Slovenská sporiteľňa, a.s.,
Member of Erste Group
Annual Report 2019

SLOVENSKÁ sporiteľňa

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The company at a glance

Basic data

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

Profile

Slovenská sporiteľňa was established in 1825 as the first savings bank in Slovakia. Today, the company is the largest commercial bank in Slovakia serving approximately 2.2 million clients. It has long held a leading position in total assets, household loans, client deposits, numbers of branches and ATMs. The Bank offers its comprehensive services at more than 230 branches for retail clients and 8 regional commercial centres in Slovakia.

In 2001, Slovenská sporiteľňa became a member of Erste Group, which was Austria's first savings bank, founded in 1819. Since 1997 the group has developed into one of the largest banking groups focusing on retail and corporate clients in Central and Eastern Europe. The Erste Group is made up of Erste Group Bank AG (the parent company) and its subsidiaries, which Erste Group Bank AG consolidates through direct or indirect shareholdings. At present, the Erste Group has around 47 000 employees serving more than 16 million clients at over 2 300 branches in seven countries: Austria, Czech Republic, Slovak Republic, Romania, Hungary, Croatia and Serbia).

Shareholder structure of Slovenská sporiteľňa as at 31/12/2019

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

Significant direct and indirect holdings of the Bank

· Služby SLSP, s.r.o.	100.00%
· Realitná spoločnosť Slovenskej sporiteľne, a.s	100.00%
· LANED, a.s.	100.00%
· S Slovensko, spol. s r.o.	100.00%
· S Rail Lease, s.r.o.	100.00%
· Procurement Services SK, s.r.o.	51.00%
· Slovak Banking Credit Bureau,	33.33%
· Holding Card Service s.r.o. Czech Republic	24.62%
· Prvá stavebná sporiteľňa, a. s.	9.98% [1]

Ratings as at 31/12/2019

Moody's

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

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

Method of publication of the annual report

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

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www.erstegroup.com/en/investors/reports/financial-reports

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

Financial highlights

Consolidated results	31 Dec 2015	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019
Prepared in accordance with the International Financia l Reporting Standards (IFRS)	(mil. eur)	(mil. eur)	(mil. eur)	(mil. eur)	(mil. eur)
Balance sheet total	13 980	14 825	16 343	17 443	18 619
Loans and advances lo cred it institutions	122	90	178	48	0
Loans and advances lo customers (net)	9 365	10 250	11 720	13 008	14 113
Investments	3 836	3 793	3 745	3 721	3 743
Customer deposits	10 672	11 384	12 478	13 653	14 392
Equity	1 539	1 562	1 536	1 513	1 620
Net profit	186	215	164	184	180
Selected ratios	**(in %)**	**(in %)**	**(in %)**	**(in %)**	**(in %)**
Return on equity*	13.8	14.0	10.8	12.6	11.6
Return on assets*	1.4	1.5	1.1	1, 1	1.0
Cost income ratio	44.3	46 ,1	49.7	48.3	48.3
Net interest margin*	3.7	3.4	3.0	2.7	2.5
Net loans to deposits ratio	87.8	90.0	93.9	95.3	98.1
Total capital adequacy	21.9	21.5	18.7	18.1	17.3
Tier 1 capital ratio	20.3	20.3	17.8	17.1	16.4
Other figures					
Number of employees	4 205	4 232	4 250	4 105	4 081
Number of branches	291	287	271	250	233
Number of ATMs	790	795	805	801	754

* Monthly figures (not year-end figures) were used for calculation of average balance sheet values used

Statement by the Chairman of the Board and CEO

Peter Krutil
Chairman of the Board and CEO

We believe that modern Slovakia needs the most accessible digital services possible. That is why we, as a digital leader, have worked hard last year to bring our clients the most useful solutions. After George, used by more than 800,000 people, we launched mobile payments, digital mortgage, opening accounts and applying for a consumer loan online, and last but not least, the first mobile application for companies – Business24.

In addition to digitization, I am very pleased that in the past year we succeeded in the pursuit of our main vision – to be the chief financial advisor and the most relevant partner for life and business. Again, we worked hard to strengthen our brand, and not only among young people. We also tried to improve client experience as well as embarked on transforming into even more agile company. I believe that already next year these changes will deliver first results for us.

