

# **Slovenská sporiteľňa, a.s.**

**Interim consolidated financial statements  
prepared in accordance with International Accounting Standard IAS 34  
Interim Financial Reporting  
for the accounting period ended 30 June 2018  
(Translated version, original version in Slovak Language)**

## Content

Consolidated statement of profit or loss.....	1
Statement of Income.....	1
Earnings per share .....	1
Consolidated Statement of Comprehensive Income .....	2
Consolidated statement of financial position.....	3
Consolidated statement of changes in equity .....	4
Consolidated statement of cash flows .....	5
Notes to the interim consolidated financial statements .....	6
A. General information .....	6
B. Significant accounting policies.....	7
a) Statement of compliance.....	7
b) Basis of preparation .....	7
c) Accounting and measurement methods.....	8
d) Significant accounting judgements, assumptions and estimates.....	29
e) Application of new and amended IAS / IFRS .....	32
C. Notes .....	36
1. Net interest income .....	36
2. Net fee and commission income.....	37
3. Dividend income .....	37
4. Net trading and fair value result .....	37
5. Gains / losses from financial instruments measured at fair value through profit or loss .....	38
6. General administrative expenses.....	38
7. Gains / losses from financial assets and liabilities not measured at fair value through profit or loss, net .....	39
8. Net impairment loss on financial assets not measured at fair value through profit or loss .....	39
9. Net impairment loss from financial instrument .....	39
10. Other operating result .....	40
11. Taxes on income .....	40
12. Cash and cash balances.....	40
13. Derivatives held for trading .....	41
14. Financial assets at fair value through profit or loss.....	41
15. Non-trading financial assets at fair value through profit or loss .....	42
16. Financial assets available for sale .....	42
17. Financial assets at fair value through other comprehensive income.....	42
18. Financial assets held to maturity .....	42
19. Loans and receivables to credit institutions.....	43
20. Loans and receivables to customers .....	43
21. Financial assets at amortised cost.....	45
22. Finance lease receivables.....	48
23. Hedge accounting derivatives .....	49
24. Trade and other receivables .....	49
25. Investments in subsidiaries and associates.....	50
26. Other assets .....	51
27. Financial liabilities measured at amortised cost .....	52
28. Provisions.....	56
29. Other liabilities.....	57
30. Equity .....	57
31. Related party transactions .....	58
32. Off-balance sheet items .....	60
33. Collaterals .....	60
34. Assets under administration .....	60
35. Segment reporting .....	61
36. Risk management.....	65
37. Fair values of financial assets and liabilities .....	82
38. Own funds and capital requirements.....	89
39. Events after the reporting period .....	109

## Consolidated statement of profit or loss

for the period ended 30 June 2018

### Statement of Income

EUR ths.	Pozn.	30.6.2017	30.6.2018
Net interest income	1	217 955	217 584
Interest income		236 259	234 680
Other similar income		x	4 025
Interest expense		(18 304)	(14 584)
Other similar expense		x	(6 537)
Net fee and commission income	2	54 791	58 393
Fee and commission income		66 736	72 035
Fee and commission expense		(11 945)	(13 642)
Dividend income	3	727	746
Net trading result	4	8 613	4 738
Gains/losses from financial instruments measured at fair value through profit or loss	5	(201)	(185)
Net result from equity method investments		1 256	974
Rental income from investment properties & other operating leases		151	155
Personnel expenses	6	(66 258)	(67 158)
Other administrative expenses	6	(47 465)	(48 165)
Depreciation and amortisation	6	(22 494)	(21 979)
Gains/losses from financial instruments not measured at fair value through profit or loss	7	293	x
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss		x	(1)
Net impairment loss on financial assets not measured at fair value through profit or loss	8	(19 561)	x
Impairment result from financial instruments	9	x	(11 690)
Other operating result	10	(13 371)	(19 058)
Levies on banking activities		(16 087)	(17 491)
<b>Pre-tax profit from continuing operations</b>		<b>114 436</b>	<b>114 354</b>
Taxes on income	11	(27 904)	(25 365)
<b>Net result for the period</b>		<b>86 532</b>	<b>88 989</b>
<b>Net result attributable to non-controlling interests</b>		<b>36</b>	<b>39</b>
<b>Net result attributable to owners of the parent</b>		<b>86 496</b>	<b>88 950</b>

### Earnings per share

	30.6.2017	30.6.2018
Net result attributable to owners of the parent (in EUR ths.)	86 496	88 950
Number of outstanding shares (in pcs.)	212 000	212 000
<b>Earnings per share (in EUR)</b>	<b>408</b>	<b>420</b>

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

The notes on pages 6 to 109 are an integral part of these interim consolidated financial statements.

## Consolidated Statement of Comprehensive Income

for the period ended 30 June 2018

EUR ths.	30.6.2017	30.6.2018
<b>Net result for the period</b>	<b>86 532</b>	<b>88 989</b>
<b>Other comprehensive income</b>		
<b>Items that may not be reclassified to profit or loss</b>		
Fair value changes of equity instruments at fair value through other comprehensive income	x	13 211
Deferred taxes relating to items that may not be reclassified	164	(2 774)
<b>Total</b>	<b>164</b>	<b>10 437</b>
<b>Items that may be reclassified to profit or loss</b>		
Debt instruments at fair value through other comprehensive income	(300)	x
Gain/loss during the period	(309)	x
Reclassification adjustments	9	-
Currency translation	221	(172)
Gains/losses during the period	221	(172)
Deferred taxes relating to items that may be reclassified	66	-
Gain/loss during the period	68	-
Reclassification adjustments	(2)	-
<b>Total</b>	<b>(13)</b>	<b>(172)</b>
<b>Total other comprehensive income</b>	<b>151</b>	<b>10 265</b>
<b>Total comprehensive income</b>	<b>86 683</b>	<b>99 254</b>
<b>Total comprehensive income attributable to non-controlling interests</b>	<b>36</b>	<b>39</b>
<b>Total comprehensive income attributable to owners of the parent</b>	<b>86 647</b>	<b>99 215</b>

The notes on pages 6 to 109 are an integral part of these interim consolidated financial statements.

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018**Consolidated statement of financial position**

As at 30 June 2018

EUR ths.	Pozn.	31.12.2017	30.6.2018
<b>Assets</b>			
Cash and cash balances	12	424 229	430 117
Financial assets held for trading		36 484	38 861
Derivatives	13	36 484	38 861
Financial assets at fair value through profit or loss	14	5 602	x
Non-trading financial assets at fair value through profit or loss	15	x	28 905
Equity instruments		x	3 079
Debt securities		x	25 826
Financial assets available for sale	16	1 020 620	x
<i>thereof pledged as collateral</i>		191 439	x
Financial assets at fair value through other comprehensive income	17	x	58 175
Equity investments		x	58 175
Financial assets held to maturity	18	2 644 402	x
<i>thereof pledged as collateral</i>		59 010	x
Loans and receivables to credit institutions	19	177 616	x
Loans and receivables to customers	20	11 719 733	x
<i>thereof pledged as collateral</i>		1 462 588	x
Financial assets at amortised cost	21	x	15 887 053
<i>thereof pledged as collateral</i>		x	1 645 488
Debt securities		x	3 560 114
Loans and advances to banks		x	43 590
Loans and advances to customers		x	12 283 349
Finance lease receivables	22	x	98 088
Hedge accounting derivatives	23	6 761	6 957
Property and equipment		149 564	144 434
Investment property		2 031	2 090
Intangible assets		55 457	44 926
Investments in joint ventures and associates	25	31 123	30 879
Current tax assets		10 634	15 651
Deferred tax assets		33 711	44 983
Trade and other receivables	24	x	110 379
Other assets	26	25 145	25 288
<b>Total assets</b>		<b>16 343 112</b>	<b>16 966 786</b>
<b>Liabilities and Equity</b>			
Financial liabilities held for trading		33 344	36 413
Derivatives	13	33 344	36 413
Financial liabilities measured at amortised cost	27	14 624 693	15 353 981
Deposits from banks		488 564	519 411
Deposits from customers		12 477 892	13 299 978
Debt securities in issue		1 567 216	1 440 263
Other financial liabilities		91 021	94 329
Hedge accounting derivatives	23	42 100	40 327
Provisions	28	25 067	22 956
Current tax liabilities		1	72
Other liabilities	29	82 236	86 958
<b>Total liabilities</b>		<b>14 807 441</b>	<b>15 540 707</b>
Equity attributable to non-controlling interests		31	70
Equity attributable to owners of the parent	30	1 535 640	1 426 009
Subscribed capital		212 000	212 000
Additional paid-in capital		150 000	150 000
Retained earning and other reserves		1 173 640	1 064 009
<b>Total equity</b>		<b>1 535 671</b>	<b>1 426 079</b>
<b>Total liabilities and equity</b>		<b>16 343 112</b>	<b>16 966 786</b>

The notes on pages 6 to 109 are an integral part of these interim consolidated financial statements.

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting

for the accounting period ended 30 June 2018

**Consolidated statement of changes in equity**

for the period ended 30 June 2018

EUR ths.	Subscribed capital	Other capital instruments	Legal reserve fund	Other funds	Retained earnings	Available for sale reserve	Fair value reserve	Liability own credit risk 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
<b>As of 31.12.2016</b>	<b>212 000</b>	<b>150 000</b>	<b>79 795</b>	<b>39 326</b>	<b>998 138</b>	<b>106 303</b>	<b>x</b>	<b>x</b>	<b>(386)</b>	<b>(782)</b>	<b>(22 326)</b>	<b>1 562 068</b>	<b>36</b>	<b>1 562 104</b>
Dividends paid	-	-	-	-	(196 345)	-	x	x	-	-	-	(196 345)	-	(196 345)
Other changes	-	-	-	-	295	-	x	x	-	-	-	295	-	295
Total comprehensive income	-	-	-	-	86 496	(301)	x	x	221	-	231	86 647	36	86 683
Net result for the period	-	-	-	-	86 496	-	x	x	-	-	-	86 496	36	86 532
Change in revaluation reserve	-	-	-	-	-	(301)	x	x	221	-	-	151	-	(80)
Change in tax	-	-	-	-	-	-	x	x	-	-	231	-	-	231
<b>As of 30.6.2017</b>	<b>212 000</b>	<b>150 000</b>	<b>79 795</b>	<b>39 326</b>	<b>888 584</b>	<b>106 002</b>	<b>x</b>	<b>x</b>	<b>(165)</b>	<b>(782)</b>	<b>(22 095)</b>	<b>1 452 665</b>	<b>72</b>	<b>1 452 736</b>
<b>As of 31.12.2017</b>	<b>212 000</b>	<b>150 000</b>	<b>79 795</b>	<b>39 104</b>	<b>960 340</b>	<b>120 072</b>	<b>x</b>	<b>x</b>	<b>23</b>	<b>(608)</b>	<b>(25 086)</b>	<b>1 535 640</b>	<b>31</b>	<b>1 535 671</b>
Changes of initial application of IFRS 9	-	-	-	-	3 683	(120 200)	31 133	-	-	128	25 215	(60 041)	-	(60 041)
<b>Restated balance as of 1 January 2018</b>	<b>212 000</b>	<b>150 000</b>	<b>79 795</b>	<b>39 104</b>	<b>964 023</b>	<b>x</b>	<b>31 133</b>	<b>x</b>	<b>23</b>	<b>(480)</b>	<b>x</b>	<b>1 475 598</b>	<b>31</b>	<b>1 475 629</b>
Dividends paid	-	-	-	-	(148 688)	x	-	-	-	-	x	(148 688)	-	(148 688)
Other changes	-	-	-	-	(116)	x	-	-	-	-	x	(116)	-	(116)
Total comprehensive income	-	-	-	-	88 950	-	10 437	-	(172)	-	-	99 215	39	99 254
Net result for the period	-	-	-	-	88 950	x	-	-	-	-	x	88 950	39	88 989
Change in revaluation reserve	-	-	-	-	-	x	10 437	-	-	-	x	10 437	-	10 437
Change in currency translation reserve	-	-	-	-	-	x	-	-	(172)	-	x	(172)	-	(172)
<b>As of 30.6.2018</b>	<b>212 000</b>	<b>150 000</b>	<b>79 795</b>	<b>39 104</b>	<b>904 169</b>	<b>x</b>	<b>41 570</b>	<b>-</b>	<b>(149)</b>	<b>(480)</b>	<b>x</b>	<b>1 426 009</b>	<b>70</b>	<b>1 426 079</b>

The notes on pages 6 to 109 are an integral part of these interim consolidated financial statements.

## Consolidated statement of cash flows

for the period ended 30 June 2018

EUR ths.	30.6.2017	30.6.2018
<b>Profit before income taxes</b>	<b>114 436</b>	<b>114 353</b>
Adjustments for:		
Loss allowances for loans and advances, Provisions for off-balance sheet	68 699	3 872
Provisions for liabilities and other liabilities	(11 513)	(10 967)
Impairment of tangible and intangible assets net	(1 803)	-
Depreciation and amortization	22 494	21 979
Profit/(loss) on disposal of fixed assets	2 115	365
Transfer of interest for financing activity	8 157	7 346
Net gains/(losses) from investing activities	(46 082)	(53 814)
<b>Cash flows from operations before changes in operating assets and liabilities</b>	<b>156 503</b>	<b>83 134</b>
(Increase)/decrease in operating assets:		
Minimum reserve deposits with the central bank	(62 709)	(1 548)
Loans and advances to banks	(117 881)	134 026
Loans and advances to customers	(784 521)	(774 168)
Financial assets at fair value through profit or loss and securities available for sale	39 652	24
Other assets	(27 114)	(5 159)
Increase / (decrease) in operating liabilities:		
Amounts owed to financial institutions	16 927	30 842
Amounts owed to customers	729 953	822 091
Other financial liabilities	-	3 308
Increase/(decrease) in derivative financial instruments (net)	(10 287)	(1 277)
Provision for liabilities and other provisions	(3 843)	(1 314)
Other liabilities	30 133	19 865
<b>Net cash flows provided by / (used in) operating activities before income tax</b>	<b>(33 187)</b>	<b>309 824</b>
Income taxes paid	(36 399)	(27 161)
<b>Net cash flows provided by / (used in) operating activities</b>	<b>(69 586)</b>	<b>282 663</b>
<b>Cash flows from investing activities</b>		
Purchase of securities measured at AC	(461 009)	(92 826)
Proceeds from securities measured at AC	519 896	14 977
Interest received from the securities measured at AC	72 695	89 430
Dividends received from subsidiaries, associates and other investments	2 038	-
Purchase of share in subsidiaries and associates	-	(6)
Purchase of intangible assets, property and equipment	(6 295)	(7 186)
Proceeds from sale of intangible assets, property and equipment	2 481	446
<b>Net cash flows provided by / (used in) investing activities</b>	<b>129 806</b>	<b>4 835</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(196 345)	(148 688)
Repayment of subordinated debt	-	(13 567)
Interest paid on subordinated debt	(500)	(534)
Issue of the bonds	223 435	52 764
Repayment of the bonds	(84 963)	(167 396)
Interest paid to the holders of the bonds	(6 842)	(5 566)
<b>Net cash flows provided by / (used in) financing activities</b>	<b>(65 215)</b>	<b>(282 987)</b>
Effect of foreign exchange rate changes on cash and cash equivalents	(233)	(170)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(5 228)</b>	<b>4 341</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>348 040</b>	<b>423 590</b>
<b>Cash and cash equivalents at end of period</b>	<b>342 812</b>	<b>427 931</b>
<b>Operational cash flows from interest and dividends</b>		
Income taxes paid	(36 399)	(27 161)
Interest paid	(13 767)	(8 172)
Interest received	165 713	175 862
Dividends received	-	710

The notes on pages 6 to 109 are an integral part of these interim consolidated financial statements.

As at 30.06.2018 and 31.12.2017 there were no other significant non-cash movements from investing and financing activities.

## Notes to the interim consolidated financial statements

### 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 30 June 2018 the sole shareholder of the Bank was Erste Group Bank AG with the registered office located at Am Belvedere 1, 1100 Vienna, Austria. The financial statements of Erste Group Bank AG (the parent) will be available after their completion the austrian court Firmenbuchgericht Wien, Marxergasse 1a, 1030 Vienna.

The ultimate controlling parties of Erste Group Bank AG as at 30 June 2018 were DIE ERSTE oesterreichische Spar-Casse Privatstiftung and CaixaBank S.A.. Information on the parent company's shareholder structure are published in the financial statements of Erste Group Bank AG for the year 2017.

The Board of Directors of the Group had four members as at 30 June 2018:

Ing. Peter Krutil (chairman), Mag. Alexandra Habeler-Drabek (member), Ing. Zdeněk Románek (member) and Ing. Pavel Cetkovský.

Effective from 1 July 2018, following a prior approval of the European Central Bank, Ing. Milana Hain, PhD. has been elected as a member of the Board of Directors responsible for IT and payment services.

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 Group had five members as at 30 June 2018:

Gernot Mittendorfer M.B.A. (chairman), Mag. Jan Homan (member), Ing. Tatiana Knošková (member), JUDr. Beatrice Melichárová (member) and Ing. Alena Adamcová (member).

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

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

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

These consolidated financial statements are statements of the Bank and its subsidiaries and associates (the Group) that are disclosed in note 25.



## **B. Significant accounting policies**

### **a) Statement of compliance**

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

These interim consolidated financial statements for the period ended 30 June 2018 are prepared in accordance with International Financial Reporting Standards ('IFRS' or 'IAS') as adopted by the European Union ('EU') on the basis of the regulation no. 1606/2002.

IFRS as adopted by the EU do not currently differ from IFRS and interpretations as issued by the International Accounting Standards Board (IASB), except for certain standards issued but not yet effective and certain hedge accounting requirements under IAS 39 which have not been endorsed by the EU. The Group has assessed that the standards not endorsed by the EU would not impact significantly these interim separate financial statements if they were applicable as at the presented balance sheet date. Information on application of new and amended IAS / IFRS standards are detailed in the note e).

### **b) Basis of preparation**

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

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

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

These interim consolidated financial statements are presented in Euro (Eur), which is the functional currency of the Group besides the associate Holding Card Service, spol. s r.o., which has Czech crown (Czk) as functional currency. The functional currency is the currency of the primary business environment in which an entity operates.

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

The comparative amounts presented in these interim financial statement are those presented in the Consolidated statement of financial positions as at 31 December 2017 and the Consolidated statement of profit or loss and and the Consolidated statement of other comprehensive income for the year ended 30 June 2017.

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

These interim consolidated financial statements are not audited.

## **c) Accounting and measurement methods**

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

Due to the initial adoption of IFRS 9 (as explained below) the Group decided to disclose full description of accounting methods and measurement methods in these interim consolidated financial statements.

### **Financial instruments**

Financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party. In accordance with IAS 39, all financial assets and financial liabilities, including derivative financial instruments, have to be recognised on the balance sheet and measured in accordance with their assigned categories.

#### **Measurement methods for financial instruments**

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

##### **i. Amortised cost and effective interest rate**

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

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

For purchased or originated credit-impaired financial assets ("POCI", see part 'Impairment of financial instruments under IFRS 9') credit-adjusted EIR is used. It is the rate that exactly discounts the estimated future cash flows which consider expected credit losses to the amortised cost of a financial asset.

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

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

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

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

## ii. Fair value

Fair value is the price that would be received if an asset were sold or paid, if a liability were transferred in an orderly transaction between market participants on the measurement date. The definition also applies to fair value measurements of non-financial assets and liabilities.

Details on valuation techniques applied for fair value measurement and on the fair value hierarchy are disclosed in Note 37.

## iii. Initial recognition and measurement

### Initial recognition

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 the settlement date, which is the date when an asset is delivered.

### Initial measurement

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

## Classification and subsequent measurement of financial assets under IFRS 9

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

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

## i. Financial assets at amortised cost

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

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

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

The financial assets of the Group measured at amortised cost constitute the largest measurement category, which includes the vast majority of loan business to customers, interbank lending business (including reverse repo transactions), deposits with central banks, amounts in the course of settlement, trade and other receivables. Investments in debt securities measured at amortised cost may be acquired with different business objectives (such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationship, substitution of loan business or other yield enhancement activities). Significant and frequent sales of such securities are not expected by the Group. For a description of what sales are considered as compliant with the held to collect contractual cash flows business model see the “Business model assessment” part in chapter d) Significant accounting judgements, assumptions and estimates.

## **ii. Financial assets at fair value through other comprehensive income**

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

Interest income on these assets is calculated using the effective interest method and is included under the line ‘Net interest income’ in the statement of income. Impairment gains and losses are recognised in profit or loss in the line ‘Impairment result from financial instruments’.

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

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

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

## **iii. Financial assets at fair value through profit or loss**

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

Financial assets whose contractual cash flows are not considered as SPPI are automatically measured at FVPL.

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

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

On the balance sheet, debt instrument financial assets measured at FVPL are presented as 'Financial assets held for trading', sub-item 'Other financial assets held for trading' and 'Non-trading financial assets at fair value through profit or loss', (sub-items 'Debt securities', 'Loans and advances to banks' and 'Loans and advances to customers'). Non-trading financial assets consist of two sub-categories disclosed in Note 20 which are 'mandatorily at fair value through profit or loss' and 'designated at fair value through profit or loss'. Financial assets are mandatorily measured at fair value through profit or loss either because their contractual cash flows are not SPPI or they are held as part of residual business models which are other than held for trading.

Investments in equity instruments which are held for trading (i.e. financial assets held by the trading function of the bank) are measured at FVPL. They are included in the balance sheet under the line 'Financial assets held for trading', sub-item 'Other financial assets held for trading'. Investments in equity instruments which are not held for trading are also measured at FVPL (unless they are designated at FVOCI). They are presented in the balance sheet under 'Non-trading financial assets at fair value through profit or loss', sub-item 'Equity instruments', sub-category 'mandatorily at fair value through profit or loss' in Note 15.

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

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

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

#### **v. Financial liabilities at amortised cost**

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

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

## vi. Financial liabilities at fair value through profit or loss

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

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

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

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

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

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

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

### IAS 39

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

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

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

#### **i. Cash and cash balances**

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

#### **ii. Derivative financial instruments**

Please refer to the part Derivative financial instruments below.

#### **iii. Financial assets and financial liabilities held for trading**

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

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

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

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

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

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

The 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, the performance of the portfolio is evaluated and regularly reported to the management board.

