Slovenská sporiteľňa, a.s.

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

Content

Separate 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	218 122	217 728
Interest income		236 426	234 825
Other similar income		x	4 024
Interest expense		(18 304)	(14 584)
Other similar expense		x	(6 537)
Net fee and commission income	2	54 793	58 394
Fee and commission income		66 303	72 036
Fee and commission expense		(11 510)	(13 642)
Dividend income	3	2 765	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)
Rental income from investment properties & other operating leases		151	155
Personnel expenses	6	(65 880)	(66 830)
Other administrative expenses	6	(51 085)	(51 813)
Depreciation and amortisation	6	(20 564)	(20 116)
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	(13 501)	(19 134)
Levies on banking activities		(16 087)	(17 491)
Pre-tax profit from continuing operations		**113 945**	**111 992**
Taxes on income	11	(27 610)	(25 061)
Net result for the period		**86 335**	**86 931**
Net result attributable to owners of the parent		**86 335**	**86 931**

Earnings per share

	30.6.2017	30.6.2018
Net result attributable to owners of the parent (in EUR ths.)	86 335	86 931
Number of outstanding shares (in pcs.)	212 000	212 000
Earnings per share (in EUR)	**407**	**410**

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

The notes on pages 8 to 106 are an integral part of these interim separate financial statements.

Separate Statement of Comprehensive Income

for the period ended 30 June 2018

EUR ths.	30.6.2017	30.6.2018
Net result for the period	**86 335**	**86 931**
Other comprehensive income		
Items that may not be reclassified to profit or loss		
Fair value changes of equity instruments at fair value through other comprehensive income	x	13 211
Deferred taxes relating to items that may not be reclassified	164	(2 774)
Total	**164**	**10 437**
Items that may be reclassified to profit or loss		
Debt instruments at fair value through other comprehensive income	(227)	x
Gain/loss during the period	(227)	x
Deferred taxes relating to items that may be reclassified	48	-
Gain/loss during the period	48	-
Total	**(179)**	**-**
Total other comprehensive income	**(15)**	**10 437**
Total comprehensive income	**86 320**	**97 368**
Total comprehensive income attributable to owners of the parent	**86 320**	**97 368**

The notes on pages 8 to 106 are an integral part of these interim separate financial statements.

Comparison of Quarterly results

EUR ths.	31.3.2017	30.6.2017	30.9.2017	31.12.2017	31.3.2018	30.6.2018
Statement of Income						
Net interest income	109 520	108 602	110 282	111 206	108 819	108 909
Interest income	119 230	117 196	117 722	118 171	117 403	117 422
Other similar income	x	x	x	x	4 289	4 768
Interest expense	(9 710)	(8 594)	(7 440)	(6 965)	(7 104)	(7 480)
Other similar expense	x	x	x	x	(5 769)	(5 801)
Net fee and commission income	26 507	28 285	28 592	29 326	26 719	31 675
Fee and commission income	32 530	33 773	34 473	35 179	34 325	37 711
Fee and commission expense	(6 023)	(5 488)	(5 881)	(5 853)	(7 606)	(6 036)
Dividend income	237	2 528	269	115	647	99
Net trading result	3 770	4 843	3 056	2 104	3 354	1 384
Gains/losses from financial instruments measured at fair value through profit or loss	(235)	34	(277)	(36)	(103)	(83)
Rental income from investment properties & other operating leases	75	76	76	97	75	81
Personnel expenses	(33 202)	(32 678)	(34 404)	(39 702)	(35 104)	(31 726)
Other administrative expenses	(25 650)	(25 435)	(26 511)	(26 617)	(25 848)	(25 964)
Depreciation and amortisation	(10 380)	(10 184)	(9 916)	(10 483)	(9 969)	(10 147)
Gains/losses from financial instruments not measured at fair value through profit or loss	292	1	1	6	x	x
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	x	x	x	x	-	(1)
Net impairment loss on financial assets not measured at fair value through profit or loss	(9 442)	(10 119)	(10 120)	(392)	x	x
Impairment result from financial instruments	x	x	x	x	(6 744)	(4 946)
Other operating result	(9 588)	(3 911)	(9 807)	(16 646)	(10 324)	(8 810)
Levies on banking activities	(6 591)	(4 497)	(6 915)	(7 126)	(7 283)	(7 484)
Pre-tax profit from continuing operations	**51 904**	**62 042**	**51 241**	**48 978**	**51 521**	**60 471**
Taxes on income	(12 312)	(15 298)	(12 445)	92 164	(11 604)	(13 457)
Net result for the period	**39 592**	**46 743**	**38 798**	**36 923**	**39 917**	**47 014**
Net result attributable to owners of the parent	**39 592**	**46 743**	**38 798**	**36 923**	**39 917**	**47 014**

EUR ths.	31.3.2017	30.6.2017	30.9.2017	31.12.2017	31.3.2018	30.6.2018
Net result for the period	**39 592**	**46 743**	**38 798**	**36 923**	**39 917**	**47 014**
Other comprehensive income						
Items that may not be reclassified to profit or loss						
'Remeasurement of net liability of defined pension plans	-	-	496	(322)	-	-
'Fair value changes of equity instruments at fair value through other comprehensive income	x	x	x	x	4 248	8 963
Deferred taxes relating to items that may not be reclassified	-	164	(104)	68	(892)	(1 882)
Total	**-**	**164**	**392**	**(254)**	**3 356**	**7 081**
Items that may be reclassified to profit or loss						
Available for sale reserve	(997)	770	9 610	4 559	x	x
Gain/loss during the period	(997)	770	9 611	4 843	x	x
Reclassification adjustments	-	-	-	(285)	x	x
Deferred taxes relating to items that may be reclassified	209	(161)	(2 019)	(957)	-	-
Gain/loss during the period	209	(161)	(2 019)	(1 017)	-	-
Reclassification adjustments	-	-	-	60	-	-
Total	**(788)**	**609**	**7 592**	**3 601**	**-**	**-**
Total other comprehensive income	**(788)**	**773**	**7 984**	**3 347**	**3 356**	**7 081**
Total comprehensive income	**38 804**	**47 516**	**46 783**	**40 269**	**43 273**	**54 095**
Total comprehensive income attributable to owners of the parent	**38 804**	**47 516**	**46 783**	**40 269**	**43 273**	**54 095**

Separate statement of financial position

As at 30 June 2018

EUR ths.	**Pozn.**	**31.12.2017**	**30.6.2018**
Assets			
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	5 600	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	1 020 619	x
thereof pledged as collateral		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
thereof pledged as collateral		59 010	x
Loans and receivables to credit institutions	19	177 616	x
Loans and receivables to customers	20	11 758 950	x
thereof pledged as collateral		1 462 588	x
Financial assets at amortised cost	21	x	15 924 361
thereof pledged as collateral		x	1 645 488
Debt securities		x	3 560 114
Loans and advances to banks		x	43 590
Loans and advances to customers		x	12 320 657
Finance lease receivables	22	x	98 088
Hedge accounting derivatives	23	6 761	6 957
Property and equipment		90 255	86 818
Investment property		2 031	2 090
Intangible assets		55 457	44 926
Investments in joint ventures and associates	25	23 041	23 048
Current tax assets		10 618	15 647
Deferred tax assets		33 758	44 890
Trade and other receivables	24	x	110 379
Other assets	26	24 922	25 188
Total assets		**16 314 743**	**16 938 450**
Liabilities and Equity			
Financial liabilities held for trading		33 344	36 413
Derivatives	13	33 344	36 413
Financial liabilities measured at amortised cost	27	14 628 022	15 357 989
Deposits from banks		488 564	519 411
Deposits from customers		12 481 221	13 303 986
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
Other liabilities	29	81 664	86 644
Total liabilities		**14 810 197**	**15 544 329**
Equity attributable to owners of the parent	30	1 504 546	1 394 121
Subscribed capital		212 000	212 000
Additional paid-in capital		150 000	150 000
Retained earning and other reserves		1 142 546	1 032 121
Total equity		**1 504 546**	**1 394 121**
Total liabilities and equity		**16 314 743**	**16 938 450**

The notes on pages 8 to 106 are an integral part of these interim separate financial statements.

Separate statement of changes in equity

for the period ended 30 June 2018

Statement of Changes in Equity **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**	**Remeasurement of net liability of defined pension plans**	**Deferred tax**	**Equity attributable to owners of the parent**
As of 31.12.2016	**212 000**	**150 000**	**79 795**	**39 326**	**969 311**	**105 975**	**x**	**x**	**(782)**	**(22 255)**	**1 533 369**
Dividends paid	-	-	-	-	(196 345)	-	x	x	-	-	(196 345)
Total comprehensive income	-	-	-	-	86 335	(227)	x	x	-	212	86 320
Net result for the period	-	-	-	-	86 335	-	x	x	-	-	86 335
Change in revaluation reserve	-	-	-	-	-	(227)	x	x	-	-	(227)
Change in tax	-	-	-	-	-	-	x	x	-	212	212
As of 30.6.2017	**212 000**	**150 000**	**79 795**	**39 326**	**859 301**	**105 748**	**x**	**x**	**(782)**	**(22 043)**	**1 423 344**
As of 31.12.2017	**212 000**	**150 000**	**79 795**	**39 104**	**929 393**	**119 917**	**x**	**x**	**(608)**	**(25 055)**	**1 504 546**
Changes of initial application of IFRS 9	-	-	-	-	4 496	(119 917)	31 133	-	128	25 055	(59 105)
Restated balance as of 1 January 2018	**212 000**	**150 000**	**79 795**	**39 104**	**933 889**	**x**	**31 133**	**x**	**(480)**	**x**	**1 445 441**
Dividends paid	-	-	-	-	(148 688)	x	-	-	-	x	(148 688)
Total comprehensive income	-	-	-	-	86 931	-	10 437	-	-	-	97 368
Net result for the period	-	-	-	-	86 931	x	-	-	-	x	86 931
Change in revaluation reserve	-	-	-	-	-	x	10 437	-	-	x	10 437
As of 30.6.2018	**212 000**	**150 000**	**79 795**	**39 104**	**872 132**	**x**	**41 570**	**-**	**(480)**	**x**	**1 394 121**

The notes on pages 8 to 106 are an integral part of these interim separate financial statements.