The relaxed European Central Bank's policy has the most significant impact on performance of the banks through interest income. The good news is that our clients with a loan benefit from it.

I am proud that in 2019 Slovenská sporiteľňa achieved a golden hattrick and became a triple Bank of the Year. The Banker and Euromoney magazines international awards are among the most respected in global banking community and they are considered as an internationally recognized indicator of the bank's health, strength and profitability. We've been awarded the prestigious domestic award TREND TOP 2019 in category Bank of the Year seven times in the past eight years.

Last year we continued to promote the successful communication concept #mamnato (#believeinyourself). As a responsible and innovative leader, we want to inspire the society and, through #mamnato grant, find good ideas that will help to move Slovakia along the path to a modern country. As a signatory to the Diversity Charter, we also received the Inakosť (Otherness) Award in the business sector for our activities last year.

More about last year is in the following report. I wish you a pleasant reading and thank you for your trust.

Why Netflix and Spotify are competition for the bank

Do you know what is the difference between Slovenská sporiteľňa developer at home and at work? None. In both cases, he/she watches Netflix.

And do you know what is the difference between Slovenská sporiteľňa marketing guy/girl at home compared to work? Again none. Even in private he/she tries to be socially responsible.

Nothing describes the development of Slovenská sporiteľňa in recent years better, than these two attempts at making a joke. Moreover, it is not an attempt or a joke, but a fact. Just ask some of the biggest Slovak bank's employees a few probing questions or look at their private profiles on social networks and everything becomes clearer.

Why has Slovenská sporiteľňa started to engage, what are the responses, what has significantly increased the use of internet banking and how did it manage to double the success of non-binding meetings with business clients?

These questions will be answered and supplemented by the Bank's staff across the various departments, as to what were the main events in 2019 and what is in store this year.

When did digitization start

When on Tuesday morning, February 4, 2020, SLSP's Head of Digital Banking, Juraj Barta, consulted his diary; he had an interview notification to talk about annual report. He is expected to talk about digitization, mobile payments and what was for him the biggest topic last year.

He's been with the Bank for sixteen years, so sometimes in his answers he goes into the past and he doesn't even get surprised when asked when the digitization started.

"Well," he smiles and continues.

"Some time in 2014. At that time, we realized that in order to operate in a digital environment, it would require people with different ways of thinking and know-how. But the Bank had to believe, above all, that it was not just a fad that would pass, but a permanent transformation trend. So we began building a digital department," recalls Barta.

Year 2014 meant for Slovenská sporiteľňa not only the creation of a digital department, but also a change in the Bank's perception of itself.

„In the past, digitization was more about generating costs for us, whereas it is supposed to reduce them. Thanks to digitization, we save a lot of paper and clients do not have to visit the branch with everything"

"There has always been a digital department in the Bank, but it only functioned as an appendix. These were two worlds that lacked any connection. It has changed gradually and over the past four years or so we have morphed into an IT company with banking license," adds Barta, pointing to Peter Trévai, SLSP's Head of Digital Services Support as an example of a new approach to digital development.

Peter Trévai has been working for Slovenská sporiteľňa for five years, and on Tuesday, February 4, his diary also had a scheduled interview for the annual report. He began with the basic benefits of digitization.

"In the past, digitization was more about generating costs for us, whereas it is supposed to reduce them. Thanks to digitization, we save a lot of paper and clients do not have to visit the branch with everything," says Trévai.

End of a traditional bank

Thanks to a change in thinking, Slovenská sporiteľňa became the largest mobile bank in Slovakia, offering widest option range for mobile payments and it is the first bank to introduce mobile application for businesses.

Today, George internet banking has nearly a million clients, although the beginnings have been cautious, to say the least. George was launched in January 2018 and although a third of Bank's clients migrated over relatively quickly, the other two thirds took another six months.

But when you ask about George in Slovenská sporiteľňa today, few see it just as a new internet banking. The plan is to turn George into a virtual personal advisor.

"As interest rates are close to zero, we feel committed to advising clients on what to do about their finances. We want to be in such a privileged position with our clients, giving us the right to discuss their situation with them," says SLSP product manager Slávek Mynář.

According to him, clients will not have to go to the branch all the time. They will be able to take care of many of their needs through George and anywhere in the world.