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

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

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

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

at the end of period and component on internal return specific for particular instrument established at the beginning of the period.

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

#### **v. Financial assets available for sale**

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

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

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

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

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

#### **vi. Financial assets held to maturity**

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

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

#### **vii. Loans and receivables**

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



**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

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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 Group 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, other than because of credit deterioration.

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

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

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

#### viii. Financial liabilities measured at amortised cost

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

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

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

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

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

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

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

**Impairment of financial instruments under IFRS 9**

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

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

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

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

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

Financial assets in Stage 3 are credit-impaired. In respect of applying the 'credit-impaired' concept of IFRS 9, the Group generally adopted the approach of aligning it with the regulatory concept of 'default' for lending exposures. The impairment for such financial assets is measured in the amount of lifetime expected credit loss. Interest income is recognised by EIR applied to the amortised cost (i.e. the net carrying amount) of the financial asset. From balance sheet perspective, interest is accrued based on the financial assets' gross carrying amount. The difference between the interest accrued on the assets and the interest income recognised is reflected through the allowance account (without impacting the impairment loss). Stage 3 classification is not relevant for loan commitments and financial guarantees.

More detailed information about identification of significant increases in credit risk including collective assessment, estimation techniques used to measure 12-month and lifetime expected credit losses and definition of default is provided in Note 36.

The loss allowances decrease the value of the assets. I.e. for financial assets measured at amortised cost the net carrying amount of the financial asset presented on the balance sheet is the difference between the gross carrying amount and the cumulative loss allowance. However, for financial assets measured at FVOCI the loss allowance is recognised in accumulated OCI, specifically under 'Fair value reserve' in the statement of changes in equity. Loss allowances for loan commitments and financial guarantees are presented under the balance sheet line item 'Provisions'.

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

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

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

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

The 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, the Group uses the incurred but not reported losses concept. It identifies the time period between the moment of the loss event causing future problems and actual detection of the problems by the Group at the moment of default.

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

### Financial assets measured 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 19 and 20. 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.

## 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 line item 'Available for sale reserve'. Impairment losses and their reversals are recognised directly against the affected financial assets presented on the balance sheet.

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

## Contingent liabilities

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

## Write-offs of financial assets

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

## Derecognition of financial instruments

### vii. Derecognition of financial assets

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

- the contractual rights to receive cash flows from the asset have expired, or
- the Group transferred its contractual rights to receive cash flows from the asset to third party,

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

#### viii. Derecognition of financial liabilities

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

#### Derivative financial instruments

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

For presentation purposes derivatives are split into:

- Derivatives – held for trading
- Derivatives – hedge accounting

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

Derivatives – held for trading are those, which are not designated as hedging instruments for hedge accounting. They are presented in the line item 'Derivatives' under the heading 'Financial assets / Financial liabilities held for trading'. All kinds of non-hedging derivatives without regard to their internal classification, i.e. both derivatives held in the trading book and banking book, are presented in this line item.

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

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

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

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

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

## **Embedded derivatives**

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

Embedded derivatives are separated from the host instruments if:

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

Embedded derivatives that are separated are accounted for as stand-alone derivatives and presented on the balance sheet under the line item 'Derivatives' in financial assets held for trading and financial liabilities held for trading. Derivatives that are not closely related and are separated are predominantly embedded in issued host debt instruments recognised as liabilities. The most typical cases are issues of bonds containing interest caps, floors or collars, or contractual features linking payments to non-interest variables such as FX rates, equity and commodity prices and indices, or third-party credit risk.

## **Repo transactions and reversal repo transactions**

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

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

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

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

## **Securities lending and borrowing**

In securities lending transactions, the lender transfers ownership of securities to the borrower on the condition that the borrower will retransfer, at the end of the agreed loan term, ownership of instruments of the same type, quality and quantity and will pay a fee determined by the duration of the lending. The transfer of the securities to counterparties via securities lending does not result in derecognition. Substantially all the risks and rewards of ownership are retained by the Group as a lender because the securities are received at the end of the securities lending transaction. Furthermore, the Group is the beneficiary of all the coupons and other income payments received on the transferred assets over the period of the securities

lending. Securities lent are presented separately under the original balance sheet items in the 'thereof pledged as collateral' lines. Fee income from securities lending transactions is presented in the statement of income under the line 'Net fee and commission income'.

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

### **Hedge accounting**

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

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

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

### **Offsetting financial instruments**

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

### **Financial guarantees**

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

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

The Group as a guarantor recognises financial guarantees as soon as it becomes a contracting party. Financial guarantees are initially measured at fair value. Generally, the initial measurement is the premium received for a guarantee. Subsequent to initial recognition, provisions are recognised based on the expected credit loss impairment model if the amount is higher than



the unamortised balance of the initial premium. They are presented on the balance sheet under the line 'Provisions'. In the comparative period the financial guarantee contracts were reviewed for the possibility that provision recognition under IAS 37 was required. The premium received is recognised in the statement of income under the line item 'Net fee and commission income' on a straight-line basis over the life of the guarantee.

## **Leasing**

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

### **i. The Group as a lessor**

In the case of a finance lease the lessor reports a receivable from the lessee under the line item 'Finance lease receivables'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the statement of income under the line item 'Net interest income'.

In the case of operating leases, the leased asset is reported by the lessor in 'Property and equipment' or in 'Investment properties' and is depreciated in accordance with the principles applicable to the assets involved. Lease income is recognised on a straight-line basis over the lease term in the statement of income under the line item 'Rental income from investment properties & other operating leases'.

### **ii. The Group as a lessee**

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

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

## **Foreign currency translations**

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

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

## **Property and equipment**

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

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

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

The estimated useful lives are as follows:

Type of property and equipment	Useful life as at
	31.12.2017 and 30.6.2018
Own buildings and structures	30 years
Rented premises	per contract
Office furniture and equipment	4 – 6 years
Computer hardware	4 years
Passenger cars	4 years
Fixture and fittings	6 – 12 years

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

**Investment property**

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

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

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

**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 as at
	31.12.2017 and 30.6.2018
Core banking system and related applications	8 years
Computer software	4 - 8 years

## **Impairment of non-financial assets (property and equipment, investment properties, intangible assets)**

The 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'.

## **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.

## **Provisions**

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

provisions are reported in the income statement line item 'Other operating result'. Information on provisions are detailed in the note 28.

## **Levies**

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

## **Taxes**

### **i. Current tax**

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

### **ii. Deferred tax**

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

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

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

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

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

## **Fiduciary assets**

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

## **Dividends on ordinary shares**

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

## **Recognition of income and expenses**

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

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

**i. Net interest income**

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 fees from lending business, payment services, securities transactions, as well as commissions from collective investment, custody and insurance products.

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

**iii. Dividend income**

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

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

**iv. Net trading result**

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

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

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

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

**vi. Rental income from investment properties & other operating leases**

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

**vii. Personnel expenses**

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

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

**viii. Other administrative expenses**

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

Furthermore, the line item contains deposit insurance contributions expenses.

**ix. Depreciation and amortisation**

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

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

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

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

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

**xii. Net impairment loss on financial instruments**

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

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

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

### **xiii. Other operating result**

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

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

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

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

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

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

### **xv. Net impairment loss on financial assets**

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

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

## **d) Significant accounting judgements, assumptions and estimates**

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

### **SPPI assessment**

The assessment of whether the contractual cash flows of financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) is subject to the application of significant judgements. These judgements are crucial in the IFRS 9 classification and measurement process as they determine whether the asset has to be measured at FVPL or, depending on the business model assessment, at amortised cost or at FVOCI. When taking into consideration specific features of loans in the business of the Group, significant areas of judgement are prepayment fees, project financing loans and benchmark test for loans with interest mismatches features.

The assessment whether the prepayment fees applied to loans can be considered as a reasonable compensation for early terminations or prepayments is based on comparing the level of the fees with the economic costs incurred by the Group upon the early termination. For these purposes, the Group uses a quantitative test where the costs relate to the lost interest margin and the lost interest differential due to a decrease in the interest rates upon early termination or prepayment. The evaluation is

normally performed on a portfolio level. The adequacy of the fees can also be defended on a qualitative basis such as common market practice regarding level prepayment fees and their acceptance by authorities.

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

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

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

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

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

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

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

## **Business model assessment**

For each SPPI-compliant financial asset at initial recognition, the Group has to assess whether it is part of a business model where the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets, or they are held in other business models. As a consequence, the critical aspect in distinguishing the business models is frequency and significance of sales of assets in the respective business model. Since the asset allocation to business models is based on the initial assessment, it may happen that in subsequent periods cash flows are realised differently than originally expected and a different measurement method may seem to be appropriate.



In accordance with IFRS 9 such subsequent changes do not generally lead to reclassifications or prior period error corrections in respect of existing financial assets. The new information on how cash flows are realised may, however, indicate that the business model and thus the measurement method changes for newly acquired or newly originated financial assets.

At the Group, sales due to increases in credit risk, sales close to assets' maturity, infrequent sales triggered by a non-recurring event (such as changes in regulatory or tax environment, major internal reorganisation or a business combination, severe liquidity crisis, etc.) are considered as not contradicting the held to collect contractual cash flows business model.

Other kinds of sales carried out in the 'held to collect' business model are assessed retrospectively and if they exceed certain quantitative thresholds, or whenever it is considered necessary with regard to new expectations, the Group performs a prospective test. If the outcome was that the carrying amount of assets expected to be sold over the expected life of the current business model portfolio, for reasons other than the cases above, exceeds 10% of the carrying amount of the portfolio, any new acquisitions or originations of assets in the portfolio would be classified in a different business model.

### **Impairment of financial instruments**

The expected credit loss impairment model is inherently based on judgement since it requires assessment of significant increases in credit risk and measurement of expected credit losses without providing detailed guidance. In respect of significant increases in credit risk, the Group has determined specific assessment rules consisting of qualitative information and quantitative thresholds. Another area of complexity relates to establishing groups of similar assets when credit risk deterioration has to be assessed on a collective basis before specific information is available at individual instrument level.

Measurement of expected credit losses involves complex models relying on historical statistic of probabilities of default and loss rates in case of defaults, their extrapolations in case of insufficient observations, individual estimates of credit-adjusted cash flows and probabilities of different scenarios including forward-looking information. In addition, the life of the instruments has to be modelled in respect of prepayment possibilities and in respect of behavioural life of revolving credit facilities.

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

### **Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible. Where observable market data are not available judgement is required to establish fair values. Disclosures on valuation models, the fair value hierarchy and fair values of financial instruments can be found in Note 37.

### **Deferred tax assets**

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

## **e) Application of new and amended IAS / IFRS**

### **IFRS 9 Financial Instruments**

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

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

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

**i. Classification and measurement of financial instruments**

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

EUR ths.	Original classification under IAS 39		New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
	Portfolio	Measurement method	Measurement method		
<b>Financial assets</b>					
Cash and cash balances	Amortised cost	AC	Amortised cost	424 229	424 229
Derivatives	Held-for-trading	FVTPL	Held-for-trading (FVTPL)	36 484	36 484
Derivatives - hedge accounting	Hedge accounting	FV	Hedge accounting	6 761	6 761
Loans and receivables to credit institutions	Loans and receivables	AC	Amortised cost	177 616	177 616
Loans and receivables to customers	Loans and receivables	AC	Amortised cost	11 574 003	11 575 799
Loans and receivables to customers	Loans and receivables	Finance Lease	Finance Lease	76 941	76 941
Loans and receivables to customers	Loans and receivables	Trade receivables and other receivables (AC)	Trade receivables and other receivables (AC)	68 789	68 789
Financial assets - available for sale (Debt instruments)	AFS	FVTOCI	Amortised cost	972 734	894 339
Financial assets - available for sale (Equity instruments)	AFS	FVTOCI	FVTPL	3 077	3 077
Financial assets - available for sale (Equity instruments)	AFS	FVTOCI	FVTOCI	44 808	44 808
Financial assets - held to maturity	Held-to-maturity	AC	Amortised cost	2 624 336	2 624 335
Financial assets - held to maturity	Held-to-maturity	AC	Mandatorily at FVTPL	20 065	20 406
Financial assets - at fair value through profit at loss	FV option	FVTPL	Mandatorily at FVTPL	5 602	5 602
<b>Total financial assets</b>				<b>16 035 446</b>	<b>15 959 187</b>
<b>Financial liabilities</b>					
Derivatives	Held-for-trading	FVTPL	Held-for-trading (FVTPL)	33 344	33 344
Derivatives - hedge accounting	Hedge accounting	FV	Hedge accounting	42 100	42 100
Financial liabilities - measured at amortised cost	AC	AC	Amortised cost	14 624 693	14 624 693
<b>Total financial liabilities</b>				<b>14 700 136</b>	<b>14 700 136</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

**ii. Reconciliation of carrying amounts of financial assets according categories**

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

EUR ths.	IAS 39 carrying amount as at 31.12.2017	Reclassifications +/-	Remeasurement +/- (effects of both revaluation and impairment changes)	IFRS 9 carrying amount as at 1.1.2018	Retained earnings effects +/-	OCI effects +/-
Measurement category						
<b>Amortised cost</b>	<b>14 889 039</b>	-	-	<b>14 889 039</b>	-	-
<b>Additions:</b>						
from IAS 39 FVTOCI (AFS)	-	972 734	(78 395)	894 339	281	78 115
from IAS 39 AC (L&R, HTM) - impairment remeasurement)	-	-	1 795	1 795	(1 795)	-
<b>Subtractions:</b>						
to IFRS 9 Mandatorily at FVTPL (IAS 39: HTM)	-	(20 065)	-	(20 065)	-	-
<b>Total change to Amortised cost</b>	<b>-</b>	<b>952 669</b>	<b>(76 600)</b>	<b>876 069</b>	<b>(1 515)</b>	<b>78 115</b>
<b>Amortised cost balances, reclassification and remeasurement as at 1.1.2018</b>	<b>14 889 039</b>	<b>952 669</b>	<b>(76 600)</b>	<b>15 765 108</b>	<b>(1 515)</b>	<b>78 115</b>
<b>Fair value through other comprehensive income</b>	<b>1 020 620</b>	-	-	<b>1 020 620</b>	-	-
<b>Fair value through other comprehensive income - debt instruments</b>	<b>972 734</b>	-	-	<b>972 734</b>	-	-
<b>Subtractions:</b>						
to IFRS 9 AC (IAS 39: AFS)	-	(972 734)	-	(972 734)	-	-
<b>Subtotal change to Fair value through other comprehensive income - debt instruments</b>	<b>-</b>	<b>(972 734)</b>	<b>-</b>	<b>(972 734)</b>	<b>-</b>	<b>-</b>
<b>Fair value through other comprehensive income - equity instruments</b>	<b>47 886</b>	-	-	<b>47 886</b>	-	-
<b>Subtractions:</b>						
to IFRS 9 FVTPL (IAS 39: AFS)	-	(3 077)	-	(3 077)	-	-
<b>Subtotal change to Fair value through other comprehensive income - equity instruments</b>	<b>-</b>	<b>(3 077)</b>	<b>-</b>	<b>(3 077)</b>	<b>-</b>	<b>-</b>
<b>Total change to Fair value through other comprehensive income</b>	<b>-</b>	<b>(975 812)</b>	<b>-</b>	<b>(975 812)</b>	<b>-</b>	<b>-</b>
<b>Fair value through other comprehensive income balances, reclassification and remeasurement as at 1.1.2018</b>	<b>1 020 620</b>	<b>(975 812)</b>	<b>-</b>	<b>44 808</b>	<b>-</b>	<b>-</b>
<b>Fair value through Profit or Loss</b>	<b>42 085</b>	-	-	<b>42 085</b>	-	-
<b>Additions:</b>						
from IAS 39 AC (HTM, IFRS 9: Mandatorily at FVTPL)	-	20 065	341	20 406	(341)	-
from IAS 39 FVTOCI (Equity instruments: AFS)	-	3 077	-	3 077	(2 393)	2 393
<b>Total change to Fair value through Profit or Loss</b>	<b>-</b>	<b>23 143</b>	<b>341</b>	<b>23 483</b>	<b>(2 734)</b>	<b>2 393</b>
<b>Fair value through Profit or Loss balances, reclassification and remeasurement as at 1.1.2018</b>	<b>42 085</b>	<b>23 143</b>	<b>341</b>	<b>65 569</b>	<b>(2 734)</b>	<b>2 393</b>
<b>Total Financial balances, reclassification and remeasurement as at 1.1.2018</b>	<b>15 951 744</b>	<b>-</b>	<b>(76 259)</b>	<b>15 875 485</b>	<b>(4 249)</b>	<b>80 508</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

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

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

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

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

**iii. Reconciliation of impairment allowance**

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

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

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

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

EUR ths.	Closing balance as at 31.12.2017 (IAS 39)	Opening balance as at 1.1.2018 (IFRS 9)	Retained earnings effects +/-	OCI effects +/-
Changes in deferred tax assets (DTA)	33 711	50 143	(474)	16 907
Changes in deferred tax liabilities (DTL)	-	-	-	-

## C. Notes

### 1. Net interest income

EUR ths.	30.6.2017	30.6.2018
<b>Interest and other similar income</b>		
Financial assets at amortised cost	228 909	234 680
Financial assets - held to maturity	45 084	x
Loans and receivables	183 825	x
Financial assets at amortised cost	x	234 680
Financial assets measured at fair value through other comprehensive income	11 859	x
Financial assets - available for sale	11 859	x
<b>Interest income</b>	<b>240 768</b>	<b>234 680</b>
Non-trading financial assets at fair value through profit or loss	x	77
Financial assets - held for trading	-	7 303
Financial assets - at fair value through profit or loss	(3)	-
Derivatives - hedge accounting, interest rate risk	(4 506)	(4 600)
Other assets	-	800
Negative interest from financial liabilities	x	445
<b>Other similar income</b>	<b>(4 509)</b>	<b>4 025</b>
<b>Total interest income</b>	<b>236 259</b>	<b>238 705</b>
<b>Interest and other similar expenses</b>		
Financial liabilities measured at amortised cost	(18 719)	(14 584)
<b>Interest expenses</b>	<b>(18 719)</b>	<b>(14 584)</b>
Financial liabilities - held for trading	-	(6 910)
Derivatives - hedge accounting, interest rate risk	428	432
Other liabilities	(13)	(59)
<b>Other similar expenses</b>	<b>415</b>	<b>(6 537)</b>
<b>Total Interest expenses</b>	<b>(18 304)</b>	<b>(21 121)</b>
<b>Net interest income</b>	<b>217 955</b>	<b>217 584</b>

In the first half of 2018 the interest income from impaired loans was in the amount of 4,12 mil. Eur.

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018**2. Net fee and commission income**

EUR ths.	30.6.2017	30.6.2018
<b>Fee and commission income</b>		
Securities	1 607	1 288
Issuances	5	465
Transfer orders	1 145	251
Other	457	572
Asset management	3 687	3 888
Custody	540	580
Collective investment	204	211
Other	336	369
Payment services	44 812	48 033
Card business	17 187	18 140
Others	27 625	29 893
Customer resources distributed but not managed	7 361	8 806
Insurance products (as agent)	7 200	8 795
Other	161	11
Lending Business	8 121	9 173
Loan commitments given	1 423	1 427
Guarantees given	1 536	1 745
Other lending business	5 162	6 001
Other	608	266
<b>Total</b>	<b>66 736</b>	<b>72 034</b>
<b>Fee and commission expense</b>		
Securities	(332)	(241)
Transfer orders	(332)	(236)
Other	-	(5)
Custody	(387)	(416)
Payment services	(5 823)	(8 240)
Card business	(5 555)	(6 045)
Others	(268)	(2 195)
Customer resources distributed but not managed	(705)	(986)
Insurance products (as agent)	(705)	(986)
Lending Business	(4 698)	(3 739)
Guarantees received	(8)	(8)
Other lending business	(4 690)	(3 731)
Other	-	(19)
<b>Total</b>	<b>(11 945)</b>	<b>(13 641)</b>
<b>Net fee and commission income</b>	<b>54 791</b>	<b>58 393</b>

**3. Dividend income**

EUR ths.	30.6.2017	30.6.2018
Financial assets designated at fair value through profit or loss	156	-
Non-trading financial assets at fair value through profit or loss	x	588
Available-for-sale financial assets	571	x
Financial assets at fair value through other comprehensive income	x	158
<b>Dividend income</b>	<b>727</b>	<b>746</b>

**4. Net trading and fair value result**

EUR ths.	30.6.2017	30.6.2018
Securities and derivatives trading	5 235	1 444
Foreign exchange transactions	3 135	3 308
Result from hedge accounting	243	(14)
<b>Net Trading Result</b>	<b>8 613</b>	<b>4 738</b>

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

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

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

Trading gains from the market positions of Erste Group Bank AG are distributed according to the approved rules to local banks within the Group based on their financial results and are reported in the income statement line item 'Net trading result'. The basic principle underlying these rules is that Erste Group Bank AG absorbs 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.	30.6.2017	30.6.2018
Result from measurement/sale of financial assets designated at fair value through profit or loss	(201)	(187)
<b>Result from financial assets and liabilities designated at fair value through profit or loss</b>	<b>(201)</b>	<b>(187)</b>
Result from measurement/sale of financial assets mandatorily at fair value through profit or loss	-	2
<b>Gains/losses from financial instruments measured at fair value through profit or loss</b>	<b>(201)</b>	<b>(185)</b>

## 6. General administrative expenses

EUR ths.	30.6.2017	30.6.2018
<b>Personnel expenses</b>	<b>(66 258)</b>	<b>(67 158)</b>
Wages and salaries	(47 394)	(47 962)
Compulsory social security	(16 520)	(16 927)
Other personnel expenses	(2 344)	(2 269)
<b>Other administrative expenses</b>	<b>(47 465)</b>	<b>(48 165)</b>
Deposit insurance contribution	(800)	(866)
IT expenses	(16 135)	(18 537)
Expenses for office space	(11 830)	(11 470)
Office operating expenses	(5 436)	(4 952)
Advertising/marketing	(7 961)	(7 100)
Legal and consulting costs	(1 215)	(1 844)
Sundry administrative expenses	(4 088)	(3 396)
<b>Depreciation and amortisation</b>	<b>(22 494)</b>	<b>(21 979)</b>
Software and other intangible assets	(12 413)	(12 284)
Owner occupied real estate	(5 585)	(5 432)
Investment properties	(112)	(106)
Office furniture and equipment and sundry property and equipment	(4 384)	(4 157)
<b>General administrative expenses</b>	<b>(136 217)</b>	<b>(137 302)</b>

As at 30 June 2018 the Group had 4 184 employees, thereof four members of the Board of Directors. As at 30 June 2017 the Group had 4 290 employees, thereof five members of the Board of Directors.



