 the Bank had 3 808 employees (2014: 3 861).

Average number of employees in the year 2015 was 3 831, thereof five members of the Board of Directors. In the year 2014 average number of employees was 3 820 with the same number of the Board of Directors members.

7) Other administrative expenses

EUR ths.	2014	2015
Deposit insurance contribution	(8 854)	(2 354)
IT expenses	(43 690)	(44 781)
Expenses for office space	(27 161)	(26 787)
Office operating expenses	(12 788)	(12 597)
Advertising/marketing	(14 106)	(14 413)
Legal and consulting costs	(2 452)	(3 421)
Sundry administrative expenses	(5 373)	(6 463)
Total	**(114 424)**	**(110 816)**

The Bank is legally obliged to make a contribution to the Deposit Protection Fund, which is calculated based on its customer deposit liabilities.

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

EUR ths.	2014	2015
Audit fees	(245)	(245)
Other services involving the issuance of a report	(245)	(398)
Tax consultancy fees	(82)	(41)
Other services	(122)	(123)
Total	**(694)**	**(807)**

8) Depreciation and amortisation

EUR ths.	2014	2015
Software and other intangible assets	(22 941)	(23 407)
Owner occupied real estate	(10 162)	(9 357)
Investment properties	(246)	(251)
Office furniture and equipment and sundry property and equipment	(7 794)	(7 849)
Total	**(41 143)**	**(40 864)**

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

EUR ths.	2014	2015
Derecognition of financial assets available for sale	102	442
Derecognition of financial assets held to maturity	1 060	446
Derecognition of loans and receivables	97	11
From repurchase of liabilities measured at amortised cost	7	3
Total	**1 266**	**902**

Derecognition of the held-to-maturity financial assets relates to the sales close to maturity without breaching tainting rule as defined by IAS 39.

10) Net impairment loss on financial assets not measured at fair value through profit or loss

EUR ths.	2014	2015
Loans and receivables	(50 940)	(58 359)
Allocation to risk provisions	(320 432)	(342 498)
Release of risk provisions	268 003	272 506
Direct write-offs	(2 158)	-
Recoveries recorded directly to the income statement	3 647	11 633
Financial assets - held to maturity	3	21
Total	**(50 937)**	**(58 338)**

The line item 'Recoveries recorded directly to the income statement' includes recoveries related to the amounts previously written off, as well as recoveries resulting from the official upgrades of customers to non-defaulted rating grades.

11) Other operating result

EUR ths.	2014	2015
Result from properties/movables/other intangible assets	(5 711)	368
Allocation to/release of other provisions	(448)	(455)
Allocation to/release of provisions for commitments and guarantees given	(6 031)	2 995
Levies on banking activities	(31 530)	(30 920)
Other taxes	(251)	(205)
Result from other operating expenses/income	(1 401)	(4 754)
Total	**(45 372)**	**(32 971)**

There are two significant items within other operating result for the year 2015 presented in the line item 'Levies on Banking activities':

- levy of selected financial institutions ('bank tax') in the amount of 23.6 mil. eur (2014: 31.5 mil. eur),
- contribution to the National Resolution Fund ('resolution fund') in the amount of 7.3 mil. eur (2014: 0.0 eur).

Effective from 1 January 2012 banks and branches of foreign Banks acting in Slovakia are legally obliged to pay a levy of selected financial institutions. Originally the levy rate was 0.4% p.a. from the total amount of liabilities defined by the law No. 384/2011. On 25 July 2014 the total amount paid by the participating fiancial institutions subject to this levy reached the limit of 500 mil. eur set by the law. In accordance with the law amendment the levy rate was adjusted to 0.2% p.a. with effectiveness from the year 2015. Banking tax is divided to four payments (payable at the begining of qaurtal) and the respective costs are accrued evenly during the year.

Effective from 1 January 2015 banks and selected firms are obliged to pay a contribution to the National Resolution Fund ('NRF') according to local legislation No. 371/2014. NRF is a part of the Single Resolution Fund ('SRF'), which is an essential element of the Single Resolution Mechanism ('SRM'). This mechanism harmonizes resolution of credit institutions and certain investment firms within 19 participating member states. The mechanism, as well as the methodology of contribution calculation are defined in the Commission Delegated Regulation (EU) 2015/63 and the Council Implementing Regulation (EU) 2015/81. SRF will be build up during the first eight years (2016-2023) and shall reach at least 1% of the covered deposits of all credit institutions authorized in the participating member states.

The Bank's contribution for the year 2015 was determined by the National Resolution Authority and dependens on the size of the bank´s liabilities and its calculated risk profile.

The Bank accounts for the contribution to the National resolution fund in line with IFRIC 21. During the year an estimated amount of the contribution is reported in the balance sheet line item 'Provisions'. Once a final decision on the contribution amount is announced, the Bank settles the payment as use of the provisions booked.

12) Taxes on income

The actual tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate valid in Slovak Republic due to the following items:

EUR ths.	2014	2015
Pre-tax profit/loss	237 563	244 173
Statutory tax rate	22%	22%
Income tax expense for the financial year	52 265	53 718
Impact of decrease in tax rates	-	-
Impact of tax-exempt earnings of investments income and other tax-exempt	(6 508)	(10 851)
Tax increases due to non-deductible expenses, additional business tax and similar elements	10 243	19 331
Tax losses carried forward obtained in connection with merger	-	(2 428)
Current tax effects of foreign withholding taxes	-	1
Tax income not atributable to the reporting period	87	270
Total	**56 086**	**60 041**

EUR ths.	2014	2015
Current tax expense / income	(60 816)	(66 493)
current period	(60 816)	(66 493)
Deferred tax expense / income	4 730	6 452
current period	4 730	6 452
Total	**(56 086)**	**(60 041)**

13) Cash and cash balances

EUR ths.	2014	2015
Cash on hand	320 727	321 939
Cash balances at central banks	87 392	872
Total	**408 119**	**322 811**

During the monthly period covering the date of 31 December 2015 the required average balance of minimum compulsory reserves was in the amount of 105.6 mil. eur and the actual average balance amounted 116.2 mil. eur representing 110.07% of the requirement.

During the monthly period covering the date of 31 December 2014 the required average balance of minimum compulsory reserves was in the amount of 92,6 mil. eur and the actual average balance amounted 92,8 mil. eur representing 100.24% of the requirement.

14) Financial assets – held for trading / Derivatives

EUR ths.	Notional value		Positive fair value		Negative fair value	
	2014	2015	2014	2015	2014	2015
Interest rate	1 314 590	1 238 955	26 726	17 699	29 601	20 334
Equity	70 032	77 114	765	1 541	765	1 541
Foreign exchange	1 107 952	408 140	65 556	37 752	64 624	36 385
Credit	50 000	50 000	-	4	142	-
Commodity	484 244	291 598	8 527	27 418	8 307	27 248
Total	**3 026 818**	**2 065 807**	**101 574**	**84 414**	**103 439**	**85 508**

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.

15) 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.	2014	2015
Equity instruments	13 526	10 993
Debt securities	6 677	6 675
Total	**20 203**	**17 668**

The amounts represent the maximum exposure to credit risk.

16) Financial assets – available for sale

EUR ths.	2014	2015
Equity instruments	21 558	51 796
Debt securities	1 197 594	1 159 815
General governments	998 457	972 721
Credit institutions	76 719	61 680
Non-financial corporations	122 418	125 414
Total	**1 219 152**	**1 211 611**

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

In the year 2015 the amount of 0.7 mil. eur relates to financial assets available for sale measured at cost (2014: 0.7 mil. eur).

With reference to the published announcement of Visa Inc. and Visa Europe Ltd. from 2 November 2015 the Bank has revalued its equity holding in Visa Europe Ltd. to the fair value that reflects the definite agreement of Visa Inc. to acquire Visa Europe Ltd, creating a single global company. The transaction is going to be undertaken during the year 2016 and involves an upfront consideration with potential for an additional earn-out payable following the fourth anniversary of the transaction closing. The upfront consideration comprises of cash and preferred stock convertible into Visa Inc. class A common stock. The transaction is still subject to regulatory approvals.

As at 31 December 2015 fair value of the Bank's equity holding in Visa Europe Ltd. amounted 24.5 mil. eur and the revaluation was recognized in Other comprehensive income in amount of 24.5 mil. eur.

17) Financial assets – held to maturity

EUR ths.	Gross carrying amount		Collective allowances		Net carrying amount	
	2014	2015	2014	2015	2014	2015
General governments	2 541 352	2 451 290	(239)	(223)	2 541 113	2 451 067
Credit institutions	38 626	39 545	(23)	(17)	38 603	39 528
Non-financial corporations	101	101	-	(2)	101	99
Total	**2 580 079**	**2 490 936**	**(262)**	**(242)**	**2 579 817**	**2 490 694**

The amounts represent the maximum exposure to credit risk.

18) Loans and receivables to credit institutions

EUR ths.	Gross carrying amount		Collective allowances		Net carrying amount	
	2014	2015	2014	2015	2014	2015
Loans and advances						
Credit institutions	179 058	121 612	(53)	(29)	179 005	121 583
Total	**179 058**	**121 612**	**(53)**	**(29)**	**179 005**	**121 583**

The amounts represent the maximum exposure to credit risk.

As at 31 December 2015 the accounts in credit institutions repayable on demand (disclosed in the Statement of Cash Flows) amounted 26.3 mil. eur (2014: 11.9 mil. eur).

At the end of years 2015 and 2014 the Bank had no reverse repo agreements.

Allowances for loans and receivables to credit institutions were as follows:

EUR ths.	2014	Allocations	Releases	2015
Collective allowances				
Loans and advances	(53)	(110)	135	(29)
Total	**(53)**	**(110)**	**135**	**(29)**

EUR ths.	2013	Allocations	Releases	2014
Collective allowances				
Loans and advances	(10)	(161)	140	(53)
Total	**(10)**	**(161)**	**140**	**(53)**

19) Loans and receivables to customers

EUR ths.	Gross carrying amount		Specific allowances		Collective allowances		Net carrying amount	
	2014	2015	2014	2015	2014	2015	2014	2015
Loans and advances to customers								
General governments	216 779	235 986	-	-	(454)	(449)	216 325	235 537
Other financial corporations	98 440	80 891	(496)	(55)	(395)	(303)	97 549	80 532
Non-financial corporations	1 959 343	2 258 169	(111 699)	(126 835)	(17 001)	(18 001)	1 830 643	2 113 333
Households	6 210 366	7 194 600	(147 233)	(148 580)	(65 268)	(60 706)	5 997 866	6 985 314
Total	**8 484 928**	**9 769 646**	**(259 428)**	**(275 470)**	**(83 118)**	**(79 459)**	**8 142 383**	**9 414 716**

Allowances for loans and receivables to customers were as follows:

EUR ths.	2014	Alloca-tions	Use	Releases	Interest in-come from impaired loans	Mergers (+/-)	2015	Recove-ries of amounts previously written off	Amounts written off
Specific allowances									
Loans and advances to customers	(259 428)	(191 074)	52 640	117 095	7 973	(2 676)	(275 470)	11 633	-
Other financial corporations	(496)	-	279	162	-	-	(55)	-	-
Non-financial corporations	(111 699)	(93 393)	18 805	60 196	1 661	(2 405)	(126 835)	(1 020)	-
Households	(147 233)	(97 681)	33 556	56 737	6 312	(271)	(148 580)	12 653	-
Collective allowances									
Loans and advances to customers	(83 118)	(151 314)	-	155 276	-	(303)	(79 459)	-	-
General governments	(454)	(259)	-	264	-	-	(449)	-	-
Other financial corporations	(395)	(1 456)	-	1 548	-	-	(303)	-	-
Non-financial corporations	(17 001)	(45 303)	-	44 604	-	(301)	(18 001)	-	-
Households	(65 268)	(104 296)	-	108 860	-	(2)	(60 706)	-	-
Total	**(342 546)**	**(342 388)**	**52 640**	**272 371**	**7 973**	**(2 979)**	**(354 929)**	**11 633**	**-**

EUR ths.	2013	Alloca-tions	Use	Releases	Interest in-come from impaired loans	Mergers (+/-)	2014	Recove-ries of amounts previously written off	Amounts written off
Specific allowances									
Loans and advances to customers	(248 883)	(170 163)	43 864	105 440	7 520	(3 240)	(259 428)	3 646	(2 158)
Other financial corporations	(23)	(92)	14	1	1	-	(496)	-	-
Non-financial corporations	(104 372)	(85 077)	14 590	57 045	2 334	(2 905)	(111 699)	-	-
Households	(144 488)	(84 994)	29 260	48 394	5 184	(335)	(147 233)	3 646	(2 158)
Collective allowances									
Loans and advances to customers	(89 265)	(150 108)	-	162 423	-	(199)	(83 118)	-	-
General governments	(387)	(473)	-	511	-	-	(454)	-	-
Other financial corporations	(145)	(172)	-	198	-	-	(395)	-	-
Non-financial corporations	(18 151)	(21 586)	-	25 787	-	(199)	(17 001)	-	-
Households	(70 582)	(127 876)	-	135 928	-	-	(65 268)	-	-
Total	**(338 148)**	**(320 271)**	**43 864**	**267 863**	**7 520**	**(3 439)**	**(342 546)**	**3 646**	**(2 158)**

As at 31 December 2015, 15 largest customers accounted for 7.8% of the gross loan portfolio amounting 761.5 mil. eur (2014: 8.1%, 689.9 mil. eur).

The column item 'Recoveries recorded directly to the income statement' includes recoveries related to the amounts previously written off, as well as recoveries resulting from the official upgrades of customers to non-defaulted rating grades.

Mandate loans

During the year 2015 the Bank cooperated with 11 external companies (2014: 8 companies). Following mandate contracts the management and administration of certain non-performing receivables is outsourced. The Bank maintains risks and rewards associated with the underlying exposures and shares part of recoveries with the external service providers.

As at 31 December 2015 the total amount of gross loans outsourced was 128.2 mil. eur (2014: 94.8 mil. eur).

Write off and sale of receivables

During the year 2015 the Bank sold loan receivables in the amount of 51.4 mil. eur (2014: 65.3 mil. eur) for a consideration of 14.2 mil. eur (2014: 14.5 mil. eur) and used the corresponding allowances amounting 43.4 mil. eur (2014: 48.9 mil. eur).

In the year 2015 the Bank has also written off loans in the amount of 19.2 mil. eur (2014: 10.2 mil. eur) and used the respective allowances amounting 18.4 mil. eur (2014: 9.5 mil. eur).

Finance leases

Loans and advances to customers also include net investments in finance leases that results from the merger of the former subsidiary Leasing Slovenskej sporiteľne, a.s. with the Bank during the year 2015 as described in the note 21 The principal assets held under lease arrangements include cars and other technical equipment. Accumulated allowances for uncollectible minimum lease payments receivable amounted 2.8 mil. eur (2014: 0.0 mil. eur).

EUR ths.	2014	2015
Gross investment in finance leases	**-**	**18 148**
Thereof:		
< 1 year	-	7 642
1-5 years	-	10 241
> 5 years	-	264
Unearned income	**-**	**(856)**
Net investment in finance leases	**-**	**17 291**
Thereof:		
< 1 year	-	7 205
1-5 years	-	9 826
> 5 years	-	260

20) Derivatives – hedge accounting

EUR ths.	Notional value		Positive fair value		Negative fair value	
	2014	2015	2014	2015	2014	2015
Fair value hedges - interest rate						
Interest rate	347 821	347 821	8 322	7 418	49 077	42 915
Total	**347 821**	**347 821**	**8 322**	**7 418**	**49 077**	**42 915**

Fair value hedge of assets

As at 31 December 2015 the Bank held in its portfolio fixed rate bonds denominated in Eur with face value of 331.0 mil. eur (2014: 331.0 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 2015 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 7.1 mil. eur (2014: net loss 29.3 mil. eur). On the other hand, a net loss on the hedged item attributable to the hedged risk amounted to 7.1 mil. eur (2014: net gain 27.9 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 27. At the same time the Bank entered into interest rate swap deals in order to hedge interest rate risk. As at 31 December 2015 the notional value of these hedged mortgage bonds was 16.6 mil. eur (2014: 16.6 mil. eur).

During the year 2015 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 0.9 mil. eur (2014: net gain 3.2 mil. eur). On the other hand, a net gain on the hedged item attributable to the hedged risk amounted to 0.9 mil. eur (2014: net loss 3.1 mil. eur).

21) Investments in subsidiaries and associates

EUR ths.	2014	2015
Investment in subsidiaries	18 396	20 302
Investment in associate	1 097	1 097
Total	**19 493**	**21 399**

On 1 November 2014 Factoring Slovenskej sporiteľne, a.s. (the former subsidiary) was merged with the Bank, which resulted to increase of the Bank's equity by 0.4 mil. eur.

On 19 August 2015 new subsidiary Služby SLSP, s.r.o. was established with 100% participation of the Bank.

On 30 September 2015 Realitná spoločnosť Slovenskej sporiteľne, a.s. (former subsidiary) was sold to the new subsidiary Služby SLSP, s.r.o., which became its 100% owner. The net gain of this transaction amounted 0.9 mil. eur. The transaction was carried out under arm's length conditions.

On 1 November 2015 Leasing Slovenskej sporiteľne, a.s. (the former subsidiary) was merged with the Bank, which resulted to increase of the Bank's equity by 6.1 mil. ths. eur.

On 17 December 2015 the Bank's participation in its subsidiary Erste Group IT SK, spol. s r.o. increased from 51% to 100%. The consideration paid for the share bought amounted 1.0 mil. eur. The transaction was carried out under arm's length conditions.