"The fact that we are now sending push notifications only after the transaction is just the beginning. We will gradually

Mobile investing thus illustrates the path that Slovenská sporiteľňa has taken. A traditional bank has grown into an IT company with banking license

expand this channel to include other types of communication, and we want George to actively advise clients on what they can do or where they have a discount," reveals Mynář.

George will partially alleviate the branches and it will also be able to complete transaction, which in the past required a branch visit. An example is the mobile investing which Slovenská sporiteľňa launched as its first big thing in 2020.

„We are not saying that someone should buy shares worth tens of thousands over the phone, but if he/she invests even 20 euros a month on a regular basis, it will probably produce better result than depositing 500 euros in a term deposit," Barta explains.

Mobile investing thus illustrates the path that Slovenská sporiteľňa has taken. A traditional bank has grown into an IT company with banking license, and it will keep adding. This is also the reason why it does not consider only the other banks as our competition, but are interested in developing all mobile applications.

"Today, people have Netflix, Spotify or Apple applications on their phones, and they expect that the application from Slovenská sporiteľňa will provide them the same quality, comfort and speed. These worlds have merged so much that our application can't be worse than the one from Netflix. The bank account will soon become just a commodity, so we do a lot in the brand area and the application itself has to be fun in a way. We are a bank for life and business," describes Mynář and explains why the Slovenská sporiteľňa developer is interested in Netflix at home and at work.

How has the perception of Slovenská sporiteľňa changed

With its internet banking, Slovenská sporiteľňa managed a major coup. When you type George into Google today, your first search results will sound like „banking of the future." A few years ago, the search engine would have thought you just wanted to play a George Michael song. But the Bank did not do it with this intent, and had been thinking about George for months.

"We didn't want to create the application just to look modern and that we're constantly developing something new. In the long term, we want to bring useful solutions to our clients,

When you type George into Google today, your first search results will sound like „banking of the future." A few years ago, the search engine would have thought you just wanted to play a George Michael song.

allowing them to handle many things themselves," recalls Trévai.

This was also the reason why we considered it appropriate and necessary to develop the application together with clients. "We use qualitative interviews to find out what clients dislike. We then try to propose a solution to incorporate their comments. Today, I cannot imagine that we would develop something without clients," observes Barta.

"From the comfort of our office we may find something beautifully designed, but what if we forgot to do a little thing which could be the reason why people will not use it," adds Trévai.

It might seem that spending time with clients makes the application development significantly more expensive, in fact it is exactly the opposite. The bank does not have to throw away months of work simply because no one is using the designed product, moreover, it has a better overview of what the client is ready for and what to wait with.

As a result, the Bank saved a lot of paper since all contracts are in digital format and have been able to drastically reduce the cost of SMS, which were replaced by push notifications. However, the usage figures also speak of the success of the application.

"Two years in a row, we doubled the number of users of the mobile application, moreover, it didn't reduce the usage, on the contrary. We observed that as soon as it is downloaded, the frequency increases rapidly. On average, clients log in to the mobile application 18 times per month, which makes us

On average, clients log in to the mobile application 18 times per month, which makes us the largest mobile bank in Slovakia

the largest mobile bank in Slovakia," says Barta.

Only two years have passed since the launch of George and Slovenská sporiteľňa, founded in 1825 as the first ever savings institution in Slovakia, is perceived differently by our clients. What can be achieve by two years in a competition of 195 years? It turns out a lot.

"For a long time, we were perceived as a traditional, family and stable bank, which was actually a far cry from what we really were. For many years we have not emphasized the aspect of being modern and innovative, but this is now changing and we also promote it," Barta admits.

In addition, the topics of being modern and innovative were expanded to include social responsibility, an aspect which for many years has only been talked about inside the Bank.

"I am pleased that we present our views, leaving very few things unattended and we support what we think makes sense. After all, every company is only as good as its people, which can be felt in our bank," says Mária Biňovská, manager of a branch located in the Korzo Prievidza shopping centre, who has been with the Slovenská sporiteľňa since 1987.

Why be socially responsible

"The sense of corporate social responsibility originated from inside the Bank and it is a long-term concept that is carried by the Bank as well as the whole group. In the past banks were not created for the purpose of trivial profit, but as associations of savers in order to be beneficial. The Sporiteľňa has been around for almost 200 years and has gone through various changes, but we think it is time to speak more loudly about accountability," suggests Dávid Gallo, Head of Corporate Banking.