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

EUR ths.	30.6.2017	30.6.2018
Gain / (loss) from sale of financial assets available for sale	285	x
Gain / (loss) from sale of financial assets held to maturity	7	x
Gain / (loss) from repurchase of liabilities measured at amortised cost	1	x
<b>Total</b>	<b>293</b>	<b>x</b>

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

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

EUR ths.	30.6.2017	30.6.2018
Loans and receivables	(19 522)	x
Allocation to risk provisions for loans and receivables	(202 036)	x
Release of risk provisions for loans and receivables	129 137	x
Direct write-offs of loans and receivables	(437)	x
Recoveries on written-off loans and receivables	53 814	x
Financial assets held to maturity	(39)	x
<b>Total</b>	<b>(19 561)</b>	<b>x</b>

## 9. Net impairment loss from financial instrument

EUR ths.	30.6.2017	30.6.2018
Financial assets at amortised cost	x	(11 830)
Net allocation to risk provisions	x	(14 329)
Direct write-offs	x	(392)
Recoveries recorded directly to the income statement	x	2 891
Finance lease	x	10
Net allocation of provisions for commitments and guarantees given	x	130
<b>Net impairment loss on financial instruments</b>	<b>x</b>	<b>(11 690)</b>

## 10. Other operating result

EUR ths.	30.6.2017	30.6.2018
<b>Other operating expenses</b>	<b>(17 393)</b>	<b>(19 384)</b>
Allocation to other provisions	(31)	(55)
Levies on banking activities	(16 087)	(17 491)
Banking tax	(13 331)	(14 767)
Resolution fund	(2 756)	(2 724)
Other taxes	(191)	(111)
Result from other operating expenses/income	(1 084)	(1 727)
<b>Other operating income</b>	<b>4 022</b>	<b>326</b>
Release of provisions for commitments and guarantees given	3 655	x
Result from tangible and intangible assets (other than goodwill)	367	326
<b>Other operating result</b>	<b>(13 371)</b>	<b>(19 058)</b>

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

- levy of selected financial institutions ('bank tax') in the amount of 14,8 mil. Eur (2017: 13,3 mil. Eur);
- contribution to the National Resolution Fund ('resolution fund') in the amount of 2,7 mil. Eur (2017: 2,8 mil. Eur).

The Group is legally obliged to make a contribution to the National resolution fund ('Resolution fund'), which is accounted for in accordance with the IFRIC 21. Estimated amount of contribution is during the year recorded on the balance sheet line item 'Provisions'. When the actual amount of contribution is announced, the Group records the payment as utilisation of particular provision.

## 11. Taxes on income

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

## 12. Cash and cash balances

EUR ths.	31.12.2017	30.6.2018
Cash on hand	369 787	357 898
Cash balances at central banks	640	14 188
Other demand deposits to credit institutions	53 802	58 031
<b>Cash and cash balances</b>	<b>424 229</b>	<b>430 117</b>

For the period ending as at 30 June 2018 the prescribed average balance of the mandatory reserve deposit amounted to 131,7 mil. Eur. The Group expects, that the prescribed average balance of the mandatory reserv will be attained during the monitored period, however the actual contribution is not determined, because the end of monitored period is after the issuance of this interim separate financial statements.

For the period ending as at 31 December 2017 the prescribed average balance of the mandatory reserve deposit amounted to 123,0 mil. Eur and actual contribution amounted to 123,1 mil. Eur, which represents 100,08 %.

### 13. Derivatives held for trading

EUR ths.	31.12.2017			30.6.2018		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
<b>Derivatives held in the trading book</b>	<b>1 933 472</b>	<b>36 484</b>	<b>33 344</b>	<b>1 668 638</b>	<b>38 031</b>	<b>35 366</b>
Interest rate instruments and related derivatives	1 468 213	12 197	10 148	1 336 346	11 442	9 833
Equity instruments and related derivatives	72 744	345	345	1 440	-	-
Foreign exchange trading and related derivatives	361 508	23 774	22 686	330 852	26 589	25 533
Commodities and related derivatives	31 007	168	165	-	-	-
<b>Derivatives held in the banking book</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>138 358</b>	<b>830</b>	<b>1 047</b>
Interest rate instruments and related derivatives	-	-	-	19 000	-	203
Equity instruments and related derivatives	-	-	-	118 675	830	830
Foreign exchange trading and related derivatives	-	-	-	683	-	14
<b>Total gross amounts</b>	<b>1 933 472</b>	<b>36 484</b>	<b>33 344</b>	<b>1 806 996</b>	<b>38 861</b>	<b>36 413</b>

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.

### 14. Financial assets at fair value through profit or loss

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

EUR ths.	31.12.2017	30.6.2018
Equity instruments	5 602	x
<b>Financial assets at fair value through profit or loss</b>	<b>5 602</b>	<b>x</b>

The amounts represent the maximum exposure to credit risk.

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

EUR ths.	31.12.2017		30.6.2018	
	Designated at fair value	Mandatorily at fair value	Designated at fair value	Mandatorily at fair value
Equity instruments	x	x	-	3 079
Debt securities	x	x	-	25 826
Credit institutions	x	x	-	20 275
Other financial corporations	x	x	-	5 551
<b>Non-trading financial assets at fair value through profit or loss</b>	<b>x</b>	<b>x</b>	<b>-</b>	<b>28 905</b>

## 16. Financial assets available for sale

EUR ths.	31.12.2017	30.6.2018
Equity instruments	47 886	x
Debt securities	972 734	x
General governments	800 553	x
Credit institutions	51 204	x
Non-financial corporations	120 977	x
<b>Financial assets at fair value through profit or loss</b>	<b>1 020 620</b>	<b>x</b>

## 17. Financial assets at fair value through other comprehensive income

		Credit loss allowances				Accumulated other fair value changes	Carrying amount
EUR ths.	Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI		
As of 30.6.2018							
Equity instruments	58 175	-	-	-	-	-	58 175
Debt securities	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-	-
Total	58 175	-	-	-	-	-	58 175

## 18. Financial assets held to maturity

EUR ths.	Gross carrying amount		Collective allowances		Net carrying amount	
	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018
General governments	2 542 292	x	(238)	x	2 542 054	x
Credit institutions	92 205	x	(53)	x	92 153	x
Non-financial corporations	10 232	x	(37)	x	10 195	x
<b>Financial assets held to maturity</b>	<b>2 644 729</b>	<b>x</b>	<b>(328)</b>	<b>x</b>	<b>2 644 402</b>	<b>x</b>

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

## 19. Loans and receivables to credit institutions

### Loans and receivables to credit institutions

EUR ths.	Gross carrying amount	Collective allowances	Net carrying amount
<b>As of 31.12.2017</b>			
Loans and receivables			
Credit institutions	177 616	-	177 616
<b>Loans and receivables to credit institutions</b>	<b>177 616</b>	<b>-</b>	<b>177 616</b>

The amounts represent the maximum exposure to credit risk.

As at 31 December 2017 the Group had no reverse repo agreements.

### Allowances for loans and receivables to credit institutions

EUR ths.	31.12.2016	Allocations	Releases	31.12.2017
<b>Collective allowances</b>				
Loans and receivables				
Credit institutions	(36)	(599)	635	-
<b>Total</b>	<b>(36)</b>	<b>(599)</b>	<b>635</b>	<b>-</b>

## 20. Loans and receivables to customers

### Loans and receivables to customers

EUR ths.	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
<b>As of 31.12.2017</b>				
Loans and receivables				
General governments	209 500	(1)	(294)	209 206
Other financial corporations	95 196	(300)	(227)	94 669
Non-financial corporations	2 618 652	(86 957)	(16 407)	2 515 287
Households	9 161 175	(202 537)	(58 067)	8 900 571
<b>Loans and receivables to customers</b>	<b>12 084 523</b>	<b>(289 795)</b>	<b>(74 995)</b>	<b>11 719 733</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

**Allowances for loans and receivables to customers**

EUR ths.	31.12.2016	Allocations	Use	Releases	Interest income from impaired loans	Other changes (+/-)	31.12.2017	Recoveries of amounts previously written off	Amounts written off
<b>Specific allowances</b>	<b>(253 698)</b>	<b>(173 156)</b>	<b>9 272</b>	<b>123 504</b>	<b>8 214</b>	<b>(3 933)</b>	<b>(289 795)</b>	<b>6 502</b>	<b>(882)</b>
Loans and receivables									
General governments	(1)	-	-	-	-	-	(1)	-	-
Other financial corporations	(7)	(298)	3	1	-	-	(300)	-	-
Non-financial corporations	(94 663)	(27 277)	7 639	29 760	560	(2 977)	(86 957)	1 041	(141)
Households	(159 027)	(145 581)	1 630	93 743	7 654	(956)	(202 537)	5 461	(741)
<b>Collective allowances</b>	<b>(88 966)</b>	<b>(132 129)</b>	<b>41 420</b>	<b>146 100</b>	<b>-</b>	<b>(41 420)</b>	<b>(74 995)</b>	<b>-</b>	<b>-</b>
Loans and receivables									
General governments	(252)	(181)	-	139	-	-	(294)	-	-
Other financial corporations	(257)	(1 734)	6	1 763	-	(6)	(227)	-	-
Non-financial corporations	(22 041)	(22 057)	2 594	27 691	-	(2 594)	(16 407)	-	-
Households	(66 416)	(108 157)	38 821	116 507	-	(38 821)	(58 067)	-	-
<b>Total</b>	<b>(342 664)</b>	<b>(305 285)</b>	<b>50 693</b>	<b>269 604</b>	<b>8 214</b>	<b>(45 354)</b>	<b>(364 790)</b>	<b>6 502</b>	<b>(882)</b>

As at 31 December 2017, 15 largest customers accounted for 5,4 % of the gross loan portfolio amounting to 652,4 mil. Eur.

## 21. Financial assets at amortised cost

### Financial assets at amortised cost

EUR ths.	Gross carrying amount	Credit loss allowances				Carrying amount
		Stage 1	Stage 2	Stage 3	POCI	
As of 30.6.2018						
Debt securities	3 560 565	(450)	-	-	-	3 560 114
General governments	3 310 221	(277)	-	-	-	3 309 944
Credit institutions	127 577	(88)	-	-	-	127 489
Other financial corporations	25 362	(44)	-	-	-	25 317
Non-financial corporations	97 405	(41)	-	-	-	97 364
Loans and advances to banks	43 617	(27)	-	-	-	43 590
Credit institutions	43 617	(27)	-	-	-	43 590
Loans and advances to customers	12 643 753	(38 877)	(34 416)	(232 469)	(54 642)	12 283 349
General governments	205 085	(184)	(3)	(32)	-	204 867
Other financial corporations	117 797	(300)	(7)	(36)	-	117 453
Non-financial corporations	2 730 487	(9 137)	(4 952)	(25 388)	(51 321)	2 639 689
Households	9 590 384	(29 256)	(29 454)	(207 013)	(3 321)	9 321 340
Total	16 247 935	(39 354)	(34 416)	(232 469)	(54 642)	15 887 053

EUR ths.	Gross carrying amount	Credit loss allowances				Carrying amount
		Stage 1	Stage 2	Stage 3	POCI	
As of 31.12.2017						
Debt securities	3 519 134	(459)	-	-	-	3 518 675
General governments	3 291 978	(306)	-	-	-	3 291 672
Credit institutions	120 840	(71)	-	-	-	120 769
Non-financial corporations	106 316	(82)	-	-	-	106 234
Loans and advances to banks	177 616	-	-	-	-	177 616
Credit institutions	177 616	-	-	-	-	177 616
Loans and advances to customers	11 934 604	(35 603)	(39 736)	(223 927)	(59 539)	11 575 799
General governments	209 414	(189)	(3)	(1)	-	209 221
Other financial corporations	94 950	(210)	(5)	(19)	(281)	94 435
Non-financial corporations	2 470 456	(8 570)	(6 148)	(26 355)	(54 834)	2 374 549
Households	9 159 784	(26 634)	(33 580)	(197 552)	(4 424)	8 897 594
Total	15 631 354	(36 062)	(39 736)	(223 927)	(59 539)	15 272 090

The amounts represent the maximum exposure to credit risk. As at 30 June 2018 the Group had no reverse repo agreements.

As at 30 June 2018, 15 largest customers accounted for 5,3 % of the gross loan portfolio amounting to 669,5 mil. Eur.

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting

for the accounting period ended 30 June 2018

**Allowances for financial assets at amortised cost**

EUR ths.	01.01.2018	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	30.6.2018
<b>Debt securities</b>									
<b>Stage 1</b>	(459)	(24)	-	28	6	-	-	-	(450)
General governments	(306)	(2)	-	31	-	-	-	-	(277)
Credit institutions	(71)	(15)	-	(1)	-	-	-	-	(88)
Other financial corporations	-	(7)	-	-	(37)	-	-	-	(44)
Non-financial corporations	(82)	-	-	(2)	43	-	-	-	(41)
<b>Stage 2</b>	-	-	-	-	-	-	-	-	-
<b>Stage 3</b>	-	-	-	-	-	-	-	-	-
<b>POCI</b>	-	-	-	-	-	-	-	-	-
<b>Total allowances for debt securities</b>	(459)	(24)	-	28	6	-	-	-	(450)

EUR ths.	01.01.2018	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	30.6.2018
<b>Loans and advances to banks</b>									
<b>Stage 1</b>	-	(141)	106	7	-	-	-	-	(27)
Credit institutions	-	(141)	106	7	-	-	-	-	(27)
<b>Stage 2</b>	-	-	-	-	-	-	-	-	-
<b>Stage 3</b>	-	-	-	-	-	-	-	-	-
<b>POCI</b>	-	-	-	-	-	-	-	-	-
<b>Total allowances for loans and advances to banks</b>	-	(141)	106	7	-	-	-	-	(27)



**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting

for the accounting period ended 30 June 2018

EUR ths.	01.01.2018	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	30.6.2018
<b>Loans and advances to customers</b>									
<b>Stage 1</b>	<b>(35 603)</b>	<b>(18 435)</b>	<b>635</b>	<b>2 832</b>	<b>11 692</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(38 877)</b>
General governments	(189)	(41)	-	31	15	-	-	-	(184)
Other financial corporations	(210)	(211)	-	120	-	-	-	-	(300)
Non-financial corporations	(8 570)	(8 973)	249	6 469	1 687	-	-	-	(9 137)
Households	(26 634)	(9 210)	386	(3 788)	9 990	-	-	-	(29 256)
<b>Stage 2</b>	<b>(39 736)</b>	<b>-</b>	<b>251</b>	<b>8 125</b>	<b>(3 056)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(34 416)</b>
General governments	(3)	-	-	-	-	-	-	-	(3)
Other financial corporations	(5)	-	1	(2)	(1)	-	-	-	(7)
Non-financial corporations	(6 148)	-	58	2 071	(933)	-	-	-	(4 952)
Households	(33 580)	-	192	6 056	(2 122)	-	-	-	(29 454)
<b>Stage 3</b>	<b>(223 927)</b>	<b>-</b>	<b>530</b>	<b>13 847</b>	<b>(22 917)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(232 469)</b>
General governments	(1)	-	-	(30)	-	-	-	-	(32)
Other financial corporations	(19)	-	-	(7)	(10)	-	-	-	(36)
Non-financial corporations	(26 355)	-	16	2 156	(1 204)	-	-	-	(25 388)
Households	(197 552)	-	514	11 728	(21 703)	-	-	-	(207 013)
<b>POCI</b>	<b>(59 539)</b>	<b>(1 161)</b>	<b>732</b>	<b>5 327</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(54 642)</b>
Other financial corporations	(281)	-	-	281	-	-	-	-	-
Non-financial corporations	(54 834)	(1 132)	648	3 997	-	-	-	-	(51 321)
Households	(4 424)	(29)	84	1 049	-	-	-	-	(3 321)
<b>Total allowances for loans and advances to customers</b>	<b>(358 805)</b>	<b>(19 596)</b>	<b>2 148</b>	<b>30 131</b>	<b>(14 281)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(360 404)</b>

## 22. Finance lease receivables

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.

As at 30 June 2018 the accumulated allowances for uncollectible minimum lease payments receivable amounted to 0,7 mil. Eur (2017: 0,7 mil. Eur).

### Finance lease receivables

EUR ths.	Gross carrying amount	Credit loss allowances				Carrying amount
		Stage 1	Stage 2	Stage 3	POCI	
As of 30.6.2018						
General governments	72	-	-	-	-	72
Other financial corporations	420	(1)	-	-	-	419
Non-financial corporations	97 259	(144)	(1)	(533)	-	96 581
Households	1 064	-	-	(48)	-	1 016
Total	98 815	(145)	(1)	(581)	-	98 088

EUR ths.	Gross carrying amount	Credit loss allowances				Carrying amount
		Stage 1	Stage 2	Stage 3	POCI	
As of 31.12.2017						
General governments	87	-	-	-	-	87
Other financial corporations	246	(1)	-	-	-	245
Non-financial corporations	76 410	(194)	-	(493)	-	75 723
Households	935	(1)	-	(48)	-	885
Total	77 678	(196)	-	(541)	-	76 940

### Allowances for finance lease receivables

	01.01.2018	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	30.6.2018
<b>Stage 1</b>	<b>(196)</b>	<b>(34)</b>	-	<b>86</b>	-	-	-	-	<b>(145)</b>
Other financial corporations	(1)	(1)	-	1	-	-	-	-	(1)
Non-financial corporations	(194)	(33)	-	84	-	-	-	-	(144)
Households	(1)	-	-	1	-	-	-	-	-
<b>Stage 2</b>	-	-	-	<b>(1)</b>	-	-	-	-	<b>(1)</b>
<b>Stage 3</b>	<b>(541)</b>	-	-	<b>(40)</b>	-	-	-	-	<b>(581)</b>
Non-financial corporations	(493)	-	-	(40)	-	-	-	-	(533)
Households	(48)	-	-	-	-	-	-	-	(48)
<b>POCI</b>	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>(737)</b>	<b>(34)</b>	-	<b>45</b>	-	-	-	-	<b>(727)</b>

## 23. Hedge accounting derivatives

EUR ths.	31.12.2017			30.6.2018		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Fair value hedges	397 821	6 761	42 100	381 224	6 957	40 327
Interest rate	397 821	6 761	42 100	381 224	6 957	40 327
Cash flow hedges	-	-	-	-	-	-
<b>Total gross amounts</b>	<b>397 821</b>	<b>6 761</b>	<b>42 100</b>	<b>381 224</b>	<b>6 957</b>	<b>40 327</b>

### Fair value hedge of assets

As at 30 June 2018 the Group held in portfolio of financial assets available for sale fixed rate bonds denominated in Eur with nominal value of 381,2 mil. Eur (2017: 381,0 mil. Eur). As the purchases of these bonds increased exposure to interest rate risk in the period from five to fifteen years, the 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 2018 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 0,6 mil. Eur (2017: net gain 9,3 mil. Eur). On the other hand, a net loss on the hedged item attributable to the hedged risk amounted to 0,6 mil. Eur (2017: net loss 9,0 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. As at 30 June 2018 the notional value of these hedged mortgage bonds was 16,6 mil. Eur (2017: 16,6 mil. Eur).

During the year 2018 the hedges were effective in hedging fair value exposure to interest rate movements. During the period the Group recognised a net loss on the hedging instruments in the amount of 0,2 mil. Eur (2017: net loss 0,7 mil. Eur). On the other hand, a net gain on the hedged item attributable to the hedged risk amounted to 0,2 mil. Eur (2017: net gain 0,7 mil. Eur).

## 24. Trade and other receivables

### Trade and other receivables

EUR ths.	Gross carrying amount	Credit loss allowances				Carrying amount
		Stage 1	Stage 2	Stage 3	POCI	
<b>As of 30.6.2018</b>						
General governments	688	-	-	-	-	688
Non-financial corporations	113 026	(554)	(10)	(2 847)	-	109 615
Households	466	(2)	-	(388)	-	76
<b>Total</b>	<b>114 180</b>	<b>(556)</b>	<b>(10)</b>	<b>(3 235)</b>	<b>-</b>	<b>110 379</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

EUR ths.	Gross carrying amount	Credit loss allowances				Carrying amount
		Stage 1	Stage 2	Stage 3	POCI	
As of 31.12.2017						
Non-financial corporations	71 786	(247)	-	(2 826)	-	68 713
Households	456	-	-	(380)	-	76
Total	72 242	(247)	-	(3 206)	-	68 789

**Allowances for trade and other receivables**

	01.01.2018	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between Stage 1 and Stages 2/3	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	30.6.2018
<b>Stage 1</b>	<b>(247)</b>	<b>(105)</b>	<b>-</b>	<b>(203)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(556)</b>
Non-financial corporations	(247)	(105)	-	(202)	-	-	-	-	(554)
Households	-	-	-	(1)	-	-	-	-	(2)
<b>Stage 2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10)</b>
Non-financial corporations	-	-	-	(10)	-	-	-	-	(10)
<b>Stage 3</b>	<b>(3 206)</b>	<b>(14)</b>	<b>-</b>	<b>12</b>	<b>(27)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3 235)</b>
Non-financial corporations	(2 826)	(6)	-	12	(27)	-	-	-	(2 847)
Households	(380)	(8)	-	-	-	-	-	-	(388)
<b>POCI</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>(3 453)</b>	<b>(119)</b>	<b>-</b>	<b>(201)</b>	<b>(27)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3 801)</b>

Trade receivables consist of receivables from factoring transactions.