The Bank performs impairment review of investments in subsidiaries and associates. Impairment losses and their reversals are recognized in the income statement line item 'Other operating result' and detailed in the note 11.

The folowing table presents the carrying amounts of investments in subsidiaries and associates:

EUR ths.	Cost		Impairment		Net book value	
	2014	2015	2014	2015	2014	2015
Realitná spoločnosť Slovenskej sporiteľne, a.s.	13 678	-	(6 597)	-	7 081	-
Leasing Slovenskej sporiteľne, a.s.	36 967	-	(36 967)	-	-	-
Derop B.V.	11 308	11 308	-	-	11 308	11 308
Erste Group IT SK, spol. s r.o.	3	994	-	-	3	994
Procurement Services SK, s.r.o.	3	3	-	-	3	3
Služby SLSP, spol. s r. o.	-	7 997	-	-	-	7 997
Subsidiaries	**61 960**	**20 302**	**(43 564)**	**-**	**18 396**	**20 302**
Prvá stavebná sporiteľňa, a.s.	1 093	1 093	-	-	1 093	1 093
Slovak Banking Credit Bureau, s.r.o.	3	3	-	-	3	3
s IT Solutions SK, spol. s r.o.	2 409	2 409	(2 409)	(2 409)	-	-
Associates	**3 505**	**3 505**	**(2 409)**	**(2 409)**	**1 097**	**1 097**
Total	**65 465**	**23 807**	**(45 973)**	**(2 409)**	**19 492**	**21 399**

Investments in subsidiaries of Slovenská sporiteľňa, a.s.

EUR ths.	Služby SLSP, s.r.o.		Realitná spoločnosť Slovenskej sporiteľne, a.s. (100% subsidiary Služby SLSP, s.r.o.)	
	2014	2015	2014	2015
Place of business	Tomášikova 48, 832 01 Bratislava, Slovak republik		Tomášikova 48, 832 10 Bratislava, Slovak republik	
Main business activity	Supporting banking services		Real estate agency	
Ownership held	100%		100%	
Voting rights held	100%		100%	
IFRS Classification (S)	Subsidiary		Subsidiary	
Reporting currency	EURO		EURO	
Dividend income received	-	-	-	-
Impairment loss recognized (cumulative basis)	-	-	(6 597)	-
Impairment loss recognized (allocation, release, use for the reporting year)	-	-	2 706	6 597
Loan commitments, financial guarantees and other commitments given	-	-	-	-
Investee's key financial information for the reporting year (as at reporting year-end)				
Cash and cash balances	-	-	-	-
Other current assets	-	54	7 405	1 952
Non-current assets	-	7 942	618	5 761
Current liabilities	-	-	-	-
Non-current liabilities	-	8	236	150
Operating Income	-	(9)	1 865	160
Post-tax result from continuing operations	-	(9)	1 858	(224)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(9)	1 858	(224)
Depreciation and amortization	-	-	(4)	(381)
Interest income	-	-	1	1
Interest expense	-	-	-	-
Tax expense/income	-	(0)	(3)	(3)

EUR ths.	Erste Group IT SK, spol. s r.o.		Derop B.V.		Laned,a.s. (100% subsidiary Derop B.V)		Procurement Services SK, s.r.o..	
	2014	2015	2014	2015	2014	2015	2014	2015
Place of business	Tomášikova 48, 831 04 Bratislava, Slovak republik		Naritaweg 165 1043 BW Amsterdam, The Netherlands		Tomášikova 48, 832 71 Bratislava, Slovak republik		Tomášikova 48, 832 75 Bratislava, Slovak republik	
Main business activity	IT services and IT systems maintenance		Incorporation, management and financing of companies		SPE-Real estate company		Procurement	
Ownership held	100%		85%		85%		51%	
Voting rights held	100%		85%		85%		51%	
IFRS Classification (S)	Subsidiary		Subsidiary		Subsidiary		Subsidiary	
Reporting currency	EURO		EURO		EURO		EURO	
Dividend income received	-	733	-	-	-	-	15	16
Impairment loss recognized (cumulative basis)	-	-	-	-	-	-	-	-
Impairment loss recognized (allocation, release, use for the reporting year)	-	-	-	-	-	-	-	-
Loan commitments, financial guarantees and other commitments given	-	-	-	-	-	-	-	-
Investee's key financial information for the reporting year (as at reporting year-end)								
Cash and cash balances	-	-	-	-	-	-	-	-
Other current assets	3 742	1 361	52	18	5 560	2 927	234	189
Non-current assets	6 891	8 665	10 405	10 409	71 104	67 326	156	120
Current liabilities	-	-	-	-	57 768	49 433	-	-
Non-current liabilities	8 345	8 053	14	15	987	1 042	373	255
Operating Income	1 099	743	(29)	(32)	6 720	6 267	(6)	80
Post-tax result from continuing operations	802	527	(29)	(32)	1 466	1 868	(11)	69
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	802	527	(29)	(32)	1 466	1 868	(11)	69
Depreciation and amortization	(2)	(1)	-	-	(4 248)	(3 872)	-	-
Interest income	5	4	-	-	4	3	-	-
Interest expense	-	-	-	-	(596)	(440)	-	-
Tax expense/income	(295)	(215)	-	-	(414)	(527)	(5)	(11)

Investments in associates of Slovenská sporiteľňa, a.s.

EUR ths.	Prvá stavebná sporiteľňa, a.s. („PSS“)		Slovak Banking Credit Bureau, s.r.o.		sIT Solutions SK, spol. S r.o.	
	2014	2015	2014	2015	2014	2015
Place of business	Bajkalská 30 829 48 Bratislava, Slovak republik		Malý trh 2/A 811 08 Bratislava, Slovak republik		Tomášikova 48, 831 04 Bratislava, Slovak republik	
Main business activity	Banking		Retail credit register		Software company	
Ownership held	9.98%		33.33%		23.50%	
Voting rights held	35.00%		33.33%		23.50%	
IFRS Classification (JV/A)	Associate		Associate		Associate	
Reporting currency	EURO		EURO		EURO	
Dividend income received	2 539	2 237	-	-	-	-
Impairment loss recognized (cumulative basis)	-	-	-	-	(2 409)	(2 409)
Impairment loss recognized (for the reporting year)	-	-	-	-	-	-
Loan commitments, financial guarantees and other commitments given	-	-	-	-	-	-

Investee's key financial information for the reporting year (as at reporting year-end)

Cash and cash balances	230	338	119	282	-	-
Other current assets	2 491 630	2 615 059	9	0	-	-
Non-current assets	80 246	78 685	21	22	-	-
Current liabilities	2 306 429	2 413 589	9	142	-	-
Non-current liabilities	24 519	35 310	2	3	-	-
Operating Income	(43 559)	(42 265)	14	11	-	-
Post-tax result from continuing operations	20 654	23 542	3	3	-	-
Other comprehensive income	2 916	5 679	-	-	-	-
Total comprehensive income	23 570	29 221	3	3	-	-
Depreciation and amortization	(3 114)	(3 614)	(10)	(7)	-	-
Interest income	109 213	108 631	-	-	-	-
Interest expense	(53 269)	(48 922)	-	-	-	-
Tax expense/income	(6 879)	(6 927)	-	-	-	-

As at 31 December 2015 the Bank held 9.98% share of Prvá stavebná sporiteľňa, a.s. (2014: 9.98%). In accordance with a contract, the Bank acts on behalf of its parent company Erste Group Bank AG, which holds 25.02% shares in PSS (the same in years 2015 and 2014). In the year 2004, following the approval of the National Bank of Slovakia, the Bank nominated a representative in the Supervisory Board of PSS, who replaced a representative of Erste Group Bank AG. Consequently the Bank has established significant influence in PSS and therefore the Bank's investment in PSS is presented as an associate. Dividend income from PSS is reported in the income statement line item 'Dividend income' and disclosed in the note 3.

The company s IT Solutions SK, spol. s r.o. does not perform any economic activity and therefore the Bank does not recognise any value of assets and liabilities.

The folowing table presents development of impairment provision for subsidiaries and asociates:

EUR ths.	Impairment provision on subsidiaries		Impairment provision on associates		Total	
	2014	2015	2014	2015	2014	2015
As at 1 January	(55 780)	(43 564)	(2 409)	(2 409)	(58 189)	(45 973)
Allocations	-	-	-	-	-	-
Releases	2 706	-	-	-	2 706	-
Merger	9 510	36 967	-	-	9 510	36 967
Use	-	6 597	-	-	-	6 597
As at 31 December	**(43 564)**	**-**	**(2 409)**	**(2 409)**	**(45 973)**	**(2 409)**

22) Property, equipment and other assets

Cost

EUR ths.	Land and buildings	Office equipment / other fixed assets	IT assets (hardware)	Property and equipment	Investment properties
Balance as at 1 January 2014	**209 517**	**64 174**	**57 900**	**331 591**	**6 081**
Additions	4 462	3 852	2 028	10 342	-
Disposals	(8 335)	(3 059)	(8 992)	(20 387)	(381)
Reclassification	(2 182)	-	-	(2 182)	2 182
Balance as at 31 December 2014	**203 462**	**64 967**	**50 936**	**319 364**	**7 882**
Additions	5 298	3 848	9 890	19 036	-
Disposals	(9 755)	(8 277)	(5 446)	(23 477)	(89)
Reclassification	296	-	(730)	(434)	(296)
Merger (+/-)	-	14	-	14	-
Balance as at 31 December 2015	**199 301**	**60 552**	**54 650**	**314 503**	**7 497**

Accumulated depreciation

EUR ths.	Land and buildings	Office equipment / other fixed assets	IT assets (hardware)	Property and equipment	Investment properties
Balance as at 1 January 2014	**(99 014)**	**(54 837)**	**(47 243)**	**(201 094)**	**(3 276)**
Depreciation	(10 162)	(3 675)	(4 118)	(17 955)	(246)
Disposals	4 228	3 035	8 889	16 152	211
Impairment	(5 793)	-	-	(5 793)	(79)
Reversal of impairment	1 938	-	-	1 938	-
Reclassification	1 186	-	-	1 186	(1 186)
Balance as at 31 December 2014	**(107 617)**	**(55 477)**	**(42 472)**	**(205 566)**	**(4 576)**
Depreciation	(9 357)	(3 535)	(4 314)	(17 206)	(251)
Disposals	5 088	8 053	5 326	18 468	48
Impairment	(3 135)	-	-	(3 135)	(92)
Reversal of impairment	4 347	-	-	4 347	77
Reclassification	(177)	-	714	537	177
Merger (+/-)	-	(1)	-	(1)	-
Balance as at 31 December 2015	**(110 851)**	**(50 960)**	**(40 746)**	**(202 556)**	**(4 617)**

Carrying amount

EUR ths.	Land and buildings	Office equipment / other fixed assets	IT assets (hardware)	Property and equipment	Investment properties
Balance as at 31 December 2014	**95 845**	**9 490**	**8 464**	**113 798**	**3 306**
Balance as at 31 December 2015	**88 450**	**9 592**	**13 905**	**111 947**	**2 880**

Cost of property and equipment, which are fully depreciated but still used by the Bank as at 31 December 2015 amounted 81.3 mil. eur (2014: 87.1 mil. eur).

As at 31 December 2015 the Bank owned property and equipment not yet put in use in the amount of 1.0 mil. eur (2014: 0.9 mil. eur).

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

Investment properties

As at 31 December 2015 the carrying amount of investment properties was 2.9 mil. eur (2014: 3.3 mil. eur). Total rental income earned on this property for the year 2015 amounted 0.4 mil. eur (2014: 0.4 mil. eur) and is separately presented in the line item 'Rental income from investment properties'. Depreciation of rented property for the year 2015 amounted 0.3 mil. eur (2014: 0.2 mil. eur) and is presented in the line item 'Depreciation'.

Operating leases

EUR ths.	2014	2015
< 1 year	13 367	14 529
1-5 years	30 295	43 651
> 5 years	960	21 255
Total	**44 622**	**79 435**

The aforementioned summary includes also rental payments for the Bank's head-office in the amount of 56.4 mil. eur (2014: 26.3 mil. eur) according to the contract cocluded with its subsidiary Laned, a.s. The amount of future minimum lease payments related to the head-office was caused by prolongation of the rental contract.

The Bank does not act as a lessor in any non-cancellable operating lease transaction.

23) Intangible assets

Cost

EUR ths.	Software acquired	Others (licenses, patents, etc.)	Total
Balance as at 1 January 2014	**230 117**	**3 093**	**233 211**
Additions	15 645	29	15 674
Disposals	(1 187)	-	(1 187)
Balance as at 31 December 2014	**244 575**	**3 122**	**247 698**
Additions	20 250	146	20 396
Disposals	-	-	-
Reclassification (+/-)	731	-	731
Balance as at 31 December 2015	**265 556**	**3 268**	**268 825**

Accumulated amortisation

EUR ths.	Software acquired	Others (licenses, patents, etc.)	Total
Balance as at 1 January 2014	**(133 642)**	**(2 338)**	**(135 980)**
Amortisation	(22 620)	(322)	(22 941)
Disposals	1 187	-	1 187
Balance as at 31 December 2014	**(155 075)**	**(2 660)**	**(157 734)**
Amortisation	(23 205)	(201)	(23 406)
Disposals	-	-	-
Reclassification (+/-)	(714)	-	(714)
Balance as at 31 December 2015	**(178 994)**	**(2 861)**	**(181 854)**

Carrying amount

EUR ths.	Software acquired	Others (licenses, patents, etc.)	Total
Balance as of 31. 12. 2014	**89 500**	**462**	**89 964**
Balance as of 31. 12. 2015	**86 562**	**462**	**86 971**

Cost of intangible assets, which are fully depreciated but still used by the Bank as at 31 December 2015 amounted 89.9 mil. eur (2014: 74.3 mil. eur).

As at 31 December 2015 the Bank owned intagible assets not yet put in use in the amount of 3.4 mil. eur (2014: 2.3 mil. eur).

During the year 2015 the Bank put in use upgrade of the core banking system, which amounted 16.9 mil. eur (2014: 11.1 mil. eur).

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

24) Tax assets and liabilities

The structure of tax assets and liabilities was as follows:

EUR ths.	Tax assets		Tax liabilities		Through profit or loss	Through other comprehensive income	Total
	2014	2015	2014	2015	Net variance 2015		
Assets							
Financial assets available for sale	234	234	(16 524)	(27 160)	-	(10 635)	(10 636)
Loans and receivables	44 863	47 646	-	-	2 784	-	2 783
Tangible assets	-	-	(5 207)	(4 032)	1 175	-	1 175
Tax loss carried forward	340	1 956	-	-	1 616	-	1 616
Other assets	-	27	-	-	27	-	27
Liabilities							
Provisions	4 246	3 566	-	-	(681)	-	(680)
Pensions and other post employment defined benefit obligations	879	985	-	-	106	-	106
Other liabilities	5 083	6 518	-	-	1 425	-	1 435
Gross deferred taxes	**55 645**	**60 932**	**(21 731)**	**(31 192)**	**6 452**	**(10 635)**	**(4 174)**
Net deferred taxes	33 914	29 739	-	-	-	-	-
Total current taxes	-	-	(22 765)	(5 925)	-	-	-
Total taxes	**33 914**	**29 739**	**(22 765)**	**(5 925)**	**-**	**-**	**-**

The Bank applies conservative approach for the recognition of deferred tax assets and liabilities. Deferred tax liabilities are recognised in their full amount. Deferred tax assets are recognised only up to the amount, in which the Bank expects realisation of tax benefits in the future.

Deferred tax assets and liabilities are offset in accordance with the Bank's accounting policy.

25) Other assets

EUR ths.	2014	2015
Prepayments and accrued income	5 030	5 003
Sundry assets	18 495	22 211
Total	**23 525**	**27 214**

26) Financial liabilities measured at amortised costs

Deposits from Banks

EUR ths.	2014	2015
Overnight deposits	94 434	5 058
Term deposits	574 724	278 351
Repurchase agreements	71 528	101 556
Total	**740 686**	**384 965**

Deposits from customers

EUR ths.	2014	2015
Overnight deposits	**4 560 943**	**5 128 490**
Non-savings deposits	4 560 943	5 128 490
General governments	138 692	52 825
Other financial corporations	154 905	166 469
Non-financial corporations	949 131	1 098 710
Households	3 318 215	3 810 486
Term deposits - Deposits with agreed maturity	**3 475 517**	**3 614 959**
Non-savings deposits	3 475 517	3 614 959
General governments	377 656	343 164
Other financial corporations	122 740	273 476
Non-financial corporations	300 611	441 263
Households	2 674 510	2 557 056
Deposits redeemable at notice	**1 647 429**	**1 934 572**
Households	1 647 429	1 934 572
General governments	**516 348**	**395 989**
Other financial corporations	**277 645**	**439 945**
Non-financial corporations	**1 249 742**	**1 539 973**
Households	**7 640 154**	**8 302 112**
Total	**9 683 889**	**10 678 019**

As at 31 December 2015, term deposits from Banks include subordinated debt from the parent Bank 100.0 mil. eur (2014: 100.0 mil. eur). The subordinated deposit is a debt, which ranks behind other liabilities in case of financial difficulties of the Bank.

As at 31 December 2015, no deposits from customers were collateralised by securities (neither at the year-end 2014).

As at 31 December 2015, no embedded derivatives were included in deposits from customers (neither at the year-end 2014).