Therefore, Slovenská sporiteľňa decided to cancel billboards, stopped using paper in branches and also supported several marches or topics involving the whole society.

"We are not afraid to take a position. It has discouraged some clients and employees and attracted others," Barta reveals. Client interviews are increasingly showing that these are the topics attracting people.

"When setting up our digital team, we've been looking for the right people for a long time, but today it's the opposite. Despite shortage of skilled people on the job market, many are applying to work with us. During interviews they are very specific about how they recognise our informality. Today, the ability to identify with values promoted by the employer is becoming increasingly important. That is why we haven't had to conduct any HR campaign for some time," adds Barta.

> The Sporiteľňa has been around for almost 200 years and has gone through various changes, but we think it is time to speak more loudly about accountability

As a result, Slovenská sporiteľňa ceased to be just a bank, it is behaving as a human being. With first name Sporiteľňa and surname Slovenská. Its basic quality is that it wants to be beneficial.

"We want people to do well. We believe that if our clients will thrive, we will also do well. We do not want to achieve success at the expense of our clients, but thanks to them," says Gallo.

This slight mental shift meant for Slovenská sporiteľňa that it no longer offers exclusively banking services. Its portfolio also includes products such as pension savings, life and

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travel insurance. In addition, it is not just the profit being the main motivating factor in the sale of every service. This is what Peter Krutil, SLSP CEO, stated in an interview with Denník N.

"I see mortgage as one of several client needs. This is also the case in other industries where you offer products and some generate more margins and some less. It makes sense to have a relationship with the right client we are interested in. It is crucial to see if a client with mortgage is served across a range of services. We don't always have to make money on a mortgage, when it is a loyal client who uses other our services. When his/her wages are sent to an account with us, when he/she uses a card, has a savings programme, insurance in place, this brings value to the Bank," explained Peter Krutil.

The possibility to arrange life insurance or car leasing with

„The goal of digitization is not to take away the work branches are performing, but to make their lives easier. We want to make sure people don't go to branches because of the simple things anyone can do themselves, but rather when they are making decisions about their future"

the Bank also relates to the fact that the Bank is trying to understand clients and to simplify their running around various institutions and offices.

"In the past I wouldn't have thought that insurance or other non-banking services could be taken care of at the bank. But today I no longer think so and we want to turn our branches into one stop shopping. This means that you can take care of everything in one place," Gallo smiles.

Therefore, they think about the future of our branch as an advisory centre, where clients will come to have their financial examination.

"They will be able to address their financial health, dreams or visions. Based on their long-term financial situation and the fact that we have many people in a similar situation, we will be able to advise the client well," predicts Mynář.

"The goal of digitization is not to take away the work branches are performing, but to make their lives easier. We want to make sure people don't go to branches because of the simple things anyone can do themselves, but rather when they are making decisions about their future," adds Barta.

Advisors at the branches will have more time for each client and having a better system they will also be able to advise someone they will see for the first time.

"From the start, we decided the we didn't want to build digital channels to replace the branch. The relationship should not be competitive, but rather symbiotic. Thanks to digitization, the advisor is able to obtain calculations and models that he/she would not have been able to access in the past and the advisor adaptation process itself has been reduced," says Trévai.

"The presence of a tablet is a great help. It's great that I don't have to remember many things because the system will display them for me. We find everything in tablets, with the past performance of funds, loan terms and conditions and the list of fees. Moreover, based on client's patterns, I can immediately offer a suitable product," confirms Biňovská, what the work at the branch looks like.

The bank knows more about a company than the company itself

The benefits of digitization and the ability to anticipate different development scenarios are also utilised by corporate clients of Slovenská sporiteľňa. Compared to retail clients, however, the difference is that it is not enough to show regular account movements.

"We try to understand our clients, respond to business opportunities and advise them when and how to invest, buy a new machine and so on. Therefore, our sales staff spend much more time with the client at the client's premises. Many times, we need to know which suppliers it uses, how much stock it has in warehouse, what logistics it uses, or how does the specific machine behave. So the Bank needs a lot of information, which in the past required a lot of paper. However, we are one of the first banks to receive and send all documents electronically," Gallo states proudly.