**25. Investments in subsidiaries and associates****Investments in subsidiaries of Slovenská sporiteľňa, a.s.**

Name	Place of business	Main business activity	Ownership held	Voting rights held
Služby SLSP, s.r.o.	Tomášikova 48 Bratislava 832 01 Slovak Republic	Ancillary bank services	100,00%	100,00%
Realitná spoločnosť Slovenskej sporiteľne, a.s. (100 % dcérska spoločnosť Služby SLSP, s.r.o.)	Tomášikova 48 Bratislava 832 10 Slovak Republic	Real estate agency	100,00%	100,00%
Laned, a.s. (100 % dcérska spoločnosť Služby SLSP, s.r.o.)	Tomášikova 48 Bratislava 832 71 Slovak Republic	SPE-Real estate company	100,00%	100,00%
Procurement Services SK, s.r.o.	Tomášikova 48 Bratislava 832 75 Slovak Republic	Procurement	51,00%	51,00%

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

**Investments in associates of Slovenská sporiteľňa, a.s.**

Name	Place of business	Main business activity	Ownership held	Voting rights held
Prvá stavebná sporiteľňa, a.s.	Bajkalská 30 Bratislava 829 48 Slovak Republic	Banking	9,98%	35,00%
Slovak Banking Credit Bureau, s.r.o.	Mlynské nivy 14 Bratislava 821 09 Slovak Republic	Retail credit register	33,33%	33,33%
Holding Card Service, spol. s r. o.	Olbrachtova 1929/62 140 00 Praha 4 Czech Republic	Equity release company	24,62%	24,62%

**Changes during the year 2018**

In January 2018 the share in the company Holding Card Service, spol. s r.o. decreased from 30,99 % to 24,62 %. The value of share represents 7 044 ths. Eur as at 30 June 2018. Change of share related to increase in equity of the company Holding Card Service, spol. s r.o. because of the additional contribution to the funds and transfer of 10 % share owned by Česká spořitelna, a. s. from Global Payments, s. r. o. to Holding Card Service, spol. s r.o. The sole depositor was Česká spořitelna, a. s.

As a result of merger of investment in the company Poistovňa SLSP, a. s. Vienna Insurance Group with insurance company KOOPERATIVA, a. s. effective as at 1 April 2018 the Group ceased to exist as the shareholder of the company Poistovne SLSP, a. s. Vienna Insurance Group. At the same date ( 1 April 2018) the Group acquired investment in company KOOPERATIVA poisťovňa, a. s. in the notional amount of 763 ths. Eur, which represents the share of 1,53 % in the share capital of the company.

**Changes during the year 2017**

In January 2017 the Group sold its share in the company R.V.S., a.s., previously recognized in the line item "Financial assets - available for sale" at nil carrying amount. The sale proceeds amounted 0,3 mil. Eur.

In July 2017 the company S Rail Lease s.r.o. was established, in which the Group holds 3 % share. As at 31 December 2017 this investment was disclosed in the line item "Financial assets - available for sale" in the amount of 0,1 tis. Eur.

**26. Other assets**

EUR ths.	31.12.2017	30.6.2018
Client settlement	6 813	7 868
Trade receivables	10 203	8 009
Personnel balances	6 033	7 439
State budget, social and health insurance, taxes	1 663	823
Sundry assets	433	1 149
<b>Other assets</b>	<b>25 145</b>	<b>25 288</b>

## 27. Financial liabilities measured at amortised cost

### Deposits from banks

EUR ths.	31.12.2017	30.6.2018
Overnight deposits	3 086	2 392
Term deposits	406 621	453 326
Repurchase agreements	78 857	63 693
<b>Deposits from banks</b>	<b>488 564</b>	<b>519 411</b>

### Deposits from customers

EUR ths.	31.12.2017	30.6.2018
<b>Overnight deposits</b>	<b>6 843 731</b>	<b>7 400 947</b>
Non-savings deposits	6 843 731	7 400 947
General governments	84 854	83 041
Other financial corporations	262 002	218 383
Non-financial corporations	1 344 789	1 537 800
Households	5 152 086	5 561 723
<b>Term deposits</b>	<b>5 634 161</b>	<b>5 899 031</b>
Deposits with agreed maturity	2 814 788	2 890 443
Non-savings deposits	2 814 788	2 890 443
General governments	351 532	502 404
Other financial corporations	264 724	387 569
Non-financial corporations	320 705	326 518
Households	1 877 827	1 673 952
Deposits redeemable at notice	2 819 373	3 008 588
Households	2 819 373	3 008 588
<b>Deposits from customers</b>	<b>12 477 892</b>	<b>13 299 978</b>
General governments	436 386	585 445
Other financial corporations	526 726	605 952
Non-financial corporations	1 665 494	1 864 318
Households	9 849 286	10 244 263

As at 30 June 2018, no embedded derivatives were included in deposits from customers (neither at the year-end 2017).

As at 30 June 2018, no deposits from customers were collateralised by securities (neither at the year-end 2017).

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

**Debt securities issued**

EUR ths.	31.12.2017	30.6.2018
Subordinated issues	77 446	65 218
Other debt securities issued	1 489 770	1 375 045
Bonds	185 656	235 780
Mortgage covered bonds	1 304 114	1 139 265
<b>Debt securities issued</b>	<b>1 567 216</b>	<b>1 440 263</b>

**Subordinated debt securities issued**

The subordinated debt securities issued listed in the following table and marked as 'Subordinated bonds\*' included embedded derivatives, which were separated and disclosed on the balance sheet line item 'Financial liabilities – held for trading'. As at 30 June 2018 fair value of these derivatives amounted 0,2 mil. Eur (2017: 0,2 mil. Eur).

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

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2017	2018
Subordinated Bonds	June 2011	June 2018	-	-	10 000	EUR	6 956	-
Subordinated Bonds	June 2011	June 2018	-	-	50 000	EUR	6 611	-
Subordinated Bonds	October 2011	October 2018	4,00%	543	10 000	EUR	5 345	5 426
Subordinated Bonds	December 2011	December 2018	4,00%	407	10 000	EUR	3 965	4 016
Subordinated Bonds	August 2010	August 2020	4,30%	10 000	1 000	EUR	12 945	13 194
Subordinated Bonds	August 2011	August 2021	4,30%	10 000	1 000	EUR	12 420	12 664
Subordinated Bonds	June 2012	June 2022	5,80%	11 000	1 000	EUR	13 721	14 090
Subordinated Bonds	November 2012	November 2022	4,30%	9 000	1 000	EUR	10 371	10 603
Subordinated Bonds	November 2011	November 2023	4,58%	4 250	1 000	EUR	5 114	5 225
<b>Total</b>							<b>77 446</b>	<b>65 218</b>

**Other debt securities issued**

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

As at 30 June 2018 other debt securities issued included embedded derivatives (equity and commodities) in the amount of 0,8 mil. Eur (2017: 0,3 mil. Eur), which were separated and disclosed in the line items 'Financial assets – held for trading' and 'Financial liabilities – held for trading'.

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

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2017	2018
Mortgage Covered Bonds	February 2013	February 2018	-	-	50 000	EUR	23 353	-
Investment Certificates	March 2016	March 2018	-	-	1 000	EUR	1 284	-
Mortgage Covered Bonds	March 2015	March 2018	-	-	100 000	EUR	25 102	-
Mortgage Covered Bonds	March 2014	March 2018	-	-	50 000	EUR	20 197	-
Mortgage Covered Bonds	March 2015	March 2018	-	-	100 000	EUR	10 035	-
Mortgage Covered Bonds	March 2016	March 2018	-	-	100 000	EUR	62 052	-
Investment Certificates	March 2016	March 2018	-	-	1 000	EUR	746	-
Mortgage Covered Bonds	March 2015	March 2018	-	-	100 000	EUR	24 000	-
Investment Certificates	April 2017	April 2018	-	-	10 000	EUR	627	-
Investment Certificates	February 2018	April 2018	-	-	100 000	CZK	-	-
Investment Certificates	July 2017	July 2018	7,30%	121	5 000	EUR	656	651
Investment Certificates	May 2018	August 2018	5,87%	482	100 000	CZK	-	1 883
Mortgage Covered Bonds	August 2014	August 2018	0,50%	900	50 000	EUR	45 058	45 189
Mortgage Covered Bonds	September 2012	September 2018	2,85%	9 922	1 000	EUR	10 008	9 994
Investment Certificates	November 2015	November 2018	4,00%	570	1 000	EUR	595	582
Investment Certificates	November 2017	November 2018	7,00%	300	5 000	EUR	1 741	1 661
Investment Certificates	November 2017	November 2018	7,00%	296	5 000	EUR	1 497	1 548
Senior Unsecured Bonds	December 2012	December 2018	2,00%	1 836	1 000	EUR	1 839	1 839
Mortgage Covered Bonds	December 2013	December 2018	0,18%	600	50 000	EUR	30 002	30 002
Investment Certificates	December 2013	December 2018	5,00%	612	1 000	EUR	635	624
Mortgage Covered Bonds	February 2015	February 2019	0,10%	500	100 000	EUR	50 021	50 020
Mortgage Covered Bonds	February 2013	February 2019	2,30%	4 933	1 000	EUR	4 986	4 974
Mortgage Covered Bonds	March 2016	March 2019	0,13%	60	100 000	EUR	6 002	6 002
Mortgage Covered Bonds	March 2013	March 2019	2,30%	4 895	1 000	EUR	4 929	4 928
Investment Certificates	March 2014	March 2019	4,00%	784	1 000	EUR	822	810
Investment Certificates	March 2014	March 2019	5,25%	514	5 000	PLN	640	605
Investment Certificates	April 2016	April 2019	3,40%	639	1 000	EUR	674	662
Mortgage Covered Bonds	April 2013	April 2019	2,30%	4 896	1 000	EUR	4 930	4 920
Investment Certificates	May 2018	May 2019	8,00%	200	5 000	EUR	-	1 093
Investment Certificates	May 2018	May 2019	8,00%	137	5 000	EUR	-	746
Mortgage Covered Bonds	May 2017	May 2019	0,00%	1 000	100 000	EUR	99 932	99 956
Investment Certificates	June 2018	June 2019	6,20%	327	5 000	EUR	-	1 760
Investment Certificates	July 2016	July 2019	2,80%	340	1 000	EUR	361	356
Mortgage Covered Bonds	August 2013	August 2019	2,00%	2 560	1 000	EUR	2 586	2 581
Mortgage Covered Bonds	August 2013	August 2019	2,00%	4 272	1 000	EUR	4 306	4 302
Senior Unsecured Bonds	September 2014	September 2019	1,07%	1 000	100 000	EUR	100 296	100 826
Mortgage Covered Bonds	September 2013	September 2019	2,00%	6 387	1 000	EUR	6 422	6 421
Senior Unsecured Bonds	September 2014	September 2019	1,50%	13 993	1 000	EUR	14 414	14 046
Mortgage Covered Bonds	October 2013	October 2019	2,00%	5 865	1 000	EUR	5 893	5 887
Mortgage Covered Bonds	November 2013	November 2019	2,00%	6 653	1 000	EUR	6 668	6 668
Senior Unsecured Bonds	December 2013	December 2019	1,50%	572	1 000	EUR	610	621
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	3 305	3 304
Mortgage Covered Bonds	June 2013	December 2019	2,00%	4 164	1 000	EUR	4 168	4 167
Mortgage Covered Bonds	December 2013	December 2019	2,00%	9 590	1 000	EUR	9 616	9 596
Mortgage Covered Bonds	July 2013	January 2020	2,00%	2 223	1 000	EUR	2 247	2 244
Investment Certificates	February 2016	February 2020	4,10%	131	5 000	EUR	726	712
Investment Certificates	February 2016	February 2020	4,20%	210	1 000	EUR	233	229
Mortgage Covered Bonds	March 2015	March 2020	1,25%	4 232	1 000	EUR	4 262	4 249
Mortgage Covered Bonds	June 2015	June 2020	1,20%	4 925	1 000	EUR	4 950	4 927
Senior Unsecured Bonds	June 2018	June 2020	2,00%	1 898	1 000	USD	-	1 629
Investment Certificates	June 2016	June 2020	3,70%	400	1 000	EUR	438	430
Mortgage Covered Bonds	July 2015	July 2020	1,20%	4 956	1 000	EUR	4 998	4 982
Mortgage Covered Bonds	July 2015	July 2020	0,88%	500	100 000	EUR	50 116	50 346
Mortgage Covered Bonds	February 2014	August 2020	2,00%	9 921	1 000	EUR	10 017	10 000
Investment Certificates	August 2016	August 2020	3%	339	1 000	EUR	373	367



**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2017	2018
Mortgage Covered Bonds	August 2015	August 2020	1,20%	4 977	1 000	EUR	5 018	4 997
Mortgage Covered Bonds	September 2015	September 2020	1,20%	4 310	1 000	EUR	4 329	4 324
Mortgage Covered Bonds	October 2015	October 2020	1,20%	3 549	1 000	EUR	3 559	3 556
Mortgage Covered Bonds	November 2015	November 2020	0,63%	400	100 000	EUR	40 028	40 154
Mortgage Covered Bonds	November 2014	November 2020	0,88%	150	100 000	EUR	15 016	15 081
Mortgage Covered Bonds	May 2016	November 2020	0,13%	500	100 000	EUR	50 007	50 008
Mortgage Covered Bonds	November 2015	November 2020	1,20%	2 991	1 000	EUR	3 008	2 994
Mortgage Covered Bonds	February 2016	February 2021	0,50%	500	100 000	EUR	50 216	50 091
Senior Unsecured Bonds	March 2018	March 2021	0,25%	142	100 000	EUR	-	14 195
Mortgage Covered Bonds	March 2016	March 2021	1,05%	6 989	1 000	EUR	7 015	7 011
Mortgage Covered Bonds	March 2014	March 2021	2,00%	8 423	1 000	EUR	8 534	8 468
Mortgage Covered Bonds	April 2016	April 2021	1,05%	4 960	1 000	EUR	4 973	4 972
Mortgage Covered Bonds	April 2008	April 2021	5,00%	250	66 388	EUR	17 184	16 766
Senior Unsecured Bonds	April 2018	April 2021	2,30%	3 675	1 000	USD	-	3 165
Mortgage Covered Bonds	May 2016	May 2021	1,00%	4 985	1 000	EUR	4 996	4 993
Mortgage Covered Bonds	May 2014	May 2021	1,90%	4 952	1 000	EUR	4 988	4 965
Mortgage Covered Bonds	June 2016	June 2021	0,00%	3 988	1 000	EUR	3 871	3 880
Mortgage Covered Bonds	June 2014	June 2021	1,75%	9 442	1 000	EUR	9 460	9 451
Mortgage Covered Bonds	July 2016	July 2021	0,90%	4 943	1 000	EUR	5 012	4 965
Mortgage Covered Bonds	July 2014	July 2021	1,55%	3 514	1 000	EUR	3 540	3 539
Mortgage Covered Bonds	August 2016	August 2021	0,80%	4 980	1 000	EUR	5 011	4 996
Mortgage Covered Bonds	August 2016	August 2021	0,75%	4 980	1 000	EUR	5 002	4 993
Mortgage Covered Bonds	September 2016	September 2021	0,70%	4 953	1 000	EUR	4 962	4 962
Mortgage Covered Bonds	October 2016	October 2021	0,65%	4 971	1 000	EUR	4 981	4 977
Mortgage Covered Bonds	November 2016	November 2021	0,25%	1 000	100 000	EUR	100 000	100 126
Mortgage Covered Bonds	December 2015	December 2021	0,63%	200	100 000	EUR	20 000	20 063
Mortgage Covered Bonds	December 2016	December 2021	0,65%	9 886	1 000	EUR	9 946	9 920
Senior Unsecured Bonds	December 2016	December 2021	0,65%	4 975	1 000	EUR	4 978	4 992
Mortgage Covered Bonds	February 2015	February 2022	0,88%	350	100 000	EUR	35 256	35 104
Mortgage Covered Bonds	March 2014	March 2022	2,00%	220	50 000	EUR	11 111	11 006
Senior Unsecured Bonds	March 2017	March 2022	0,60%	4 943	1 000	EUR	5 003	4 951
Senior Unsecured Bonds	April 2017	April 2022	0,60%	30	100 000	EUR	3 013	3 004
Senior Unsecured Bonds	April 2017	April 2022	0,60%	4 923	1 000	EUR	4 981	4 928
Senior Unsecured Bonds	May 2017	May 2022	0,60%	4 902	1 000	EUR	4 985	4 905
Mortgage Covered Bonds	June 2017	June 2022	0,38%	50	100 000	EUR	4 996	4 988
Senior Unsecured Bonds	July 2017	July 2022	0,60%	4 953	1 000	EUR	5 008	4 980
Mortgage Covered Bonds	August 2015	August 2022	1,00%	100	100 000	EUR	10 012	10 064
Senior Unsecured Bonds	August 2017	August 2022	0,63%	4 949	1 000	EUR	4 979	4 976
Senior Unsecured Bonds	September 2017	September 2022	0,63%	5 000	1 000	EUR	5 009	5 024
Senior Unsecured Bonds	September 2017	September 2022	0,63%	9 872	1 000	EUR	9 916	9 918
Mortgage Covered Bonds	October 2017	October 2022	0,50%	1 500	100 000	EUR	149 924	150 321
Senior Unsecured Bonds	November 2017	November 2022	2,00%	4 999	1 000	USD	4 180	4 341
Senior Unsecured Bonds	February 2018	February 2023	0,65%	9 990	1 000	EUR	-	10 015
Senior Unsecured Bonds	February 2018	February 2023	2,15%	3 678	1 000	USD	-	3 181
Senior Unsecured Bonds	March 2018	March 2023	0,65%	9 997	1 000	EUR	-	10 014
Senior Unsecured Bonds	June 2018	June 2024	0,75%	5 082	1 000	EUR	-	5 082
Mortgage Covered Bonds	January 2013	January 2025	3,10%	87	50 000	EUR	4 412	4 411
Mortgage Covered Bonds	March 2017	March 2025	0,75%	1 000	100 000	EUR	100 305	99 948
Mortgage Covered Bonds	August 2015	August 2025	1,38%	100	100 000	EUR	9 997	10 069
Mortgage Covered Bonds	March 2016	March 2026	1,00%	90	100 000	EUR	8 986	8 946
Mortgage Covered Bonds	July 2007	July 2027	4,95%	250	66 388	EUR	23 283	23 481
Senior Unsecured Bonds	November 2017	November 2027	1,38%	44	100 000	EUR	4 398	4 429
Mortgage Covered Bonds	June 2013	June 2028	3,00%	132	50 000	EUR	6 615	6 614
Mortgage Covered Bonds	February 2014	February 2029	2,80%	97	50 000	EUR	4 899	4 898
<b>Total</b>							<b>1 489 770</b>	<b>1 375 045</b>

## 28. Provisions

EUR ths.	31.12.2017	30.6.2018
	IAS 39	IFRS 9
Long-term employee provisions	2 982	2 982
Pending legal issues and tax litigation	5 653	5 675
Commitments and guarantees given	15 091	14 299
Provisions for commitments and financial guarantees in Stage 1	x	4 478
Provisions for commitments and financial guarantees in Stage 2	x	984
Provisions for commitments and financial guarantees in Stage 3	x	569
Provisions for commitments and financial guarantees - POCI	x	8 268
Other provisions	1 341	-
Restructuring	1 341	-
<b>Provisions</b>	<b>25 067</b>	<b>22 956</b>

### Commitments and guarantees given

EUR ths.	31.12.2017	30.6.2018
	IFRS 9	IFRS 9
Commitments and guarantees given		
Provisions for commitments and financial guarantees in Stage 1	4 488	4 478
Provisions for commitments and financial guarantees in Stage 2	1 201	984
Provisions for commitments and financial guarantees in Stage 3	444	569
Provisions for commitments and financial guarantees - POCI	8 236	8 268
<b>Provisions</b>	<b>14 369</b>	<b>14 299</b>

### Long-term employee benefits provisions

The Group has a defined employee benefit program under which all employees are entitled to a lump-sum payment upon working anniversaries or retirement. The number of employees under this program is disclosed in note 6.

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

### Provisions for legal issues

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

## Other provisions

The item 'Other provisions' includes provision on contribution to Resolution fund and provision on contribution to Deposit protection fund during the year. During the year the estimated value of these contributions are recorded as provision and when the actual amount of contributions is announced, the payment is accounted for as utilisation of particular provision. For the year 2018 all contributions were paid, therefore no balance of other provisions is recognised.

In 2017 the Group created the provision for restructuring in amount of 1,3 mil. Eur. During 2018 the provision was used in the amount of 0,5 mil. Eur and the residual amount of provision was released.

## 29. Other liabilities

EUR ths.	31.12.2017	30.6.2018
Trade payables	41 397	38 872
Personnel balances and social fund	36 252	25 843
State budget, social and health insurance, taxes	4 587	5 333
<b>Other liabilities</b>	<b>82 236</b>	<b>86 958</b>

## 30. Equity

### Share capital

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

	31.12.2016	31.12.2017
Nominal value of share (in EUR)	1 000	1 000
Number of shares (in pcs.)	212 000	212 000
<b>Share capital (in EUR)</b>	<b>212 000 000</b>	<b>212 000 000</b>

The following table presents approved distribution of profit for the period:

Profit distribution	31.12.2017
Profit for the year (in EUR ths.)	162 056
Distribution for Investment certificate 2015 SLSP AT1 PNC5	11 700
Dividends paid to shareholder from profit for the year	142 838
Transfer to retained earnings	7 518
Number of shares with nominal value of EUR 1 000 (in pcs.)	212 000
<b>Dividend per share (in EUR)</b>	<b>674</b>

Dividends for the year 2017 were paid in March 2018 following the resolution of General Assembly of the Bank dated 27 March 2018.

### Other capital instruments

During the year 2015 the Group has issued an investment certificate in the amount of 150 mil. Eur that is classified as equity instrument according to the standard IAS 32. This certificate is a perpetual instrument with the agreed interest rate of 7,8 % p.a. paid semi-annually.

### **Legal reserve fund**

According to Commercial Code all companies are required to create a legal reserve fund to cover adverse financial conditions in the future. The 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 30 June 2018 Legal reserve fund amounted to 79,8 mil. Eur (2017: 79,8 mil. Eur) and in both years exceeded the required 20 % of the share capital. Legal reserve fund is not available for distribution to the shareholder.

### **Other funds**

Other funds include only Statutory fund created from distributable profits to strengthen the 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 30 June 2018 Statutory fund amounted 39,1 mil. Eur (2017: 39,1 mil. Eur).

### **Available for sale reserve**

Available for sale reserve represents the unrealised revaluation of the securities available for sale according to IAS 39. This reserve is not available for distribution to the shareholder. As at 31 December 2017 available for sale reserve amounted 94,9 mil. Eur, net of deferred tax. This reserve was released during the transition process to IFRS 9 in 2018.

### **Fair value reserve**

Fair value reserve represents the unrealised revaluation of financial assets measured at fair value through other comprehensive income. This reserve is not available for distribution to the shareholder. As at 30 June 2018 the revaluation of financial assets measures at fair value through other comprehensive income amounted to 41,6 mil. Eur, net of deferred tax.