27) Debt securities issued

EUR ths.	2014	2015
Subordinated liabilities	75 102	72 305
Subordinated debt securities issued	75 102	72 305
Other debt securities issued	854 737	1 029 649
Bonds / Certificates	137 407	137 738
Mortgage covered bonds	717 330	891 911
Total	**929 839**	**1 101 954**

Subordinated bonds

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2014	2015
Subordinated Bonds	June 2010	June 2015	0.00%	-	10 000	EUR	5 099	-
Subordinated Bonds	June 2011	June 2018	4.25%	700	10 000	EUR	6 712	6 771
Subordinated Bonds	June 2011	June 2018	4.90%	132	50 000	EUR	6 611	6 611
Subordinated Bonds	October 2011	October 2018	4.00%	543	10 000	EUR	5 074	5 134
Subordinated Bonds	December 2011	December 2018	4.00%	407	10 000	EUR	3 795	3 828
Subordinated Bonds	August 2010	August 2020	4.30%	10 000	1 000	EUR	11 532	11 984
Subordinated Bonds	August 2011	August 2021	4.30%	10 000	1 000	EUR	11 036	11 478
Subordinated Bonds	June 2012	June 2022	5.80%	11 000	1 000	EUR	11 683	12 326
Subordinated Bonds	November 2012	November 2022	4.30%	9 000	1 000	EUR	9 070	9 484
Subordinated Bonds	November 2011	November 2023	4.58%	4 250	1 000	EUR	4 490	4 689
Total subordinated liabilities						**75 102**	**72 305**	**72 305**

The interest rate shown above represents actual interest expense of the Bank.

The bonds marked as 'Subordinated bonds*' include embedded derivatives which were separated and are disclosed on the balance sheet line item 'Financial liabilities – held for trading'. As at 31 December 2015 fair value of these derivatives amounted 1.5 mil. eur (2014: 2.1 mil. eur).

Bonds issued

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2014	2015
Mortgage Covered Bonds	February 2010	February 2015	0.00%	-	1 000	EUR	2 162	-
Mortgage Covered Bonds	February 2012	February 2015	0.00%	-	10 000	EUR	3 436	-
Mortgage Covered Bonds	March 2010	March 2015	0.00%	-	50 000	EUR	20 072	-
Mortgage Covered Bonds	September 2012	March 2015	0.00%	-	50 000	EUR	20 085	-
Mortgage Covered Bonds	April 2010	April 2015	0.00%	-	1 000	EUR	9 646	-
Mortgage Covered Bonds	June 2011	June 2015	0.00%	-	1 000	EUR	7 689	-
Mortgage Covered Bonds	July 2010	July 2015	0.00%	-	50 000	EUR	15 147	-
Mortgage Covered Bonds	July 2010	July 2015	0.00%	-	50 000	EUR	10 006	-
Mortgage Covered Bonds	February 2011	August 2015	0.00%	-	1 000	EUR	9 800	-
Mortgage Covered Bonds	August 2010	August 2015	0.00%	-	50 000	EUR	17 184	-
Investment Certificates	October 2014	October 2015	0.00%	-	1 000	EUR	2 196	-
Mortgage Covered Bonds	November 2010	November 2015	0.00%	-	1 000	EUR	9 844	-
Investment Certificates	November 2014	November 2015	0.00%	-	1 000	EUR	1 789	-
Senior Unsecured Bonds	December 2010	December 2015	0.00%	-	1 000	EUR	2 822	-
Investment Certificates	December 2014	December 2015	0.00%	-	5 000	NOK	640	-
Investment Certificates	December 2014	December 2015	0.00%	-	1 000	EUR	332	-
Mortgage Covered Bonds	June 2013	December 2015	0.00%	-	50 000	EUR	9 987	-
Mortgage Covered Bonds	July 2011	January 2016	3.20%	2 449	1 000	EUR	2 530	2 485
Investment Certificates	January 2015	January 2016	8.00%	500	10 000	NOK	-	564
Investment Certificates	February 2015	February 2016	8.25%	371	1 000	EUR	-	402
Investment Certificates	February 2015	February 2016	8.00%	343	5 000	NOK	-	193
Mortgage Covered Bonds	February 2014	February 2016	0.63%	600	50 000	EUR	30 121	30 161
Mortgage Covered Bonds	February 2012	February 2016	3.70%	8 800	1 000	EUR	8 930	8 914
Mortgage Covered Bonds	August 2011	February 2016	3.20%	5 310	1 000	EUR	5 392	5 369
Mortgage Covered Bonds	March 2011	March 2016	3.10%	14 680	1 000	EUR	14 866	14 829
Investment Certificates	March 2014	March 2016	4.50%	40	1 000	EUR	42	41
Mortgage Covered Bonds	March 2006	March 2016	0.12%	500	33 194	EUR	16 609	16 602
Investment Certificates	April 2015	April 2016	7.25%	100	5 000	EUR	-	539
Investment Certificates	April 2015	April 2016	7.25%	100	5 000	EUR	-	540
Investment Certificates	April 2015	April 2016	7.25%	100	5 000	EUR	-	540
Investment Certificates	June 2015	June 2016	7.00%	70	5 000	EUR	-	378
Investment Certificates	June 2015	June 2016	7.50%	214	5 000	EUR	-	1 162
Investment Certificates	July 2015	July 2016	7.15%	160	100 000	CZK	-	638
Mortgage Covered Bonds	January 2012	July 2016	3.70%	6 159	1 000	EUR	6 261	6 257
Mortgage Covered Bonds	February 2013	August 2016	1.15%	240	50 000	EUR	12 058	12 058
Investment Certificates	August 2013	August 2016	4.50%	441	1 000	EUR	475	459
Mortgage Covered Bonds	August 2014	August 2016	0.20%	200	50 000	EUR	10 017	10 007
Investment Certificates	September 2015	September 2016	7.60%	92	100 000	CZK	-	372
Investment Certificates	September 2015	September 2016	8.10%	100	5 000	EUR	-	549
Investment Certificates	September 2015	September 2016	8.10%	52	5 000	EUR	-	285
Investment Certificates	September 2015	September 2016	11.25%	5	100 000	EUR	-	560
Investment Certificates	October 2013	October 2016	4.50%	525	1 000	EUR	567	546
Mortgage Covered Bonds	December 2011	December 2016	3.50%	6 316	1 000	EUR	6 333	6 331
Mortgage Covered Bonds	June 2012	December 2016	2.85%	2 764	1 000	EUR	2 791	2 768
Senior Unsecured Bonds	December 2013	December 2016	3.00%	1 181	5 000	PLN	1 383	1 386
Investment Certificates	December 2015	December 2016	9.20%	200	50 000	NOK	-	1 173
Mortgage Covered Bonds	July 2012	January 2017	2.88%	7 996	1 000	EUR	8 109	8 100
Senior Unsecured Bonds	March 2011	March 2017	3.65%	49	50 000	EUR	2 473	2 473
Mortgage Covered Bonds	April 2014	April 2017	0.85%	300	50 000	EUR	15 055	15 068
Mortgage Covered Bonds	May 2012	May 2017	3.30%	700	50 000	EUR	35 767	35 766
Senior Unsecured Bonds	May 2014	May 2017	3.00%	942	5 000	PLN	1 122	1 125
Mortgage Covered Bonds	June 2012	June 2017	2.92%	400	50 000	EUR	20 323	20 322
Mortgage Covered Bonds	July 2014	July 2017	0.23%	1 120	50 000	EUR	56 134	56 063
Senior Unsecured Bonds	July 2014	July 2017	2.00%	24 786	100	EUR	2 523	2 537
Mortgage Covered Bonds	February 2011	August 2017	3.55%	51	50 000	EUR	2 586	2 586
Mortgage Covered Bonds	October 2012	October 2017	1.95%	300	50 000	EUR	15 050	15 050
Mortgage Covered Bonds	February 2013	February 2018	1.75%	460	50 000	EUR	23 354	23 353
Mortgage Covered Bonds	March 2015	March 2018	0.50%	250	100 000	EUR	-	25 102
Mortgage Covered Bonds	March 2014	March 2018	1.22%	400	50 000	EUR	20 197	20 197

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2014	2015
Mortgage Covered Bonds	March 2015	March 2018	0.44%	100	100 000	EUR	-	10 035
Mortgage Covered Bonds	March 2015	March 2018	0.31%	300	100 000	EUR	-	30 020
Mortgage Covered Bonds	August 2014	August 2018	0.50%	900	50 000	EUR	44 945	44 983
Mortgage Covered Bonds	September 2012	September 2018	2.85%	9 984	1 000	EUR	10 063	10 058
Investment Certificates	November 2015	November 2018	4.00%	570	1 000	EUR	-	647
Senior Unsecured Bonds	December 2012	December 2018	2.00%	2 029	1 000	EUR	2 088	2 032
Mortgage Covered Bonds	December 2013	December 2018	0.41%	600	50 000	EUR	30 008	30 005
Investment Certificates	December 2013	December 2018	5.00%	612	1 000	EUR	702	680
Mortgage Covered Bonds	February 2015	February 2019	0.43%	500	100 000	EUR	-	50 084
Mortgage Covered Bonds	February 2013	February 2019	2.30%	4 966	1 000	EUR	5 019	5 008
Mortgage Covered Bonds	March 2013	March 2019	2.30%	4 932	1 000	EUR	5 014	4 966
Investment Certificates	March 2014	March 2019	5.25%	574	5 000	PLN	737	726
Investment Certificates	March 2014	March 2019	4.00%	784	1 000	EUR	897	870
Mortgage Covered Bonds	April 2013	April 2019	2.30%	4 957	1 000	EUR	4 982	4 981
Mortgage Covered Bonds	August 2013	August 2019	2.00%	2 574	1 000	EUR	2 595	2 595
Mortgage Covered Bonds	August 2013	August 2019	2.00%	4 294	1 000	EUR	4 337	4 325
Senior Unsecured Bonds	September 2014	September 2019	1.07%	1 000	100 000	EUR	100 295	100 294
Mortgage Covered Bonds	September 2013	September 2019	2.00%	6 426	1 000	EUR	6 475	6 461
Senior Unsecured Bonds	September 2014	September 2019	1.50%	15 280	1 000	EUR	15 651	15 338
Mortgage Covered Bonds	October 2013	October 2019	2.00%	5 886	1 000	EUR	5 943	5 908
Mortgage Covered Bonds	November 2013	November 2019	2.00%	6 670	1 000	EUR	6 686	6 685
Senior Unsecured Bonds	December 2013	December 2019	1.50%	677	1 000	EUR	673	689
Mortgage Covered Bonds	December 2013	December 2019	2.05%	70	50 000	EUR	3 504	3 504
Mortgage Covered Bonds	December 2012	December 2019	2.50%	66	50 000	EUR	3 304	3 304
Mortgage Covered Bonds	June 2013	December 2019	2.00%	4 179	1 000	EUR	4 189	4 182
Mortgage Covered Bonds	December 2013	December 2019	2.00%	9 636	1 000	EUR	9 688	9 642
Mortgage Covered Bonds	July 2013	January 2020	2.00%	2 235	1 000	EUR	2 256	2 256
Mortgage Covered Bonds	March 2015	March 2020	1.25%	4 249	1 000	EUR	-	4 267
Mortgage Covered Bonds	June 2015	June 2020	1.20%	4 984	1 000	EUR	-	4 987
Mortgage Covered Bonds	July 2015	July 2020	1.20%	5 000	1 000	EUR	-	5 026
Mortgage Covered Bonds	July 2015	July 2020	0.88%	500	100 000	EUR	0	50 063
Mortgage Covered Bonds	February 2014	August 2020	2.00%	9 961	1 000	EUR	10 053	10 040
Mortgage Covered Bonds	August 2015	August 2020	1.20%	4 999	1 000	EUR	0	5 020
Mortgage Covered Bonds	September 2015	September 2020	1.20%	4 346	1 000	EUR	0	4 360
Mortgage Covered Bonds	October 2015	October 2020	1.20%	3 577	1 000	EUR	0	3 585
Mortgage Covered Bonds	November 2015	November 2020	0.63%	400	100 000	EUR	0	40 020
Mortgage Covered Bonds	November 2014	November 2020	0.88%	150	100 000	EUR	15 015	15 015
Mortgage Covered Bonds	November 2015	November 2020	1.20%	3 080	1 000	EUR	0	3 084
Mortgage Covered Bonds	March 2014	March 2021	2.00%	8 525	1 000	EUR	8 579	8 572
Mortgage Covered Bonds	April 2008	April 2021	5.00%	250	66 388	EUR	17 183	17 182
Mortgage Covered Bonds	May 2014	May 2021	1.90%	4 991	1 000	EUR	5 013	5 004
Mortgage Covered Bonds	June 2014	June 2021	1.75%	9 575	1 000	EUR	9 588	9 585
Mortgage Covered Bonds	July 2014	July 2021	1.55%	3 548	1 000	EUR	3 579	3 573
Mortgage Covered Bonds	December 2015	December 2021	0.63%	200	100 000	EUR	0	19 996
Mortgage Covered Bonds	February 2015	February 2022	0.88%	350	100 000	EUR	0	35 244
Mortgage Covered Bonds	March 2014	March 2022	2.00%	220	50 000	EUR	11 072	11 084
Mortgage Covered Bonds	August 2015	August 2022	1.00%	100	100 000	EUR	0	9 999
Mortgage Covered Bonds	January 2013	January 2025	3.10%	87	50 000	EUR	4 412	4 412
Mortgage Covered Bonds	August 2015	August 2025	1.38%	100	100 000	EUR	0	9 982
Mortgage Covered Bonds	July 2007	July 2027	4.95%	250	66 388	EUR	24 774	23 911
Mortgage Covered Bonds	June 2013	June 2028	3.00%	132	50 000	EUR	6 615	6 615
Mortgage Covered Bonds	February 2014	February 2029	2.80%	97	50 000	EUR	4 899	4 899
Total debt securities issued							**854 737**	**1 029 649**

All securities listed above 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. All securities are unsecured. The bonds are traded on the Bratislava Stock Exchange.

As at 31 December 2015, debt securities issued included embedded derivatives (equity and commodities) in the amount of 1.5 mil. eur (2014: 0.7 mil. eur), which were separated and are disclosed in the line items 'Financial assets – held for trading' and 'Financial liabilities – held for trading'.

28) Provisions

Eur tis.	2014	2015
Long-term employee benefits provisions	4 069	4 776
Pending legal issues and tax litigation	7 001	7 086
Commitments and guarantees given	18 892	15 906
Provisions for guarantees - off balance sheet (defaulted customers)	10 471	5 716
Provisions for guarantees - off balance sheet (non-defaulted customers)	8 421	10 190
Other provisions	298	299
Provisions	**30 260**	**28 067**

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. Number of employees as at the year-ends 2015 and 2014 are detailed in the note 6.

During the year 2015 the Bank reassessed the amount of long-term employee benefits provisions using updated data.
The recalculation was performed through actuarial model based on the projected unit credit method.

The amounts relating to long-term employee benefits provisions recognised on the balance sheet and the income statement were as follows:

Eur tis.	Pension obligations	Jubilee provisions	Total
As at 31 December 2013	**2 040**	**1 902**	**3 942**
Service cost	149	200	349
Interest cost	55	52	107
Payments	(65)	(90)	(155)
Actuarial gains/losses			
from changes in demographic assumptions	3	1	4
from changes in financial assumptions	118	57	175
from changes from experience assumptions	(180)	(172)	(353)
As at 31 December 2014	**2 120**	**1 949**	**4 069**
Service cost	171	224	395
Interest cost	48	44	92
Payments	(59)	(135)	(194)
Actuarial gains/losses			
from changes in demographic assumptions	167	76	243
from changes in financial assumptions	4	2	6
from changes from experience assumptions	154	11	165
As at 31 December 2015	**2 605**	**2 171**	**4 776**

The actuarial calculation of working anniversary provisions used the following assumptions:

Assumptions for the actuarial calculation of pension obligations	2014	2015
Annual discount rate	2.25%	1.56%
Expected annual rate of salary increase in future	0.00%	0.00%
Annual employee turnover	2.07% - 15.15%	3.80% - 15.82%
Retirement age	62 years	62 years

The actuarial calculation of pension provision used the following assumptions:

Assumptions for the actuarial calculation of jubilee provisions	2014	2015
Annual discount rate	2.25%	1.56%
Expected annual rate of salary increase in future	0.00%	0.00%
Annual employee turnover	2.07% - 15.15%	3.80% - 15.82%
Retirement age	62 years	62 years

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

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 are used for discounting).

Other provisions

In the past the Bank several time cancelled dormant accounts and pass books with minor balances. Cancellation of these deposits did not affect rights of customers.

The Bank transfered the cancelled deposits balances to off-balance sheet. At the same time, the Bank created a provision for these cancelled deposits, which is used in case of withdrawals made by clients.

The movements of the above mentioned provisions were as follows:

EUR ths.	2014	Additions, includ. increases in exist. provisions	Amounts used	Unused amounts reversed during the period	Exchange-rate and other changes	Merge	2015
Pending legal issues and tax litigation	7 001	1 128	(369)	(673)	-	-	7 087
Provisions for contingent credit risk liabilities	18 893	38 459	-	(41 454)	9	-	15 908
Other provisions	298	7 303	(7 303)	-	-	-	298
Total	**26 192**	**46 890**	**(7 672)**	**(42 127)**	**9**	**-**	**23 293**

EUR ths.	2013	Additions, includ. increases in exist. provisions	Amounts used	Unused amounts reversed during the period	Exchange-rate and other changes	Merge	2014
Pending legal issues and tax litigation	6 050	456	(185)	(8)	-	688	7 001
Provisions for contingent credit risk liabilities	12 861	68 177	-	(62 145)	-	-	18 893
Other provisions	298	-	-	-	-	-	298
Total	**19 209**	**68 633**	**(185)**	**(62 154)**	**-**	**688**	**26 191**

The movement of other provisions reflects accounting treatment of the contribution to the National resolution Fund, that was presented as a provision during the reporting period and the payment itself was booked against this provision.