"We are very good at financing companies because we focus on the client and we are both efficient and profitable. I consider these three pillars to be the reason why we have managed to grow by more than ten percent year-on-year for several years and why we doubled the success of non-binding meetings with clients. Companies understand that it is better to pay for service because although I might save twice, I may not exist a third time," adds Gallo.

Digitization has therefore become number one priority in Slovenská sporiteľňa. For retail and corporate clients, for the work of advisors and general population.

"Thanks to digitization we are able to better assess which clients will need us. Client can say what she wants, but by monitoring her finances, using artificial intelligence and analysing all information, we can put forward ideal solution for her. For example, we see the client's declining cash-flow and the fact that she is starting to pay customer invoices later, so we can come up with a solution to finance this situation. Maybe the client is not even aware of the situation yet, but we can extend the prediction forward and offer her a solution at a given time and with the content that suits her best," concludes Gallo.

We are very good at financing companies because we focus on the client and we are both efficient and profitable.

Top Management

Peter Krutil

Chairman of the Board and CEO

Peter Krutil is a graduate of the Management Faculty at the University of Economics in Bratislava. He served internships at Creditanstalt Vienna and Creditanstalt London. From 1991 to 1993, he was a securities dealer for VÚB Bank, where he worked on the listing of new companies on the Bratislava Stock Exchange. In 1993, he joined Tatra banka as a dealer in money and capital markets. From 1993 to 1998 he was a managing director and later a member of the Board of Directors at Creditanstalt Securities, o.c.p., a.s., Bratislava. In 1998 he worked for the Ministry of Economy of the Slovak Republic. In December 1998 he was elected a member of the Board of Directors of Slovenská sporiteľňa. On 1 April 2015 he took up the position of Deputy Chairman of the Board of Directors and Deputy CEO of Slovenská sporiteľňa.
With effect from 1 January 2018, he was elected Chairman of the Board of Directors and CEO of Slovenská sporiteľňa. He is responsible for management of the Staff Units line.

Pavel Cetkovský

Board Member and Deputy CEO

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

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

Until 30 June 2019 the chief risk management officer was Member of the Board of Directors and Deputy CEO Alexandra Habeler-Drabek, who left Slovenská sporiteľňa on this date to join the board of the Bank's parent company Erste Group Bank AG from 01 July 2019.

Zdeněk Románek

Board Member and Deputy CEO

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

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

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

Milan Hain

Board Member and Deputy CEO

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

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

Norbert Hovančák

Board Member and Deputy CEO (since 1 October 2019)

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

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

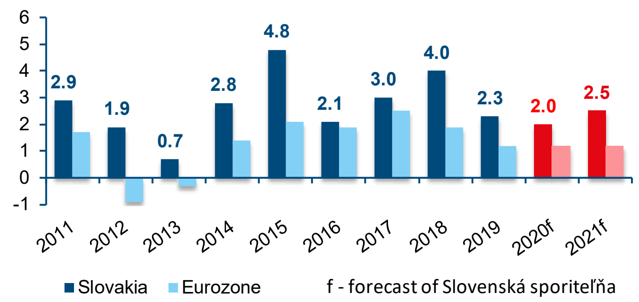
Slovak economy in 2019

- **Slower economic growth due to cooling foreign trade and industry**
- **Unemployment fell to a new low, but is expected to increase slightly**
- **Inflation averaged 2.7%, but its pace will slow this year**
- **Euro area growth slowed, and no significant acceleration is expected in 2020**
- **European Central Bank eased monetary policy again**
- **No consolidation of public finances and the deficit remained close to 1% of GDP**
- **Economic growth is likely to slow somewhat further in 2020**

Domestic demand remained the driving force of economic growth

The Slovak economy reached the peak of its cycle in 2018 and since then the pace of economic growth has slowed. Last year, the growth of the Slovak economy slowed to 2.3%. The slowdown is mainly due to cooling in industrial production and foreign trade caused by the interplay of several factors. Growth was negatively affected by slow growth in the economies of Germany, the euro area and China, foreign trade disputes, as well as gradual structural changes in the automotive sector toward hybrid and electric vehicles. Household consumption has weakened compared to the V4 region and compared to the previous year, but it continues to help drive economic growth. Growth also benefited from investments – both fixed investments and the build-up of inventory.