### **Remeasurement of net liability of defined pension plans**

This equity component reflects the results of actuarial calculations related to the pension provision. As at 30 June 2018 the remeasurement of the pension provision amounted 0,5 mil. Eur (2017: 0,5 mil. Eur), net of deferred tax.

## **31. Related party transactions**

### **Related parties**

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

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

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

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

	Erste Group Bank AG		Companies of Erste Group		Associates	
EUR ths.	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018
<b>Assets</b>						
Cash and cash balances	3 467	48 726	49 835	8 667	-	-
Derivatives	2 218	2 524	93	72	-	-
Loans and receivables to credit institutions	135 716	287	41 812	-	-	-
Loans and receivables to customers	-	-	49 621	59 922	-	-
Other assets	4 345	1 892	935	2 453	-	-
<b>Total</b>	<b>145 746</b>	<b>53 429</b>	<b>142 296</b>	<b>71 114</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>						
Derivatives	31 358	34 127	1	1	-	-
Deposits from banks	200 594	265 666	690	568	-	17 469
Deposits from customers	-	-	2 616	6 505	-	-
Debt securities issued	-	634 528	-	-	-	-
Derivatives – hedge accounting	42 100	40 327	-	-	-	-
Other liabilities	1 123	1 801	4 728	4 908	-	-
<b>Total</b>	<b>275 175</b>	<b>976 449</b>	<b>8 035</b>	<b>11 982</b>	<b>-</b>	<b>17 469</b>

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

	Erste Group Bank AG		Companies of Erste Group		Associates	
EUR ths.	30.6.2017	30.6.2018	30.6.2017	30.6.2018	30.6.2017	30.6.2018
Interest income	(4 327)	(4 730)	518	694	-	13
Interest expense	(1 045)	(2 221)	(644)	(9)	-	-
Dividend income	-	-	399	569	2 038	-
Net fee and commission income	89	139	3 565	3 672	-	1
Net trading and fair value result	17 571	3 862	285	-	-	-
General administrative expenses	(2 555)	(2 069)	(4 127)	(5 490)	-	-
Other operating result	(21)	146	1 101	508	-	-
<b>Total</b>	<b>9 712</b>	<b>(4 873)</b>	<b>1 097</b>	<b>(56)</b>	<b>2 038</b>	<b>14</b>

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

In the year 2015 the Group has issued investment certificates in the amount of 150 mil. Eur, which were purchased by Erste Bank AG (see note 30).

As at 30 June 2018 the Group has received a guarantee from its parent company Erste Group Bank AG covering exposures towards Erste Group Immorent Slovensko s.r.o. in the amount of 23,2 mil. Eur (2017: 23,2 mil. Eur). The Group received guarantees from its parent company Erste Group Bank AG covering clients' exposures in the amount of 2,2 mil. Eur as at the reporting date (2017: 2,2 mil. Eur).

The Group has received guarantee from its sister company Česká spořitelna, a.s. covering credit exposures towards s\_Autoleasing SK, s.r.o. as at 30 June 2018 in the maximum amount of the guarantee was 27,6 mil. Eur (2017: 27,6 mil. Eur). The Group received guarantees from its sister company Česká spořitelna, a.s. covering clients' exposures in the amount of 0,9 mil. Eur as at the reporting date (2017: 0,9 mil. Eur).

The Group received a guarantee from its sister company Erste Bank AD Podgorica covering client's exposure in the amount of 0,1 mil. Eur as at the reporting date (2017: 0,1 mil. Eur).

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

As at 30 June 2018 the Group owned a share in real estate fund Sporo realitny fond SPF of Asset Management Slovenskej sporiteľne, a.s. in the amount of 5,4 mil. Eur (2017: 5,5 mil. Eur).

**32. Off-balance sheet items**

EUR ths.	31.12.2017	30.6.2018
Guarantees provided	319 122	355 531
Guarantees from letter of credit	10 618	10 870
Loan commitments and undrawn loans	1 289 425	1 359 520
<b>Total</b>	<b>1 619 165</b>	<b>1 725 921</b>

**33. Collaterals**

	Carrying amount of transferred assets					Carrying amount of associated liabilities		
	Total	Repurchase agreements	Assets pledged for derivatives	Assets pledged for covered bonds	Other transferred assets	Total	Repurchase agreements	Other associated liabilities
<b>EUR ths.</b>								
<b>As of 30.6.2018</b>								
Financial assets at amortised cost	-	-	-	-	-	-	-	-
Debt securities	240 652	57 281	65 374	111 492	6 505	223 624	63 693	159 931
Loans and advances to customers	1 404 836	-	-	1 404 836	-	1 055 497	-	1 055 497
<b>Assets pledged as collateral</b>	<b>1 645 488</b>	<b>57 281</b>	<b>65 374</b>	<b>1 516 328</b>	<b>6 505</b>	<b>1 279 121</b>	<b>63 693</b>	<b>1 215 428</b>

	Carrying amount of transferred assets					Carrying amount of associated liabilities		
	Total	Repurchase agreements	Assets pledged for derivatives	Assets pledged for covered bonds	Other transferred assets	Total	Repurchase agreements	Other associated liabilities
<b>EUR ths.</b>								
<b>As of 31.12.2017</b>								
Financial assets - available for sale	191 439	79 547	40 634	63 299	7 958	169 781	78 857	90 924
Loans and receivables to customers	1 462 588	-	-	1 462 589	-	1 211 162	-	1 211 162
Financial assets - held to maturity	59 010	-	10 061	48 949	-	49 836	-	49 836
<b>Assets pledged as collateral</b>	<b>1 713 037</b>	<b>79 547</b>	<b>50 695</b>	<b>1 574 837</b>	<b>7 958</b>	<b>1 430 779</b>	<b>78 857</b>	<b>1 351 922</b>

**34. Assets under administration**

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

As at 30 June 2018 the Group held assets for collective investment undertakings in the amount of 1 208,2 mil. Eur (2017: 1 261,5 mil. Eur).

As at 30 June 2018 the Group also held assets for customers other than collective investment undertakings in the amount of 6 230,1 mil. Eur (2017: 6 339,2 mil. Eur).

## **35. 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 and major principles**

Following a strategic review related to the Group operating segments and method used for the capital allocation to segments, from 1st of January 2016 changes are introduced in the segment reporting of SLSP as well which are aligned with the Group governance.

The Group segment report represents the single source of truth for reporting of the Bank segments' financial performance and serves as the basis for business steering of all individual segments as well as the Group consolidated result. All the areas of SLSP group, directly or indirectly involved in business steering and/or reporting of business performance (e.g. Financial Controlling, Business Accounting, Reporting, Management Information Governance, Local Risk Management, ALM, Strategy & Quality management, Retail, Corporates and Markets, Communication), have to assure full alignment of the data used in their reporting in terms of segment structure, segment definitions, key ratios and measures to the current approved segment structure of SLSP group. It is the responsibility of the respective area to assure that the alignment is achieved. Segment reporting in SLSP has to be aligned with the Group segment reporting in terms of segment structure, segment definitions, key ratios and measures, and it has to fulfil local requirements of IFRS 8.

Actual segment structure in force serves as a basis for budgeting, forecasting, strategic discussions, setting and tracking of key performance indicators (KPIs).

### **Business segments**

Segment reporting was aligned with Erste group segment principles in order to present the bank structure in a transparent way reflecting internal steering and allocations of sources. The Group is divided into the following business segments:

- Retail,
- Corporates,
- Assets and Liabilities Management (ALM) and Local Corporate Centre (LCC),
- Group Markets (GM),

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

The **Retail** segment comprises the entire business with private individuals, free professionals and micros, which are in the responsibility of account managers from the retail network. Retail products and services, including current and savings accounts, mortgage and consumer loans, credit cards, investment and cross selling products (e.g. insurance and building society products) are offered via various distribution channels, such as branch network and digital banking. The Retail segment is divided into 8 regions, 42 areas and 260 branches (status as at 30 June 2018).

**Corporates** segment comprises services and business done with corporate customers of different turnover size including public sector which is divided into following areas:

- Small and medium-sized enterprises (SME) are clients which are under the responsibility of the local corporate commercial center network, mainly consisting of companies with an annual turnover from EUR 1 million to EUR 75 million.
- Local Large Corporates (LLC) are clients with a consolidated annual turnover threshold above EUR 75 million which are not defined as Group Large Corporate customers according to the Group Large Corporate client list.
- Group Large Corporates (GLC) are large corporate customers/client groups with substantial operations in core markets/extended core markets of Erste Group with an indicative consolidated annual turnover of at least EUR 500 million. GLC clients can be found on the Erste Group-wide GLC client list, which is maintained by the Group GLC. Group Large Corporates business covers the following customer types in principle: customers across the region with an annual turnover above EUR 500 million, selected customers with an annual turnover below EUR 500 million in case of multinational setup or strong capital markets service needs.
- Public sector consists of the following three sets of customers: public sector, public corporations and non-profit sector. Public sector includes such customers as central ministries and state funded funds and agencies, non-profit entities established by or under control of central government entities, regional governments and organizations funded by them, state capitals, public health and social insurance companies. Public corporations includes all non-financial state companies and corporations with more than 50% share of state or regional governments or municipals excluding stock exchange listed companies. Non-profit sector comprises the following private non-profit companies: central authorities of churches, country-wide labor unions, political parties and nationally significant foundations, private schools and humanitarian organizations.
- Commercial Real Estate (CRE) business covers investors in real estate for the purpose of generating income from the rental of individual properties or portfolios of properties, developers of individual properties or portfolios of properties for the purpose of generating capital gains through sale, asset management services and own development for business purpose.

**Asset Liability Management (ALM) and Local Corporate Center (LCC)** segment comprises on the one side the management of group assets and liabilities in the light of uncertainty of cash flows, cost of funds and return on investments in order to determine the optimal trade-off between risk, return and liquidity. Furthermore it comprises funding transactions, hedging activities, investments into securities other than held for trading purpose, management of own issues and FX positions.

On the other side it also includes the local corporate center which comprises all non-core banking business activities such as non-profit servicing participations, intragroup eliminations within the respective partial group, dividends, refinancing costs of participations, all non-banking balance sheet positions (e.g. fixed assets) which cannot be allocated to other business segments. Apart from that the Local Corporate Center includes received dividends and the reconciliations to the accounting result. The segment comprises also free capital which is defined as the difference of the total average IFRS equity and the average economical equity allocated to all operating segments.

**Group Markets (GM)** segment comprises trading and markets services as well as business with financial institutions.

- Trading and Market services comprises all activities related to active risk taking and managing in regulatory trading books of the group, additional to that the execution of trades against the market using the trading books of the group for market making, short-term liquidity management and warehousing purposes. Specifically revenues and fair value results not directly attributable to client transactions (which can be valid also for ALM deals) and generally risk premiums and execution fees are taken into account. It also includes 20% compensation fee from Retail for the treasury sales services.
- Financial institutions (FI) are companies that provide financial services for their clients or members and act as professional and active participant on financial markets for the purpose of proprietary trading or on behalf of their clients (banks, central banks, development banks, investment banks, investment funds, brokerages, insurance companies, pension funds, credit unions, building societies, asset management companies, government debt agencies, sovereign wealth funds, exchanges).



## **Measurement and reporting**

The segment reporting of the 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 consolidated financial statement.

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

In line with the regular internal reporting prepared for the Board of Directors, total assets, total liabilities, as well as risk weighted assets and allocated equity are disclosed per segment.

The capital consumption per segment is regularly reviewed by the management to assess the performance of the segments. The average allocated equity is determined by credit risk, market risk and operational risk.

For measuring and assessing the profitability of segments, the 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 result, gains/losses from financial instruments measured at fair value through profit or loss, net result from equity method investments, rental income from investment properties).

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting

for the accounting period ended 30 June 2018

Business Segments	Retail		Corporates		Group markets		Asset Liability Management and Local Corporate Center		Total	
	30.6.2017	30.6.2018	30.6.2017	30.6.2018	30.6.2017	30.6.2018	30.6.2017	30.6.2018	30.6.2017	30.6.2018
<b>EUR ths.</b>										
Net interest income	188 298	187 717	29 516	34 049	1 775	1 937	(1 633)	(6 120)	217 955	217 584
Net fee and commission income	44 669	49 149	6 150	7 160	2 691	3 394	1 281	(1 310)	54 791	58 393
Dividend income	-	-	-	-	-	-	727	746	727	746
Net trading result	1 758	1 661	2 389	1 138	3 688	1 783	778	156	8 613	4 738
Gains/losses from financial instruments measured at fair value through PL	-	-	-	-	-	-	(201)	(185)	(201)	(185)
Net result from equity method investments	1 256	974	-	-	-	-	-	-	1 256	974
Rental income from investment properties & other operating leases	-	-	-	-	-	-	151	155	151	155
Other administrative expenses	(117 104)	(119 031)	(17 008)	(16 857)	(2 667)	(2 363)	563	951	(136 217)	(137 302)
Gains/losses from financial instruments not measured at fair value through PL	-	x	-	-	-	x	293	x	293	x
Other gains/losses from derecognition of financial instruments not measured at fair value through PL	x	-	x	-	x	-	x	(1)	x	(1)
Net impairment loss on financial assets not measured at fair value through PL	(25 128)	x	5 293	x	(41)	x	314	x	(19 561)	x
Impairment result from financial instruments	x	(15 951)	x	4 250	x	(36)	x	47	x	(11 690)
Other operating result	(10 176)	(10 512)	2 103	(1 808)	(666)	(796)	(4 631)	(5 943)	(13 371)	(19 058)
Levies on banking activities	(9 911)	(10 512)	(1 786)	(1 808)	(698)	(796)	(3 693)	(4 375)	(16 088)	(17 491)
<b>Pre-tax profit from continuing operations</b>	<b>83 573</b>	<b>94 007</b>	<b>28 443</b>	<b>27 932</b>	<b>4 780</b>	<b>3 919</b>	<b>(2 358)</b>	<b>(11 504)</b>	<b>114 436</b>	<b>114 354</b>
Taxes on income	(17 550)	(19 537)	(5 973)	(5 866)	(1 004)	(823)	(3 377)	861	(27 904)	(25 365)
<b>Net result for the period</b>	<b>66 023</b>	<b>74 470</b>	<b>22 470</b>	<b>22 066</b>	<b>3 776</b>	<b>3 096</b>	<b>(5 735)</b>	<b>(10 643)</b>	<b>86 532</b>	<b>88 989</b>
<b>Net result attributable to non-controlling interests</b>	-	-	-	-	-	-	(36)	(39)	(36)	(39)
<b>Net result attributable to owners of the parent</b>	<b>66 023</b>	<b>74 470</b>	<b>22 470</b>	<b>22 066</b>	<b>3 776</b>	<b>3 096</b>	<b>(5 771)</b>	<b>(10 682)</b>	<b>86 496</b>	<b>88 950</b>
Operating income	234 725	239 501	38 056	42 347	8 154	7 114	1 102	(6 558)	282 037	282 404
Operating expenses	(117 104)	(119 031)	(17 008)	(16 857)	(2 667)	(2 363)	563	951	(136 217)	(137 301)
<b>Operating result</b>	<b>117 621</b>	<b>120 470</b>	<b>21 048</b>	<b>25 490</b>	<b>5 487</b>	<b>4 751</b>	<b>1 665</b>	<b>(5 607)</b>	<b>145 820</b>	<b>145 103</b>
Risk-weighted assets (credit risk, eop)*	2 384 779	2 726 581	2 066 995	2 622 670	18 409	30 729	471 922	551 303	4 942 105	5 931 283
Average allocated capital**	295 855	407 661	163 956	250 647	6 029	7 273	181 402	230 900	647 242	896 481
Cost/income ratio	49,9%	49,7%	44,7%	39,8%	32,7%	33,2%	-51,1%	14,5%	48,3%	48,6%
Return on allocated capital	90,5%	74,1%	55,6%	35,7%	254,0%	172,7%	-12,9%	-18,8%	54,2%	40,2%
Total assets (eop)	8 511 390	9 473 721	2 639 604	3 201 542	132 164	106 944	4 311 498	4 184 579	15 594 656	16 966 786
Total liabilities excluding equity (eop)	10 027 249	10 691 615	1 342 948	1 627 878	507 086	575 930	2 264 636	2 645 284	14 141 919	15 540 707
<b>Impairments and risk provisions</b>										
Net impairment loss on loans and receivables to credit institutions/customers	(25 128)	x	5 293	x	(41)	x	353	x	(19 523)	x
Net impairment loss on other financial assets	-	x	-	x	-	x	(38)	x	(38)	x
Net impairment loss on financial instruments AC	x	(15 806)	x	3 774	x	(7)	x	210	x	(11 830)
Net impairment loss on financial instruments Leasing	x	-	x	-	x	-	x	10	x	10
Impairments and provisions for commitments and guarantees given	(265)	(145)	3 888	476	32	(28)	-	(173)	3 655	130
Net impairment on other non-financial assets	-	-	-	-	-	-	359	326	359	326

## **36. Risk management**

The core function of every bank is to take risks in a conscious and selective manner and to manage such risks professionally. Group's proactive risk policy and strategy aims at achieving balanced risk and return in order to generate a sustainable and adequate return on equity. Concerning risk policy and strategy as well as regarding risk management organisation, reference is made to the note of the same name in the annual report 2017.

### **Credit risk**

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

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

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

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

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

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

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

### **Strategic Risk Management**

Strategic Risk Management, more specifically its Credit Risk Control department, is the independent risk control unit in line with capital requirements regulation and directive. SRM is not involved in the operative credit decision-making. However it is responsible for the design of rating systems, testing and monitoring of accuracy and selectivity of internal rating grades, production and analysis of summary reports from the Group's rating systems. SRM is also responsible for the design and implementation of models for calculation of risk parameters (PD, LGD, CCF, etc.), standard risk costs and portfolio provisions. It is also responsible for the design and implementation of models for calculation of risk-weighted assets according to capital requirements regulation and directive and model for economic capital. In addition to this, SRM has two other specific roles:

- credit exposures to banks, sovereigns and countries, which are governed centrally by Erste Holding (credit analysis, limit setting), are locally approved and monitored by SRM;
- credit lines of Treasury clients (approved by Credit Risk Corporate or Credit Committee) are determined and monitored by SRM.

### Retail Credit Risk Management Division

Retail Credit Risk Management Division formulates the credit policy and internal actions on the credit approval process for retail clients and designs and oversees processes in retail lending activity. It is responsible for risk assessment of counterparties and credit facilities (rating assignment, credit transaction assessment). Furthermore, it monitors the development of credit portfolio of retail clients. It also designs, sets and monitors limits, maintains deal and limits documentation, as well as performs early and late collection and retail collateral management.

### Corporate Credit Risk Management Division

Corporate Credit Risk Management Division formulates the credit policy and internal provisions on the credit approval process for corporate clients. It is responsible for risk analysis of counterparties and credit facilities (financial analysis, rating assignment, credit transaction assessment). Furthermore, it monitors the development of the credit portfolio of corporate clients. It regularly reviews assigned ratings and counterparty financial situation. It also designs, sets and monitors limits, maintains deal and limits documentation for corporate clients.

### Risk grades

The classification of credit assets into risk grades is based on the Group's internal ratings. The Group uses two internal risk scales for risk classification for customers that have not defaulted: risk scale of 8 risk grades (for retail) 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 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 – defaulted forbearance;
- E4 – exposure write-off;
- E5 – bankruptcy.

Credit Risk Control department participates on the definition of default with Late Collection and Corporate Workout departments. The definition of default fulfils EBA criteria and influences estimation of LLP, SRC, etc.

### Credit risk exposure

Credit risk exposure relates to the following balance sheet items:

- cash and cash balances - other demand deposits;

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

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- financial assets held for trading – derivatives (without equity instruments);
- non-trading financial assets at fair value through profit or loss (FVTPL) (without equity instruments);
- financial assets at fair value through other comprehensive income (FVTOCI) (without equity instruments);
- financial assets at amortised cost;
- finance lease receivables;
- positive fair value of derivatives – hedge accounting;
- trade and other receivables;
- off-balance sheet positions (financial guarantees, irrevocable loan and other commitments).

The credit risk exposure comprises the gross carrying amount (or nominal value in the case of off-balance-sheet positions) without taking into account loan loss allowances, provisions for guarantees, any collateral held (including risk transfer to guarantors), netting effects, other credit enhancements or credit risk mitigating transactions.

The gross carrying amount of the credit risk exposure increased to EUR 18,317 billion (+4,09%; EUR 17,596 billion as at 31.12.2017).

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting

for the accounting period ended 30 June 2018

The following table presents the reconciliation between the gross carrying amount and the carrying amount of the separate components of the credit risk exposure:

30.6.2018 EUR ths.	Gross carrying amount	Credit loss allowances				Net carrying amount
		Stage 1	Stage 2	Stage 3	POCI	
Cash and cash balances - other demand deposits	58 031	58 031	-	-	-	58 031
Financial assets at amortised cost	16 247 934	15 409 285	380 391	345 975	112 282	15 887 053
Loans and advances to banks	43 617	43 617	0	-	-	43 590
Loans and advances to customers	12 643 753	11 805 104	380 391	345 975	112 282	12 283 348
of which: Lending for house purchase	7 323 987	7 021 441	137 487	162 532	2 527	7 212 916
of which: Credit for consumption	1 764 557	1 522 240	104 938	136 990	388	1 621 080
of which: Corporate loans and others	3 555 208	3 261 423	137 965	46 453	109 367	3 449 353
Debt securities	3 560 564	3 560 564	-	-	-	3 560 114
Finance lease receivables	98 815	97 725	298	792	-	98 088
Trade and other receivables	114 180	109 605	788	3 787	-	110 379
Non-trading financial assets at fair value through profit or loss - 'Debt securities	25 826	25 826	-	-	-	25 826
Financial assets - held for trading	38 861	38 861	-	-	-	38 861
Positive fair value of derivatives	6 957	6 957	-	-	-	6 957
<b>Total credit risk exposure on-balance</b>	<b>16 590 605</b>	<b>15 746 290</b>	<b>381 477</b>	<b>350 555</b>	<b>112 282</b>	<b>16 225 195</b>
Off-balance	1 725 920	1 642 030	23 216	3 827	56 847	1 711 620
<b>Total credit risk exposure</b>	<b>18 316 524</b>	<b>17 388 321</b>	<b>404 693</b>	<b>354 382</b>	<b>169 129</b>	<b>17 936 815</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting

for the accounting period ended 30 June 2018

Adjustments include impairments for financial assets measured at amortised cost, provisions for off-balance sheet positions as well as changes to the carrying amount for financial assets at fair value through other comprehensive income.