29) Other liabilities

EUR ths.	2014	2015
Client settlement	44 935	37 028
Suppliers (including accruals)	31 580	43 232
Personnel balances and reserves, Social fund	24 799	28 549
State budget, social and health insurance, taxes	5 023	4 132
Sundry liabilities	2 995	3 007
Total	**109 332**	**115 948**

The development of social fund liability included in 'Other liabilities' was as follows:

EUR ths.	2014	2015
As at 1 January	**213**	**770**
Additions	2 153	1 394
Withdrawals	(1 596)	(1 866)
As at 31 December	**770**	**298**

30) Equity

Share capital

Authorised share capital was fully paid and consists of the following:

	2014	2015
Nominal value in Eur	1 000	1 000
Number of shares	212 000	212 000
Total	**212 000 000**	**212 000 000**

The following table presents distribution of profits for the years 2014 (approved) and 2015 (proposal):

Dividends per share	2014	2015
Profit of the year	181 477	184 132
Transfer to retained earnings	38 281	8 622
Distribution for Investment certificate 2015 SLSP AT1 PNC5	0	11 700
Dividends paid to shareholder from profit for the year	143 196	163 810
Number of shares EUR 1 000 each	212 000	212 000
Amount of dividends per EUR 1 000 share (EUR)	**675**	**773**

Dividends for the year 2014 were paid in April 2015 following the resolution of General Assembly of the Bank dated 25. March 2015.

Other capital instruments

During the year 2015 the Bank has issued an investment certificate in 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.

Legal reserve fund

According to Commercial Code all companies are required to create a legal reserve fund to cover adverse financial conditions in the future. The Bank is obliged to contribute to the fund the amount, which is not less than 10% of its annual net profit until the cumulative amount of annual contributions reaches 20 % of its share capital. As at 31 December 2015 Legal reserve fund amounted 79.8 mil. eur (2014: 79.8 mil. eur) and in both years exceeded the required 20% of the share capital. Legal reserve fund is not available for distribution to the shareholder.

Other funds

Other funds include only Statutory fund created from distributable profits to strengthen the Bank's capital base. This fund is not available for distribution to the shareholder. Once the Bank's share capital or legal reserve fund is increased, Statutory fund may be terminated and transferred back to the distributable profits with the approval of the Supervisory Board and of the General Assembly. As at 31 December 2015 Statutory fund amounted 39.1 mil. eur (2014: 39.1 mil. eur).

Revaluation reserves

Revaluation reserves represent the unrealised revaluation of securities available for sale. They are disclosed net of deferred tax effect. Revaluation reserves are not available for distribution to the shareholder. As at 31 December 2015 revaluation reserves were in the amount of 96.3 mil. eur (2014: 58.6 mil. eur).

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-percent 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.

Number of transactions with related parties occur in the normal course of business. These transactions primarily include loans and deposits.

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

Eur tis.	Erste Group Bank		Companies under the control of Erste Group Bank		Subsidiaries		Associates	
	2014	2015	2014	2015	2014	2015	2014	2015
Assets								
Derivatives	6 671	23 706	670	313	26	-	-	-
Loans and advances with banks	12 972	2 622	40 108	18 688	-	-	-	-
Loans and advances with customers	-	-	50 891	48 793	72 065	49 410	-	-
Other assets - other	4 000	5 656	313	33	513	268	-	1
Total	**23 643**	**31 984**	**91 982**	**67 827**	**72 605**	**49 678**	**-**	**1**
Liabilities								
Derivatives	70 378	56 094	16 835	4	-	-	-	-
Deposits from banks	371 593	150 973	516	1 068	-	-	57 724	-
Deposits from customers	-	-	14 773	8 830	17 604	6 430	-	498
Debt securities issued	100 295	100 294	-	-	-	-	-	-
Derivatives – Hedge accounting	49 077	42 915	-	-	-	-	-	-
Other liabilities other	2 616	2 838	1 550	6 004	4 168	6 075	-	-
Total	**593 959**	**353 114**	**33 675**	**15 906**	**21 772**	**12 505**	**57 724**	**498**

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

Eur tis.	Erste Group Bank		Companies under the control of Erste Group Bank		Subsidiaries		Associates	
	2014	2015	2014	2015	2014	2015	2014	2015
Interest income	(4 529)	(6 797)	1 548	1 420	854	438	-	-
Interest expense	(2 108)	(3 066)	(22)	(12)	(65)	(10)	(27)	-
Dividend income	-	-	200	274	15	749	2 539	2 237
Net fee and commisssion income	460	323	5 520	7 165	33	4	116	-
Gains / losses on financial assets and liabilities held for trading	(65 784)	30 177	(1 901)	3 892	98	-	-	-
General administrative expenses	(3 907)	(4 026)	(5 058)	(8 184)	(25 853)	(24 115)	-	-
Other operating result	407	603	788	826	4 693	992	-	5
Impairment of investments in subsi-diaries, joint ventures and associates	-	-	-	-	-	860	-	-
Total	**(75 461)**	**17 214**	**1 075**	**5 381**	**(20 226)**	**(21 082)**	**2 628**	**2 242**

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

The Bank has entered into a loan contract with its parent company Erste Group Bank AG on providing a subordinated debt. As at 31 December 2015 the principal amounted 100.0 mil. eur (2014: 100.0 mil. eur).

During the year 2015 the Bank has issued investment certificates in amount of 150 mil. eur, which was purchased by Erste Bank AG (disclosed in the note 30).

The Bank has received a guarantee from its parent company Erste Group Bank AG covering exposures towards subsidiaries and other group members. As at 31 December 2015 the guarantee was in the amount of 23.2 mil. eur (2014: 23.2 mil. eur).

The Bank has received guarantee from its sister company Česká spořitelna, a.s. covering credit exposures towards s_Autoleasing SK, s.r.o. , which is the Erste group member. As at 31 December 2015 the maximum amount of the guarantee was 22.6 mil. eur (2014: 17.6 mil. eur).

As at 31 December 2015 the Bank had another gaurantee from its sister company Česká spořitelna, a.s. covering exposures towards Slovenské elektrárne. Under this agreement, Česká spořitelna, a.s. pledged securities issued by the Slovak Republic with a face value amounting to 100.0 mil. eur (2014: 100.0 mil. eur). As at 31 December 2015 the maximum amount of the guarantee was 100.0 mil. eur (2014: 100.0 mil. eur).

The Bank received guarantees from its sister company Česká spořitelna, a.s. covering clients' exposures in amount of 1.1 mil. eur as at the reporting date.

The Bank also received a guarantee from its sister company Erste Bank AD Podgorica covering client's exposure in amount of 0.1 mil. Eur as at the reporting date.

As at 31 December 2015 the Bank owned a share in real estate fund Sporo realitny fond SPF of Asset Management Slovenskej sporiteľne, a.s. in the amount of 10.0 mil. eur (2014: 12.3 mil. eur).

Transactions with key management personnel

The remuneration of the Board of Directors memebers and the Supervisory Board members paid during the year 2015 in form of short-term employee benefits amounted to 1.8 mil. eur (2014: 2.0 mil. eur). The remuneration policy of the Board of Directors members is in compliance with CRD directive as adopted in the national legislation.

32) Collaterals

The Bank holds collaterals against loans and advances to customers in form of real estates, securities, received bank guaranties and other credit enhancements. The fair values of collaterals are estimated based on their value at the time of borrowings and are regularly updated. In general, collaterals are not held against loans and advances to banks, except for securities held as a part of reverse repurchase activities commented in the note 18.

Estimated fair values of collaterals and other credit enhancements related to loans to customers, granted financial guarantees, letters of credit and undrawn loan commitments were as follows:

EUR ths.	2014	2015
Real estates	6 428 639	7 514 967
Securities	207 120	215 426
Bank guaranties	77 978	109 820
Other	418 095	245 188
Total	**7 131 832**	**8 085 401**

33) Off-balance sheet items

In the normal course of business, the Bank enters various contracts and transactions, which are not reflected on the balance sheet and are referred to as off-balance sheet financial instruments. The following information represents notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

Loan comitments, guarantees and letters of credit

Bank guarantees and letters of credit are used by customers to cover their liabilities (payment and non-payment) against third parties, who are beneficiaries in these transactions. The primary purpose of these instruments is to ensure that funds are available to the customers as required.

Bank guarantee represents an irrevocable liability of the Bank to pay the agreed amount in case that the debtor fails to fulfil an obligation or other conditions as stated in the guarantee.

Letter of credit represents a written obligation of the Bank to pay the agreed amount to the seller based on the instruction of the buyer against the documents specified in the letter of credit documentation. The Bank deals with letters of credit in accordance with the 'Unified Rules and Customs for Documentary Letter-of-credit' as published by the International Chamber of Commerce.

Guarantees and standby letters of credit are irrevocable assurances that the Bank will make payments in the event when the customer cannot meet its obligations against a third party and therefore these carry the same credit risk as loans. Documentary and commercial letters of credit are written undertakings of the Bank to provide a third party with the agreed amount on behalf of the customer under specific conditions. As these are collateralised by the underlying shipment of goods (or transfer of the right to use), they carry less credit risk than direct borrowings.

Loan commitment represent an unused portion of the authorised credit limit, which can be drawn in the form of loan, guarantee or letter of credit. In relation to loan commitments, the Bank is exposed to credit risk and a potential loss equals to the total amount of the unused credit limits. However, most of the loan commitments are contingent upon maintaining specific credit standards by customers and therefore the likely amount of loss is less than the total amount of loan commitments.

The following table presents off-balance sheet credit exposures and also treasury commitments:

EUR ths.	2014	2015
Guarantees provided	311 776	251 344
Guarantees from letter of credit	1 737	1 918
Loan commitments and undrawn loans	989 866	889 929
Total	**1 303 379**	**1 143 191**

Assets pledged as collaterals

The following table presents assets pledged as collaterals for the Bank's liabilities:

2015 EUR ths.	Carrying amount of transferred assets				Carrying amount of associated liabilities		
	Total	Repurchase agreements	Assets pledged for derivatives	Assets pledged for covered bonds	Total	Repurchase agreements	Other associated liabilities
Available-for-sale financial assets	66 407	-	66 407	-	58 475	-	58 475
Loans and receivables	1 120 655	-	-	1 120 655	891 911	-	891 911
Held-to-maturity investments	112 347	102 423	9 924	-	110 294	101 556	8 738
Total	**1 299 409**	**102 423**	**76 331**	**1 120 655**	**1 060 680**	**101 556**	**959 124**

2014 EUR ths.	Carrying amount of transferred assets				Carrying amount of associated liabilities		
	Total	Repurchase agreements	Assets pledged for derivatives	Assets pledged for covered bonds	Total	Repurchase agreements	Other associated liabilities
Available-for-sale financial assets	49 483	-	49 483	-	56 637	-	56 637
Held-to-maturity investments	79 214	69 354	9 861	-	82 814	71 528	11 286
Total	**128 697**	**69 354**	**59 344**	**-**	**139 451**	**71 528**	**67 923**

34) Offsetting of financial assets and financial liabilities

2015 EUR ths.	Gross amounts of recognised financial liabilities	Amounts of financial assets set off against financial liabilities	Net amounts of financial liabilities in the balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral pledged	Non-cash financial collateral pledged	
Assets							
Derivatives	84 414	-	84 414	-	-	-	84 414
Derivatives - hedge accounting	7 418	-	7 418	-	-	-	7 418
Total assets	**91 832**	**-**	**91 832**	**-**	**-**	**-**	**91 832**
Liabilities							
Derivatives	85 508	-	85 508	-	-	47 297	38 211
Derivatives - hedge accounting	42 915	-	42 915	-	-	19 916	22 998
Repurchase agreements	101 556	-	101 556	-	-	101 556	-
Total liabilities	**229 979**	**-**	**229 979**	**-**	**-**	**168 769**	**61 209**

2014 EUR ths.	Gross amounts of recognised financial liabilities	Amounts of financial assets set off against financial liabilities	Net amounts of financial liabilities in the balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral pledged	Non-cash financial collateral pledged	
Assets							
Derivatives	101 574	-	101 574	-	-	-	101 574
Derivatives - hedge accounting	8 322		8 322				8 322
Total assets	**109 896**	**-**	**109 896**	**-**	**-**	**-**	**109 896**
Liabilities							
Derivatives	103 439	-	103 439	-	4 490	39 428	59 521
Derivatives - hedge accounting	49 077	-	49 077	-	-	19 916	29 161
Repurchase agreements	71 528	-	71 528	-	-	71 528	-
Total	**224 043**	**-**	**224 043**	**-**	**4 490**	**130 871**	**88 682**

35) Assets under administration

The Bank provides custody, trustee, investment management and advisory services to third parties, which involves making decisions on purchase, sale and allocation related to a wide range of financial instruments. The assets held in a fiduciary capacity are not included in these financial statements.

As at 31 December 2015 the Bank held assets for collective investment undertakings in the amount of 1 144.8 mil. eur (2014: 1 007.5 mil. eur).

As at 31 December 2015 the Bank also held assets for customers other than collective investment undertakings in the amount of 4 637.1 mil. eur (2014: 4 463.0 mil. eur).

36) 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

Following a strategic review, the segment structure and the methodology for capital allocation has been changed. Since 1 January 2014 the Bank, as a member of the Erste group, has introduced a new segment reporting, which is based on a matrix organization (business information) and provides comprehensive information for assessment of the performance of the business.

Furthermore, the segmentation criteria for corporate business were changed with no retrospective adjustments. The former local large corporate business (part of SME segment until the year-end 2013) was reallocated either to Large Corporates segment or to SME segment, depending on annual turnover thresholds.

Business segmentation

For the purpose of transparent presentation of the Banks structure, reflecting internal steering and measurement, the segment reporting is divided into the following business segments in line with the segment structure of the Erste group:

- Retail,
- SME,
- Assets and Liabilities Management (ALM) and Local Corporate Centre (LCC),
- Large Corporates (LC),
- Commercial Real Estate (CRE),
- Group Markets (GM),
- Free Capital.

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, 76 areas and 291 branches (status as at 31 December 2015). In addition the Retail segment also includes the results of Prvá stavebná sporiteľňa, a.s.

The SME segment primarily comprises small, medium and local corporate enterprises with the annual turnover from 1 mil. eur up to 75 mil. eur., as well as public sector (e.g. municipalities).

The ALM segment includes activities related to balance sheet management, investment securities management, new issues of debt securities, as well as the responsibility for setting of internal transfer rates. In this segment a transformation margin is reported, which is a consequence of time and curency mismatch in the balance sheet. In addition, the ALM segment contains non-client business of the Bank, mainly items, which cannot be directly allocated to any specific segment (e.g. reconciliation items) or activities, which are managed centrally.

The Large Corporates (LC) segment comprises the business with large corporate customers whose annual turnover exceeds the defined threshold of 75 mil. eur.

The Commercial Real Estate (CRE) segment covers the real estate value chain (lending, leasing, real estate investment, project development and construction services, as well as infrastructure business) provided to corporate clients, project developers, real estate investors, municipalities and other public sector agencies.

The Group Markets (GM) segment includes divisionalized business units such as Treasury Trading and Treasury Sales (Retail, Corporate and Institutional Sales). Treasury activities of the Bank are reported within this segment. These are focused on a client-oriented business with institutional clients.

The Free Capital segment represents free capital, which is defined as the difference between the average IFRS equity and the average economical equity allocated to the segments.

Measurement

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 management of the Bank for the purpose of resource allocation and segments' performance assessment.

In line with the regular internal reporting prepared for the management of the Bank, 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 and fair value result, net result from equity method investments, rental income from investment properties).