Separate statement of cash flows

for the period ended 30 June 2018

EUR ths.	30.6.2017	30.6.2018
Profit before income taxes	**113 945**	**112 411**
Adjustments for:		
Loss allowances for loans and advances, Provisions for off-balance sheet	68 696	3 872
Provisions for liabilities and other liabilities	(10 954)	(10 967)
Impairment of tangible and intangible assets net	(1 803)	-
Depreciation and amortization	20 564	20 116
Profit/(loss) on disposal of fixed assets	2 115	365
Transfer of interest for financing activity	7 723	7 346
Net gains/(losses) from investing activities	(46 889)	(53 587)
Cash flows from operations before changes in operating assets and liabilities	**153 397**	**79 556**
(Increase)/decrease in operating assets:		
Minimum reserve deposits with the central bank	(62 733)	(1 548)
Loans and advances to banks	(117 949)	134 026
Loans and advances to customers	(783 585)	(772 260)
Financial assets at fair value through profit or loss and securities available for sale	43 607	24
Other assets	(27 169)	(5 297)
Increase / (decrease) in operating liabilities:		
Amounts owed to financial institutions	16 927	30 842
Amounts owed to customers	727 715	826 078
Increase/(decrease) in derivative financial instruments (net)	(10 288)	(1 277)
Provision for liabilities and other provisions	(3 843)	(1 314)
Other liabilities	29 869	20 449
Net cash flows provided by / (used in) operating activities before income tax	**(34 052)**	**309 279**
Income taxes paid	(36 018)	(27 530)
Net cash flows provided by / (used in) operating activities	**(70 070)**	**281 749**
Cash flows from investing activities		
Purchase of securities measured at AC	(461 009)	(92 826)
Proceeds form securities measured at AC	519 896	14 977
Interest received from the securities measured at AC	72 694	89 429
Dividends received from subsidiaries, associates and other investments	2 038	746
Purchase of share in subsidiaries and associates	-	(6)
Purchase of intangible assets, property and equipment	(6 269)	(7 018)
Proceeds from sale of intangible assets, property and equipment	2 481	446
Net cash flows provided by / (used in) investing activities	**129 831**	**5 748**
Cash flows from financing activities		
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	(84 964)	(167 396)
Interest paid to the holders of the bonds	(6 407)	(5 566)
Net cash flows provided by / (used in) financing activities	**(64 781)**	**(282 987)**
Effect of foreign exchange rate changes on cash and cash equivalents	(232)	(171)
Net increase / (decrease) in cash and cash equivalents	**(5 252)**	**4 339**
Cash and cash equivalents at beginning of period	**348 065**	**423 590**
Cash and cash equivalents at end of period	**342 813**	**427 929**
Operational cash flows from interest and dividends		
Income taxes paid	-	(27 530)
Interest paid	(12 412)	(8 172)
Interest received	165 880	176 007
Dividends received	-	710

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

The notes on pages 8 to 106 are an integral part of these interim separate financial statements.

Notes to the interim separate financial statements

A. General information

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

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

As at 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 on the Austrian court Firmenbuchgericht Wien, Marxergasse 1a, Vienna 1030.

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. The financial statements of Erste Group Bank AG (the parent) will be available after their completion on the Austrian court Firmenbuchgericht Wien, Marxergasse 1a, Vienna 1030.

The Board of Directors of the Bank 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 Bank had five members as at 30 June 2018:
Gernot Mittendorfer M.B.A. (chairman), Mag. Jan Homan (member), Ing. Tatiana Knošková (member), JUDr. Beatrica Melichárová (member) and Ing. Alena Adamcová (member).

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

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

B. Significant accounting policies

a) Statement of compliance

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

These interim separate 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 Bank has assessed that the standards not endorsed by the EU would not impact significantly these interim separate financial statements if they were applicable as at the presented balance sheet date. Information on application of new and amended IAS / IFRS standards are detailed in the note d).

b) Basis of preparation

These interim separate financial statements do not include consolidation of assets, liabilities and operational results of subsidiaries. As required by the law, the Bank issued Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2017, which were signed and authorised for issue by the Board of Directors of the Bank on 13 February 2018 and are available at its registered office or on the web page.

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

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

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

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

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

The comparative amounts presented in these interim financial statement are those presented in the Separate statement of financial positions as at 31 December 2017 and the Separate statement of profit or loss and and the Separate statement of other comprehensive income for the year ended 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 separate financial statements are not audited.

c) Accounting and measurement methods

These interim separate financial statements do not contain full information and disclosures as required in the complete set of financial statements as at year end and should be read in conjunction with separate financial statements for the previous accounting period. The separate 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 Bank decided to disclose full description of accounting methods and measurement methods in these interim separate 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 36.

iii. Initial recognition and measurement

Initial recognition

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

Initial measurement

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

Classification and subsequent measurement of financial assets under IFRS 9

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

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

i. Financial assets at amortised cost

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

On the balance sheet, these assets are carried at amortised cost, i.e. the gross carrying amount net of the credit loss allowance. They are presented under the line 'Financial assets at amortised cost', 'Trade and other receivables' and 'Cash and cash balances'. Cash balances include only deposits against central banks and credit institutions that are repayable on demand.

Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours. Mandatory minimum reserves are also shown under this item.

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

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

ii. Financial assets at fair value through other comprehensive income

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

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

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

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

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

iii. Financial assets at fair value through profit or loss

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

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

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

The Bank 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 13 which are 'mandatorily at fair value through profit or loss' and 'designated at fair value through profit or loss'. Financial assets are mandatorily measured at fair value through profit or loss either because their contractual cash flows are not SPPI or they are held as part of residual business models which are other 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 14.
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 Bank makes use of the option to designate some financial liabilities as measured at FVPL at initial recognition if:

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

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

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

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

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

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

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

i. Cash and cash balances

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

ii. Derivative financial instruments

Please refer to the part Derivative financial instruments below.

iii. Financial assets and financial liabilities held for trading

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

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

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

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

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

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

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

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

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

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

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

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

v. Financial assets available for sale

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

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

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

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

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

vi. Financial assets held to maturity

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

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

vii. Loans and receivables

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

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

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

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

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

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

viii. Financial liabilities measured at amortised cost

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

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

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

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

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

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

Impairment of financial instruments under IFRS 9

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

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

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

Stage 1 relates to financial instruments for which no significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the 12-month expected credit loss. Interest income is recognised by effective interest rate applied to the gross carrying amount of the financial asset.
Financial instruments in Stage 2 are subject to significant increase in credit risk since their initial recognition. The impairment is measured in the amount of the lifetime expected credit loss. Interest income is recognised by effective interest rate applied to the gross carrying amount of the financial asset (as for Stage 1).

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

More detailed information about identification of significant increases in credit risk including collective assessment, estimation techniques used to measure 12-month and lifetime expected credit losses and definition of default is provided in Note 35.

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

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

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

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

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

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

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

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

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

Financial assets measured at amortised cost

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

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

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

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

Reconciliation of changes in loss allowance accounts is presented in the notes 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 Bank.

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

Financial assets available for sale

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

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

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

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

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

Contingent liabilities

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

Write-offs of financial assets

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

Derecognition of financial instruments

i. Derecognition of financial assets

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

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

ii. Derecognition of financial liabilities

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

Derivative financial instruments

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

For presentation purposes derivatives are split into:

- Derivatives – held for trading
- Derivatives – hedge accounting

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

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

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

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

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

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

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

Embedded derivatives

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

Embedded derivatives are separated from the host instruments if:

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

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

Repo transactions and reversal repo transactions

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

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

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

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

Securities lending and borrowing

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

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

Hedge accounting

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

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

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

Offsetting financial instruments

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

Financial guarantees

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

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

The Bank as a guarantor recognises financial guarantees as soon as it becomes a contracting party. Financial guarantees are initially measured at fair value. Generally, the initial measurement is the premium received for a guarantee. Subsequent to initial recognition, provisions are recognised based on the expected credit loss impairment model if the amount is higher than the unamortised balance of the initial premium. They are presented on the balance sheet under the line ‘Provisions’. In the comparative period the financial guarantee contracts were reviewed for the possibility that provision recognition under IAS 37 was required. The premium received is recognised in the statement of income under the line item ‘Net fee and commission income’ on a straight-line basis over the life of the guarantee.

Leasing

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

i. The Bank as a lessor

In the case of a finance lease the lessor reports a receivable from the lessee under the line item 'Finance lease receivables'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the statement of income under the line item 'Net interest income'. The Bank provides finance lease since 2015 when the Bank merged with its former subsidiary Leasing Slovenskej sporiteľne, a.s.

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

ii. The Bank as a lessee

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

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

Foreign currency translations

These interim separate financial statements are presented in Eur, which is the functional currency of the Bank. The functional currency is the currency of the primary business environment in which an entity operates.

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

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

Property and equipment

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

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

The estimated useful lives are as follows:

Type of property and equipment	Useful life in years 2017 and 2018
Own buildings and structures	30 years
Rented premises	per contract
Office furniture and equipment	4 – 6 years
Computer hardware	4 years
Passenger cars	4 years
Fixture and fittings	6 – 12 years

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

Investment property

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

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

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

Intangible assets

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

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

The estimated useful lives are as follows:

Type of intangible assets	Useful life in years 2017 and 2018
Core banking system and related applications	8 years
Computer software	4 - 8 years

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

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

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

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

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

Defined employee benefit plans

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

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

The key assumptions used in actuarial calculations are disclosed in the note 27.

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

Provisions

Provisions are recognised when the Bank has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reported on the balance sheet line item 'Provisions'. Expense or income related to provisions are reported in the income statement line item 'Other operating result'. Information on provisions are detailed in the note 27.