EUR ths.	Gross carrying amount	Specific allowances for individually assessed financial assets	Specific allowances for collectively assessed financial assets	Collective allowances for incurred but not reported losses	Net carrying amount
<b>31.12.2017</b>					
Cash and cash balances	53 802	-	-	-	53 802
Loans and receivables to credit institutions	177 616	-	-	0	177 616
Loans and receivables to customers	12 084 524	82 730	207 065	74 995	11 719 733
of which: Lending for house purchase	6 950 023	3 805	80 339	24 875	6 841 004
of which: Credit for consumption	1 715 672	3	105 156	30 138	1 580 374
of which: Corporate loans and others	3 418 829	78 922	21 570	19 982	3 298 355
Financial assets - held to maturity	2 644 730	-	-	328	2 644 402
Financial assets - held for trading	-	-	-	-	-
Financial assets - at fair value through profit or loss	-	-	-	-	-
Financial assets - available for sale	972 734	-	-	-	972 734
Positive fair value of derivatives	43 244	-	-	-	43 244
<b>Total Credit Risk Exposure On-Balance</b>	<b>15 976 650</b>	<b>82 730</b>	<b>207 065</b>	<b>75 323</b>	<b>15 611 532</b>
Off-balance	1 619 165	8 117	461	6 513	1 604 074
<b>Total</b>	<b>17 595 815</b>	<b>90 847</b>	<b>207 526</b>	<b>81 836</b>	<b>17 215 606</b>

On the next pages the credit risk exposure is presented according to the following criteria:

- industry and risk category;
- country of risk and financial instruments;
- impairment view;
- net their past due, not impaired;
- industry;
- Basel 3 exposure class and financial instrument.

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

The following table presents credit risk exposure by industry and risk category:

EUR ths.	Investment grade	Subinvestment grade	Non-performing loans	Total credit risk exposure
<b>30.6.2018</b>				
Agriculture and forestry	86 489	36 429	2 003	124 922
Mining	44 047	3 948	30	48 025
Manufacturing	909 793	69 556	21 816	1 001 164
Energy and water supply	499 480	4 299	72	503 851
Construction	261 142	14 630	11 741	287 513
Development of building projects	41 851	10	1 255	43 116
Trade	550 613	69 323	20 010	639 946
Transport and communication	552 968	15 092	5 260	573 320
Hotels and restaurants	71 274	4 115	4 831	80 220
Financial and insurance services	486 581	1 013	52	487 646
Holding companies	50 512	-	-	50 512
Real estate and housing	1 022 435	16 173	114 319	1 152 926
Services	221 089	24 240	6 239	251 569
Public administration	3 540 448	632	388	3 541 468
Education, health and art	46 894	3 776	210	50 880
Private households	8 675 639	579 024	317 739	9 572 402
Other	165	506	1	672
<b>Total</b>	<b>16 969 057</b>	<b>842 756</b>	<b>504 711</b>	<b>18 316 524</b>



**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting

for the accounting period ended 30 June 2018

EUR ths.	Investment grade	Subinvestment grade	Non-performing loans	Net carrying amount
<b>31.12.2017</b>				
Agriculture and forestry	80 066	33 949	1 931	115 947
Mining	42 873	4 506	-	47 378
Manufacturing	812 974	80 143	21 081	914 198
Energy and water supply	413 267	5 866	77	419 210
Construction	222 653	10 932	13 451	247 036
Development of building projects	32 651	-	1 849	34 500
Trade	514 718	66 121	20 007	600 846
Transport and communication	584 608	11 754	5 320	601 681
Hotels and restaurants	70 445	4 551	4 904	79 901
Financial and insurance services	571 798	515	305	572 618
Holding companies	24 614	-	280	24 894
Real estate and housing	1 001 558	16 517	114 792	1 132 866
Services	111 830	17 859	6 432	136 121
Public administration	3 558 327	2 114	-	3 560 440
Education, health and art	50 164	2 575	282	53 022
Private households	8 250 211	545 977	318 003	9 114 192
Other	25	333	1	359
<b>Total</b>	<b>16 285 517</b>	<b>803 712</b>	<b>506 586</b>	<b>17 595 815</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

The following table presents credit risk exposure by risk category:

EUR ths.	Investment grade	Subinvestment grade	Non-performing loans	Gross carrying amount
<b>30.6.2018</b>				
Cash and cash balances - other demand deposits	58 031	-	-	58 031
Financial assets at amortised cost	15 056 565	741 487	449 882	16 247 934
Loans and advances to banks	43 617	1	-	43 617
Loans and advances to customers	11 452 384	741 487	449 882	12 643 753
of which: Lending for house purchase	6 798 866	353 877	171 244	7 323 987
of which: Credit for consumption	1 436 358	188 811	139 389	1 764 557
of which: Corporate loans and others	3 217 160	198 799	139 249	3 555 208
Debt securities	3 560 564	-	-	3 560 564
Finance lease receivables	91 518	6 505	792	98 815
Trade and other receivables	91 990	18 403	3 787	114 180
Non-trading financial assets at fair value through profit or loss - 'Debt securities	25 683	142	-	25 826
Derivatives - held for trading	38 157	696	8	38 861
Positive fair value of derivatives - hedge accounting	6 957	-	-	6 957
<b>Total credit risk exposure on-balance</b>	<b>15 368 901</b>	<b>767 235</b>	<b>454 469</b>	<b>16 590 605</b>
Off-balance	1 600 156	75 521	50 243	1 725 920
<b>Total credit risk exposure</b>	<b>16 969 058</b>	<b>842 755</b>	<b>504 711</b>	<b>18 316 524</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

The following table presents credit risk exposure by industry and IFRS9 stage:

EUR ths.	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9	Total credit risk exposure
<b>30.6.2018</b>						
Agriculture and forestry	118 137	4 656	1 305	718	1 305	718
Mining	44 216	3 711	30	-	30	-
Manufacturing	952 981	25 901	13 405	8 448	13 405	8 448
Energy and water supply	465 892	8 262	72	-	72	-
Construction	260 332	4 688	4 600	17 335	4 600	17 335
Development of building projects	41 330	-	1 255	-	1 255	-
Trade	594 135	25 353	14 478	5 817	14 478	5 817
Transport and communication	560 601	6 981	3 605	1 679	3 605	1 679
Hotels and restaurants	55 874	2 611	4 213	16 909	4 213	16 909
Financial and insurance services	450 222	787	52	-	52	-
Holding companies	50 090	422	-	-	-	-
Real estate and housing	979 728	56 561	1 330	112 989	1 330	112 989
Services	241 021	4 187	5 433	815	5 433	815
Public administration	3 540 943	138	388	-	388	-
Education, health and art	49 826	819	210	19	210	19
Private households	9 002 609	260 036	305 261	4 399	305 261	4 399
Other	162	3	1	-	1	-
<b>Total</b>	<b>17 316 679</b>	<b>404 694</b>	<b>354 383</b>	<b>169 128</b>	<b>354 383</b>	<b>169 128</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

The following table presents credit risk exposure by region and financial instrument:

30.6.2018	Cash and cash balances - other demand deposits	Financial assets at amortised cost						Non-trading financial assets at fair value through profit or loss - 'Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure	
EUR ths.		Loans and advances to banks	Loans and advances to customers			Debt securities	Finance lease receivables					Trade and other receivables
			of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others							
Slovakia	-	30	7 318 939	1 763 378	3 496 555	3 261 519	98 815	89 570	5 409	35 549	1 672 564	17 742 329
Central and Eastern Europe	57 393	3 787	1 930	420	29 890	23 045	-	8 386	-	3 313	34 247	162 411
Austria	48 726	287	156	17	1	-	-	283	-	3 301	2 420	55 191
Czech Republic	3 393	3 499	1 073	282	29 883	23 045	-	5 476	-	12	31 507	98 171
Hungary	5 262	-	63	2	2	-	-	1 594	-	-	273	7 196
Croatia	12	-	114	29	1	-	-	525	-	-	2	682
Romania	-	-	339	48	2	-	-	495	-	-	44	928
Serbia	-	-	185	43	1	-	-	13	-	-	2	244
Other EU	575	39 799	1 350	221	28 708	270 800	-	14 386	20 417	6 957	18 221	401 433
Other industrialised countries	63	-	337	61	6	5 200	-	330	-	-	8	6 005
Emerging markets	-	1	1 431	477	49	-	-	1 509	-	-	880	4 346
Total	58 031	43 617	7 323 987	1 764 557	3 555 208	3 560 564	98 815	114 180	25 826	45 818	1 725 920	18 316 524

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting

for the accounting period ended 30 June 2018

31.12.2017	Cash and cash balances	Loans and receivables to credit institutions	Loans and receivables to customers			Financial assets - held to maturity	Financial assets - held for trading	Financial assets - at fair value through profit or loss	Financial assets - available for sale	Positive fair value of derivatives	Off-balance	Total credit risk exposure
			of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others							
EUR ths.												
Slovakia	-	79	6 944 768	1 714 487	3 350 262	2 398 418	-	-	881 217	32 893	1 577 604	16 899 728
Central and Eastern Europe	53 302	177 532	1 840	479	33 429	-	-	-	44 139	3 210	34 952	348 882
Austria	3 467	135 718	186	18	493	-	-	-	-	3 120	2 516	145 518
Czech Republic	49 764	39 139	1 152	316	30 679	-	-	-	44 139	90	32 116	197 396
Hungary	57	2 675	66	0	1 583	-	-	-	-	-	273	4 654
Croatia	11	-	-	46	253	-	-	-	-	-	2	312
Romania	3	-	344	51	420	-	-	-	-	-	42	860
Serbia	-	-	93	47	1	-	-	-	-	-	2	142
Other EU	341	4	1 500	212	33 499	246 312	-	-	40 634	7 141	3 670	333 313
Other industrialised countries	159	-	344	38	104	-	-	-	6 744	-	6	7 396
Emerging markets	-	1	1 570	456	1 535	-	-	-	-	-	2 934	6 496
<b>Total</b>	<b>53 802</b>	<b>177 616</b>	<b>6 950 023</b>	<b>1 715 672</b>	<b>3 418 829</b>	<b>2 644 730</b>	<b>-</b>	<b>-</b>	<b>972 734</b>	<b>43 244</b>	<b>1 619 165</b>	<b>17 595 815</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting

for the accounting period ended 30 June 2018

The following table presents credit risk exposure according to impairment view:

30.6.2018	Non-impaired loans							Impaired loans	Total Credit risk exposure
	Total past due non Impaired	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due*	Thereof more than 180 days past due*	Neither past due non Impaired		
Cash and cash balances - other demand deposits	-	-	-	-	-	-	58 031	-	58 031
Financial assets at amortised cost	353 039	321 861	20 118	10 951	72	37	15 455 151	439 744	16 247 934
Loans and advances to banks	49	49	0	-	-	-	43 568	-	43 617
Loans and advances to customers	352 989	321 812	20 118	10 951	72	37	11 851 019	439 744	12 643 753
of which: Lending for house purchase	133 065	115 931	11 391	5 743	-	-	7 027 591	163 331	7 323 987
of which: Credit for consumption	81 588	70 360	6 945	4 265	13	4	1 545 694	137 275	1 764 557
of which: Corporate loans and others	138 336	135 521	1 782	942	58	33	3 277 733	139 138	3 555 208
Debt securities	-	-	-	-	-	-	3 560 564	-	3 560 564
Finance lease receivables	10 670	10 373	129	40	108	20	87 353	792	98 815
Trade and other receivables	8 287	7 216	884	185	-	1	102 106	3 787	114 180
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	-	-	-	25 826	-	25 826
Positive fair value of derivatives	-	-	-	-	-	-	6 957	-	6 957
<b>Total credit risk exposure on-balance</b>	<b>371 996</b>	<b>339 450</b>	<b>21 131</b>	<b>11 177</b>	<b>180</b>	<b>59</b>	<b>15 774 285</b>	<b>444 324</b>	<b>16 590 605</b>
Off-balance	50 057	49 918	123	16	0	-	1 625 629	50 234	1 725 920
<b>Total credit risk exposure</b>	<b>422 054</b>	<b>389 368</b>	<b>21 254</b>	<b>11 193</b>	<b>180</b>	<b>59</b>	<b>17 399 913</b>	<b>494 557</b>	<b>18 316 524</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting

for the accounting period ended 30 June 2018

31.12.2017	Non-impaired loans							Impaired loans	Total Credit risk exposure
	Total past due non Impaired	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due*	Thereof more than 180 days past due*	Neither past due non Impaired		
EUR ths.									
Cash and cash balances	-	-	-	-	-	-	53 802	-	53 802
Loans and receivables to credit institutions	38	38	-	-	-	-	177 578	-	177 616
Loans and receivables to customers	328 650	298 467	19 821	9 645	490	227	11 307 058	448 815	12 084 524
of which: Lending for house purchase	131 401	116 198	10 482	4 529	125	67	6 646 392	172 229	6 950 023
of which: Credit for consumption	84 289	72 813	6 615	4 534	253	75	1 503 652	127 730	1 715 672
of which: Corporate loans and others	112 959	109 457	2 724	582	112	85	3 157 014	148 856	3 418 829
Financial assets - held to maturity	-	-	-	-	-	-	2 644 730	-	2 644 730
Financial assets - held for trading	-	-	-	-	-	-	-	-	-
Financial assets - at fair value through profit or loss	-	-	-	-	-	-	-	-	-
Financial assets - available for sale	-	-	-	-	-	-	972 734	-	972 734
Positive fair value of derivatives	-	-	-	-	-	-	43 244	-	43 244
<b>Total Credit Risk Exposure On-Balance</b>	<b>328 688</b>	<b>298 505</b>	<b>19 821</b>	<b>9 645</b>	<b>490</b>	<b>227</b>	<b>15 199 147</b>	<b>448 815</b>	<b>15 976 650</b>
Off-balance	82 546	82 500	33	11	2	-	1 487 928	48 691	1 619 165
<b>Total</b>	<b>411 234</b>	<b>381 005</b>	<b>19 854</b>	<b>9 656</b>	<b>492</b>	<b>227</b>	<b>16 687 075</b>	<b>497 506</b>	<b>17 595 815</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting

for the accounting period ended 30 June 2018

The following table presents credit quality for exposures, which are neither past due nor impaired:

30.6.2018		Financial assets at amortised cost							Non-trading financial assets at fair value through profit or loss - 'Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure	
	Cash and cash balances - other demand deposits	Loans and advances to customers					Finance lease receivables	Trade and other receivables					
		Loans and advances to banks	Loans and advances to customers			Debt securities							
			of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others								
EUR ths.													
	Investment grade (1-5)	58 031	43 568	6 768 574	1 421 689	3 126 704	3 560 564	82 578	86 942	25 683	45 114	1 552 701	16 772 149
	Subinvestment grade (6)	-	-	195 752	88 658	135 092	-	4 712	8 488	142	696	64 695	498 235
	Subinvestment grade (7)	-	-	48 919	25 328	12 577	-	53	429	-	-	7 128	94 433
	Subinvestment grade (8)	-	-	11 311	9 163	3 285	-	10	6 247	-	-	1 096	31 113
	Non-performing loans (NPE)**	-	-	3 036	856	75	-	-	-	-	8	8	3 983
	Total	58 031	43 568	7 027 591	1 545 694	3 277 733	3 560 564	87 353	102 106	25 826	45 818	1 625 629	17 399 913

31.12.2017			Loans and receivables to customers					Financial assets - at fair value through profit or loss				
	Cash and cash balances	Loans and receivables to credit institutions	of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others	Financial assets - held to maturity	Financial assets - held for trading		Financial assets - available for sale	Positive fair value of derivatives	Off-balance	Total credit risk exposure
EUR ths.												
Investment grade (1-5)	53 802	177 578	6 406 690	1 382 367	2 987 545	2 644 730	-	-	972 734	42 549	1 419 989	16 087 984
Subinvestment grade (6)	-	-	181 300	85 684	144 719	-	-	-	-	677	57 175	469 555
Subinvestment grade (7)	-	-	44 467	25 149	16 474	-	-	-	-	10	9 669	95 770
Subinvestment grade (8)	-	-	10 509	9 447	8 232	-	-	-	-	-	1 012	29 200
Non-performing loans (NPE)**	-	-	3 425	1 005	44	-	-	-	-	8	83	4 565
Total	53 802	177 578	6 646 392	1 503 652	3 157 014	2 644 730	-	-	972 734	43 244	1 487 928	16 687 075



**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

The following table credit risk exposure by industry:

30.6.2018	EUR ths.	Cash and cash balances - other demand deposits	Financial assets at amortised cost			Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - 'Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
			Loans and advances to banks	Loans and advances to customers	Debt securities						
Agriculture and forestry		-	-	104 470	-	1 134	115	-	106	19 097	124 922
Mining		-	-	34 306	-	-	261	-	68	13 389	48 025
Manufacturing		-	-	630 483	9 202	27 445	52 751	-	429	280 854	1 001 164
Energy and water supply		-	-	348 072	-	2 515	36 416	-	29 625	87 223	503 851
Construction		-	-	112 211	-	4 149	728	-	558	169 867	287 513
Development of building projects		-	-	32 579	-	-	-	-	531	10 005	43 116
Trade		-	-	453 537	-	8 414	19 272	-	163	158 559	639 946
Transport and communication		-	-	349 909	88 099	46 363	862	-	453	87 634	573 320
Hotels and restaurants		-	-	72 290	-	609	3	-	614	6 705	80 220
Financial and insurance services		58 031	43 617	94 903	170 956	46	-	25 826	10 759	83 508	487 646
Holding companies		-	-	14 533	15 010	-	-	-	-	20 970	50 512
Real estate and housing		-	-	899 501	104	634	175	-	2 319	250 194	1 152 926
Services		-	-	136 095	-	5 855	2 129	-	113	107 376	251 569
Public administration		-	-	214 600	3 292 203	16	688	-	-	33 961	3 541 468
Education, health and art		-	-	33 536	-	1 495	781	-	6	15 062	50 880
Private households		-	-	9 159 682	-	142	-	-	98	412 481	9 572 403
Other		-	-	158	-	-	-	-	506	8	672
<b>Total Credit risk exposure</b>		<b>58 031</b>	<b>43 617</b>	<b>12 643 753</b>	<b>3 560 564</b>	<b>98 815</b>	<b>114 180</b>	<b>25 826</b>	<b>45 818</b>	<b>1 725 920</b>	<b>18 316 524</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting

for the accounting period ended 30 June 2018

<b>31.12.2017</b>	<b>Cash and cash balances - other demand deposits</b>	<b>Loans and receivables to credit institutions</b>	<b>Loans and receivables to customers</b>	<b>Financial assets - held to maturity</b>	<b>Financial assets - held for trading</b>	<b>Financial assets - at fair value through profit or loss</b>	<b>Financial assets - available for sale</b>	<b>Positive fair value of derivatives</b>	<b>Off-balance</b>	<b>Total credit risk exposure</b>
<b>EUR ths.</b>										
Agriculture and forestry	-	-	99 112	-	-	-	-	127	16 709	115 947
Mining	-	-	39 180	-	-	-	-	86	8 112	47 378
Manufacturing	-	-	612 990	-	-	-	6 605	519	294 083	914 198
Energy and water supply	-	-	331 939	-	-	-	-	26 832	60 439	419 210
Construction	-	-	99 240	-	-	-	-	649	147 148	247 036
Development of building projects	-	-	28 857	-	-	-	-	621	5 022	34 500
Trade	-	-	438 560	-	-	-	-	704	161 583	600 846
Transport and communication	-	-	351 018	-	-	-	114 371	485	135 807	601 681
Hotels and restaurants	-	-	72 822	-	-	-	-	332	6 746	79 901
Financial and insurance services	53 802	177 616	94 945	92 205	-	-	69 256	10 793	74 000	572 618
Holding companies	-	-	3 715	-	-	-	-	9	21 170	24 894
Real estate and housing	-	-	867 748	10 232	-	-	-	2 261	252 625	1 132 866
Services	-	-	87 308	-	-	-	-	16	48 797	136 121
Public administration	-	-	208 858	2 542 292	-	-	782 502	-	26 789	3 560 440
Education, health and art	-	-	38 443	-	-	-	-	7	14 572	53 022
Private households	-	-	8 742 337	-	-	-	-	99	371 755	9 114 192
Other	-	-	24	-	-	-	-	333	2	359
<b>Total Credit risk exposure</b>	<b>53 802</b>	<b>177 616</b>	<b>12 084 524</b>	<b>2 644 729</b>	<b>-</b>	<b>-</b>	<b>972 734</b>	<b>43 243</b>	<b>1 619 167</b>	<b>17 595 815</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

The following table presents credit risk exposure by Basel 3 exposure class and financial instrument:

30.6.2018	Cash and cash balances - other demand deposits	Financial assets at amortised cost			Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - 'Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
		Loans and advances to banks	Loans and advances to customers	Debt securities						
EUR ths.										
Sovereigns	-	-	204 775	3 310 221	16	-	-	-	33 917	3 548 929
Institutions	58 031	43 617	-	127 577	-	-	20 274	10 257	57 342	317 099
Corporates	-	-	2 686 325	122 766	95 491	112 446	5 551	35 462	1 100 765	4 158 807
Retail	-	-	9 752 653	-	3 308	1 735	-	98	533 895	10 291 689
<b>Total</b>	<b>58 031</b>	<b>43 617</b>	<b>12 643 753</b>	<b>3 560 564</b>	<b>98 815</b>	<b>114 180</b>	<b>25 826</b>	<b>45 818</b>	<b>1 725 920</b>	<b>18 316 524</b>

31.12.2017	Cash and cash balances - other demand deposits	Loans and receivables to credit institutions	Loans and receivables to customers	Financial assets - held to maturity	Financial assets - held for trading	Financial assets - at fair value through profit or loss	Financial assets - available for sale	Positive fair value of derivatives	Off-balance	Total credit risk exposure
EUR ths.										
Sovereigns	-	-	217 113	2 542 292	-	-	800 553	-	26 737	3 586 696
Institutions	53 802	177 616	-	92 205	-	-	51 204	10 261	44 959	430 048
Corporates	-	-	2 557 181	10 232	-	-	120 977	32 884	1 058 040	3 779 314
Retail	-	-	9 310 230	-	-	-	-	99	489 429	9 799 758
<b>Total</b>	<b>53 802</b>	<b>177 616</b>	<b>12 084 524</b>	<b>2 644 730</b>	<b>-</b>	<b>-</b>	<b>972 734</b>	<b>43 244</b>	<b>1 619 165</b>	<b>17 595 815</b>

The assignment of obligors to Basel 3 exposure classes is based on legal regulations. For reasons of clarity, individual Basel 3 exposure classes are presented in aggregated form. The aggregated exposure class 'sovereigns' also contains regional and local governments as well as public sector entities in addition to central governments, central banks, international organisations and multinational development banks. Institutions include banks and recognised investment firms.