EUR ths.	Retail		SME		ALM & LCC		Large Corporates	
	2014	2015	2014	2015	2014	2015	2014	2015
Net interest income	332 708	373 733	33 868	35 269	58 276	21 942	12 616	14 642
Net fee and commission income	109 711	106 341	11 161	8 361	(11 029)	(5 649)	7 869	6 987
Dividend income	-	-	-	-	3 274	3 844	-	-
Net trading and fair value result	3 048	2 960	321	480	85	(2 591)	7	734
Rental income from investment properties	-	-	-	-	391	401	-	-
General administrative expenses	(214 345)	(213 894)	(18 907)	(21 728)	(21 528)	(20 361)	(4 866)	(5 013)
thereof depreciation and amortization	(34 199)	(33 730)	(3 222)	(4 175)	(2 010)	(1 326)	(917)	(1 068)
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	-	-	-	-	1 325	902	(60)	(4)
Net impairment loss on financial assets not measured at fair value through profit or loss	(31 879)	(30 223)	(5 443)	(4 037)	(2 724)	676	3 250	(5 212)
Other operating result	(23 070)	(16 733)	(1 802)	(1 777)	(8 589)	(9 788)	(6 476)	(660)
Levies on banking activities	(22 791)	(16 901)	(1 400)	(1 777)	(3 908)	(6 939)	(1 175)	(1 264)
Pre-tax result from continuing operations	**176 174**	**222 184**	**19 198**	**16 568**	**19 482**	**(10 625)**	**12 340**	**11 475**
Taxes on income	(38 757)	(48 880)	(4 223)	(3 645)	(8 109)	(3 985)	(2 715)	(2 524)
Net result for the period	137 416	173 304	14 974	12 923	11 373	(14 611)	9 625	8 950
Net result attributable to owners of the parent	**137 416**	**173 304**	**14 974**	**12 923**	**11 373**	**(14 611)**	**9 625**	**8 950**
Operating income	445 468	483 035	45 349	44 110	50 998	17 946	20 491	22 363
Operating expenses	(214 345)	(213 894)	(18 907)	(21 728)	(21 528)	(20 361)	(4 866)	(5 013)
Operating result	**231 123**	**269 141**	**26 442**	**22 382**	**29 470**	**(2 415)**	**15 625**	**17 350**
Risk-weighted assets (credit risk, eop)	2 228 832	2 704 896	983 493	1 078 337	473 596	378 578	490 286	455 782
Average allocated capital	194 924	234 867	83 372	65 844	167 462	175 691	34 061	32 455
Cost/income ratio	48%	44%	42%	49%	42%	>100%	24%	22%
Return on allocated capital	70%	74%	18%	20%	7%	-8%	28%	28%
Total assets (eop)	6 043 507	7 046 995	1 214 405	1 375 046	4 551 225	4 345 846	657 888	768 931
Total liabilities excluding equity (eop)	7 935 997	8 696 306	460 689	647 739	1 783 985	1 864 538	288 691	385 525
Impairments and risk provisions	**(32 158)**	**(30 055)**	**(5 845)**	**(1 839)**	**(2 625)**	**1 533**	**(2 050)**	**(4 607)**
Net impairment loss on loans and receivables from credit institutions and customers	(31 881)	(30 223)	(5 443)	(4 037)	307	655	3 250	(5 212)
Net impairment loss on other financial assets not measured at fair value through profit and loss	2	-	-	-	1	21	1	-
Allocation/release of provisions for contingent credit risk liabilities	(279)	168	(402)	2 198	99	-	(5 301)	605
Net impairment loss on other non financial assets	-	-	-	-	(3 032)	858	-	-

EUR ths.	Commercial Real Estate		Group Markets		Free capital		Total group	
	2014	2015	2014	2015	2014	2015	2014	2015
Net interest income	7 986	7 833	5 550	5 120	11 707	10 541	462 711	469 081
Net fee and commission income	1 432	485	4 498	4 614	-	-	123 641	121 139
Dividend income	-	-	-	-	-	-	3 274	3 844
Net trading and fair value result	68	(377)	6 009	7 669	-	-	9 537	8 875
Rental income from investment properties	-	-	-	-	-	-	391	401
General administrative expenses	(1 665)	(1 660)	(5 637)	(6 103)	-	-	(266 948)	(268 760)
thereof depreciation and amortization	(129)	(238)	(666)	(327)	-	-	(41 143)	(40 864)
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	-	-	-	4	-	-	1 266	902
Net impairment loss on financial assets not measured at fair value through profit or loss	(17 131)	(19 567)	(43)	25	-	-	(53 969)	(58 339)
Other operating result	(310)	(239)	(2 094)	(3 775)	-	-	(42 341)	(32 971)
Levies on banking activities	(165)	(258)	(2 090)	(3 780)	-	-	(31 530)	(30 920)
Pre-tax result from continuing operations	**(9 620)**	**(13 525)**	**8 282**	**7 555**	**11 707**	**10 541**	**237 563**	**244 173**
Taxes on income	2 116	2 975	(1 822)	(1 662)	(2 576)	(2 319)	(56 086)	(60 041)
Net result for the period	(7 504)	(10 549)	6 460	5 893	9 131	8 222	181 477	184 132
Net result attributable to owners of the parent	**(7 504)**	**(10 549)**	**6 460**	**5 893**	**9 131**	**8 222**	**181 477**	**184 132**
Operating income	9 485	7 941	16 056	17 404	11 707	10 541	599 554	603 340
Operating expenses	(1 665)	(1 660)	(5 637)	(6 103)	-	-	(266 948)	(268 760)
Operating result	**7 820**	**6 281**	**10 419**	**11 301**	**11 707**	**10 541**	**332 606**	**334 580**
Risk-weighted assets (credit risk, eop)	160 087	241 792	63 492	117 779	-	-	4 399 786	4 977 165
Average allocated capital	22 517	14 816	7 338	10 904	712 098	776 053	1 221 773	1 310 631
Cost/income ratio	18%	21%	35%	35%	0%	0%	45%	45%
Return on allocated capital	-71%	0%	88%	54%	1%	1%	15%	14%
Total assets (eop)	355 787	333 690	119 774	80 557	-	-	12 942 585	13 951 065
Total liabilities excluding equity (eop)	67 362	40 907	957 462	808 286	175 102	-	11 669 287	12 443 301
Impairments and risk provisions	**(17 276)**	**(19 548)**	**(47)**	**30**	**-**	**-**	**(60 000)**	**(54 486)**
Net impairment loss on loans and receivables from credit institutions and customers	(17 130)	(19 567)	(43)	25	-	-	(50 940)	(58 360)
Net impairment loss on other financial assets not measured at fair value through profit and loss	-	-	-	-	-	-	3	21
Allocation/release of provisions for contingent credit risk liabilities	(145)	19	(4)	6	-	-	(6 031)	2 995
Net impairment loss on other non financial assets	-	-	-	-	-	-	(3 032)	858

37) Risk management

Risk strategy and policy

The Bank takes a prudent and responsible approach to risk and risk-adjusted approach to revenues. Risk appetite of the Bank (the maximum level of risk that the Bank is willing to undertake) is clearly defined, measurable and widely understood. The Bank offsets its risk appetite with sufficient amount of internal capital to cover unexpected losses.

The Bank prefers sustainability to short-term high-risk returns. The risk/return profile and the balance of risks follow this principle in order to generate sustainable and adequate return on capital.

Risk functions are independent from the commercial business lines. Risk management is centralized and the Bank strives for an integrated risk management framework where all relevant risks are managed comprehensively and where dependencies between different risk types are accounted for.

The Bank shall make sure that risk management is properly supported in terms of human, IT and other resources needed for comprehensive coverage of all major drivers of risk.

The primary risk management objective of the Bank is to achieve a position where it will be able to identify all significant risks it faces, assess their potential impact and have policies in place to manage them effectively. These policies must be periodically reviewed in order to ensure their appropriateness in terms of their performance and in terms of changing circumstances of the Bank's operating environment.

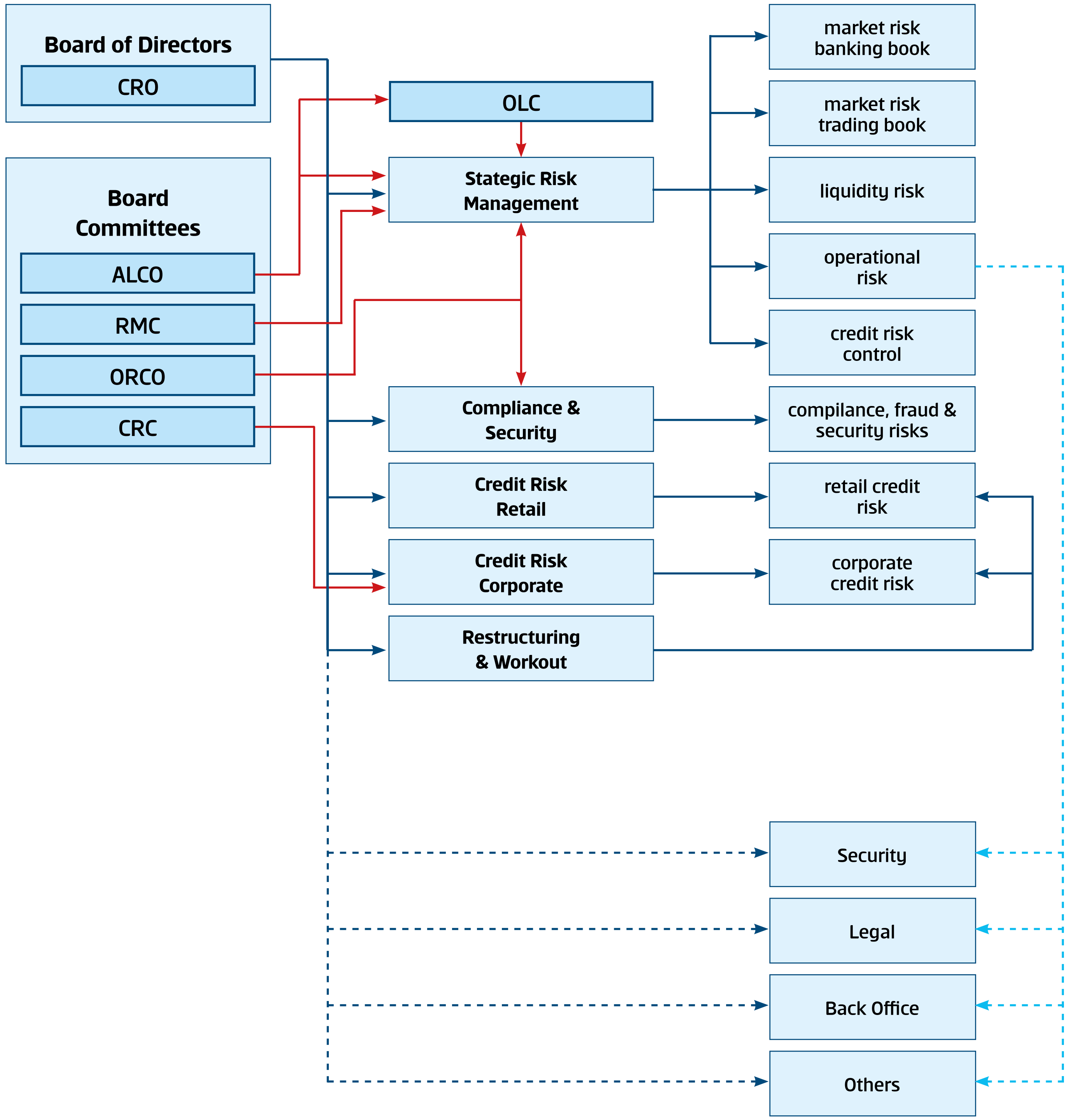
Risk taking is an inseparable part of the Bank's operations and bank business operations inevitably carry a certain degree of risk. Proper risk management should allow for better exploitation of business opportunities. Therefore, risk management strategy must be clearly linked to the business strategies.

Ultimately, risks should be quantified to the greatest possible extent (considering reasonable effort) and performance measurement of the Bank should be risk weighted. Therefore, the model for calculation and allocation of economic capital is continuously being improved and the Bank has established a internal capital management process (ICAAP).

The Bank is also committed to follow the risk management provisions defined by both, local and international laws and regulators.

Risk management organization

Risk monitoring and control is achieved through a clear organisational structure with defined roles and responsibilities, delegated authorities and risk limits. The following chart presents the organizational structure of risk in the Bank:



Risk management structure

The ultimate risk management body is the Board of Directors. However, it may delegate some of its authority for particular risk management areas to the respective committees. The Board of Directors also designates one of its members to serve as the Chief Risk Officer ('CRO').

Asset & Liability Committee ('ALCO') has the ultimate authority over market risk of both, trading and banking books (including interest rate risk) and over liquidity risk.

Credit Risk Committee ('CRC') is the ultimate decision making body for corporate credit risk.

Operational Risk and Compliance Committee ('ORCO') is the authorized body to make decisions on operational risk strategies and procedures, risk appetite and tolerance levels, also decides on mitigation measures for operational risk, compliance, financial crime, security, and anti-money laundering issues.

ALCO, CRC and ORCO are composed of the members of the Board of Directors and senior managers. The Chief Risk Officer is a member of all three committees.

Operating Liquidity Committee ('OLC') governs the execution of liquidity management. OLC reports directly to ALCO.

It analyses the liquidity situation of the Bank on a regular basis and proposes measures to be taken. OLC consists of members of Treasury, BSM and Strategic Risk Management.

Risk Management Committee ('RMC') is a committee consisting of selected members of the Board of Directors and senior managers. It is responsible for the development and maintenance of effective system of risk management, approval and monitoring of risk management strategy and procedures, ICAAP and risk appetite, as well as for comprehensive stress testing.

The bottom (executive) level of the risk management organization consists of five crucial units:

- Corporate Credit Risk Management Division carries out all activities concerning operative credit risk of corporate clients.
- Retail Credit Risk Management Division is responsible for management of credit risk for retail lending, specifically credit policy, organization of lending process, early collection process and portfolio management of the retail segment.
- Strategic Risk Management ('SRM') is responsible for integrated risk management ('ICAAP'), operational risk, liquidity risk, market risk (overall, as well as particular trading and banking books), credit risk control, provisioning, credit risk statistical and rating models. Within operational risk, SRM coordinates activities of global scope of other relevant departments (blue/dashed lines in the chart above).
- Compliance & Security is responsible for compliance risk management (e.g. code of ethics, full compliance with legal requirements, anti-money laundering program, MiFID rules), for fraud risk management (prevention, detection, investigation, deterrence and recovery of financial fraud) and for security (information and strategic security, business continuity management).
- Restructuring & Work out is responsible for effective debt recovery and write-off management. It is also responsible for monitoring, restructuring of receivables over-due, specific provisions and collateral management.

In the chart above, black lines show the assignment of different risk types to the respective units. Solid black lines show he areas directly subordinated to the Chief Risk Officer. Strategic Risk Management and Corporate Credit Risk Management may also report directly to their respective committees as shown by red/dotted lines.

Risk management is not limited to risk management units only. Rather, all organizational units have to be risk-aware and should contribute to risk management.

All responsibilities regarding risk management are in detail described in the Bank's risk management strategy.

Comprehensive risk and capital management

Internal Capital Adequacy Assessment Process ('ICAAP') is a process in which all significant risks that the Bank faces must be covered by internal capital (i.e. coverage potential). This means that all material risks are determined, quantified, aggregated, and compared to the coverage potential. Limits and lower trigger levels are defined and regularly monitored, so that corrective actions may be taken, thus avoiding situations when risk exposures are not sufficiently covered by capital.

Objectives of ICAAP are to integrate risk management for different risk types into a single high-level process, which then enables to continuously monitor and adjust capital levels to changing risk profiles. It is a comprehensive process that within the Bank consists of the following steps:

- Risk materiality assessment
  - – identification of the most important risk types which are to be the major focus and which will be included into economic capital calculation
- Risk-bearing capacity calculation
  - – calculation of the risk exposure for each particular material risk
  - – aggregation of the individual risks into a single economic – capital figure
  - – calculation of internal capital (coverage potential)
  - – relating economic to internal capital
- Stress testing
  - – verification of economic capital figures via severe, yet plausible stress scenarios
- Capital management
  - – management of consistency between economic and internal capital including forecasting

In addition to the ICAAP's ultimate goal of assuring capital adequacy and sustainability at all times, the whole process serves to support the Bank's management in pursuing its strategy.

Risk materiality assessment

The risk materiality assessment serves the purpose of identification of the most important risk types which are to be the major focus and which will be included in the economic capital calculation. It is an annual process based on both, quantitative and qualitative factors, which is conducted for each identified risk type the Bank faces.

The output of the risk materiality assessment is the set of material risks, which have to be quantified and covered by capital. It also includes other risk management practices to control and mitigate the identified risks (material or non-material).

Risk-bearing capacity calculation

The risk-bearing capacity calculation ('RCC') is ultimately the tool to define capital adequacy required by the ICAAP. Within the RCC, risk exposure for each particular material risk is quantified. The figures are aggregated into a capital requirement and compared to the coverage potential and the Bank´s own funds. The integral forecast, risk appetite limit, as well as a traffic light system support management in its discussions and decision processes.

The Board of Directors is briefed regularly, at least on a quarterly basis, in relation to the results of the capital adequacy calculation. The report includes movements in risks and available capital and coverage potential, the degree of risk limit's utilization and the overall status of capital adequacy. It also contains a comprehensive forecast of risk-weighted assets and capital adequacy.

Besides the Pillar 1 risk types (credit, market and operational risks) and in the context of Pillar 2, interest rate risks in the banking book, business and strategic risk, and credit risk for sovereign counterparties are explicitly considered within the required economic capital via internal models. The economic capital requirement for unexpected losses is computed on a one-year time horizon with a 99.9% confidence level. During the year 2015 the utilization of the economic capital was between 47%-49%.

Other risks, namely liquidity risk, credit concentration risk, residual credit risk and macroeconomic risks in particular are managed by means of a proactive management framework that includes forward-looking scenarios, stress testing, trigger levels and/or are covered by capital buffer. The capital buffer is proposed by Strategic risk management typically during the risk materiality assessment process and is approved by the Board of Directors.

The coverage potential required to cover risks and unexpected losses is based on regulatory own funds combined with profit of the current year, considering subordinated liabilities and regulatory deductibles, as well. The coverage potential must be sufficient to absorb unexpected losses resulting from the Bank's operations.

Stress testing

Risk exposure calculation models carry inherent statistical error since they must work at extreme confidence interval and time horizon. 99.9% confidence on one year horizon means an extreme loss that occurs once in 1000 years. At this levels the model is impossible to back test, therefore it must be stress tested.

Stress testing is also used to analyse risks which are not covered by capital, mainly concentration, macroeconomic and liquidity risks, as well as to identify potential vulnerabilities of covered risks which may not be properly covered by the calculation model used. Further, stress testing should also provide management with steering impulses and should yield to corrective actions, if deemed necessary.

Stress testing focuses on impact of severe, yet plausible scenarios on the Bank's positions, thus providing further assurance of internal capital adequacy. Should stress testing results show potentially higher losses than calculated risk exposures, the ICAAP profile has to be adjusted either via add-ons to risk exposures or via capital cushion.