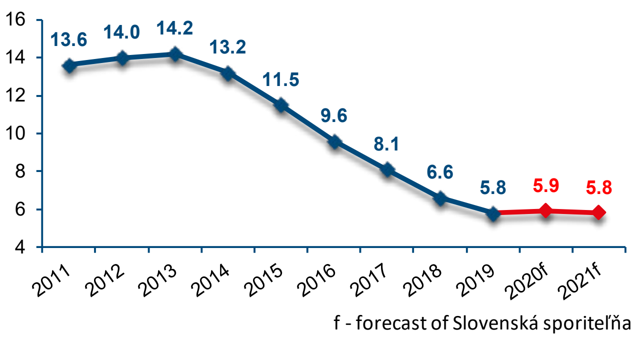
Economic growth in Slovakia and the euro area (%)



Labour market set new records

Despite slowing economic growth, the labour market continued to show mostly positive developments. The unemployment rate fell on average to 5.8% last year, despite rising slightly in the second half of the year. Employment growth slowed, and employment even decreased slightly in industry and trade. On the other hand, the service sector (especially accommodation and restaurants) reported faster growth in response to increasing demand resulting from greater household purchasing power and legislative measures (recreation vouchers). The relatively tight labour market and legislative changes increased pressure for wage growth. Nominal wage growth accelerated to a rate not seen since 2008 (7.8%).

Unemployment rate in Slovakia (%)



Inflation accelerated, but is expected to ease

Inflationary pressures increased last year as average inflation reached 2.7%. The year-on-year growth in consumer prices is driven mainly by food, service and energy prices. Service prices reflect developments in the labour market and the growth in household disposable income. Analysts of Slovenská sporiteľňa expect average inflation to slow to 2.2% in 2020, reflecting lower demand pressures.

Euro area growth slowed last year

The euro area slowed again and grew by 1.2% in 2019. Growth was driven mainly by domestic demand, as net exports decreased in response to weaker global demand and the uncertainty surrounding trade wars and geopolitical developments. Germany, as the main engine of the eurozone economy, had just 0.6% growth, which is its slowest level since 2013. The overall trends in the euro area show potential for growth, though it may temporarily be lower in some countries. The countries on the periphery of the euro area had various growth rates. Greece did well, Spain and Portugal recorded a slight slowdown, while Italy slowed significantly.

The European Central Bank lowered the deposit rate and restored asset purchases

Lukewarm inflation and weaker growth rates, together with external risks, led the European central bank (ECB) to lower its deposit rate by 10 basis points to -0.5%. The ECB also introduced a two-level deposit rate system to limit the effect of negative rates on the banking sector. The main refinancing rate remained at zero. Since November, the ECB restarted net asset purchases in a monthly volume of €20 billion, which will end just before the ECB starts raising rates. In addition, a third round of the Targeted Long-Term Refinancing Operations (TLTRO3) programme is being run to maintain favourable credit conditions. Looking forwards, the ECB expects its key interest rates to remain at their present or lower levels until it has seen the inflation outlook robustly converge to the inflation target. The average inflation rate for 2019 was only 1.2% and forecasts for the coming year do not point to any significant acceleration. Therefore, the Bank does not anticipate any change in monetary policy settings in the euro area in the near future. Only a very slight increase in bond yields is expected, reflecting Slovakia's fundamentals and fiscal policy, but will continue to be limited by the ECB's monetary policy.

Consolidation of public finances is stagnating

The fiscal deficit for 2018 reached 1.1% of GDP. Tax and levy revenues have increased significantly in recent years, but there has been no visible consolidation of public finances. We expect the deficit at around 1.1% of GDP in 2019, but it is expected to increase to 1.8% of GDP in 2020. This differs from the approved government budget for 2020, which stands at 0.5% of GDP.

The outlook for 2020 is cautious, with a further slowdown in growth

Slovakia's economic growth will probably slow in 2020. Growth should continue to be driven by domestic demand, especially household consumption. Improvements in industry and foreign trade are not expected soon, though. According to both the OECD and the World Bank, global demand should improve only slightly this year. Protectionism and the geopolitical situation continue to pose major risks for the future. Furthermore, the new coronavirus that has started to spread around the world poses a temporary but sizeable negative risk for the global and local economy. The Slovak labour market will experience economic cooling with a slight increase in the unemployment rate and stagnation, or even slight decline, in employment. The rapid growth in nominal wages will slow but will remain close to 4.5%.