Concerning contingent liabilities the gross carrying amount refers to the nominal value, while credit risk provisions refer to provisions for guarantees. A net carrying amount is not presented in the case of contingent liabilities.

## **37. Fair values of financial assets and liabilities**

### **Financial instruments measured at fair value**

All financial instruments of this category are measured at fair value on a recurring basis.

In the Group the measurement of fair value is primarily based on external sources of data (stock market prices or broker quotes in highly liquid market segments). The financial instruments for which fair value is determined on the basis of quoted market prices are mainly listed securities, liquid OTC bonds and derivatives.

### **Description of the valuation models and inputs**

The Group uses only valuation models which have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently.

#### **Securities**

For plain vanilla debt securities (fixed and floating) the fair value is calculated by discounting the future cash flows using a discounting curve depending on the interest rate for the respective issuance currency and a spread adjustment. The spread adjustment is usually derived from the credit spread curve of the issuer. If no issuer curve is available the spread is derived from a proxy instrument and adjusted for differences in the risk profile of the instrument. If no close proxy instrument is available, the spread adjustment is estimated using other information, including estimation of the credit spread based on internal ratings and PDs or management judgment. For more complex debt securities (e.g. including option-like features as callable, cap/floor, index-linked) the fair value is determined using combinations of discounted cash-flow models and more sophisticated modelling techniques including also methods described for OTC-derivatives. All securities are valued using the bid/ask levels (depending whether asset or liability), i.e. more conservative than 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 30 June 2018 the cumulative CVA adjustment amounted 0,4 mil. Eur (2017: 0,3 mil. Eur) and the cumulative DVA adjustment amounted 0,2 mil. Eur (2017: 0,2 mil. Eur).

The responsibility for valuation of exposures measured at fair value is carried by Risk management unit, which is independent from all trading, sales and investment units.

### **Fair value hierarchy**

Financial assets and financial liabilities measured at fair value are categorized under the three levels of the IFRS fair value hierarchy.

#### **Level 1**

The fair value of financial instruments assigned to Level 1 of the fair value hierarchy is determined based on quoted prices in active markets for identical financial assets and liabilities. More particular, the evaluated fair value can qualify as Level 1 if transactions occur with sufficient frequency, volume and pricing consistency on an ongoing basis. These include exchange traded derivatives (futures, options), shares, government bonds as well as other bonds and funds, which are traded in highly liquid and active markets.

#### **Level 2**

In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as Level 2. If no market prices are available the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the instrument is classified as Level 2 of the fair value hierarchy. For Level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters. These include OTC derivatives, less liquid shares, bonds and funds as well as asset backed securities (ABS), collateralized debt obligations (CDO) and own issues.

#### **Level 3**

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor of valuation models that rely entirely on observable market data. In these cases individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as Level 3 of the fair value hierarchy. For Level 3 valuations besides observable parameters typically credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures are used as unobservable parameters. These include shares and funds not quoted, illiquid bonds as well as illiquid asset backed securities (ABS) and collateralized debt obligations (CDO).

A reclassification from Level 1 into Level 2 or Level 3 as well as vice versa will be performed if the financial instrument does no longer meet the criteria described above for the respective level.

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting

for the accounting period ended 30 June 2018

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 Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3	Total	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3	Total
EUR ths.								
	<b>31.12.2017</b>				<b>30.6.2018</b>			
<b>Assets</b>								
Financial assets - held for trading	-	36 484	-	36 484	-	38 861	-	38 861
Derivatives	-	36 484	-	36 484	-	38 861	-	38 861
Financial assets - at fair value through profit or loss	-	-	5 602	5 602	x	x	x	x
Non-trading financial assets at fair value through profit or loss	x	x	x	x	-	10 217	18 688	28 905
Equity instruments	x	x	x	x	-	-	3 079	3 079
Debt securities	x	x	x	x	-	10 217	15 609	25 826
Financial assets - available for sale	835 377	182 185	3 058	1 020 620	x	x	x	x
Financial assets at fair value through other comprehensive income	x	x	x	x	-	-	58 175	58 175
Equity instruments	x	x	x	x	-	-	58 175	58 175
Hedge accounting derivatives	-	6 761	-	6 761	-	6 957	-	6 957
Assets held for sale	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>835 377</b>	<b>225 430</b>	<b>8 660</b>	<b>1 069 467</b>	<b>-</b>	<b>56 035</b>	<b>76 863</b>	<b>132 898</b>
<b>Liabilities</b>								
Financial liabilities - held for trading	-	33 344	-	33 344	-	36 413	-	36 413
Derivatives	-	33 344	-	33 344	-	36 413	-	36 413
Hedge accounting derivatives	-	42 100	-	42 100	-	40 327	-	40 327
<b>Total liabilities</b>	<b>-</b>	<b>75 444</b>	<b>-</b>	<b>75 444</b>	<b>-</b>	<b>76 740</b>	<b>-</b>	<b>76 740</b>

Allocation of positions to the levels of fair value hierarchy and any changes between these levels are reflected at the end of the reporting period.

### **Description of the valuation process within Level 3**

Level 3 position involves one or more significant inputs that are not directly observable on the market. Additional price verification steps need to be done. These may include reviewing relevant historical data and benchmarking to similar transactions. This involves estimation and expert judgment.

The responsibility for valuation of a position of measured at fair value is carried out by risk management unit which is independent from all trading, sales or investment units.

### **Changes in volumes of Level 1 and Level 2**

There were no significant transfers between Level 1 and Level 2 of financial instruments measured at fair value on the balance sheet.

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting

for the accounting period ended 30 June 2018

**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:

	31.12.2017	Gain/loss in profit or loss	Gain/loss in other compre- hensive income	Purchases	Sales	Settlements	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	30.6.2018
<b>EUR ths.</b>												
<b>Assets</b>												
Non-trading financial assets at fair value through profit or loss	18 858	(119)	-	-	-	(72)	-	-	21	(1)	1	18 688
Equity instruments	3 058	-	-	-	-	-	-	-	21	(1)	1	3 079
Debt securities	15 800	(119)	-	-	-	(72)	-	-	-	-	-	15 609
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	58 175	-	-	58 175
Equity instruments	-	-	-	-	-	-	-	-	58 175	-	-	58 175
<b>Total assets</b>	<b>18 858</b>	<b>(119)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(72)</b>	<b>-</b>	<b>-</b>	<b>58 196</b>	<b>(1)</b>	<b>1</b>	<b>76 863</b>

	31.12.2016	Gain/loss in profit or loss	Gain/loss in other compre- hensive income	Purchases	Sales	Settlements	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	30.6.2017
<b>EUR ths.</b>												
<b>Assets</b>												
Financial assets held for trading	405	-	-	-	-	-	-	-	-	(405)	-	-
Derivatives	405	-	-	-	-	-	-	-	-	(405)	-	-
Financial assets at fair value through profit or loss	6 118	(204)	-	-	-	-	-	-	-	-	-	5 914
Financial assets - available for sale	25 836	328	68	-	(298)	-	-	-	26 716	(19 106)	-	33 544
<b>Total assets</b>	<b>32 359</b>	<b>124</b>	<b>68</b>	<b>-</b>	<b>(298)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26 716</b>	<b>(19 511)</b>	<b>-</b>	<b>39 458</b>
<b>Liabilities</b>												
Financial liabilities held for trading	288	-	-	-	-	-	-	-	-	(288)	-	-
Derivatives	288	-	-	-	-	-	-	-	-	(288)	-	-
<b>Total liabilities</b>	<b>288</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(288)</b>	<b>-</b>	<b>-</b>



**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

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.	30.6.2017	30.6.2018
<b>Assets</b>		
Financial assets - at fair value through profit or loss	(204)	x
Non-trading financial assets at fair value through profit or loss	x	(155)
Debt securities	x	(155)
Financial assets at fair value through other comprehensive income	x	-
Hedge accounting derivatives	-	-
<b>Total assets</b>	<b>(204)</b>	<b>(155)</b>

The volume of Level 3 financial assets consists solely of a few positions in illiquid securities and can be allocated to the following three categories:

- Market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs);
- Illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2;
- Non-SPPI compliant loans.

**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 30 June 2018 and 31 December 2017:

EUR ths.	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>	<b>31.12.2017</b>		<b>30.6.2018</b>	
Cash and cash balances	424 229	424 229	430 117	430 117
Financial assets held to maturity	2 644 402	3 064 786	x	x
Loans and receivables to credit institutions	177 616	181 674	x	x
Loans and receivables to customers	11 719 733	12 082 072	x	x
Financial assets at amortised cost	x	x	15 887 053	16 651 921
Loans and advances to banks	x	x	43 590	43 711
Loans and advances to customers	x	x	12 283 348	12 586 155
Debt securities	x	x	3 560 114	4 022 056
Finance lease receivables	x	x	98 088	99 010
Trade and other receivables	x	x	110 379	110 379
<b>Liabilities</b>				
Financial liabilities measured at amortised cost	14 624 693	14 641 939	15 353 981	15 349 177
Deposits from banks	488 564	499 905	519 411	528 185
Deposits from customers	12 477 892	12 458 782	13 299 978	13 253 789
Debt securities in issue	1 567 216	1 592 231	1 440 263	1 472 873
Other financial liabilities	91 021	91 021	94 329	94 329

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.

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

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The fair values of financial assets held to maturity are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

For liabilities without contractual maturities (e.g. demand deposits), the carrying amount represents the minimum of their fair value.

The fair value of securities issued and subordinated liabilities measured at amortized cost is based on market prices or on observable market parameters, where available. Otherwise it is estimated by taking into consideration the actual interest rate environment and they are transferred to Level 3.

The fair value of other liabilities measured at amortized cost is estimated by taking into consideration the actual interest rate environment and own credit spreads and these are allocated to Level 3.

The fair value of off-balance sheet liabilities (i.e. financial guarantees and unused loan commitments) is estimated with the help of regulatory credit conversion factors. The difference between the calculated market value and the notional amount of the hypothetical loan equivalents represents the fair value of these contingent liabilities.

**Fair value of non-financial assets**

The fair values of non-financial assets are determined by experts with recognised and relevant professional qualification.

**Property, equipment and other assets**

Property, equipment and other assets are measured at fair value on non-recurring basis when their carrying amount is impaired down to fair value less costs to sell.

Fair values of non-financial assets owned by the 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 30 June 2018 the estimated fair value of investment property was in amount of 2,0 mil. Eur (2017: 2,0 mil. Eur). The Group uses its own model for determining the fair value of investment property, which is based on discounting future rental income decreased by direct operating expenses. Future rental income was determined using market rental rates for buildings with similar conditions and location. Such measurements are presented in Level 3 of the fair value hierarchy.

## **38. Own funds and capital requirements**

### **Regulatory scope of application**

Hereby Slovenská sporiteľňa, a.s. fulfills the disclosure requirements according to the Capital Requirements Regulation (CRR), in detail Articles 436 (b) – (e) CRR and Articles 437 (1) (a), (d), (e) and (f) CRR.

### **Regulatory requirements**

Since 1 January 2014 the 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 the Group for regulatory purposes and for the disclosure of regulatory information.

The Group fulfilled regulatory capital requirements in both years 2017 and 2016 consisting from Pillar 1 requirement, Pillar 2 requirement and combined buffer requirement.

### **Accounting principles**

The financial and regulatory figures published by the Group are based on IFRS regulatory capital components. Eligible capital components derive from the balance sheet and income statement which were prepared in accordance with IFRS. Adjustments to the accounting figures are considered due to the different definitions in the scopes of consolidation for items where the regulatory treatment is not equal to the accounting requirements.

The unified reporting date of the consolidated financial statements and consolidated regulatory figures of the Group is 31 December of each respective year.

### ***Comparison of consolidation for accounting purposes and regulatory purposes***

*Disclosure requirements: Art. 436 (b) CRR*

### **Scope of consolidation**

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

### **Regulatory scope of consolidation**

The regulatory scope of consolidation is defined in Part One, Title II, chapter 2 Section 3 of the CRR.

The definition of entities to be consolidated for regulatory purposes are mainly defined in Article 4 (1) (3) and (16) to (27) CRR. Based on the relevant sections in Article 4 CRR, entities to be consolidated are determined based on the business activity of the relevant entities.

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

- Based on the CRR, mainly credit institutions pursuant to Article 4 (1) (1) CRR, investment firms pursuant to Article 4 (1) (2) CRR, ancillary services undertakings pursuant to Article 4 (1) (18) CRR and financial institutions pursuant to Article 4

(1) (26) CRR have to be considered within the regulatory scope of consolidation. Under IFRS all other entities not required to be consolidated under CRR, such as insurance undertakings, must be included in the financial scope of consolidation.

- Exclusion of entities from the regulatory scope of consolidation can be applied based on Article 19 CRR. According to Article 19 (1) CRR, entities can be excluded from the regulatory scope if their total assets and off-balance sheet items are less than the lower amount of either EUR 10 mil. or 1% of the total amount and off-balance sheet items of the parent company. SLSP Group makes use of Article 19 (1) CRR.
- According to Article 19 (2) CRR, entities can also be excluded if the limits defined in Article 19 (1) CRR are exceeded, but are not relevant for regulatory purposes. Exclusion of entities based on Article 19 (2) CRR needs the prior approval of the competent authorities. For entities that exceed the limits as defined in Article 19 (1) CRR by insignificant amounts, SLSP Group does not make use of Article 19 (2) CRR and follows the requirements for the approval process as defined within this article. SLSP Group does not apply Article 19 (2) CRR for credit institutions and investment firms.

## Consolidation methods

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

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

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

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

### **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 the 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, the 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 the Group and therefore are considered in RWAs.

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

The following table shows threshold calculations according to Articles 46 and 48 CRR:

EUR ths.	31.12.2017	30.6.2018
<b>Non significant investments in financial sector entities</b>		
Threshold (10% of CET1)	110 281	110 758
Holdings in CET1	3 059	3 079
Holdings in AT1	-	-
Holdings in T2	-	-
<b>Distance to threshold</b>	<b>107 222</b>	<b>107 679</b>
<b>Significant investments in financial sector entities</b>		
Threshold (10% of CET1)	110 281	110 758
Holdings in CET1	23 038	30 808
<b>Distance to threshold</b>	<b>87 243</b>	<b>79 950</b>
<b>Deferred tax assets</b>		
Threshold (10% of CET1)	110 281	110 758
Deferred tax assets that are dependent on future profitability and arise from temporary differences	32 982	44 196
<b>Distance to threshold</b>	<b>77 299</b>	<b>66 562</b>
<b>Combined threshold for deferred tax assets and significant investments</b>		
Threshold (17.65% of CET1)	194 646	195 488
Deferred tax assets that are dependent on future profitability and arise from temporary differences and CET1 instruments of financial sector entities where the institution has a significant investment	56 019	75 004
<b>Distance to threshold</b>	<b>138 627</b>	<b>120 484</b>

**Presentation of the scope of consolidation**

The following table shows list of subsidiaries and associates, accounting treatment within the scope and classification according to CRR:

Entity Name	Sector	Relationship	Accounting treatment IFRS	Accounting treatment CRR scope	Classification
LANED a.s.	Non-financial corporations	subsidiary Deropu	fully consolidated	fully consolidated	Ancillary service undertaking
Realitná spoločnosť Slovenskej sporiteľne, a.s.	Non-financial corporations	subsidiary	fully consolidated	fully consolidated	Ancillary service undertaking
Služby SLSP, spol. s r. o.	Non-financial corporations	subsidiary	fully consolidated	fully consolidated	Ancillary service undertaking
Prva stavebna sporitelna, a.s.	Credit institutions	associated company	at equity method	at equity method	Credit institutions
Slovak Banking Credit Bureau, s.r.o.	Non-financial corporations	associated company	at equity method	at equity method	Ancillary service undertaking
Holding Card Service, spol. s r. o.	-	-	at equity method	at equity method	Financial institution
Procurement Services SK, s.r.o.	Non-financial corporations	subsidiary	fully consolidated	not consolidated according to article 19 CRR	Ancillary service undertaking

The following tables shows changes within the fully consolidated entities within the regulatory scope of consolidation:

	2017	New	Deconsolidated	Merged	Reclassification	2018
Credit institutions	-	-	-	-	-	-
Financial institutions, financial holding companies and mixed financial holding companies	-	-	-	-	-	-
Ancillary service undertakings, investment firms and asset management companies	3	-	-	-	-	3
<b>Total</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

	2016	New	Deconsolidated	Merged	Reclassification	2017
Credit institutions	-	-	-	-	-	-
Financial institutions, financial holding companies and mixed financial holding companies	-	-	-	-	-	-
Ancillary service undertakings, investment firms and asset management companies	3	-	-	-	-	3
<b>Total</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>

As of 30 June 2018 the number of companies consolidated pursuant to IFRS was 7. As of 31 December 2017 the number of companies consolidated pursuant to regulatory capital requirements, except those entities which are covered by Art. 19 (1) and (2) CRR) was 7.

Three entities are part of the regulatory scope of consolidation consolidated at equity method which is equal to their treatment in the IFRS scope of consolidation. These entities are Prvá stavebná sporiteľňa, a.s. , Slovak Banking Credit Bureau, s.r.o., Holding Card Service, spol. s r. o.

There were no other changes within the fully consolidated entities within the regulatory scope of consolidation in the first half year 2018.

**Own funds**

Own funds of an institution according to CRR consist of the sum of the Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital of the institution. To assess capital adequacy, each Tier of capital after applying all prudential filters and deductions is expressed as a percentage of the total risk exposure amount.

The following table shows the structure of own funds according to implementing technical standards with regard to disclosure of own funds requirements for institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (the positions not relevant for the Group were excluded).

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

EUR ths.	Article pursuant to CRR	31.12.2017	30.6.2018
<b>Common equity tier 1 capital (CET1)</b>			
Capital instruments eligible as CET1	26 (1) (a) (b), 27 to 30, 36 (1) (f), 42	212 000	212 000
Own CET1 instruments	36 (1) (f), 42	-	-
Retained earnings	26 (1) (c), 26 (2)	910 177	924 904
Interim profit	26 (2)	-	-
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	94 428	30 827
Minority interest recognised in CET1	4 (1) (120) 84	-	-
Transitional adjustments due to additional minority interests	479, 480	-	-
Prudential filter: cash flow hedge reserve	33 (1) (a)	-	-
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	-	-
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	241	180
Value adjustments due to the requirements for prudent valuation	34, 105	(3 394)	(2 938)
Goodwill	4 (1) (113), 36 (1) (b), 37	-	-
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	(55 457)	(44 926)
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	36 (1) (c), 38	(777)	(777)
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-	-
Development of unaudited risk provisions during the year (EU No 183/2014)		(30 073)	(11 690)
Excess of deduction from AT1 items over AT1	36 (1) (j)	-	-
<b>Common equity tier 1 capital (CET1)</b>	<b>50</b>	<b>1 127 145</b>	<b>1 107 579</b>
<b>Additional tier 1 capital (AT1)</b>			
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a), 57	150 000	150 000
Own AT1 instruments	52 (1) (b), 56 (a), 57	-	-
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	-	-
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484 to 487, 489, 491	-	-
AT1 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 56 (d), 59, 79	-	-
Excess of deduction from T2 items over T2	36 (1) (j)	-	-
<b>Additional tier 1 capital (AT1)</b>	<b>61</b>	<b>150 000</b>	<b>150 000</b>
<b>Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)</b>	<b>25</b>	<b>1 277 145</b>	<b>1 257 579</b>
EUR ths.	Article pursuant to CRR	31.12.2017	30.6.2018
<b>Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)</b>	<b>25</b>	<b>1 277 145</b>	<b>1 257 579</b>
<b>Tier 2 capital (T2)</b>			
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	37 877	31 724
Own T2 instruments	63 (b) (i), 66 (a), 67	-	-
Instruments issued by subsidiaries recognised in T2	87, 88	-	-
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	-	-
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	-	-
IRB excess of provisions over expected losses eligible	62 (d)	32 647	36 226
Standardised approach general credit risk adjustments	62 (c)	-	-
Other transitional adjustments to T2	476, 477, 478, 481	-	-
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	-	(5 255)
<b>Tier 2 capital (T2)</b>	<b>71</b>	<b>70 523</b>	<b>62 695</b>
<b>Total own funds</b>	<b>4 (1) (118) and 72</b>	<b>1 347 669</b>	<b>1 320 274</b>
<b>Capital requirement</b>	<b>92 (3), 95, 96, 98</b>	<b>575 396</b>	<b>615 167</b>
<b>CET1 capital ratio</b>	<b>92 (2) (a)</b>	<b>15,67%</b>	<b>14,40%</b>
<b>Tier 1 capital ratio</b>	<b>92 (2) (b)</b>	<b>17,76%</b>	<b>16,35%</b>
<b>Total capital ratio</b>	<b>92 (2) (c)</b>	<b>18,74%</b>	<b>17,17%</b>



**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

Following table shows risk exposure amounts reflecting the structure according to Regulation (EU) No 575/2013:

EUR ths.	Article pursuant to CRR	31.12.2017		30.6.2018	
		Total risk	Capital requirement	Total risk	Capital requirement
<b>Total Risk Exposure Amount</b>	<b>92 (3), 95, 96, 98</b>	<b>7 192 445</b>	<b>575 396</b>	<b>7 689 581</b>	<b>615 167</b>
Risk weighted assets (credit risk)	92 (3) (a) (f)	5 761 262	460 901	6 303 517	504 281
Standardised approach		320 163	25 613	265 801	21 264
IRB approach		5 441 099	435 288	6 037 716	483 017
Settlement Risk	92 (3) (c) (ii), 92 (4) (b)	-	-	-	-
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) and (c) (i) and (iii), 92 (4) (b)	4 031	322	2 437	195
Operational Risk	92 (3) (e), 92 (4) (b)	1 397 574	111 806	1 356 395	108 512
Exposure for CVA	92 (3) (d)	29 578	2 366	27 231	2 179
Other exposure amounts incl. Basel 1 floor	3, 458, 459, 500	-	-	-	-