Levies

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

Taxes

i. Current tax

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

ii. Deferred tax

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

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

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

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

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

Fiduciary assets

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

Dividends on ordinary shares

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

Recognition of income and expenses

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

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

i. Net interest income

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

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

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

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

ii. Net fee and commission income

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

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

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

iii. Dividend income

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

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

iv. Net trading result

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

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

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

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

vi. Rental income from investment properties & other operating leases

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

vii. Personnel expenses

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

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

viii. Other administrative expenses

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

Furthermore, the line item contains deposit insurance contributions expenses.

ix. Depreciation and amortisation

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

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

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

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

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

xii. 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 Bank's ordinary activities. Furthermore, levies on banking activities are considered as part of the other operating result.

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

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

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

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

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

xv. Net impairment loss on financial assets

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

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

d) SIGNIFICANT ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

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

SPPI assessment

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

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

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

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

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

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

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

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

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

Business model assessment

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

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

Impairment of financial instruments

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

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

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible. Where observable market data are not available judgement is required to establish fair values. Disclosures on valuation models, the fair value hierarchy and fair values of financial instruments can be found in Note 36.

Deferred tax assets

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

e) Application of new and amended IAS / IFRS

IFRS 9 Financial Instruments

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

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

i. Classification and measurement of financial instruments

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

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

ii. Reconciliation of carrying amounts of financial assets according cagetories

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

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

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

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

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

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

iii. Reconciliation of impairment allowance

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

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

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

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

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

C. Notes

1. Net interest income

EUR ths.	30.6.2017	30.6.2018
Interest and other similar income		
Financial assets at amortised cost	229 076	234 825
Financial assets - held to maturity	45 084	x
Loans and receivables	183 992	x
Financial assets at amortised cost	x	234 825
Financial assets measured at fair value through other comprehensive income	11 859	x
Financial assets - available for sale	11 859	x
Interest income	**240 935**	**234 825**
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	-	799
Negative interest from financial liabilities	x	445
Other similar income	**(4 509)**	**4 024**
Total interest income	**236 426**	**238 849**
Interest and other similar expenses		
Financial liabilities measured at amortised cost	(18 720)	(14 584)
Interest expenses	**(18 720)**	**(14 584)**
Financial liabilities - held for trading	-	(6 910)
Derivatives - hedge accounting, interest rate risk	429	432
Other liabilities	(13)	(59)
Other similar expenses	**416**	**(6 537)**
Total Interest expenses	**(18 304)**	**(21 121)**
Net interest income	**218 122**	**217 728**

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

2. Net fee and commission income

EUR ths.	30.6.2017	30.6.2018
Fee and commission income		
Securities	5 179	1 288
Issuances	-	465
Transfer orders	4 729	251
Other	450	572
Asset management	-	3 888
Custody	371	580
Collective investment	253	211
Other	118	369
Payment services	44 755	48 033
Card business	17 127	18 140
Others	27 628	29 893
Customer resources distributed but not managed	7 632	8 806
Insurance products (as agent)	7 200	8 795
Other	161	11
Lending Business	8 183	9 173
Loan commitments given	44	1 427
Guarantees given	1 437	1 745
Other lending business	6 702	6 001
Other	183	268
Total	**66 303**	**72 036**
Fee and commission expense		
Securities	(456)	(241)
Transfer orders	(456)	(236)
Other	-	(5)
Custody	(256)	(416)
Payment services	(5 823)	(8 240)
Card business	(5 560)	(6 045)
Others	(263)	(2 195)
Customer resources distributed but not managed	(705)	(986)
Insurance products (as agent)	(705)	(986)
Lending Business	(4 254)	(3 739)
Guarantees received	-	(8)
Other lending business	(4 254)	(3 731)
Other	(16)	(20)
Total	**(11 510)**	**(13 642)**
Net fee and commission income	**54 793**	**58 394**

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
Dividend income from equity investments	2 038	-
Financial assets at fair value through other comprehensive income	x	158
Dividend income	**2 765**	**746**

4. Net trading and fair value result

EUR ths.	30.6.2017	30.6.2018
Securities and derivatives trading	5 235	1 445
Foreign exchange transactions	3 135	3 308
Result from hedge accounting	243	(15)
Net Trading Result	**8 613**	**4 738**

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

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

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

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

EUR ths.	30.6.2017	30.6.2018
Result from measurement/sale of financial assets designated at fair value through profit or loss	(201)	(187)
Result from financial assets and liabilities designated at fair value through profit or loss	**(201)**	**(187)**
Result from measurement/sale of financial assets mandatorily at fair value through profit or loss	-	2
Gains/losses from financial instruments measured at fair value through profit or loss	**(201)**	**(185)**

6. General administrative expenses

EUR ths.	30.6.2017	30.6.2018
Personnel expenses	**(65 880)**	**(66 830)**
Wages and salaries	(47 116)	(47 706)
Compulsory social security	(16 428)	(16 863)
Other personnel expenses	(2 336)	(2 261)
Other administrative expenses	**(51 085)**	**(51 813)**
Deposit insurance contribution	(800)	(866)
IT expenses	(16 097)	(18 512)
Expenses for office space	(15 107)	(14 688)
Office operating expenses	(5 845)	(5 414)
Advertising/marketing	(7 951)	(7 100)
Legal and consulting costs	(1 205)	(1 843)
Sundry administrative expenses	(4 080)	(3 390)
Depreciation and amortisation	**(20 564)**	**(20 116)**
Software and other intangible assets	(12 413)	(12 283)
Owner occupied real estate	(3 684)	(3 599)
Investment properties	(112)	(106)
Office furniture and equipment and sundry property and equipment	(4 355)	(4 128)
General administrative expenses	**(137 529)**	**(138 759)**

As at 30 June 2018 the Bank had 4 168 employees, thereof four members of the Board of Directors. As at 30 June 2017 the Bank had 4 270 employees, thereof five members of the Board of Directors.

7. 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	(19 523)	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	53 813	x
Financial assets held to maturity	(38)	x
Total	**(19 561)**	**x**

8. Net impairment loss from financial instruments

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
Net impairment loss on financial instruments	**x**	**(11 690)**

9. Other operating result

EUR ths.	30.6.2017	30.6.2018
Other operating expenses	(17 **515)**	(19 460)
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	(150)	(70)
Result from other operating expenses/income	(1 247)	(1 844)
Other operating income	4 **014**	326
Release of provisions for commitments and guarantees given	3 655	x
Result from tangible and intagible assets (other than goodwill)	359	326
Other operating result	(13 **501)**	(19 **134)**

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

10. Taxes on income

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

11. 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
Cash and cash balances	**424 229**	**430 117**

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 Bank expects, that the prescribed average balance of the mandatory reserv will be attained during the monitored period, however the actual contribution is not determined, because the end of monitored period is after the issuance of this interim separate financial statements. 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 contributin amounted to 123,1 mil. Eur, which represents 100,08 %.

12. Derivatives held for trading

	31.12.2017			30.6.2018		
EUR ths.	**Notional value**	**Positive fair value**	**Negative fair value**	**Notional value**	**Positive fair value**	**Negative fair value**
Derivatives held in the trading book	**1 933 472**	**36 484**	**33 344**	**1 668 639**	**38 031**	**35 366**
Interest rate instruments and related derivatives	1 468 213	12 197	10 148	1 336 347	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	-	-	-
Derivatives held in the banking book	**-**	**-**	**-**	**138 358**	**830**	**1 047**
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
Total gross amounts	**1 933 472**	**36 484**	**33 344**	**1 806 997**	**38 861**	**36 413**

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

13. Financial assets at fair value through profit or loss

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

EUR ths.	**31.12.2017**	**30.6.2018**
Equity instruments	5 600	x
Financial assets at fair value through profit or loss	**5 600**	**x**

The amounts represent the maximum exposure to credit risk.

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

	31.12.2017		30.6.2018	
EUR ths.	**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
Non-trading financial assets at fair value through profit or loss	x	x	**-**	**28 905**

15. Financial assets available for sale

EUR ths.	31.12.2017	30.6.2018
Equity instruments	47 885	x
Debt securities	972 734	x
General governments	800 553	x
Credit institutions	51 204	x
Non-financial corporations	120 977	x
Financial assets at fair value through profit or loss	**1 020 619**	x

16. Financial assets at fair value through other comprehensive income

EUR ths.	Gross carrying amount	Credit loss allowances				Accumulated other fair value changes	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**

17. Financial assets held to maturity

	Gross carrying amount		Collective allowances		Net carrying amount	
EUR ths.	**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
Financial assets held to maturity	**2 644 729**	**x**	**(328)**	**x**	**2 644 402**	**x**

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

18. Loans and receivables to credit institutions

Loans and receivables to credit institutions

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

The amounts represent the maximum exposure to credit risk.

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

Allowances for loans and receivables to credit institutions

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

19. Loans and receivables to customers

Loans and receivables to customers

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

Allowances for loans and receivables to customers

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

As at 31 December 2017, 15 largest customers accounted for 5,5 % of the gross loan portfolio amounting to 664,1 mil. Eur.

20. 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	**12 681 062**	**(38 877)**	**(34 416)**	**(232 469)**	**(54 642)**	**12 320 657**
General governments	205 085	(184)	(3)	(32)	-	204 867
Other financial corporations	117 797	(300)	(7)	(36)	-	117 453
Non-financial corporations	2 767 796	(9 137)	(4 952)	(25 388)	(51 321)	2 676 997
Households	9 590 384	(29 256)	(29 454)	(207 013)	(3 321)	9 321 340
Total	**16 285 244**	**(39 354)**	**(34 416)**	**(232 469)**	**(54 642)**	**15 924 361**

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

As at 30 June 2018, 15 largest customers accounted for 5,6 % of the gross loan portfolio amounting to 706,8 mil. Eur.