Management report on Bank’s activities in 2019

Based on the consolidated financial statements

REVIEW OF FINANCIAL RESULTS

- **Slovenská sporiteľňa achieved a consolidated net profit of approximately €180 million in 2019**
- **The slight year-on-year decrease in the net profit was due to an increase in provisioning**
- **Operating income increased by more than €15 million**
- **Net interest income decreased slightly compared to 2018, but the rise in fee and commission income offset this decline**
- **General operating costs also rose**
- **Total assets increased to €18.6 billion, with loans being the main driver of growth**
- **The loan-to-deposit ratio slightly above 98% confirms the Bank's stable position**
- **The cost-to-income ratio was stable at 48.3%**

Growth in loans and deposits continued despite strong competition and tighter regulation

At the end of 2019, Slovenská sporiteľňa's balance-sheet total stood at €18.6 billion, which was 6.7% (+€1.2 billion) higher than a year earlier. Loans accounted for 75.8% of the balance-sheet total in 2019 (up from 74.6% in 2018). At the end of 2019, net lending to customers stood at €14.1 billion, which was 8.5% (+€1.1 billion) higher compared to 2018. Retail segment loans (based on the Erste segment reporting definition) made a significant contribution to the overall increase in lending, increasing in nominal terms by more than 6% (+€0.6 billion). The most important source of growth was housing loans, whose volume increased by 7.5% based on a nominal increase in lending of €556.8 million. On the other hand, consumer loans recorded a slight decrease of 0.7% in 2019 (the nominal total of such loans decreased by €13 million). Slovenská sporiteľňa's market share in retail lending was 26.2%, which confirms the Bank's long-term position as a leader in household lending. The volume of loans provided to the corporate segment, which also includes the public sector, increased year-on-year by €475 million to reach €3.8 billion.[2] The volume of loans provided to banks decreased year-on-year by €48 million.

At the end of 2019, the Bank's debt securities portfolio had a total value of €3.5 billion, meaning a decrease of €14 million year-on-year. The credit risk of the overall securities portfolio is low given that approximately 91% of the bonds are government bonds. The year-on-year increase in tangible assets by €14 million compared to 2018 was caused by implementation of the accounting standard IFRS 16 Leases in accounting for rent on the side of the lessee.

The total volume of customer deposits increased year-on-year by 5.4% (+ €0.7 billion) to €14.4 billion. With a market share of 28.1%, Slovenská sporiteľňa remains the clear market leader for household deposits. The most significant contribution to the overall growth in the volume of deposits was the positive development of retail clients' deposits, where the Bank recorded an increase of 7.9% (in absolute terms, the increase in principal in retail client deposits was €884 million).[2] Growth was mainly driven by current and giro accounts, but savings on personal accounts also performed well. By contrast, term deposits experienced another year-on-year decline. Deposits from the corporate segment (including the public sector) also increased in 2019, growing by €191 million to €1.6 billion. This segment also tended to prefer current accounts for new deposits. Deposits from the Agency for Debt and Liquidity Management (ARDAL) decreased during 2019 from an initial value of €490 million to zero. The net loan-to-deposit ratio stood at 98.1% at the end of 2019 (it was 95.3% in 2018). The Bank's liquidity and financing positions are stable and will support further growth in customer lending.

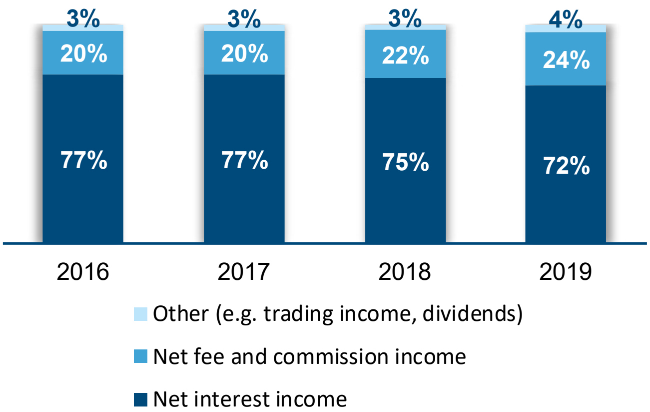
Over the year, the Bank's portfolio of issued debt securities rose by almost €268 million, with this net addition being dominated by issues of covered bonds and investment certificates. The Bank's equity increased year-on-year to approximately €1.6 billion. In the area of capital ratios, the Bank meets all requirements set by the regulator.