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

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

The table below represents the difference between the financial scope of consolidation and the regulatory scope of consolidation as at 30 June 2018:

EUR ths.	IFRS	Effects - scope of consolidation	CRR
<b>Assets</b>			
Cash and cash balances	430 117	-	430 117
Financial assets held for trading	38 861	-	38 861
Derivatives	38 861	-	38 861
Non-trading financial assets at fair value through profit or loss	28 905	-	28 905
Equity instruments	3 079	-	3 079
Debt securities	25 826	-	25 826
Financial assets at fair value through other comprehensive income	58 175	-	58 175
Equity investments	58 175	-	58 175
Financial assets at amortised cost	15 887 053	-	15 887 053
thereof pledged as collateral	1 645 488	-	1 645 488
Debt securities	3 560 114	-	3 560 114
Loans and advances to banks	43 590	-	43 590
Loans and advances to customers	12 283 348	-	12 283 348
Finance lease receivables	98 088	-	98 088
Hedge accounting derivatives	6 957	-	6 957
Property and equipment	144 434	-	144 434
Investment property	2 090	-	2 090
Intangible assets	44 926	-	44 926
Investments in joint ventures and associates	30 879	3	30 882
Current tax assets	15 651	(3)	15 647
Deferred tax assets	44 983	(11)	44 972
Trade and other receivables	110 379	-	110 379
Other assets	25 287	(93)	25 194
<b>Total assets</b>	<b>16 966 786</b>	<b>(105)</b>	<b>16 966 681</b>
<b>Liabilities and equity</b>			
Financial liabilities held for trading	36 413	-	36 413
Derivatives	36 413	-	36 413
Financial liabilities measured at amortised cost	15 353 981	173	15 354 154
Deposits from banks	519 411	-	519 411
Deposits from customers	13 299 978	173	13 300 151
Debt securities in issue	1 440 263	-	1 440 263
Other financial liabilities	94 329	-	94 329
Hedge accounting derivatives	40 327	-	40 327
Provisions	22 956	-	22 956
Other liabilities	87 030	(140)	86 890
<b>Total liabilities</b>	<b>15 540 707</b>	<b>33</b>	<b>15 540 740</b>
Equity attributable to owners of the parent	1 426 078	(137)	1 425 941
Subscribed capital	212 000	-	212 000
Additional equity instruments	150 000	-	150 000
Retained earning and other reserves	1 064 078	(137)	1 063 941
<b>Total equity</b>	<b>1 426 078</b>	<b>(137)</b>	<b>1 425 941</b>
<b>Total liabilities and equity</b>	<b>16 966 786</b>	<b>(105)</b>	<b>16 966 681</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

The table below represents the difference between the financial scope of consolidation and the regulatory scope of consolidation as at 31 December 2017:

EUR ths.	IFRS	Effects - scope of consolidation	CRR
<b>Assets</b>			
Cash and cash balances	424 229	-	424 229
Financial assets - held for trading	36 484	-	36 484
Derivatives	36 484	-	36 484
Other trading assets	-	-	-
Financial assets - at fair value through profit or loss	5 602	-	5 602
Financial assets - available for sale	1 020 620	-	1 020 620
Financial assets - held to maturity	2 644 402	-	2 644 402
Loans and receivables to credit institutions	177 616	-	177 616
Loans and receivables to customers	11 719 733	-	11 719 733
Derivatives - hedge accounting	6 761	-	6 761
Property and equipment	149 566	-	149 566
Investment properties	2 031	-	2 031
Intangible assets	55 457	-	55 457
Investments in associates and joint ventures	31 123	(2 406)	28 717
Current tax assets	10 634	(11)	10 623
Deferred tax assets	33 711	(33)	33 677
Assets held for sale	-	-	-
Other assets	25 144	(209)	24 935
<b>Total assets</b>	<b>16 343 112</b>	<b>(2 659)</b>	<b>16 340 452</b>
<b>Liabilities and equity</b>			
Financial liabilities - held for trading	33 344	-	33 344
Derivatives	33 344	-	33 344
Financial liabilities measured at amortised costs	14 624 693	124	14 624 817
Deposits from banks	488 564	-	488 564
Deposits from customers	12 477 892	124	12 478 016
Debt securities issued	1 567 216	-	1 567 216
Other financial liabilities	91 021	-	91 021
Derivatives - hedge accounting	42 100	-	42 100
Provisions	25 067	-	25 067
Current tax liabilities	1	-	1
Other liabilities	82 236	(316)	81 921
<b>Total equity</b>	<b>1 535 671</b>	<b>(2 467)</b>	<b>1 533 203</b>
Equity - attributable to non-controlling interests	31	(31)	-
Equity - attributable to owners of the parent	1 535 640	(2 437)	1 533 203
<b>Total liabilities and equity</b>	<b>16 343 112</b>	<b>(2 659)</b>	<b>16 340 452</b>

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

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

**Total equity**

The following table shows equity items according to IFRS and CRR scope of consolidation and how they are affecting regulatory own funds.

Total equity as at 30 June 2018:

EUR ths.	Own funds disclosure table - reference	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds
<b>30.6.2018</b>						
Subscribed capital		212 000	-	212 000	-	212 000
Capital reserve		118 899	-	118 899	-	118 899
AT1 capital instruments and the related share premium accounts	a	150 000	-	150 000	-	150 000
Retained earnings	b	815 219	(56)	815 163	(9 159)	806 005
Other comprehensive income (OCI)	c	40 940	29	40 969	-	40 969
Cash flow hedge reserve	g	-	-	-	-	-
Available for sale reserve		52 621	-	52 621	-	52 621
unrealized gains according to Art. 35 CRR	h	52 621	-	52 621	-	52 621
unrealized losses according to Art. 35 CRR		-	-	-	-	-
other		-	-	-	-	-
Currency translation		(149)	29	(121)	-	(121)
Remeasurement of net liability of defined pension plans		(609)	-	(609)	-	(609)
Deferred tax		(10 923)	-	(10 923)	-	(10 923)
Profit or loss attributable to equity holders of the parent		88 950	(40)	88 909	(88 909)	-
Other		-	-	-	-	-
Equity attributable to the owners of the parent		1 426 009	(68)	1 425 941	(98 068)	1 327 873
Equity attributable to non-controlling interests	d	70	(70)	-	-	-
<b>Total equity</b>		<b>1 426 079</b>	<b>(137)</b>	<b>1 425 941</b>	<b>(98 068)</b>	<b>1 327 873</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

Total equity as at 31 December 2017:

EUR ths.	Own funds disclosure table - reference	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds
<b>31.12.2017</b>						
Subscribed capital		212 000	-	212 000	-	212 000
Capital reserve		118 899	-	118 899	-	118 899
AT1 capital instruments and the related share premium accounts	a	150 000	-	150 000	-	150 000
Retained earnings	b	796 461	(2 470)	793 991	(2 713)	791 278
Other comprehensive income (OCI)	c	94 399	29	94 428	-	94 428
Cash flow hedge reserve	g	-	-	-	-	-
Available for sale reserve		120 072	-	120 072	-	120 072
unrealized gains according to Art. 35 CRR	h	120 077	-	120 077	-	120 077
unrealized losses according to Art. 35 CRR		(5)	-	(5)	-	(5)
other		-	-	-	-	-
Currency translation		23	29	52	-	52
Remeasurement of net liability of defined pension plans		(609)	-	(609)	128	(481)
Deferred tax		(25 087)	-	(25 087)	(128)	(25 215)
Profit or loss attributable to equity holders of the parent		163 880	5	163 886	(163 886)	-
Other		-	-	-	-	-
Equity attributable to the owners of the parent		1 535 640	(2 437)	1 533 203	(166 599)	1 366 605
Equity attributable to non-controlling interests	d	31	(31)	-	-	-
<b>Total equity</b>		<b>1 535 671</b>	<b>(2 467)</b>	<b>1 533 203</b>	<b>(166 599)</b>	<b>1 366 605</b>

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

**Intangible assets**

The following table shows intangible assets according to IFRS and CRR scope of consolidation and amount of deduction of regulatory own funds.

Intangible assets as at 30 June 2018:

EUR ths.	Own funds disclosure table - reference	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds
<b>30.6.2018</b>						
Intangible assets	e	44 926	-	44 926	-	44 926
deductible from CET1 acc. to transitional provisions	-	-	-	-	-	-
deductible from AT1 acc. to transitional provisions	-	-	-	-	-	-
<b>Intangible assets</b>	<b>e</b>	<b>44 926</b>	<b>-</b>	<b>44 926</b>	<b>-</b>	<b>44 926</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

Intangible assets as at 31 December 2017:

EUR ths.	Own funds disclosure table - reference	IFRS	Effects - scope of consolidation	Regulatory adjustments	Own funds
<b>31.12.2017</b>					
Intangible assets	e	55 457	-	-	55 457
deductible from CET1 acc. to transitional provisions	-	-	-	-	-
deductible from AT1 acc. to transitional provisions	-	-	-	-	-
<b>Intangible assets</b>	<b>e</b>	<b>55 457</b>	<b>-</b>	<b>-</b>	<b>55 457</b>

**Deferred taxes**

The following table shows deferred taxes according to IFRS and CRR scope of consolidation.

Deferred taxes as at 30 June 2018:

EUR ths.	Own funds disclosure table - reference	IFRS	Effects - scope of consolidation	CRR / Own funds	Regulatory adjustments	Own funds
<b>30.6.2018</b>						
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities		777	-	777	-	777
related DTA allocated on or after Jan 14 for which 100% deduction is required according to CRR transitional provisions	f	-	-	-	-	-
related DTA allocated before Jan 14 for which 0% deduction from CET1 is required according to CRR transitional provisions		-	-	-	-	-
Deferred tax assets that rely on future profitability and arise from temporary differences		44 207	(11)	44 196	-	44 113
<b>Deferred tax assets</b>		<b>44 983</b>	<b>(11)</b>	<b>44 972</b>	<b>-</b>	<b>44 890</b>

Deferred taxes as at 31 December 2017:

EUR ths.	Own funds disclosure table - reference	IFRS	Effects - scope of consolidation	Regulatory adjustments	Own funds
<b>31.12.2017</b>					
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities		777	-	-	777
related DTA allocated on or after Jan 14 for which 100% deduction is required according to CRR transitional provisions	f	-	-	-	-
related DTA allocated before Jan 14 for which 0% deduction from CET1 is required according to CRR transitional provisions		-	-	-	-
Deferred tax assets that rely on future profitability and arise from temporary differences		32 934	(33)	-	32 901
<b>Deferred tax assets</b>		<b>33 711</b>	<b>(33)</b>	<b>-</b>	<b>33 678</b>

Based on the threshold definition according to Article 48 CRR deferred tax assets that rely on future profitability and arise from temporary differences are not deductible for the Group at the year end 2017. In accordance with Article 48 (4) CRR the non-deductible amount is risk weighted with 250% and considered within the credit risk.

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

**Subordinated liabilities**

The following table shows subordinated liabilities according to IFRS and CRR scope of consolidation.

Subordinated liabilities as at 30 June 2018:

EUR ths.	Own funds disclosure table - reference	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds
<b>30.6.2018</b>						
Subordinated issues and deposits and supplementary capital		65 218	-	65 218	(33 494)	31 724
Tier 2 capital instruments (including related share premium) issued by the parent company	k	65 218	-	65 218	(33 494)	31 724
Qualifying own funds instruments included in consolidated Tier 2 capital issued by subsidiaries and held by third party	l	-	-	-	-	-
instruments issued by subsidiaries	m	-	-	-	-	-
Hybrid issues	i	-	-	-	-	-
<b>Subordinated liabilities</b>		<b>65 218</b>	<b>-</b>	<b>65 218</b>	<b>(33 494)</b>	<b>31 724</b>

Subordinated liabilities as at 31 December 2017:

EUR ths.	Own funds disclosure table - reference	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds
<b>31.12.2017</b>						
Subordinated issues and deposits and supplementary capital		77 446	-	77 446	(39 569)	37 877
Tier 2 capital instruments (including related share premium) issued by the parent company	k	77 446	-	77 446	(39 569)	37 877
Qualifying own funds instruments included in consolidated Tier 2 capital issued by subsidiaries and held by third party	l	-	-	-	-	-
instruments issued by subsidiaries	m	-	-	-	-	-
Hybrid issues	i	-	-	-	-	-
<b>Subordinated liabilities</b>		<b>77 446</b>	<b>-</b>	<b>77 446</b>	<b>(39 569)</b>	<b>37 877</b>

Details regarding subordinated liabilities are disclosed under “Financial liabilities measured at amortised costs” and „Financial liabilities measured at fair value through profit and loss“ (note 21).

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018**Own funds development**

The following table shows own funds development between the start and the end of the period:

EUR ths.	31.12.2017	30.6.2018
CET1 at the beginning of the period	1 069 395	1 127 145
Changes in retained earnings	10 026	14 727
Changes in accumulated other comprehensive income	11 592	(63 601)
Changes in minority interest	-	-
Changes in prudential filters	523	395
Changes in regulatory deductions	17 448	10 531
goodwill	-	-
other intangibles	16 499	10 531
Other	18 162	18 383
CET1 at the end of the period	1 127 146	1 107 579
Additional Tier 1 development		
AT1 at the beginning of the period	150 000	150 000
Net increase / decrease in AT1	-	-
Changes in regulatory deduction	-	-
Other	-	-
AT1 at the end of the period	150 000	150 000
Tier 2 development		
T2 at the beginning of the period	75 433	70 523
Net decrease in T2	(10 188)	(6 153)
Changes in regulatory deduction	-	(5 255)
IRB Excess and SA credit risk adjustments	5 278	3 580
T2 at the end of the period	70 523	62 695
<b>Total own funds</b>	<b>1 347 669</b>	<b>1 320 274</b>



**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

**Transitional provisions**

The transitional Provisions are not applied by the Group.

**Own funds template**

Disclosure requirements: Art. 437 (1) (d) (e) CRR

The Group does not consider Art. 437 (1) (f) CRR for the calculation of own funds.

The table below presents the composition of the regulatory capital based on the Implementing Technical Standards on the disclosure of own funds published in the Official Journal of the EU. There are no transitional provisions that would affect the calculation of the own funds. The table is presenting own funds according to Basel 3 fully loaded regime.

The following table shows Own funds disclosure template according to Article 5 in Commission implementing regulation (EU) No 1423/2013:

EUR ths.	REFERENCE TO RECONCILIATION TABLES	31.12.2017	30.6.2018
<b>Common equity tier 1 (CET1) capital: instruments and reserves</b>			
1 Common equity tier 1 (CET1) capital: instruments and reserves	a	212 000	212 000
thereof ordinary shares	a	212 000	212 000
2 Retained earnings	b	910 177	924 904
3 Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)		94 428	30 827
3a Fund for general banking risk	c	-	-
4 Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		-	-
Public sector capital injections grandfathered until Jan 18		-	-
5 Minority interests (amount allowed in consolidated CET1)	d	-	-
5a Independently reviewed interim profits net of any foreseeable charge or dividend		-	-
<b>6 Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>		<b>1 216 605</b>	<b>1 167 730</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

continued	REFERENCE TO RECONCILIATION TABLES	31.12.2017	30.6.2018
EUR ths.			
<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>		-	-
7 Additional value adjustments (negative amount)		(3 394)	(2 938)
8 Intangible assets (net of related tax liability) (negative amount)	e	(55 457)	(44 926)
9 Empty Set in the EU		-	-
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	f	(777)	(777)
11 Fair value reserves related to gains or losses on cash flow hedges	g	-	-
12 Negative amounts resulting from the calculation of expected loss amounts		-	-
13 Any increase in equity that results from securitised assets (negative amount)		-	-
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		241	180
15 Defined-benefit pension fund assets (negative amount)		-	-
16 Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		-	-
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)		-	-
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)		-	-
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)		-	-
20 Empty Set in the EU		-	-
20a Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		-	-
20b of which: qualifying holdings outside the financial sector (negative amount)		-	-
20c of which: securitisation positions (negative amount)		-	-
20d of which: free deliveries (negative amount)		-	-
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)		-	-
22 Amount exceeding the 15% threshold (negative amount)		-	-
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		-	-
24 Empty Set in the EU		-	-
25 of which: deferred tax assets arising from temporary differences		-	-
25a Losses for the current financial year (negative amount)		-	-
25b Foreseeable tax charges relating to CET1 items (negative amount)		-	-
26 Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment		-	-
26a Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468		-	-
unrealised loss		-	-
unrealised gain	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		-	-
27 Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		-	-
CET1 other deductions		(30 073)	(11 690)
<b>28 Total regulatory adjustments to Common equity Tier 1 (CET1)</b>		<b>(89 459)</b>	<b>(60 151)</b>
<b>29 Common Equity Tier 1 (CET1) capital</b>		<b>1 127 145</b>	<b>1 107 579</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

continued	REFERENCE TO RECONCILIATION TABLES	31.12.2017	30.6.2018
EUR ths.			
<b>Additional Tier 1 (AT1) capital: instruments</b>		-	-
30 Capital instruments and the related share premium accounts		150 000	150 000
31 of which: classified as equity under applicable accounting standards		150 000	150 000
32 of which: classified as liabilities under applicable accounting standards		-	-
33 Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	i	-	-
Public sector capital injections grandfathered until 1 January 2018		-	-
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		-	-
35 of which: instruments issued by subsidiaries subject to phase out		-	-
<b>36 Additional Tier 1 (AT1) capital before regulatory adjustments</b>		<b>150 000</b>	<b>150 000</b>
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>		-	-
37 Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)		-	-
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)		-	-
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)		-	-
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)		-	-
41 Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (ie. CRR residual amounts)		-	-
41a Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		-	-
Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc		-	-
41b Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		-	-
Of which items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc		-	-
41c Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		-	-
Of which: ... possible filter for unrealised losses		-	-
Of which: ... possible filter for unrealised gains		-	-
Of which: ...		-	-
42 Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		-	-
<b>43 Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>		-	-
<b>44 Additional Tier 1 (AT1) capital</b>		<b>150 000</b>	<b>150 000</b>
<b>45 Tier 1 capital (T1 = CET1 + AT1)</b>		<b>1 277 145</b>	<b>1 257 579</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

continued	REFERENCE TO RECONCILIATION TABLES	31.12.2017	30.6.2018
EUR ths.			
<b>Tier 2 (T2) capital: Instruments and provisions</b>		-	-
46 Capital instruments and the related share premium accounts	k	37 877	31 724
47 Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		-	-
Public sector capital injections grandfathered until 1 January 2018		-	-
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	l	-	-
49 of which: instruments issued by subsidiaries subject to phase out	m	-	-
50 Credit risk adjustments		32 647	36 226
<b>51 Tier 2 (T2) capital before regulatory adjustments</b>		<b>70 523</b>	<b>67 950</b>
<b>Tier 2 (T2) capital: regulatory adjustments</b>		-	-
52 Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		-	-
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)		-	-
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)		-	-
54a Of which new holdings not subject to transitional arrangements		-	-
54b Of which holdings existing before 1 January 2013 and subject to transitional arrangements		-	-
55 Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		-	(5 255)
56 Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		-	-
56a Residual amounts deducted from T2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		-	-
Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc		-	-
56b Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		-	-
Of which items to be detailed line by line, e.g. reciprocal cross holdings in AT1 instruments, direct holdings of non significant investments in the capital of other financial sector entities, etc		-	-
56c Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR		-	-
Of which: ... possible filter for unrealised losses		-	-
Of which: ... possible filter for unrealised gains		-	-
Of which: ...		-	-
<b>57 Total regulatory adjustments to Tier 2 (T2) capital</b>		-	<b>(5 255)</b>
<b>58 Tier 2 (T2) capital</b>		<b>70 523</b>	<b>62 695</b>
<b>59 Total capital (TC = T1 + T2)</b>		<b>1 347 669</b>	<b>1 320 274</b>

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

continued	REFERENCE TO RECONCILIATION TABLES	31.12.2017	30.6.2018
<b>EUR ths.</b>			
59a Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		-	-
Of which: ... items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)		-	-
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.)		-	-
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.)		-	-
<b>60 Total risk-weighted assets</b>		<b>7 192 445</b>	<b>7 689 581</b>
<b>Capital ratios and buffers</b>		-	-
61 Common Equity Tier 1 (as a percentage of risk exposure amount)		16%	14%
62 Tier 1 (as a percentage of total risk exposure amount)		18%	16%
63 Total capital (as a percentage of total risk exposure amount)		19%	17%
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)		357 537	382 802
65 of which: capital conservation buffer requirement		179 811	192 240
66 of which: countercyclical buffer requirement		33 877	36 771
67 of which: systemic risk buffer requirement		71 924	76 896
67a of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		71 924	76 896
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)		11%	10%
69 [non-relevant in EU regulation]		-	-
70 [non-relevant in EU regulation]		-	-
71 [non-relevant in EU regulation]		-	-
<b>Capital ratios and buffers</b>		-	-
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)		3 059	-
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)		31 059	-
74 Empty Set in the EU		-	-
75 Deferred tax assets arising from temporary differences (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)		32 901	44 196

**Slovenská sporiteľňa, a.s.**

Interim consolidated financial statements

prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting  
for the accounting period ended 30 June 2018

continued	REFERENCE TO RECONCILIATION TABLES	31.12.2017	30.6.2018
EUR ths.			
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		-	-
76 Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		-	-
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach		-	-
78 Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		68 165	70 055
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		32 647	36 226
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)</b>		-	-
80 Current cap on CET1 instruments subject to phase-out arrangements		-	-
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		-	-
82 Current cap on AT1 instruments subject to phase out arrangements		-	-
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		-	-
84 Current cap on T2 instruments subject to phase out arrangements		-	-
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		-	-

### **39. Events after the reporting period**

Since 30 June 2018 up to the date of issue of these interim separate financial statements there were no events identified that would require adjustments or disclosure.

These interim consolidated financial statements were signed and authorised for issue by the Board of Directors of the Bank on 31 July 2018.

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Ing. Peter Krutil

Chairman of the Board of Directors  
and Chief Executive Officer

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Ing. Pavel Cetkovský

Member of the Board of Directors  
and Deputy of Chief Executive Officer