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	**11 973 820**	**(35 603)**	**(39 736)**	**(223 927)**	**(59 539)**	**11 615 015**
General governments	209 414	(189)	(3)	(1)	-	209 221
Other financial corporations	94 950	(210)	(5)	(19)	(281)	94 435
Non-financial corporations	2 509 672	(8 570)	(6 148)	(26 355)	(54 834)	2 413 765
Households	9 159 784	(26 634)	(33 580)	(197 552)	(4 424)	8 897 594
Total	**15 670 570**	**(36 062)**	**(39 736)**	**(223 927)**	**(59 539)**	**15 311 306**

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
Debt securities									
Stage 1	**(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)
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-
POCI	-	-	-	-	-	-	-	-	-
Total allowances for debt securities	**(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
Loans and advances to banks									
Stage 1	**-**	**(141)**	**106**	**7**	**-**	**-**	**-**	**-**	**(27)**
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-
POCI	-	-	-	-	-	-	-	-	-
Total allowances for loans and advances to banks	**-**	**(141)**	**106**	**7**	**-**	**-**	**-**	**-**	**(27)**

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
Loans and advances to customers									
Stage 1	**(35 603)**	**(18 435)**	**635**	**2 832**	**11 692**	**-**	**-**	**-**	**(38 877)**
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)
Stage 2	**(39 736)**	**-**	**251**	**8 125**	**(3 056)**	**-**	**-**	**-**	**(34 416)**
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)
Stage 3	**(223 927)**	**-**	**530**	**13 847**	**(22 917)**	**-**	**-**	**-**	**(232 469)**
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)
POCI	**(59 539)**	**(1 161)**	**732**	**5 327**	**-**	**-**	**-**	**-**	**(54 642)**
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)
Total allowances for loans and advances to customers	**(358 805)**	**(19 596)**	**2 148**	**30 131**	**(14 281)**	**-**	**-**	**-**	**(360 404)**

21. Finance lease receivables

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

As at 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)	-	886
Total	**77 678**	**(196)**	**-**	**(541)**	**-**	**76 941**

Allowances for finance lease receivables

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
Stage 1	**(196)**	**(34)**	**-**	**86**	**-**	**-**	**-**	**-**	**(145)**
Other financial corporations	(1)	(1)	-	1	-	-	-	-	(1)
Non-financial corporations	(194)	(33)	-	84	-	-	-	-	(144)
Households	(1)	-	-	1	-	-	-	-	-
Stage 2	**-**	**-**	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Non-financial corporations	-	-	-	(1)	-	-	-	-	(1)
Stage 3	**(541)**	**-**	**-**	**(40)**	**-**	**-**	**-**	**-**	**(581)**
Non-financial corporations	(493)	-	-	(40)	-	-	-	-	(533)
Households	(48)	-	-	-	-	-	-	-	(48)
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(737)**	**(34)**	**-**	**45**	**-**	**-**	**-**	**-**	**(727)**

22. Hedge accounting derivatives

EUR ths.	31.12.2017 Notional value	31.12.2017 Positive fair value	31.12.2017 Negative fair value	30.6.2018 Notional value	30.6.2018 Positive fair value	30.6.2018 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	**-**	**-**	**-**	**-**	**-**	**-**
Total gross amounts	**397 821**	**6 761**	**42 100**	**381 224**	**6 957**	**40 327**

Fair value hedge of assets

As at 30 June 2018 the Bank 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 Bank entered into interest rate swap deals in order to hedge the changes of fair value caused by changes of risk-free interest rates, paying fixed and receiving floating rates.

During the year 2018 the hedges were effective in hedging fair value exposure to interest rate movements. During the period the Bank recognised a net gain on the hedging instruments in the amount of 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 Bank issued fixed rate mortgage bonds with maturity in July 2027 also disclosed in the note 26. 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 Bank 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).

23. 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	
As of 30.6.2018						
General governments	688	-	-	-	-	688
Non-financial corporations	113 026	(554)	(10)	(2 847)	-	109 615
Households	466	(2)	-	(388)	-	76
Total	**114 180**	**(556)**	**(10)**	**(3 235)**	**-**	**110 379**

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

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
Stage 1	**(247)**	**(106)**	**-**	**(203)**	**-**	**-**	**-**	**-**	**(556)**
Households	-	-	-	(1)	-	-	-	-	(1)
Stage 2	**-**	**-**	**-**	**(10)**	**-**	**-**	**-**	**-**	**(10)**
Non-financial corporations	-	-	-	(10)	-	-	-	-	(10)
Stage 3	**(3 206)**	**(14)**	**-**	**12**	**(27)**	**-**	**-**	**-**	**(3 235)**
Non-financial corporations	(2 826)	(6)	-	12	(27)	-	-	-	(2 847)
Households	(380)	(8)	-	-	-	-	-	-	(388)
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(3 453)**	**(120)**	**-**	**(201)**	**(27)**	**-**	**-**	**-**	**(3 801)**

Trade receivables consist of receivables from factoring transactions.

24. Investments in subsidiaries and associates

EUR ths.	31.12.2017	30.6.2018
Investment in subsidiaries	14 906	14 907
Investment in associate	8 135	8 141
Total	**23 041**	**23 048**

Investments in subsidiaries of Slovenská sporiteľňa, a.s.

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

Investments in associates of Slovenská sporiteľňa, a.s.

Business name	Place of business	Main business activity	Ownership held	Voting rights held
Prvá stavebná sporiteľňa, a.s.	Bajkalská 30 Bratislava 829 48 Slovenská republika	Banking	9.98%	35.00%
Slovak Banking Credit Bureau, s.r.o.	Malý trh 2/A Bratislava 811 08 Slovenská republika	Retail credit register	33.33%	33.33%
Holding Card Service, spol. s r. o.	Olbrachtova 1929/62 140 00 Praha 4 Česká republika	Equity release company	24,62%	24,62%

The folowing table presents the carrying amounts of investments in subsidiaries and asociates:

EUR ths.	Cost		Impairment		Net book value	
	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018
Subsidiaries	**14 906**	**14 906**	**-**	**-**	**14 906**	**14 906**
Procurement Services SK, s.r.o.	3	3	-	-	3	3
Služby SLSP, spol. s r. o.	14 903	14 903	-	-	14 903	14 903
Associates	**8 135**	**8 141**	**-**	**-**	**8 135**	**8 141**
Prvá stavebná sporiteľňa, a.s.	1 093	1 093	-	-	1 093	1 093
Slovak Banking Credit Bureau, s.r.o.	3	3	-	-	3	3
Holding Card Service, spol. s r. o.	7 038	7 044	-	-	7 038	7 044
Total	**23 041**	**23 047**	**-**	**-**	**23 041**	**23 047**

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

Changes during the year 2017

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

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

25. Other assets

EUR ths.	31.12.2017	30.6.2018
Client settlement	6 813	7 868
Trade receivables	10 042	7 909
Personnel balances	6 033	7 438
State budget, social and health insurance, taxes	1 660	823
Sundry assets	374	1 150
Other assets	**24 922**	**25 188**

26. 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
Deposits from banks	**488 564**	**519 411**

Deposits from customers

EUR ths.	31.12.2017	30.6.2018
Overnight deposits	**6 847 060**	**7 400 947**
Non-savings deposits	6 847 060	7 400 947
General governments	84 854	83 041
Other financial corporations	262 002	218 383
Non-financial corporations	1 348 118	1 537 800
Households	5 152 086	5 561 723
Term deposits	**5 634 161**	**5 903 039**
Deposits with agreed maturity	2 814 787	2 894 451
Non-savings deposits	2 814 787	2 894 451
General governments	351 532	502 404
Other financial corporations	264 724	387 569
Non-financial corporations	320 705	330 526
Households	1 877 826	1 673 952
Deposits redeemable at notice	2 819 374	3 008 588
Households	2 819 374	3 008 588
Deposits from customers	**12 481 221**	**13 303 986**
General governments	436 386	585 445
Other financial corporations	526 726	605 952
Non-financial corporations	1 668 823	1 868 326
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).

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	185 655	235 780
Mortgage covered bonds	1 304 115	1 139 265
Debt securities issued	**1 567 216**	**1 440 263**

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 Bank.

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2017	2018
Subordinated Bonds	June 2011	June 2018	-	0	10 000	EUR	6 956	0
Subordinated Bonds	June 2011	June 2018	-	0	50 000	EUR	6 611	0
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
Total							**77 446**	**65 218**

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'.

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2017	2018
Mortgage Covered Bonds	February 2013	February 2018	-	0	50 000	EUR	23 353	-
Investment Certificates	March 2016	March 2018	-	0	1 000	EUR	1 284	-
Mortgage Covered Bonds	March 2015	March 2018	-	0	100 000	EUR	25 102	-
Mortgage Covered Bonds	March 2014	March 2018	-	0	50 000	EUR	20 197	-
Mortgage Covered Bonds	March 2015	March 2018	-	0	100 000	EUR	10 035	-
Mortgage Covered Bonds	March 2016	March 2018	-	0	100 000	EUR	62 052	-
Investment Certificates	March 2016	March 2018	-	0	1 000	EUR	746	-
Mortgage Covered Bonds	March 2015	March 2018	-	0	100 000	EUR	24 000	-
Investment Certificates	April 2017	April 2018	-	0	10 000	EUR	627	-
Investment Certificates	February 2018	April 2018	-	0	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

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
Total							**1 489 770**	**1 375 045**

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

27. 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	-
Provisions	**25 067**	**22 956**

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
Provisions	**14 369**	**14 299**

Long-term employee benefits provisions

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

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

Provisions for legal issues

Provisions for legal issues relate to legal cases where the Bank is sued and which arose from normal banking activities.

Provisions for off-balance sheet

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

Other provisions

The item ‘Other provisions‘ includes provision on contribution to Resolution fund 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 , therefor no balance of other provisions is recognised.
In 2017 the Bank 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.