The Bank was reviewed within a comprehensive assessment conducted by the European Central Bank (ECB) in the year 2014.

Capital Management

Within capital management, the volume of internal capital (coverage potential) is compared against the calculated risk exposures and should any discrepancies arise, measures must be taken in order to correct the situation. This is carried out quarterly, but the frequency may be increased should the situation require so, and is also forward-looking in that it considers forecasted figures.

Capital management is also part of the Bank's business strategy (worked out through budget) which determines risk appetite and capital coverage levels. Comprehensive limit framework is established for each major risk type in order to ensure day-to-day adherence to the approved risk profile and capital levels.

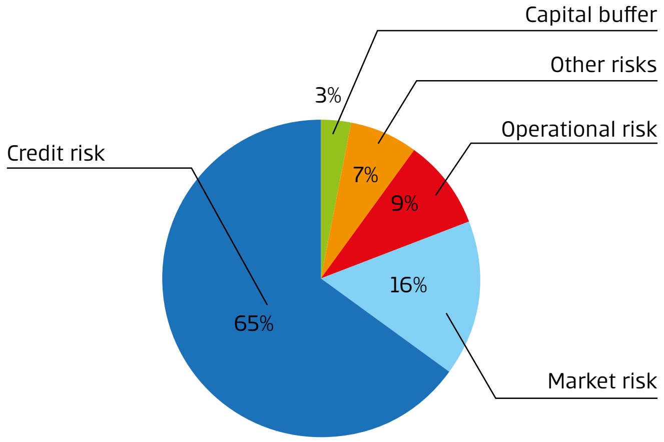
Risk planning and forecasting

The responsibility for risk management includes ensuring sound risk planning and forecasting processes. The forecasts determined by risk management are the result of close co-operation with all stakeholders in the overall planning process. The risk planning and forecasting process includes both, forward- and backward-looking component, focusing on portfolio and economic environment changes.

Capital allocation

An important task integral to the risk planning process is the allocation of capital to business lines. Each particular risk (both, Pillar I and Pillar II) is allocated to business lines based on their risk consumption. The process is done with close cooperation between Strategic Risk Management and Accounting and Controlling.

The following diagram presents composition of the Bank's aggregate capital requirement as at 30 September 2015 according to the type of risk:



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 Models department, is the independent risk control unit in line with Basel Capital Accord. 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 CRR/CRD 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) are determined and monitored by SRM.

Retail Credit Risk Management Division
Retail Credit Risk Management Division formulates the credit policy and internal provisions 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 collection.

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.

Restructuring & Workout
Restructuring & Workout is responsible for strategy and effective debt recovery (work-out and late collection) and write-off management. It is also responsible for monitoring, restructuring of receivables overdue, specific provisions and collateral management.

Internal rating system

The Bank, as the first bank in Slovakia, reports capital adequacy using the "internal-ratings based" (IRB) approach to credit risk since July 2008. The approval by the Financial Market Authority of Austria and the National Bank of Slovakia indicated that the Bank's credit risk measurement and control systems are sound and implemented properly into risk management, credit process and capital adequacy estimation, as well as into internal controls and reporting and that they play the essential role.

All material aspects of the rating and estimation processes shall be approved by the Board of Directors. Together with senior management, they shall possess a general understanding of the internal rating system and detailed comprehension of associated management reports.

Senior management, with main responsibility on the head of Strategic Risk Management, shall ensure on an ongoing basis that the rating systems are operating properly. Senior management shall be regularly informed by the credit risk control unit about the performance of the rating process, areas needing improvement and the status of efforts to improve previously identified deficiencies.

The rating system of the Bank comprises all methods, processes, control mechanisms, data collection and IT systems supporting credit risk measurement, assigning exposures to risk grades and risk pools and quantification of risk parameters. The rating system consists of several rating methods and rating tools depending on obligor asset class and other obligor characteristics.

Internal rating is a cornerstone of a complex credit risk management system of the Bank. It is a fundamental indicator of the probability of default of a client. The result of a rating assessment is the allocation of an obligor into a particular rating grade.

The internal rating is composed of hard and soft facts about the client and possibly also includes transformed selected external investment rating(s). The Bank shall use comprehensive rating systems for evaluation of both retail and corporate clients. Obligors in a given asset class and rating method, which have similar probability of default should have the same rating grade. Rating scale should have sufficient discriminatory power to properly distinguish between various levels of credit risk. Distribution of obligors in a given rating grade should be such that the risk parameters quantification for that grade is sufficiently accurate.

Credit Risk Models department is responsible for development of scoring and rating models. Performance of the models, i.e., accuracy and selectivity of internal rating grades, is regularly monitored and reported. Full scope validation of the models is performed on an annual basis.

Assigned ratings shall be reviewed at least annually. Behavioural (batch) rating shall be used for retail exposures, other exposure classes shall be reviewed by Corporate Credit Risk Management Division. If new and important information about the obligor or exposure is available, the rating shall be updated too. It is possible to override a rating only based on information, which is not used by the rating tool, or was not considered during rating approval. All rating overrides shall be recorded and analysed.

The internal rating system shall be properly documented. Detailed principles and processes of the internal rating system shall be specified within internal guidelines.

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 – distressed restructuring on exposure, non-performing 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 CRR/CRD criteria and influences estimation of LLP, SRC, etc.

Maximum exposure to credit risk
Maximum exposure to the credit risk of financial assets is represented by their net carrying amount (carrying amount in the case of derivatives measured at fair value). Maximum exposure to credit risk for off balance sheet commitments (e.g. undrawn loan limits, financial guarantees granted) is represented by the maximum amount the Bank has to pay if the commitment is called on.

Information regarding exposure to credit risk arising from financial assets other than loans and off balance sheet commitments is detailed in individual notes.

Exposure to credit risk of loans and advances to customers, financial guarantees granted and undrawn loan commitments

The following table presents the maximum exposure to credit risk of loans and advances to customers, financial guarantees granted and undrawn loan commitments:

EUR ths.	2014	2015
Gross amount	**9 788 310**	**10 912 837**
On-balance sheet total	8 484 930	9 769 646
Off-balance sheet total	1 303 380	1 143 192
Gross amount	**9 788 310**	**10 912 837**
Retail (incl. micros)	6 609 122	7 658 542
Corporate and other classes	3 179 188	3 254 296
Loss allowances	**(361 438)**	**(370 835)**
Retail (incl. micros)	(227 761)	(228 493)
Corporate and other classes	(133 676)	(142 343)
Net amount	**9 426 872**	**10 542 002**
Retail (incl. micros)	6 381 361	7 430 049
Corporate and other classes	3 045 511	3 111 953

The following table presents total exposure according to the EBA definition:

2015 EUR ths.	Total exposure	There of: Performing	There of: Non performing	Non performing: Of which: defaulted	Non performing: Of which: impaired
On-balance sheet exposure	9 769 646	9 229 650	539 995	530 427	458 260
Off-balance sheet exposure	1 143 192	1 120 091	23 100	23 088	21 606
Total	**10 912 837**	**10 349 742**	**563 095**	**553 516**	**479 866**

2014 EUR ths.	Total exposure	There of: Performing	There of: Non performing	Non performing: Of which: defaulted	Non performing: Of which: impaired
On-balance sheet exposure	8 484 930	7 954 988	529 941	519 902	428 354
Off-balance sheet exposure	1 303 380	1 235 359	68 021	68 005	50 547
Total	**9 788 310**	**9 190 347**	**597 962**	**587 907**	**478 901**

Loss allowances were structured as follows:

EUR ths.	2014	2015
Loss allowances on loans and advances	342 546	354 929
Provisions for off-balance sheet items	18 892	15 906
Total	**361 438**	**370 835**

The following table presents total loss allowances and provisions according to the EBA definition:

2015 EUR ths.	Total loss allowances and provisions	There of: Performing	There of: Non performing	Non performing: Of which: defaulted	Non performing: Of which: impaired
Loss allowances on loans and advances	354 929	63 198	291 731	290 969	275 470
Provisions for off-balance sheet items	15 906	9 919	5 987	5 986	5 713
Total	**370 835**	**73 117**	**297 718**	**296 955**	**281 183**

2014 EUR ths.	Total loss allowances and provisions	There of: Performing	There of: Non performing	Non performing: Of which: defaulted	Non performing: Of which: impaired
Loss allowances on loans and advances	342 546	60 786	281 760	281 071	259 428
Provisions for off-balance sheet items	18 892	8 000	10 892	10 892	10 467
Total	**361 438**	**68 785**	**292 652**	**291 963**	**269 895**

The following table presents information on credit quality of loans and advances to customers, financial guarantees granted and undrawn loan commitments, classified as retail asset class:

EUR ths.	2014	2015
Total exposure		
Investment grade (1-5)	5 935 217	6 968 149
Subinvestment grade (6)	160 832	178 864
Subinvestment grade (7)	87 260	92 456
Subinvestment grade (8)	87 708	88 455
Non-performing loans (NPE)**	338 105	330 618
Gross amount	**6 609 122**	**7 658 542**
Loss allowances	(227 761)	(228 493)
Net amount	**6 381 361**	**7 430 049**
Collective assessment comprises:		
0 days	6 082 815	7 129 180
1-30 days	159 249	167 941
31-60 days	18 225	19 617
61-90 days	10 611	11 015
90 days+ *	117	171

** Overdue amount is non material, i.e. less than 50 eur per client (materiality limit introduced in the year 2009).*

NPE loans and irrevocable commitments
NPE loans and irrevocable commitments are those for which the Bank determines that it is probable it will be unable to collect all principal and interest due according to the contractual terms of these financial instruments.

Past due but not NPE loans
Past due but not NPE loans are the loans where contractual interest or principal payments are past due but the Bank believes that NPE is not applicable.

Neither past due nor NPE loans
Loans where contractual interest or principal payments are not past due and the Bank does not expect impairment of corporate and other asset classes.

The following table presents information on credit quality of loans and advances to customers, financial guarantees granted and undrawn loan commitments, classified as corporate, institutional or sovereign asset class:

EUR ths.	2014	2015
Total exposure		
Investment grade (1-5)	2 761 422	2 851 686
Subinvestment grade (6)	109 291	107 731
Subinvestment grade (7)	26 567	26 763
Subinvestment grade (8)	22 050	35 638
Non-performing loans (NPE)**	259 857	232 477
Gross amount	**3 179 188**	**3 254 296**
Loss allowances	(133 676)	(142 343)
Net amount	**3 045 511**	**3 111 953**
Individually impaired		
Gross amount	**259 857**	**232 477**
Loss allowances	(112 550)	(118 551)
Net amount	**147 307**	**113 926**
Past due but not impairment		
Investment grade (1-5)	84 903	88 355
Subinvestment grade (6)	4 365	6 774
Subinvestment grade (7)	2 417	5 524
Subinvestment grade (8)	2 747	395
Non-performing loans (NPE)**	-	-
Gross amount	**94 432**	**101 048**
Loss allowances	(1 152)	(1 265)
Net amount	**93 280**	**99 783**
Past due but not impaired comprises:		
1-30 days	90 316	99 782
31-60 days	4 042	1 172
61-90 days	22	3
90 days+ *	52	91
Neither past due nor impaired		
Investment grade (1-5)	2 676 519	2 763 331
Subinvestment grade (6)	104 926	100 957
Subinvestment grade (7)	24 151	21 239
Subinvestment grade (8)	19 303	35 244
Non-performing loans (NPE)**	-	-
Gross amount	**2 824 899**	**2 920 771**
Loss allowances	(19 974)	(22 527)
Net amount	**2 804 924**	**2 898 243**

** Overdue amount is non material, i.e. less than 250 eur per client (materiality limit introduced in the year 2009).*

The increasing internal rating of exposures corresponds with their increasing credit risk. When assigning the rating the Bank considers financial position and performance of counterparty, qualitative factors, as well as general economic trends in particular industry and country.

Exposures rated as 1 – 8 according to the Bank's internal rating are not considered to be individually impaired.

Renegotiated loans

In September 2014 the Bank has implemented a forbearance definition based on the EBA definition. The forborne exposure can be identified in both, performing and non-performing portfolios:

- Performing forbearance – renegotiated loans for customers without financial difficulties
- Non-performing forbearance – restructured loans for customers, which defaulted after restructuring
- Defaulted forbearance – restructured loans for customers in default

The following table presents carrying amounts of renegotiated loans, which are exposures with performing forbearance status:

EUR ths.	2014	2015
Renegotiated loans	76 315	95 442

Concentration risk

The following table presents summary of concentrations of financial assets (including derivatives), loan commitments and guarantees based on the debtors' industry:

2015 EUR ths.	Loans and advances to customers		Loans and advances to financial institutions		Investment securities	
	Gross	Net	Gross	Net	Gross	Net
Natural Resources & Commodities	459 244	448 038	-	-	-	-
Utilities & Renewable Energy	454 624	452 767	-	-	-	-
Construction and building materials	354 963	310 522	-	-	-	-
Automotive	54 339	52 759	-	-	-	-
Cyclical Consumer Products	216 992	204 859	-	-	-	-
Non-Cyclical Consumer Products	203 146	194 827	-	-	12 986	12 986
Machinery	148 271	142 193	-	-	6 641	6 641
Transportation	381 468	374 989	-	-	112 428	112 428
Telecommunications, Media, Technology and Paper & Packaging	51 533	50 457	-	-	-	-
Healthcare & Services	150 324	145 726	-	-	-	-
Hotels, Gaming & Leisure Industry	87 344	76 212	-	-	-	-
Real Estate	858 371	800 369	-	-	10 993	10 993
Public Sector	239 704	239 246	-	-	3 406 020	3 405 797
Financial Institutions	116 146	115 801	121 611	121 583	255 561	255 542
Private Households	7 136 296	6 933 198	-	-	-	-
Other	73	41	-	-	-	-
Total	**10 912 838**	**10 542 004**	**121 611**	**121 583**	**3 804 629**	**3 804 387**

2014 EUR ths.	Loans and advances to customers		Loans and advances to financial institutions		Investment securities	
	Gross	Net	Gross	Net	Gross	Net
Natural Resources & Commodities	385 723	376 449	-	-	-	-
Utilities & Renewable Energy	469 410	468 153	-	-	-	-
Construction and building materials	415 858	370 681	-	-	-	-
Automotive	86 814	85 158	-	-	-	-
Cyclical Consumer Products	142 334	132 311	-	-	-	-
Non-Cyclical Consumer Products	188 720	176 265	-	-	13 108	13 108
Machinery	124 615	119 630	-	-	6 646	6 646
Transportation	328 392	321 899	-	-	-	-
Telecommunications, Media, Technology and Paper & Packaging	54 815	53 947	-	-	-	-
Healthcare & Services	101 672	98 026	-	-	-	-
Hotels, Gaming & Leisure Industry	79 611	64 911	-	-	-	-
Real Estate	860 722	816 154	-	-	13 526	13 526
Public Sector	221 201	220 740	-	-	3 506 530	3 506 294
Financial Institutions	153 518	152 715	179 058	179 005	382 257	381 172
Private Households	6 174 865	5 969 796	-	-	-	-
Other	40	37	-	-	-	-
Total	**9 788 310**	**9 426 872**	**179 058**	**179 005**	**3 922 067**	**3 920 746**

The following table presents summary of concentrations of financial assets (including derivatives), loan commitments and guarantees based on asset classes:

EUR ths.	Gross		Net	
	2014	2015	2014	2015
Retail	6 609 122	7 658 542	6 381 361	7 430 049
Corporate	2 925 692	2 983 720	2 792 500	2 841 848
Institution	252 695	270 012	252 229	269 542
Sovereigns	800	563	782	562
Total	**9 788 310**	**10 912 837**	**9 426 872**	**10 542 001**

The following table presents a summary of the Bank's credit risk to the Slovak Republic, companies controlled by the Slovak government, guarantees issued by the Slovak government, self-governing regions and similar exposures:

EUR ths.	Amount		Portion of total assets %	
	2014	2015	2014	2015
Cash and balances at the central bank	87 392	872	0.68%	0.01%
Loans and advances to customers	536 330	498 451	4.14%	3.57%
Securities portfolios	3 418 612	3 310 004	26.41%	23.73%
Deferred income tax asset	33 923	29 739	0.26%	0.21%
Total	**4 076 257**	**3 839 066**	**31.5%**	**27.52%**

The following table presents a breakdown of state debt securities held by the Bank per portfolio and type of security:

EUR ths.	2014	2015
Financial assets at fair value through profit or loss	**-**	**-**
State bonds denominated in EUR	-	-
Securities available for sale	**922 281**	**888 507**
Treasury bills	-	-
Slovak government Eurobonds	922 281	888 507
Companies controlled by the Slovak government	-	-
Securities held to maturity	**2 496 331**	**2 421 497**
State bonds denominated in EUR	2 467 393	2 389 311
State bonds denominated in USD	28 938	32 186
Companies controlled by the Slovak government	-	-
Total	**3 418 612**	**3 310 004**

The sovereign issuer rating of the Slovak Republic according to the international rating agency Standard & Poor's is A+ with stable outlook (since 1 August 2015).

Market risk

Market risk is the risk of losses in balance sheet and off-balance sheet positions arising from movements in market factors, i.e. prices, interest rates, foreign exchange rates, volatilities, etc. The risk management process comprises of the four key elements:

- risk identification – identify all risks inherent in the trading operations and in new products (new products check) and ensure these are subject to adequate procedures and controls before being introduced or undertaken
- risk measurement – calculation of risk exposure using sensitivities and value-at-risk
- limits management – comprehensive limit system and limit allocation in order to restrict the maximum risk exposure
- risk monitoring and reporting

The entire market risk management is independent from the business lines and is carried out by Strategic Risk Management (SRM). Trading and investment operations are subject to strict rules defined by SRM and approved by ALCO committee.