28. Other liabilities

EUR ths.	31.12.2017	30.6.2018
Trade payables	41 149	38 778
Personnel balances and social fund	36 084	25 806
State budget, social and health insurance, taxes	4 431	5 150
Other liabilities	**81 664**	**86 644**

29. 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
Share capital (in EUR)	**212 000 000**	**212 000 000**

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

Profit distribution	31.12.2017
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
Dividend per share (in EUR)	**674**

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

Legal reserve fund

According to Commercial Code all companies are required to create a legal reserve fund to cover adverse financial conditions in the future. The Bank is obliged to contribute to the fund the amount, which is not less than 10 % of its annual net profit until the cumulative amount of annual contributions reaches 20 % of its share capital. As at 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 Bank’s capital base. This fund is not available for distribution to the shareholder. Once the Bank’s share capital or legal reserve fund is increased, Statutory fund may be terminated and transferred back to the distributable profits with the approval of the Supervisory Board and of the General Assembly. As at 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 94,7 mil. Eur, net of deferred tax. This reserve was released during the transition process to IFRS 9 in 2018.

Fair value reserve

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

Remeasurement of net liability of defined pension plans

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

30. Related party transactions

Related parties

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

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

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

	Erste Group Bank AG		Companies of Erste Group		Associates	
EUR ths.	**31.12.2017**	**30.6.2018**	**31.12.2017**	**30.6.2018**	**31.12.2017**	**30.6.2018**
Assets						
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	-	-
Total	**145 746**	**53 429**	**142 296**	**71 114**	**-**	**-**
Liabilities						
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	-	-
Total	**275 175**	**976 449**	**8 035**	**11 982**	**-**	**17 469**

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 commisssion 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	-	-
Total	**9 712**	**(4 873)**	**1 097**	**(56)**	**2 038**	**14**

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 Bank has issued investment certificates in the amount of 150 mil. Eur, which were purchased by Erste Bank AG (see note 29).

As at 30 June 2018 the Bank 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 Bank received guarantees from its parent company Erste Group Bank AG covering clients' exposures in the amount of 2,2 mil. Eur as at the reporting date (2017: 2,2 mil. Eur).

The Bank has received guarantee from its sister company Česká spořitelna, a.s. covering credit exposures towards s_Autoleasing SK, s.r.o. as at 30 June 2018 in the maximum amount of the guarantee was 27,6 mil. Eur (2017: 27,6 mil. Eur).

The Bank 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 Bank 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).

As at 30 June 2018 the Bank 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).

31. 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
Total	**1 619 165**	**1 725 921**

32. Collaterals

	Carrying amount of transferred assets					Carrying amount of associated liabilities		
EUR ths.	Total	Repurchase agreements	Assets pledged for derivatives	Assets pledged for covered bonds	Other transferred assets	Total	Repurchase agreements	Other associated liabilities
As of 30.6.2018								
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
Assets pledged as collateral	**1 645 488**	**57 281**	**65 374**	**1 516 328**	**6 505**	**1 279 121**	**63 693**	**1 215 428**

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

33. Assets under administration

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

As at 30 June 2018 the Bank 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 Bank 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).

34. Segment reporting

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

Structural change and major principles

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

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

Business segments

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

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

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

The **Retail** segment comprises the entire business with private individuals, free professionals and micros, which are in the responsibility of account managers from the retail network. Retail products and services, including current and savings accounts, mortgage and consumer loans, credit cards, investment and cross selling products (e.g. insurance and building society products) are offered via various distribution channels, such as branch network and digital banking. The Retail segment is divided into 8 regions, 42 areas and 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 bank assets and liabilities in the light of uncertainty of cash flows, cost of funds and return on investments in order to determine the optimal trade-off between risk, return and liquidity. Furthermore it comprises funding transactions, hedging activities, investments into securities other than held for trading purpose, management of own issues and FX positions.
On the other side it also includes the local corporate center which comprises all non-core banking business activities such as non-profit servicing participations, intragroup eliminations within the respective partial group, dividends, refinancing costs of participations, all non-banking balance sheet positions (e.g. fixed assets) which cannot be allocated to other business segments. Apart from that the Local Corporate Center includes received dividends and the reconciliations to the accounting result. The segment comprises also free capital which is defined as the difference of the total average IFRS equity and the average economical equity allocated to all operating segments.

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

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

Measurement and reporting

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

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

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

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

For measuring and assessing the profitability of segments, the Bank also uses the rate of return on allocated equity, which is defined as the net result for the period before minorities in relation to the average allocated equity of the respective segment. In addition the cost/income ratio is calculated for each segment, which is defined as operating expenses (general administrative expenses) in relation to operating income (total of net interest income, net fee and commission income, dividend income, net trading result, gains/losses from financial instruments measured at fair value through profit or loss, net result from equity method investments, rental income from investment properties & other operating leases).

Business Segments	Retail		Corporates		Group markets		Asset Liability Management and Local Corporate Center		Total	
EUR ths.	**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**
Net interest income	188 298	187 717	29 516	34 049	1 775	1 937	(1 467)	(5 975)	218 122	217 728
Net fee and commission income	44 669	49 149	6 150	7 160	2 691	3 394	1 282	(1 309)	54 793	58 394
Dividend income	-	-	-	-	-	-	2 765	746	2 765	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	-	-	-	-	-	(1 256)	-	-	-
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)	(749)	(506)	(137 529)	(138 759)
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)	(4 759)	(6 018)	(13 501)	(19 134)
Levies on banking activities	(9 911)	(10 512)	(1 786)	(1 808)	(698)	(796)	(3 693)	(4 375)	(16 088)	(17 491)
Pre-tax profit from continuing operations	**83 573**	**93 033**	**28 443**	**27 932**	**4 780**	**3 919**	**(2 849)**	**(12 890)**	**113 945**	**111 992**
Taxes on income	(17 550)	(19 537)	(5 973)	(5 866)	(1 004)	(823)	(3 083)	1 165	(27 610)	(25 061)
Net result for the period	**66 023**	**73 496**	**22 470**	**22 066**	**3 776**	**3 096**	**(5 932)**	**(11 725)**	**86 335**	**86 931**
Net result attributable to owners of the parent	**66 023**	**73 496**	**22 470**	**22 066**	**3 776**	**3 096**	**(5 932)**	**(11 725)**	**86 335**	**86 931**
Operating income	235 981	238 527	38 056	42 347	8 154	7 114	2 051	(6 413)	284 241	281 576
Operating expenses	(117 104)	(119 031)	(17 008)	(16 857)	(2 667)	(2 363)	(749)	(506)	(137 529)	(138 759)
Operating result	**118 877**	**119 496**	**21 048**	**25 490**	**5 487**	**4 751**	**1 302**	**(6 919)**	**146 712**	**142 817**
Risk-weighted assets (credit risk, eop)*	2 384 779	2 726 581	2 066 995	2 622 670	18 409	30 729	409 805	492 027	4 879 988	5 872 007
Average allocated capital**	295 855	407 661	163 956	250 647	6 029	7 273	195 791	200 594	661 631	866 175
Cost/income ratio	49,6%	49,9%	44,7%	39,8%	32,7%	33,2%	36,5%	-7,9%	48,4%	49,3%
Return on allocated capital	90,5%	73,1%	55,6%	35,7%	254,0%	172,7%	-12,3%	-23,7%	52,9%	40,7%
Total assets (eop)	8 511 390	9 473 721	2 639 604	3 201 542	132 164	106 944	4 284 523	4 156 243	15 567 681	16 938 450
Total liabilities excluding equity (eop)	10 027 249	10 691 615	1 342 948	1 627 878	507 086	575 930	2 267 054	2 648 905	14 144 337	15 544 329
Impairments and risk provisions										
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

35. Risk management

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

Credit risk

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

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

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

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

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

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

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

Strategic Risk Management

Strategic Risk Management, more specifically its Credit Risk Control department, is the independent risk control unit in line with capital requirements regulation and directive. SRM is not involved in the operative credit decision-making. However it is responsible for the design of rating systems, testing and monitoring of accuracy and selectivity of internal rating grades, production and analysis of summary reports from the Bank's rating systems. SRM is also responsible for the design and implementation of models for calculation of risk parameters (PD, LGD, CCF, etc.), standard risk costs and portfolio provisions.

It is also responsible for the design and implementation of models for calculation of risk-weighted assets according to capital requirements regulation and directive and model for economic capital. In addition to this, SRM has two other specific roles:

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

Retail Credit Risk Management Division

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

Corporate Credit Risk Management Division

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

Risk grades

The classification of credit assets into risk grades is based on the Bank's internal ratings. The Bank uses two internal risk scales for risk classification for customers that have not defaulted: risk scale of 8 risk grades (for retail) and 13 risk grades (for all other segments). Defaulted customers are classified into a separate risk grade.

Default definition

A default is deemed to have occurred with a client when a client is assigned internal rating R, i.e. when whatever of the following events has taken place:

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

The Bank defines 5 default events:

- E1 – unlikely to pay;
- E2 – 90 days overdue;
- E3 – defaulted forbearance;
- E4 – exposure write-off;
- E5 – bankruptcy.

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

Credit risk exposure

Credit risk exposure relates to the following balance sheet items:

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

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

The gross carrying amount of the credit risk exposure increased to EUR 18,354 billion (+1.98%; EUR 17,997 billion as at 31.03.2018).

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	**Gross carrying amount**	**Credit loss allowances**				**Net carrying amount**
EUR ths.		**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	16 285 243	15 446 594	380 391	345 975	112 282	15 924 361
Loans and advances to banks	43 617	43 617	0	-	-	43 590
Loans and advances to customers	12 681 061	11 842 413	380 391	345 975	112 282	12 320 657
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	3 592 516	3 298 731	137 965	46 453	109 367	3 486 661
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
Total credit risk exposure on-balance	**16 627 913**	**15 783 599**	**381 477**	**350 555**	**112 282**	**16 262 504**
Off-balance	1 725 920	1 642 030	23 216	3 827	56 847	1 711 620
Total credit risk exposure	**18 353 833**	**17 425 629**	**404 693**	**354 382**	**169 129**	**17 974 124**

EUR ths.	Gross carrying amount	Specific allowances for individually assessed financial assets	Specific allowances for collectively assessed financial assets	Collective allowances for incurrred but not reported losses	Net carrying amount
31.12.2017					
Cash and cash balances	53 802	-	-	-	53 802
Loans and receivables to credit institutions	177 616	-	-	0	177 616
Loans and receivables to customers	12 123 740	82 730	207 065	74 995	11 758 950
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	3 458 046	78 922	21 570	19 982	3 337 572
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
Total Credit Rsik Exposure On-Balance	**16 015 867**	**82 730**	**207 065**	**75 323**	**15 650 748**
Off-balance	1 619 165	8 117	461	6 513	1 604 074
Total	**17 635 032**	**90 847**	**207 526**	**81 836**	**17 254 822**

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.

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

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

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

EUR ths.	Investment grade	Subinvestment grade	Non-performing loans	Total credit risk exposure
30.6.2018				
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	1 059 743	16 173	114 319	1 190 235
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	9 572 403
Other	165	506	1	672
Total	**17 006 366**	**842 755**	**504 711**	**18 353 833**

EUR ths.	Investment grade	Subinvestment grade	Non-performing loans	Net carrying amount
31.12.2017				
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	1 040 774	16 517	114 792	1 172 083
Services	111 830	17 859	6 432	136 121
Public administration	3 558 327	2 114	-	3 560 440
Education, health and art	50 164	2 575	282	53 022
Private households	8 249 763	546 425	318 003	9 114 192
Other	25	333	1	359
Total	**16 324 286**	**804 159**	**506 587**	**17 635 032**

The following table presents credit risk exposure by risk category:

EUR ths.	Investment grade	Subinvestment grade	Non-performing loans	Gross carrying amount
30.6.2018				
Cash and cash balances - other demand deposits	58 031	-	-	58 031
Financial assets at amortised cost	15 093 874	741 487	449 882	16 285 243
Loans and advances to banks	43 617	1	-	43 617
Loans and advances to customers	11 489 693	741 487	449 882	12 681 061
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	3 254 469	198 799	139 249	3 592 516
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
Derrivatives - held for trading	38 157	696	8	38 861
Positive fair value of derivatives - hedge accounting	6 957	-	-	6 957
Total credit risk exposure on-balance	**15 406 210**	**767 235**	**454 469**	**16 627 913**
Off-balance	1 600 156	75 521	50 243	1 725 920
Total credit risk exposure	**17 006 366**	**842 755**	**504 711**	**18 353 833**

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
30.6.2018						
Agriculture and forestry	118 137	4 656	1 305	718	106	124 922
Mining	44 216	3 711	30	-	68	48 025
Manufacturing	952 981	25 901	13 405	8 448	429	1 001 164
Energy and water supply	465 892	8 262	72	0	29 625	503 851
Construction	260 332	4 688	4 600	17 335	558	287 513
Development of building projects	41 330	0	1 255	-	531	43 116
Trade	594 135	25 353	14 478	5 817	163	639 946
Transport and communication	560 601	6 981	3 605	1 679	453	573 320
Hotels and restaurants	55 874	2 611	4 213	16 909	614	80 220
Financial and insurance services	450 222	787	52	0	36 585	487 646
Holding companies	50 090	422	-	-	-	50 512
Real estate and housing	1 017 036	56 561	1 330	112 989	2 319	1 190 235
Services	241 021	4 187	5 433	815	113	251 569
Public administration	3 540 943	138	388	-	-	3 541 468
Education, health and art	49 826	819	210	19	6	50 880
Private households	9 002 609	260 036	305 261	4 399	98	9 572 403
Other	162	3	1	-	506	672
Total	**17 353 986**	**404 693**	**354 382**	**169 129**	**71 644**	**18 353 833**

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

30.6.2018		Financial assets at amortised cost										
	Cash and cash balances - other demand deposits	Loans and advances to banks	Loans and advances to customers			Debt securities	Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - 'Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
EUR ths.			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	3 533 864	3 261 519	98 815	89 570	5 409	35 549	1 672 564	17 779 638
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**	**3 592 516**	**3 560 564**	**98 815**	**114 180**	**25 826**	**45 818**	**1 725 920**	**18 353 833**

31.12.2017 EUR ths.	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							
Slovakia	-	79	6 944 768	1 714 487	3 389 479	2 398 418	-	-	881 217	32 893	1 577 604	16 938 945
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
Total	**53 802**	**177 616**	**6 950 023**	**1 715 672**	**3 458 046**	**2 644 730**	**-**	**-**	**972 734**	**43 244**	**1 619 165**	**17 635 032**

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

30.6.2018	Non-impaired loans								
EUR ths.	**Total past due non Impaired**	**Thereof 1-30 days past due**	**Thereof 31-60 days past due**	**Thereof 61-90 days past due**	**Thereof 91-180 days past due***	**Thereof more than 180 days past due***	**Neither past due non Impaired**	**Impaired loans**	**Total Credit risk exposure**
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	15 492 460	439 744	16 285 243
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	11 888 328	439 744	12 681 061
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	3 315 042	139 138	3 592 516
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
Total credit risk exposure on-balance	**371 996**	**339 450**	**21 131**	**11 177**	**180**	**59**	**15 811 593**	**444 324**	**16 627 913**
Off-balance	50 057	49 918	123	16	0	-	1 625 629	50 234	1 725 920
Total credit risk exposure	**422 054**	**389 368**	**21 254**	**11 193**	**180**	**59**	**17 437 222**	**494 557**	**18 353 833**

31.12.2017	Non-impaired loans								
EUR ths.	Total past due non Impaired	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due*	Thereof more than 180 days past due*	Neither past due non Impaired	Impaired loans	Total Credit risk exposure
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	11 346 275	448 815	12 123 740
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	3 196 230	148 856	3 458 046
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
Total Credit Rsik Exposure On-Balance	**328 688**	**298 505**	**19 821**	**9 645**	**490**	**227**	**15 238 363**	**448 815**	**16 015 867**
Off-balance	82 546	82 500	33	11	2	-	1 487 928	48 691	1 619 165
Total	**411 234**	**381 005**	**19 854**	**9 656**	**492**	**227**	**16 726 292**	**497 506**	**17 635 032**

The following table presents credit quality for exposures, which are neither past due non impaired:

30.6.2018		Financial assets at amortised cost										
			Loans and advances to customers									
EUR ths.	Cash and cash balances - other demand deposits	Loans and advances to banks	of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others	Debt securities	Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - 'Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
Investment grade (1-5)	58 031	43 568	6 768 574	1 421 689	3 164 013	3 560 564	82 578	86 942	25 683	45 114	1 552 701	16 809 457
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**	**3 315 042**	**3 560 564**	**87 353**	**102 106**	**25 826**	**45 818**	**1 625 629**	**17 437 222**

31.12.2017			Loans and receivables to customers									
EUR ths.	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 - at fair value through profit or loss	Financial assets - available for sale	Positive fair value of derivatives	Off-balance	Total credit risk exposure
Investment grade (1-5)	53 802	177 578	6 406 690	1 382 367	3 026 762	2 644 730	-	-	972 734	42 549	1 419 989	16 127 201
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**	**3 196 230**	**2 644 730**	**-**	**-**	**972 734**	**43 244**	**1 487 928**	**16 726 292**

The following table credit risk exposure by industry:

30.6.2018		**Financial assets at amortised cost**								
EUR ths.	**Cash and cash balances - other demand deposits**	**Loans and advances to banks**	**Loans and advances to customers**	**Debt securities**	**Finance lease receivables**	**Trade and other receivables**	**Non-trading financial assets at fair value through profit or loss - 'Debt securities**	**Positive fair value of derivatives**	**Off-balance**	**Total credit risk exposure**
Agriculture and forestry	-	-	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	-	-	936 810	104	634	175	-	2 319	250 194	1 190 235
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
Total Credit risk exposure	**58 031**	**43 617**	**12 681 061**	**3 560 564**	**98 815**	**114 180**	**25 826**	**45 818**	**1 725 920**	**18 353 833**

31.12.2017 **EUR ths.**	**Cash and cash balances - other demand deposits**	**Loans and receivables to credit institutions**	**Loans and receivables to customers**	**Financial assets - held to maturity**	**Financial assets - held for trading**	**Financial assets - at fair value through profit or loss**	**Financial assets - available for sale**	**Positive fair value of derivatives**	**Off-balance**	**Total credit risk exposure**
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	-	-	906 964	10 232	-	-	-	2 261	252 625	1 172 083
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
Total Credit risk exposure	**53 802**	**177 616**	**12 123 740**	**2 644 730**	**-**	**-**	**972 734**	**43 244**	**1 619 165**	**17 635 032**

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

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						
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	-	-	2 723 633	122 766	95 491	112 446	5 551	35 462	1 100 765	4 196 115
Retail	-	-	9 752 653	-	3 308	1 735	-	98	533 895	10 291 689
Total	**58 031**	**43 617**	**12 681 061**	**3 560 564**	**98 815**	**114 180**	**25 826**	**45 818**	**1 725 920**	**18 353 833**

31.12.2017 EUR ths.	Cash and cash balances - other demand deposits	Loans and receivables to credit institutions	Loans and receivables to customers	Financial assets - held to maturity	Financial assets - held for trading	Financial assets - at fair value through profit or loss	Financial assets - available for sale	Positive fair value of derivatives	Off-balance	Total credit risk exposure
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	-	-	2 596 397	10 232	-	-	120 977	32 884	1 058 040	3 818 530
Retail	-	-	9 310 230	-	-	-	-	99	489 429	9 799 758
Total	**53 802**	**177 616**	**12 123 740**	**2 644 730**	**-**	**-**	**972 734**	**43 244**	**1 619 165**	**17 635 032**

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

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

36. Fair values of financial assets and liabilities

Financial instruments measured at fair value

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

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

Description of the valuation models and inputs

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

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

OTC-derivative financial instruments
Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps, commodity swaps) are valued by standard valuation models. These models include discounting cash flow models, option models of Black-Scholes-type and Hull-White-type. Models are calibrated on quoted market data (including implied volatilities). Valuation model for more complex instruments also use Monte-Carlo-techniques. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used. The Bank values derivatives at mid-market levels.
Credit value adjustments (CVA) for counterparty risk and debt value adjustments (DVA) for the own default credit risk are applied to OTC-derivatives. For CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and the Bank's credit quality. The Bank has implemented an approach, where the modelling of the expected exposure is based on option replication strategies. This modelling approach is considered for the most relevant products and portfolios. The methodology for the remaining entities and products is determined by market value plus add-on considerations. The probability of default of counterparties, which are not traded in an active market, is determined from internal PDs mapped to a basket of liquid titles being present in the central European market. Thereby market based valuation concepts have been incorporated. Counterparties with liquid bond or CDS

markets are valued by the respective single-name market based PD derived from the prices. The Bank's probability of default has been derived from the buy-back levels of the Bank's issuances. Netting has only been considered for a few counterparties where the impact was material. For those netting has been applied for both CVA and DVA. The methodology and the calculation itself are carried out by Erste Holding.
For collateralised derivatives the effect of collateral received is considered and reduces the amount of CVA accordingly. For counterparties with CSA-agreements in place no CVA was taken into account for all cases with immaterial threshold amounts.