Methods and instruments employed

All positions of the Bank, both in banking and trading books, that are subject to market risk are re-valued daily (including positions held-to-maturity), either to market or to model, and respective profit or loss is calculated.

The main tool to measure market risk exposure in the Bank is sensitivity analysis and value-at-risk (VAR) which is complemented by back testing and stress testing programme.

VAR for trading book and investment portfolios of banking book estimates the maximum potential loss over 1-day holding period with 99% confidence interval and is based on historical simulation (2-years history window, equally weighted) while all positions are treated via full valuation in the calculation (i.e. no simplification of positions for the purpose of VAR). VAR is measured consistently across all portfolios (both banking and trading book) and relevant market factors. The Bank's VAR model was approved by the regulator to be used for the regulatory capital charge calculation.

In addition to that, a stressed value-at-risk measure is calculated whereby the above described model is repeatedly applied to a 1-year rolling window of historical rates within longer time span to come up with the most severe VAR measure over a current position.

VAR for the overall banking book uses 99% confidence interval, 10-day holding period, 6-year rolling window for the historical simulation and a decay factor of 0.99.

In order to validate the value-at-risk model, daily back testing routines are applied. In the procedure the real value of closing position of the previous trading day is computed first using relevant market rates of that day. The same closing position is then revalued using the closing market rates of the current day. The difference between the two values is the so-called hypothetical profit and loss, i.e. profit and loss that would have been obtained if the position remained unchanged during the last trading day. If this profit or loss figure exceeds the value-at-risk figure, an exception is recorded and documented. Back testing is conducted not only for the whole trading book, but also for each trading desk and additionally for each applicable risk factor (interest rate, FX rate, stock price, volatility, etc.).

VAR is subject to some model assumptions (e.g. historical simulation), hence stress testing is established in order to partially tackle these shortcomings by estimating losses due to extreme changes in market factors, the probabilities of which are very small. Position or portfolios are tested under a number of potential extreme scenarios and their impact on value and hence profit and loss is computed.

Furthermore, the application of the extreme value theory ('EVT') allows describing the influence of events with extreme low probability on the result of trading portfolio, and thus well supports other stress testing measures and the model itself.

The Bank uses EVT based on approximation of empirical market data (2-years history) by Pareto probability distribution function. From this function, it is possible to obtain maximum loss (i.e. EVT loss) with confidence level of 99.95% (compared to 99% VAR). It is measured on daily basis.

Overall market risk of the entire balance sheet is also measured using market value of equity measure – all positions of the Bank are re-valued using an extreme (200 bp) up and down parallel shift of the yield curve and the resulting sensitivity is related to available capital.

Risk mitigation and reporting

In order to manage the maximum risk exposure, a comprehensive system of limits is established, including VAR, sensitivity, and stop-loss limits. Limits are structured according to individual sub-portfolios (separate limits are defined for derivative trades). Monitoring is performed daily by SRM.

Risk reporting is done daily for relevant management and monthly for ALCO.

Market risk measures

The following tables summarize the risk measures – Value at Risk of banking book and trading book:

EUR ths.	2014	2015
Trading book VAR	27	45
Banking book VAR - ALM portfolio	6 783	12 873
Banking book VAR - Corporate portfolio	915	1 770
Overall Banking book VAR	49 249	130 191
Overall Banking book sensitivity (200bp shock)	188 722	157 861

VAR figure is almost fully driven by interest rate risk, whilst foreign exchange and other risks are negligible.

Liquidity risk

The liquidity risk is defined in the Bank as the inability to meet the Bank's cash obligations as they come due because of an inability to liquidate assets or obtain adequate funding. Accordingly, a distinction is made between market liquidity risk, which is the risk that the Bank cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the Banks will not be able to meet efficiently both expected and unexpected current and future cash flows and collateral needs without affecting either daily operations or the financial condition of Bank.

Liquidity risk is within the authority of ALCO. The Local Operating Liquidity Committee ('L-OLC') is responsible for operational managing and analysing of the liquidity situation of the Bank.

Actual management of liquidity risk is done by Strategic Risk Management. Structural liquidity management is performed by Balance Sheet Management and daily liquidity managing and the fulfilment of minimum required reserves is performed by the Treasury department.

Liquidity strategy

The primary goal of the funding strategy in the year 2015 was to cover the planned funding gap coming from the core business by increased issuance of own bonds, as well as local and intragroup money market funding and thus to reach an optimal liquidity status in terms of structure and costs versus risk tolerance. This goal has been successfully reached when the notional value of the own issues portfolio have increased from 914 mil. eur to 1 081 mil. eur and the rest of the gap was financed via treasury operations mainly by intragroup deals with Erste Holding.

The Bank has maintained sufficient liquidity reserve throughout the year 2015 created mainly by government bond portfolio. As at 31 December 2015 total liquidity reserve was 3.8 bn eur. Volume of an available liquidity reserve used for Survival Period Analysis ('SPA') calculation was 3.8 bn eur on average during the year 2015. This fact together with a very high share of stable customer deposits indicates a strong liquidity position.

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period (SPA) on weekly basis. This analysis determines the maximum period during which the Bank can survive different crisis scenarios (severe market, idiosyncratic, or combined crisis) while relying on its pool of liquid assets. The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflow.

Liquidity ratios defined by the regulator (LCR, NSFR and local LCR) are periodically monitored and are all at very satisfactory levels. All limits defined by the regulator are observed with large buffer.

Additionally, the static liquidity gap is monitored regularly on weekly basis and reported monthly to ALCO. Funding concentration risk is continuously analysed in respect to counterparties and is also reported to ALCO monthly.

Strategic Risk Management provides the reverse stress testing of liquidity where several assumptions (withdrawal, rollover, reserve haircuts) are modelled in order for the Bank to survive exactly one month. This is done on a monthly basis and is reported to ALCO.

Methods and instruments of risk mitigation

General standards of liquidity risk controlling and management (standards, limits and analysis) have been defined and are continuously reviewed and improved by L-OLC and ALCO.

The short-term liquidity risk is managed by limits resulting from the survival period analysis where horizon limits are defined for each scenario as follows:

- ordinary course of business – over 3 months
- severe name crisis – over 2 months
- severe market crisis – over 2 months
- combined name and market crisis – over 1 month

The minimum volume of the liquidity buffer (counter-balancing capacity) is limited by 1.5 bn eur. The Bank daily monitors its counter-balancing capacity, which consists of cash, excess minimum reserve at the central banks, as well as unencumbered central bank eligible assets. These assets can be mobilized in the short term to offset potential cash outflows in a crisis situation.

Further, short-term risk is managed by regulatory and internal (more severe) limits on LCR, NFSR, and local LCR ratios.

Funding Concentrations management - no client may account for more than 30% of the total whole-sale funding. Should this amount be exceeded, the minimum liquidity reserve must be increased by the amount of excess. Sum of top 10 biggest clients may not account for more than 50% of the total wholesale funding. Should this amount be exceeded, the minimum liquidity reserve must be increased by the amount of excess.

Based on analysis and measurement, and based on liquidity strategy, medium and long-term (structural) management of liquidity is carried out by BSM while major decisions have to be approved by ALCO. Strategic Risk Management must ensure that the execution is in line with the approved Liquidity Strategy and that the approved limits are being followed. ALCO must be informed on the status of structural liquidity within the regular ALCO liquidity reports.

The Contingency Plan ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis.

Analysis of liquidity risk

Regulatory ratios
All regulatory ratios were well above the defined regulatory limits during the year 2015. As at 31 December 2015, LCR was over 200%, locally defined LCR was at 163%, the liquid assets ratio was 1.23 (limit >1.0).

Internal analysis
Counter-balancing capacity – the minimum amount of highly-liquid ECB eligible securities to cover unexpected cash outflow was 3.8 bn eur as at 31 December 2015 and was well above the limit during the year 2015.

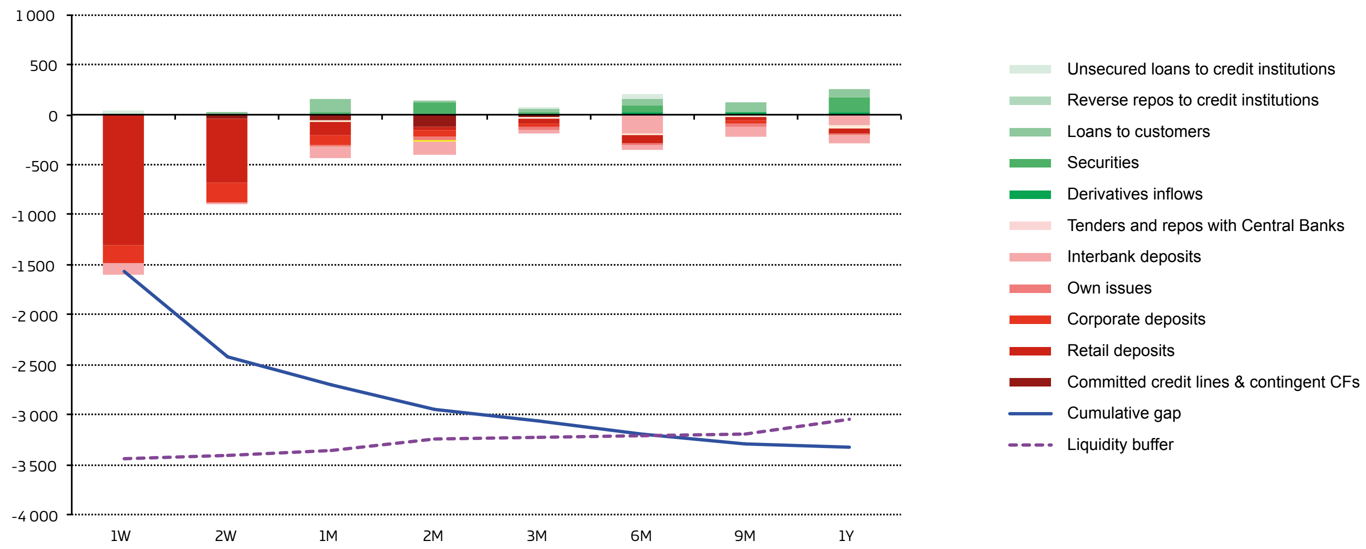
The following tables show term structure of the Bank's counterbalancing capacity at the year-ends:

2015 EUR mil.	< 1 week	1 week – 1 month	1 – 3 months	3 – 6 months	6 – 12 months
Cash, excess reserve	300	-	-	-	-
Liquid assets	3 509	-	(107)	-	(121)
Counterbalancing capacity	**3 809**	**-**	**(107)**	**-**	**(121)**

2014 EUR mil.	< 1 week	1 week – 1 month	1 – 3 months	3 – 6 months	6 – 12 months
Cash, excess reserve	261	-	-	-	-
Liquid assets	3 827	-	(16)	(14)	-
Counterbalancing capacity	**4 088**	**-**	**(16)**	**(14)**	**-**

Survival period horizon
During the year 2015 all SPA limits were fulfilled. The most severe scenario (combined crisis) had a minimum value of 50 days but increased to three months toward the year-end.

The results for the combined crisis (survival period horizon) were as follows



Funding concentrations - during the year 2015 both concentrations limits were fulfilled at all times.

Operational risk

Main objectives of effective system of operational risk management are:

- set up a bank-wide framework for operational risk management and to translate this framework into specific policies, procedures or processes that can be implemented and verified within different business units
- properly identify major drivers of operational risk
- develop model for quantification of risk exposure profile and for calculation of both economic and regulatory capital
- prevent or minimize losses due to operational risk by adaptation of suitable processes, preventive measures or by selecting suitable insurance
- implement and update of insurarnce program
- define outsourcing and internal control system principles
- prepare ORCO meetings
- continuously improve the operational risk management process (described in subsequent chapters on risk identification, measurement and management)
- provide quality reporting and documentation

Risk identification

Comprehensive risk identification is imperative for each subsequent stages of the operational risk management life cycle. Its primary objective is to provide information needed for correct decision making within operational risk management. Prompt risk identification may lead to quick detection and correction of deficiencies in policies or processes, and may substantially reduce the potential frequency and/or severity of loss events.

Risk identification should be generally forward-looking. While it is inevitable to use historical loss data, they should be supported by forward-looking approaches in order to obtain better quality assessment. Whenever possible, identification factors should be translatable into quantitative measures.

The most significant sources of operational risk in the Bank are:

- theft and fraud (both external and internal)
- legal risks
- human processing error
- data, infrastructure, and system related risks
- improper practices (including incomplete or ambiguous internal guidelines)
- natural disaster and wilful damage

These sources of risk must be consistently assessed and re-evaluated using a variety of risk identification techniques, described in the following sub-sections. The results of the risk identification are regularly reported to high-level decision bodies (ORCO, Board of Directors).

Internal data

The Bank shall maintain a central database of operational risk events and losses. This should be as comprehensive as possible in that it captures all material activities throughout the Bank. Data collection is conducted via a web-based application EMUS.

Operational risk event is defined as an event due to inadequate or failed processes, human factors or systems, or external events, which lead (or have the potential to lead) to losses, or have other negative impact on the Bank. All organizational units and their employees are obligated to report operational risk events, encountered or potential loss (both direct and indirect) of which is higher than defined threshold, or is not quantifiable yet relevant. Reporting is done via EMUS, where every employee of the Bank has an access right. Information on loss amounts, recoveries, date of event and other relevant descriptive information must be provided.

Events have two-stage acceptance procedure. Depending on the type of event, first stage is conducted by either IT Security, Physical Security, Financial Crime & Compliance, Card Services, Internal Services or Strategic Risk Management. Second stage is a data consistency check and is performed by Strategic Risk Management. Events should be categorized according to business lines. Special attention must be paid to events that span more than one business line, or events that arise in centralized function that cannot be directly mapped to a business line. Internal data collection process shall be covered by Strategic Risk Management in an associated guideline. This guideline covers definitions, principles for event and loss classification, minimum loss threshold, event acceptance procedure, required data for each event, etc.

External data

As severe operational risk events are scarce, and may not have been captured in internal data collection, the Bank shall also include adequate external event data in its risk identification system. These should cover infrequent severe events with relevance to the Bank or financial industry. The bank should systematically incorporate external data into its risk measurement methodology. External data collection shall be coordinated with the Erste group efforts on this matter and will be conducted by Strategic Risk Management.

Scenario analysis

Contrary to internal and external data collection, scenario analysis is a forward-looking tool of risk identification. The Bank shall include such analysis in order to evaluate its exposure to high-severity events and to derive reasonable estimates of potential severe losses. The results will in turn serve as input factors to the risk measurement process. Scenarios must be periodically reassessed for meaningfulness and should consider breakdown of assumed correlation patterns (i.e. the possibility of two or more severe events happening simultaneously). Scenario analysis is conducted by Strategic Risk Management.

Risk mapping and key risk indicators

The objective of this risk identification technique is to map the level of different operational risks across the Bank and to set up a measurable framework known as key risk indicators('KRI') that tracks the most important drivers of operational risk and that could subsequently be used in risk measurement. Risk mapping is a top-down approach. Strategic Risk Management, with the help of respective senior or third level manager, will conduct an analysis and grading of operational risks inherent in each unit's activities, in order to come with overall risk map of the Bank. The resulting map will have three dimensions, namely:

- risk category
- business line/product
- functional process level – where applicable, this provides depth for the business line/product dimension (e.g. stages of particular process or lifecycle phases of product)

The outcome of risk mapping will provide the basis for defining KRI, which will in turn be periodically monitored. It will serve as input for risk measurement and operational risk management decision making. Reporting on KRI is the responsibility of business units.

KRI should have the following properties:

- it should be easy to use, i.e. available for reliable periodical measurement, cost effective to measure, and easy to understand and communicate;
- it should be effective, i.e. apply to high risk points, reflect objective measurement rather than subjective judgment, and provide useful management information.

Risk measurement

The Bank measures its operational risk exposure using the loss distribution approach. In this, the probability distribution of both, frequency of loss and amount of loss, is modelled and is recombined (typically using Monte Carlo simulation) into a compound distribution of yearly losses. Out of this distribution, both expected and unexpected losses could be calculated. In accordance with Basel II, the confidence interval for unexpected loss should be at least 99.9 % and the holding period should be one year.

In modelling the distribution, all outcomes of risk identification process should be used, i.e. both internal and external data, scenario analysis, risk mapping, and factors reflecting the business environment and internal control systems should be used. In calculating the exposure, mitigation techniques (specifically insurance) may be included. This is done via decreasing of the gross loss for individual loss events by probable insurance coverage.

The Bank should be able, given both adequate data and sound models are available, to arrive at sufficiently granular profile of the risk exposures, i.e. to calculate the exposures for all major drivers of operational risk (along business lines and risk types). Over time, the model should be validated through comparison to actual experience and appropriate corrections should be made. Design of the risk measurement model is within the responsibility of Erste Holding (for more details see the group AMA documentation). Modelling inputs are provided by Strategic Risk Management.

Managing operational risk

Management of operational risk is primarily the responsibility of each individual business unit in its daily course of operations. In addition, Strategic Risk Management has a harmonization role and performs activities of global scope.

In general, operational risk can be managed via any (or a combination) of the following:

- risk mitigation, including insurance,
- system of internal controls,
- outsourcing,
- risk acceptance,
- decrease of the extent or disposal of the risky activity.

Selection of the approach is by definition the responsibility of senior managers or of the Board of Directors for the activities and risks of global scope. For risks identified as significant, senior managers are required to present the selected risk management tactics to a high-level decision body (ORCO, the Board of Directors) for approval.

The following sub-sections give an overview of the main activities regarding operational risk management within the Bank.

Operational Risk and Compliance Committee is the ultimate decision-making body for operational risk issues. It is defined as a high-level management committee that deals with operational risk strategies and procedures, decides on risk appetite and tolerance levels, and decides on mitigation measures for, or risk acceptance of operational risk, compliance, financial crime, IT security and operations, anti-money laundering, etc.

SRM or any other unit may present results of risk identification and risk measurement processes or other operational risk issues to ORCO for a risk acceptance/disapproval decision. It will typically happen in case high risk was identified during risk mapping or larger loss event was recorded or any substantial activity carrying possible high operational risk is planned.
In case ORCO does not accept the identified risk, it assigns tasks to senior management to come up with mitigation measures. ORCO consists of selected board members, senior managers, and other representatives.

System of internal controls

Each unit manager shall implement a system of internal controls ('ICS') within his area of competence, with the objective of identification and mitigation of operational risks. Within the system, a set of operative controls is created, in order to systematically check selected product, service, process, etc. Each unit manager is responsible for effectiveness and quality of the system. It is also his responsibility to identify problematic or risky areas that should be covered by operative controls.

Internal control system shall consist of:

- risk assessment – in order to determine what are the most important processes and what controls are needed
- written policies and procedures – all important operations must be covered by operation manuals
- control activities – control procedures itself
- review – in order to assess the appropriateness of controls
- accounting, information, and communication systems – a proper combination of such systems in order to provide detailed, accurate, and timely information

Principles to be followed when implementing ICS include, but are not limited to:

- four-eye principle
- thorough task assignment and monitoring
- substitutability of staff
- required vacation or absence from duties (for relevant units only)
- segregation of duties
- avoidance of conflict of interest

Internal Audit shall regularly conduct an audit of the Bank's ICS in order to determine whether the bank is following enacted policies and procedures. Strategic Risk Management shall issue associated Internal Control System Policy giving detailed information on the system. However, SRM does not assume any coordination role in the implementation and execution of ICS by individual managers.

Insurance

In order to mitigate operational risk, the Bank shall engage in a comprehensive insurance program. This should cover direct or indirect losses due to all major sources of operational risk, i.e. improper use or failure of internal processes, human factor failures, system failures or external factors, and that in both the Bank and its subsidiaries. The primary objective of the insurance program is to safeguard the Bank against catastrophic events. Insurance does not serve for protection against common, expected losses. Responsibility for the insurance program is given to Strategic Risk Management. It shall design suitable and cost-effective insurance program with the objective of minimizing losses due to operational risk. Overall insurance program is designed on Erste Holding level. The program is to be documented in an associated guideline which should, inter alia, cover procedures in case of insurance incident.

Outsourcing

Outsourcing is defined as long-term delegation of internal operation to external entity that specializes in that operation.
In context of operational risk management, the primary focus is on outsourcing of banking operations.

Outsourcing should be governed by the following high-level principles:

- outsourcing of any banking operation must be approved by the Board of Directors
- the Bank neither relinquishes the responsibility for, nor does it get disposed of the risks brought along by such activity
- special attention is to be paid to legal and regulatory issues

General outsourcing policy is defined on Erste Holding level. Strategic Risk Management is responsible for local implementation of this policy, giving detailed definition of principles and procedures for outsourcing. These shall be documented in associated internal policy. All outsourced activities must strictly follow this policy.

Each outsourcing must have an outsourcing sponsor and an outsourcing manager (both coming from the Bank) who are responsible for governance, correct functioning, operational risk, and other issues related to the outsourced activity.

Operational risk management related to outsourcing is within the responsibility of respective outsourcing sponsor and outsourcing manager. Strategic Risk Management shall periodically conduct overall risk assessment of outsourcing.

Outsourcing shall be periodically checked by Internal audit.

38) Fair values of financial assets and liabilities

The best indication of a fair value is quoted market prices in an active market. Where such prices are available, they are used to measure the fair value (Level 1 of the fair value hierarchy).

In case a market quote is used for a valuation, but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators), the instrument is classified as Level 2 of the fair value hierarchy. In case no market prices are available, the fair value is determined by using valuation models, which are based on observable market data. If all the significant inputs in a valuation model are observable, the instrument is classified as Level 2 of the fair value hierarchy. For Level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters.

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor using valuation models that rely entirely on observable market data. In these cases individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently, the instrument is classified as Level 3 of the fair value hierarchy. For Level 3 valuations typically credit spreads derived from both external sources (similar securities or issuers) and internal sources (risk parameters such as rating, PD or LGD) are used, besides observable parameters.

Financial instruments measured at fair value

All financial instruments of this category are measured at fair value on a recurring basis.

In the Bank the measurement of fair value is primarily based on external sources of data (stock market prices or broker quotes in highly liquid market segments). The financial instruments for which fair value is determined on the basis of quoted market prices are mainly listed securities, liquid OTC bonds and derivatives.

Description of the valuation models and inputs

The Bank uses only valuation models which have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently.

Securities

For plain vanilla debt securities (fixed and floating) the fair value is calculated by discounting the future cash flows using a discounting curve depending on the interest rate for the respective issuance currency and a spread adjustment.

The spread adjustment is usually derived from the credit spread curve of the issuer. If no issuer curve is available the spread is derived from a proxy instrument and adjusted for differences in the risk profile of the instrument. If no close proxy 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 December 2015 the cumulative CVA adjustment amounted 4.0 mil. eur (2014: 3.9 mil.) and the cumulative DVA adjustment amounted 1.0 mil. (2014: 1.7 mil. eur).

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, among others. 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.

The substantial surge of Level 3 Market Values in the Category "Financial assets – available for sale" is based on the fair value valuation of the VISA Europe Ltd. participation as at 31 December 2015. The revaluation of the participation was necessary due to a purchase offer posted by VISA Inc. The proposed offer comprises a combination of an initial cash payment combined with preferred shares of VISA Inc. and a potential earn out payment in the year 2020. All these elements have been considered in the determination of the fair value. As significant input parameters for the fair value determination could not be derived from external observable parameters, it was necessary to include assumptions and estimations in the determination of the fair value. In total this revaluation led to an increase within the category "Financial assets – available for sale" amounting to 24.5 mil. eur.

The cash payment was accounted for with its present value as at 31 December 2015. The preferred shares, which are issued as part of the initial purchase price can only be sold after a minimum holding period of 12 years. In addition, the preferred shares are subject to restrictions for which a non-fulfilment would affect the conversion into market tradable VISA Inc. shares. Based on these restrictive conditions, the preferred shares were subject to a discount compared to tradable VISA Inc. shares. Moreover, the amount of the potential earn out payment depends on various external factors for which the probability of fulfilment cannot be derived from external observable parameters. As a consequence, the potential earn out payment was derived from estimated assumptions.

Fair value hierarchy

The methods used to determine fair values with respect to the levels of fair value hierarchy were as follows:

EUR ths.	Quoted market prices in active markets Level 1 2014	Level 1 2015	Marked to model based on observable market data Level 2 2014	Level 2 2015	Marked to model based on non-observable inputs Level 3 2014	Level 3 2015	Total 2014	Total 2015
Assets								
Financial assets held for trading	-	-	99 493	83 512	2 081	902	101 574	84 414
Derivatives held for trading	-	-	99 493	83 512	2 081	902	101 574	84 414
Financial assets designated at FV through profit or loss	-	-	6 646	6 641	13 557	11 028	20 203	17 669
Financial assets - available for sale	1 001 348	989 390	187 637	184 067	29 489	37 477	1 218 474	1 210 934
Derivatives - Hedge accounting	-	-	8 322	7 418	-	-	8 322	7 418
Total	**1 001 348**	**989 390**	**302 098**	**281 638**	**45 127**	**49 407**	**1 348 573**	**1 320 435**
Liabilities								
Financial liabilities held for trading	-	-	103 439	85 508	-	-	103 439	85 508
Derivatives held for trading	-	-	103 439	85 508	-	-	103 439	85 508
Derivatives - Hedge accounting	-	-	49 077	42 915	-	-	49 077	42 915
Total	**-**	**-**	**152 516**	**128 423**	**-**	**-**	**152 516**	**128 423**

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.

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.	2014	Gains / Losses in profit or loss	Gains / Losses in other comprehensive income	Purchase	Sales/ Settlements	Transfer into Level 3	Transfer out of level 3	2015
Assets								
Financial assets held for trading	2 081	(40)	-	-	(2 319)	1 388	(207)	902
Derivatives held for trading	2 081	(40)	-	-	(2 319)	1 388	(207)	902
Financial assets designated at fair value through Profit & Loss	13 557	(21)	-	-	(2 508)	-	-	11 028
Financial assets available for sale	29 489	650	24 589	-	(655)	5	(16 603)	37 477
Total	**45 127**	**589**	**24 589**	**-**	**(5 482)**	**1 393**	**(16 810)**	**49 407**

EUR ths.	2013	Gains / Losses in profit or loss	Gains / Losses in other comprehensive income	Purchase	Sales/ Settlements	Transfer into Level 3	Transfer out of level 3	2014
Assets								
Financial assets held for trading	-	-	-	-	-	2 081		2 081
Derivatives held for trading	-	-	-	-	-	2 081		2 081
Financial assets designated at fair value through Profit & Loss	13 752	976	-	-	(1 198)	28		13 557
Financial assets available for sale	34 444	962	338	2 000	(8 255)	-		29 489
Total	**48 196**	**1 938**	**338**	**2 000**	**(9 453)**	**2 109**		**45 127**

Gains or losses on Level 3 financial instruments held at the end of the reporting period, which are included in the income statement were as follows:

EUR ths.	2014	2015
Assets		
Financial assets held for trading	2 124	(650)
Financial assets designated at FV through profit or loss	912	(327)
TOTAL	**3 036**	**(977)**

The volume of Level 3 financial instruments 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 December 2015.

EUR ths.	Carrying amount	Fair value	Quoted market prices in active marktes Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets					
Cash and cash balances	322 811	322 811	-	-	-
Financial assets - held to maturity	2 490 694	2 992 288	2 951 504	40 681	103
Loans and receivables to credit institutions	121 583	121 793	-	-	121 793
Loans and receivables to customers	9 414 716	9 666 089	-	-	9 666 089
Liabilities					
Financial liabilities measured at amortised costs	12 164 938	12 159 689	-	1 134 150	11 025 538
Deposits from banks	384 965	379 633	-	-	379 633
Deposits from customers	10 678 019	10 638 434	-	-	10 638 434
Debt securities issued	1 101 954	1 134 150	-	1 134 150	-

The following table shows fair values and fair value hierarchy of the financial instruments disclosed in the notes as at 31 December 2014.

EUR ths.	Carrying amount	Fair value	Quoted market prices in active marktes Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
Assets					
Cash and cash balances	408 119	408 119	-	-	-
Financial assets - held to maturity	2 579 817	3 061 949	2 995 616	66 231	102
Loans and receivables to credit institutions	179 005	163 073	-	-	163 073
Loans and receivables to customers	8 142 383	8 154 045	-	-	8 154 045
Liabilities					
Financial liabilities measured at amortised costs	11 354 414	10 921 141	-	936 200	9 984 941
Deposits from banks	740 685	732 923	-	-	732 923
Deposits from customers	9 683 889	9 476 925	-	-	9 476 925
Debt securities issued	929 840	936 200	-	936 200	-

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 grouped 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 resulting loan equivalents are treated like other on-balance sheet assets. 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 December 2015 the estimated fair value of investment property was in amount of 2,8 mil. Eur (2014: 3,2 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 2 of the fair value hierarchy.

39) Current and non-current assets and liabilities

The classification of assets, liabilities and equity to current (due within one year) and non-current (due over one year) based on their remaining contractual maturity is shown in the following table:

EUR ths.	2014		2015	
	< 1 year	> 1 year	< 1 year	> 1 year
Assets				
Cash and cash balances	408 119	-	322 811	-
Financial assets - held for trading	23 949	77 625	25 372	59 042
Derivatives	23 949	77 625	25 372	59 042
Financial assets - at fair value through profit or loss	4	20 199	6 641	11 027
Financial assets - available for sale	54 627	1 164 525	129 441	1 082 170
Financial assets - held to maturity	80 896	2 498 921	107 120	2 383 574
Loans and receivables to credit institutions	179 005	-	121 583	-
Loans and receivables to customers	1 305 677	6 836 706	1 449 375	7 965 341
Derivatives - hedge accounting	-	8 322	-	7 418
Property and equipment	-	113 801	-	111 947
Investment properties	-	3 306	-	2 880
Intangible assets	-	89 963	-	86 971
Investments in subsidiaries and associates	-	19 493	-	21 399
Deferred tax assets	-	33 923	-	29 739
Other assets	23 525	-	27 214	-
TOTAL ASSETS	**2 075 803**	**10 866 783**	**2 189 557**	**11 761 508**
Liabilities				
Financial liabilities - held for trading	29 411	74 028	28 139	57 369
Derivatives	29 411	74 028	28 139	57 369
Financial liabilities measured at amortised cost	10 048 953	1 305 462	10 641 586	1 523 352
Deposits from banks	499 595	241 091	198 194	186 771
Deposits from customers	9 396 406	287 483	10 317 284	360 735
Debt securities issued	152 952	776 888	126 108	975 846
Derivatives - hedge accounting	-	49 077	-	42 915
Provisions	-	30 260	-	28 067
Current tax liabilities	22 765	-	5 925	-
Other liabilities	109 332	-	115 948	-
TOTAL LIABILITIES	**10 210 462**	**1 458 826**	**10 791 598**	**1 651 703**

The following table details the Bank's non-derivative financial liabilities based on their remaining contractual maturity (calculated as undiscounted cash flows):

2015 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Financial liabilities measured at amortised cost						
Deposits from banks	31 972	42 196	124 400	97 330	95 173	391 071
Deposits from customers	7 747 437	1 037 144	1 536 692	363 688	-	10 684 961
Debt securities issued	3 051	76 671	46 935	799 783	239 218	1 165 658
Total	**7 782 461**	**1 156 011**	**1 708 026**	**1 260 801**	**334 391**	**12 241 690**

2014 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Financial liabilities measured at amortised cost						
Deposits from banks	403 616	82 068	14 093	181 279	64 563	745 619
Deposits from customers	6 950 163	1 031 685	1 419 849	290 859	-	9 692 557
Debt securities issued	539	47 856	105 918	642 916	204 938	1 002 167
Total	**7 354 317**	**1 161 610**	**1 539 860**	**1 115 055**	**269 502**	**11 440 344**

40) Own funds and capital requirements

The supervising authorities for the Bank are the European Central Bank together with the National Bank of Slovakia and the Austrian Financial Market Authority. Based on their common decision the Bank shall, on an individual basis, at all times satisfy the overall capital ratio equal to 6.85% in terms of CET1 ratio as defined in the Regulation (EU) no. 575/2013 of he European Parliament and of the Council, as well as the own funds requirement of 11.69%. As at 31 December 2015 the Bank fulfilled the minimum level of capital adequacy and also at the end of the year 2014. The capital adequacy is defined as a ratio of the total capital to 12,5-multiple of the capital requirement defined by the Slovak Banking Act and other related legislation.

The Bank calculates requirements for credit risk using the Basel II IRB approach. For market risk of its trading portfolios, the Bank uses internal VaR models. For operational risk the Bank uses AMA approach.

The Bank's regulatory capital is assessed in two tiers:

Tier 1 – capital, which includes ordinary share capital, share premium, retained earnings, translation reserve after deduction for goodwill, intangible assets, AFS reserve (negative revaluation only) and other regulatory adjustments relating to the items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 – capital, which includes qualifying subordinated liabilities and the element of fair value reserve relating to unrealised gains on equity instruments classified as available for sale.

Various limits are applied to the particular elements of the Bank's capital base. The amount of qualifying tier 2 capital cannot exceed tier 1 capital and the amount of qualifying term subordinated loans may not exceed 50% of tier 1 capital. Other deductions from capital include the carrying amount of investments qualifying as financial institutions exceeding 10-percent participation on their share capital.

The Bank's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain the future development of its business. The Bank's policies relating to capital management and allocation are reviewed regularly by the Board of Directors.

The Bank's regulatory capital position (according to the Regulation (EU) no. 575/2013) was as follows:

EUR ths.	Basel III	
	2014	2015
Tier 1 capital		
Ordinary share capital	212 000	212 000
Capital reserves	118 899	118 899
Retained earnings	702 446	740 726
Less intangible assets	(89 963)	(86 971)
Other regulatory adjustments	(26 750)	44 031
Total	**916 632**	**1 028 685**
Additional Tier 1 capital		
Paid up capital instruments	-	150 000
Total	**-**	**150 000**
Tier 2 capital		
IRB Surplus	12 613	16 031
Paid up capital instruments and subordinated loans	100 914	75 016
Total	**113 527**	**91 047**
Total regulatory capital	**1 030 159**	**1 269 733**

41) Events after the reporting period

From 31 December 2015 up to the date of issue of these separate financial statements there were no events identified that would require adjustments or disclosure.

These separate financial statements were signed and authorised for issue by the Board of Directors of the Bank on 16 February 2016.

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In. Štefan Máj
Chairman of the Board of Directors and
Chief Executive Officer

Ing. Peter Krutil
Deputy Chairman of the Board of Directors and
First Deputy of Chief Executive Officer