As at 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.

The methods used to determine fair values with respect to the levels of fair value hierarchy were as follows:

EUR ths.	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3	Total	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3	Total
		31.12.2017				30.6.2018		
Assets								
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	-	-	5 600	5 600	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	835 376	182 185	3 058	1 020 619	x	x	x	x
Financial assets at fair value through other comprehensive income	x	x	x	x	-	-	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	-	-	-	-	-	-	-	-
Total assets	**835 376**	**225 430**	**8 658**	**1 069 464**	**-**	**56 035**	**76 863**	**132 898**
Liabilities								
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
Total liabilities	**-**	**75 444**	**-**	**75 444**	**-**	**76 740**	**-**	**76 740**

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

Description of the valuation process within Level 3

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

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

Changes in volumes of Level 1 and Level 2

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

Movements in Level 3

The development of fair value of the securities for which valuation models are based on non-observable inputs was as follows:

EUR ths.	31.12.2017	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
Assets												
Non-trading financial assets at fair value through profit or loss	18 859	(119)	-	-	-	(72)	-	-	21	(1)	-	18 688
Equity instruments	3 059	-	-	-	-	-	-	-	21	(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
Total assets	**18 859**	**(119)**	**-**	**-**	**-**	**(72)**	**-**	**-**	**58 196**	**(1)**	**-**	**76 863**

EUR ths.	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
Assets												
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
Total assets	**32 359**	**124**	**68**	**-**	**(298)**	**-**	**-**	**-**	**26 716**	**(19 511)**	**-**	**39 458**
Liabilities												
Financial liabilities held for trading	288	-	-	-	-	-	-	-	-	(288)	-	-
Derivatives	288	-	-	-	-	-	-	-	-	(288)	-	-
Total liabilities	**288**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(288)**	**-**	**-**

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
Assets		
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	-	-
Total assets	**(204)**	**(155)**

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
Assets	**31.12.2017**		**30.6.2018**	
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	15 924 361	16 690 149
Loans and advances to banks	x	x	43 590	43 711
Loans and advances to customers	x	x	12 320 657	12 624 383
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
Liabilities				
Financial liabilities measured at amortised cost	14 624 693	14 641 939	15 357 989	15 353 170
Deposits from banks	488 564	499 905	519 411	528 185
Deposits from customers	12 477 892	12 458 782	13 303 986	13 257 783
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 groupped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted.
The fair values of financial assets held to maturity are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

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

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

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

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

Fair value of non-financial assets

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

Property, equipment and other assets

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

Fair values of non-financial assets owned by the Bank are based on valuation reports relying essentially on observable market inputs (such as selling price per square meter charged in recent market observable transactions for similar assets). Such measurements are disclosed as Level 2 of the fair value hierarchy. If fair values of non-financial assets result from valuation models using expected future rental income method they are presented in Level 3 of the fair value hierarchy.

For non-financial assets owned by the Bank the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenants and other material factors. Such measurements are presented in Level 3 of the fair value hierarchy.

Investment property

Investment property is measured at fair value on recurring basis.

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

37. Own funds and capital requirements

Regulatory scope of application

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

Regulatory requirements

Since 1 January 2014 the Bank has been calculating the regulatory capital and the regulatory capital requirements according to Basel 3. The requirements were implemented within the EU by the Capital Requirements Regulation (CRR) and the Capital Requirement Directive (CRD IV) that were enacted in national law, as well as within various technical standards issued by the European Banking Authority (EBA).

All requirements as defined in the CRR and the aforementioned technical standards are fully applied by the Bank for regulatory purposes and for the disclosure of regulatory information.

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

Accounting principles

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

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

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

Carrying amounts representing the investments in financial sector entities as defined in Article 4 (27) CRR have to be deducted from the own funds based on the requirements as defined in Articles 36 (1) (h), 45 and 46 CRR for non-significant investments and Articles 36 (1) (i) CRR, Article 43, 45, 47 and 48 CRR for significant investments. For these purposes, non-significant investments are defined as investments in financial sector entities in which the participation is equal to or less than 10 % of common equity Tier 1 (CET 1) of the relevant financial sector entities, while significant investments are defined as investments that are above 10 % of the CET 1 of the relevant financial sector entities.

To determine the participation in the relevant financial sector entities, these participations are calculated based on the direct, indirect and synthetic holdings in the relevant entities.

According to Article 46 (1) (a) CRR, holdings in non-significant investments have to be deducted only if the total amount for such investments, including additional tier 1 items according to Art, 56 (c) and 59 CRR and Tier 2 items according to Art, 66 (c) and 70 CRR, exceeds a defined threshold of 10 % in relation to CET1 of the reporting institution. Deduction shall be applied to the amount that exceeds the 10 % threshold. Amounts that are equal to or less than 10 % of the CET1 of the reporting institution are considered with the applicable risk weights according part 3, title II, chapter 2 respectively chapter 3 and if necessary according to the requirements of part 3, title IV within the RWAs based on the requirements according to Article 46 (4) CRR.

For the deduction of significant investments in the CET1 of financial sector entities, a threshold is defined in Article 48 (2) CRR. According to Article 48 (2) CRR, significant investments in the CET1 of financial sector entities have only to be deducted if they exceed 10 % of the CET1 of the reporting institution. If the 10 % threshold is exceeded, the deduction is limited to the amount by which the defined threshold is exceeded. The remaining amount has to be considered within the calculation of the RWAs. The risk weight (RW) is defined at 250 % according to Article 48 (4) CRR.

In addition to the aforementioned threshold, a combined threshold for the deduction of significant investments according to Article 36 (1) (i) CRR and for deferred tax assets that rely on future profitability and arise from temporary differences according to Article 36 (1) (c) CRR as well as according to Article 38 CRR is defined in Article 48 (2) CRR. The combined threshold according to Article 48 (2) CRR is defined at 17.65 % of the CET1 of the reporting institution. If the threshold is exceeded, the exceeding amount has to be deducted from the CET1 of the reporting institution. The remaining amount has to be considered within the RWAs. A 250 % RW shall be applied for the amount not exceeding the 17.65 % threshold according to Article 48 (4) CRR.

Beside the 17.65 % combined threshold, a 10 % threshold related to the CET1 capital of the reporting institution is applied for deferred tax assets that rely on future profitability arising from temporary differences according to Article 48 (3) CRR. In case the amount for deferred tax assets that rely on future profitability and which arise from temporary differences exceeds the threshold of 10 % of CET1 of the reporting institution the exceeding amount has to be deducted from the CET1 of the reporting institution. The amount that is equal to or less than the threshold as defined in Article 48 (3) CRR has to be considered within the calculation of RWAs with a 250 % risk weight (RW) according to Article 48 (4) CRR.

At the reporting date, the Bank did not exceed any of the aforementioned thresholds. Hence, direct, indirect and synthetic investments in financial sector entities were not deducted from the own funds of the Bank and therefore are considered in RWAs.

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

Nasledujúca tabuľka zobrazuje prahové hodnoty podľa článku 46 a 48 CRR:

EUR ths.	31.12.2017	30.6.2018
Non significant investments in financial sector entities		
Threshold (10% of CET1)	110 281	109 119
Holdings in CET1	3 059	3 079
Holdings in AT1	-	-
Holdings in T2	-	-
Distance to threshold	**107 222**	**106 039**
Significant investments in financial sector entities		
Threshold (10% of CET1)	110 281	109 119
Holdings in CET1	23 038	23 044
Distance to threshold	**87 243**	**86 075**
Deferred tax assets		
Threshold (10% of CET1)	110 281	109 119
Deferred tax assets that are dependent on future profitability and arise from temporary differences	32 982	44 113
Distance to threshold	**77 299**	**65 006**
Combined threshold for deferred tax assets and significant investments		
Threshold (17.65% of CET1)	194 646	192 595
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	67 157
Distance to threshold	**138 627**	**125 438**

Own funds

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

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

EUR ths.	Article pursuant to CRR	31.12.2017	30.6.2018
Common equity tier 1 capital (CET1)			
Capital instruments eligible as CET1	26 (1) (a) (b), 27 to 30, 36 (1) (f), 42	212 000	212 000
Own CET1 instruments	36 (1) (f), 42	-	-
Retained earnings	26 (1) (c), 26 (2)	886 015	898 250
Interim profit	26 (2)	-	-
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	94 254	41 090
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)	-	-
Common equity tier 1 capital (CET1)	**50**	**1 102 809**	**1 091 188**
Additional tier 1 capital (AT1)			
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a), 57	150 000	150 000
Own AT1 instruments	52 (1) (b), 56 (a), 57	-	-
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	-	-
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484 to 487, 489, 491	-	-
AT1 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 56 (d), 59, 79	-	-
Excess of deduction from T2 items over T2	36 (1) (j)	-	-
Additional tier 1 capital (AT1)	**61**	**150 000**	**150 000**
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**1 252 809**	**1 241 188**

Table continues on the following page.

continued EUR ths.	Article pursuant to CRR	31.12.2017	30.6.2018
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**1 252 809**	**1 241 188**
Tier 2 capital (T2)			
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)	32 389	35 974
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)
Tier 2 capital (T2)	**71**	**70 266**	**62 443**
Total own funds	**4 (1) (118) and 72**	**1 323 075**	**1 303 631**
Capital requirement	**92 (3), 95, 96, 98**	**569 040**	**608 805**
CET1 capital ratio	**92 (2) (a)**	**15,50%**	**14,34%**
Tier 1 capital ratio	**92 (2) (b)**	**17,61%**	**16,31%**
Total capital ratio	**92 (2) (c)**	**18,60%**	**17,13%**

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

		31.12.2017		**30.6.2018**	
EUR ths.	**Article pursuant to CRR**	**Total risk**	**Capital requirement**	**Total risk**	**Capital requirement**
Total Risk Exposure Amount	**92 (3), 95, 96, 98**	**7 113 001**	**569 040**	**7 610 063**	**608 805**
Risk weighted assets (credit risk)	92 (3) (a) (f)	5 697 110	455 769	6 239 529	499 162
Standardised approach		298 904	23 912	243 894	19 512
IRB approach		5 398 206	431 857	5 995 635	479 651
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)	1 382 282	110 583	1 340 865	107 269
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	-	-	-	-

The following tables show equity items and how they are affecting regulatory own funds:

EUR ths.	Own funds disclosure table - reference	Equity	Regulatory adjustments	Own funds
30.6.2018				
Subscribed capital		212 000	-	212 000
Capital reserve		118 899	-	118 899
AT1 capital instruments and the related share premium accounts	a	150 000	-	150 000
Retained earnings	b	785 201	(5 850)	779 351
Other comprehensive income (OCI)	c	41 090	-	41 090
Cash flow hedge reserve	g	-	-	-
Available for sale reserve		52 621	-	52 621
unrealized gains according to Art. 35 CRR	h	52 621	-	52 621
unrealized losses according to Art. 35 CRR		-	-	-
other		-	-	-
Currency translation		-	-	-
Remeasurement of net liability of defined pension plans		(609)	-	(609)
Deferred tax		(10 923)	-	(10 923)
Profit or loss attributable to equity holders of the parent		86 931	(86 931)	-
Other		-	-	-
Equity attributable to the owners of the parent		1 394 121	(92 781)	1 301 340
Equity attributable to non-controlling interests	d	-	-	-
Total equity		**1 394 121**	**(92 781)**	**1 301 340**

EUR ths.	Own funds disclosure table - reference	Equity	Regulatory adjustments	Own funds
31.12.2017				
Subscribed capital		212 000	-	212 000
Capital reserve		118 899	-	118 899
AT1 capital instruments and the related share premium accounts	a	150 000	-	150 000
Retained earnings	b	767 337	(221)	767 116
Other comprehensive income (OCI)	c	94 253	-	94 253
Cash flow hedge reserve	g	-	-	-
Available for sale reserve		119 917	-	119 917
unrealized gains according to Art. 35 CRR	h	119 922	-	119 922
unrealized losses according to Art. 35 CRR		(5)	-	(5)
other		-	-	-
Currency translation		-	-	-
Remeasurement of net liability of defined pension plans		(609)	-	(609)
Deferred tax		(25 055)	-	(25 055)
Profit or loss attributable to equity holders of the parent		162 056	(162 056)	-
Other		-	-	-
Equity attributable to the owners of the parent		1 504 545	(162 277)	1 342 268
Equity attributable to non-controlling interests	d	-	-	-
Total equity		**1 504 545**	**(162 277)**	**1 342 268**

Further details regarding the development of IFRS equity are disclosed in the Separate Statement of Changes in Equity.

The following tables show intangible assets and amount of deduction of regulatory own funds:

EUR ths.	Balance sheet	Regulatory adjustments	Own funds
30.6.2018			
Intangible assets	44 926	-	44 926
deductible from CET1 acc. to transitional provisions	-	-	-
deductible from AT1 acc. to transitional provisions	-	-	-
Intangible assets	**44 926**	**-**	**44 926**

EUR ths.	Balance sheet	Regulatory adjustments	Own funds
31.12.2017			
Intangible assets	55 457	-	55 457
deductible from CET1 acc. to transitional provisions	-	-	-
deductible from AT1 acc. to transitional provisions	-	-	-
Intangible assets	**55 457**	**-**	**55 457**

The following tables show deferred taxes:

EUR ths.	Own funds disclosure table - reference	Balance sheet
30.6.2018		
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities		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		44 113
Deferred tax assets		**44 890**

EUR ths.	Own funds disclosure table - reference	Balance sheet
31.12.2017		
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities		777
related DTA allocated on or after Jan 14 for which 100% deduction is required according to CRR transitional provisions	f	-
related DTA allocated before Jan 14 for which 0% deduction from CET1 is required according to CRR transitional provisions		-
Deferred tax assets that rely on future profitability and arise from temporary differences		32 982
Deferred tax assets		**33 759**

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

The following tables show subordinated liabilities:

EUR ths.	Own funds disclosure table - reference	Balance sheet	Regulatory adjustments	Own funds
30.6.2018				
Subordinated issues and deposits and supplementary capital		65 218	(33 494)	31 724
Tier 2 capital instruments (including related share premium) issued by the parent company	k	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	-	-	-
Subordinated liabilities		**65 218**	**(33 494)**	**31 724**

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

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

EUR ths.	31.12.2017	30.6.2018
CET1 at the beginning of the period	1 045 335	1 102 809
Changes in retained earnings	10 026	12 236
Changes in accumulated other comprehensive income	11 316	(53 164)
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	1 102 810	1 091 188
Additional Tier 1 development		
AT1 at the beginning of the period	150 000	150 000
Net increase / decrease in AT1	-	-
Changes in regulatory deduction	-	-
Other	-	-
AT1 at the end of the period	150 000	150 000
Tier 2 development		
T2 at the beginning of the period	75 189	70 266
Net decrease in T2	(10 188)	(6 153)
Changes in regulatory deduction	-	(5 255)
IRB Excess and SA credit risk adjustments	5 265	3 585
T2 at the end of the period	70 266	62 443
Total own funds	**1 323 076**	**1 303 631**

Transitional provisions

The ransitional Provisions are not applied by the Bank.

Own funds template

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

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

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

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

EUR ths.	REFERENCE TO RECONCILIATON TABLES	31.12.2017	30.6.2018
Common equity tier 1 (CET1) capital: instruments and reserves			
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	886 015	898 250
3 Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)		94 254	41 090
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		-	-
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments		**1 192 269**	**1 151 340**

Table continues on the following page.

continued EUR ths.	REFERENCE TO RECONCILIATON TABLES	31.12.2017	30.6.2018
Common Equity Tier 1 (CET1) capital before regulatory adjustments		-	-
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)
28 Total regulatory adjustments to Common equity Tier 1 (CET1)		**(89 459)**	**(60 151)**
29 Common Equity Tier 1 (CET1) capital		**1 102 809**	**1 091 188**

Table continues on the following page.

continued **EUR ths.**	**REFERENCE TO RECONCILIATON TABLES**	**31.12.2017**	**30.6.2018**
Additional Tier 1 (AT1) capital: instruments		-	**-**
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		-	-
36 Additional Tier 1 (AT1) capital before regulatory adjustments		**150 000**	**150 000**
Additional Tier 1 (AT1) capital: regulatory adjustments		-	**-**
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)		-	-
43 Total regulatory adjustments to Additional Tier 1 (AT1) capital		-	**-**
44 Additional Tier 1 (AT1) capital		**150 000**	**150 000**
45 Tier 1 capital (T1 = CET1 + AT1)		**1 252 809**	**1 241 188**

Table continues on the following page.

continued **EUR ths.**	**REFERENCE TO RECONCILIATON TABLES**	**31.12.2017**	**30.6.2018**
Tier 2 (T2) capital: Instruments and provisions		-	-
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		32 389	35 974
51 Tier 2 (T2) capital before regulatory adjustments		**70 266**	**67 698**
Tier 2 (T2) capital: regulatory adjustments		**-**	**-**
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: ...		-	-
57 Total regulatory adjustments to Tier 2 (T2) capital		**-**	**(5 255)**
58 Tier 2 (T2) capital		**70 266**	**62 443**
59 Total capital (TC = T1 + T2)		**1 323 075**	**1 303 631**

Table continues on the following page.

continued EUR ths.	REFERENCE TO RECONCILIATON TABLES	31.12.2017	30.6.2018
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.)		-	-
60 Total risk-weighted assets		**7 113 001**	**7 610 063**
Capital ratios and buffers		**-**	**-**
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)		355 337	378 826
65 of which: capital conservation buffer requirement		177 825	190 252
66 of which: countercyclical buffer requirement		35 252	36 373
67 of which: systemic risk buffer requirement		71 130	76 101
67a of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		71 130	76 101
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]		-	-
Capital ratios and buffers		**-**	**-**
72 Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		3 059	3 079
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)		23 038	23 044
74 Empty Set in the EU		-	-
75 Deferred tax assets arising from temporary differences (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)		32 982	44 113

Table continues on the following page.

continued **EUR ths.**	**REFERENCE TO RECONCILIATON TABLES**	**31.12.2017**	**30.6.2018**
Applicable caps on the inclusion of provisions in Tier 2		**-**	**-**
76 Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		-	-
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		32 389	35 974
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)		**-**	**-**
80 Current cap on CET1 instruments subject to phase-out arrangements		-	-
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)		-	-

38. 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 separate financial statements were signed and authorised for issue by the Board of Directors of the Bank on 31 July 2018.

_________________________	_________________________
Ing. Peter Krutil	Ing. Pavel Cetkovský
Chairman of the Board of Directors and Chief Executive Officer	Member of the Board of Directors and Deputy of Chief Executive Officer