Slight decrease in net interest income

Slovenská sporiteľňa's net interest income was slightly lower compared to 2018. It decreased by €7.2 million (-1.6%) to €430.7 million. The main causes of the decrease were the low level of market interest rates, intensive competition between banks to acquire clients and the maturity of securities with higher interest yields. The net interest margin thus decreased year-on-year from 2.7% to 2.5%. The decrease in margins was not as steep as in 2018, however. The share of net interest income in the Bank's total operating income decreased over the year to 72%.

Interest income on loans, securities, derivatives and other assets decreased by €9.2 million year-on-year to €470.1 million. Both of the most important items, interest income from loans and from securities, decreased year-on-year. On the liabilities side, interest expenses decreased by more than €2 million but it was not enough to compensate for lower income. Total interest costs were €39 million in 2019.

Structure of operating income



Fee and commission income increased, helped also by trading income

Net fee and commission income grew to €145.2 million (compared to €128.8 million in 2018).

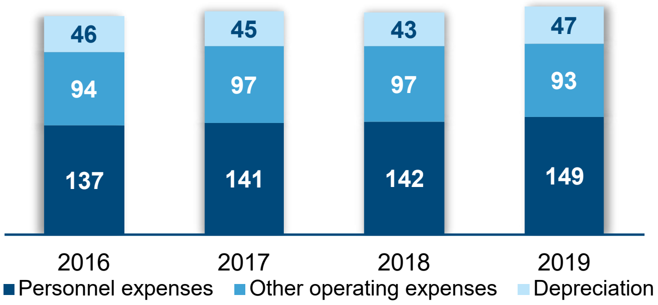
The Bank's best performing area in 2019 was insurance commissions, where net income from intermediated insurance products increased by €6.9 million year-on-year compared to 2018. Other growth areas were card transaction fees, securities trading commissions and fees for revaluation and early repayment of loans. On the other hand, account maintenance fees decreased year-on-year. The share of net fee and commission income in total operating income increased to over 24%. Net trading income and income from the revaluation of financial assets and liabilities to fair value increased year-on-year by €5.2 million to €17 million.

[2] *Data may differ from that given in the financial statements due to different segmentation.*
[3] *Data may differ from that given in the financial statements due to different segmentation.*

Operating costs increased

General operating costs increased year-on-year by 2.6% to €288.5 million compared to €281.1 million in 2018. The increase in operating costs was associated mainly with an increase in personnel costs. Total personnel costs increased by 5%, while the sum of other costs remained almost unchanged. The year-on-year increase in depreciation and the decrease in other operating costs was related to the implementation of IFRS 16 Leases.

Development of general operating costs



Other operating result improved

In 2019 there was a slight improvement amounting to €1.5 million in the other operating result compared to 2018. This development was partly due to the purchase of S Slovensko, but also to a decrease in provisions for property and equipment.

Compared to 2018, the Bank's total levy obligations increased by €2.6 million, mainly due to an additional €2.2 million in bank tax liability, which, at an unchanged rate of 0.2%, amounted to €32.5 million.

Increase in risk costs

Slovenská sporiteľňa's risk costs (the ratio of impairment result from financial instruments to gross loans to customers) rose compared to 2018 and reached 0.3%. Considering long-term trends, this still represents a relatively low level of risk costs. Net provisioning amounted to €42.7 million. The development of risk costs was influenced by the acquisition of a new loan portfolio into the Slovenská sporiteľňa Group from S Slovensko, as well as by the Bank's continuous review of its non-performing portfolio.

Return on capital reached 11.6%, operating profit increased

The Bank's consolidated net profit in 2019 was €179.9 million, which represents a slight year-on-year decrease of €3.7 million. The increase in provisioning was a major factor in this. The total effective income tax rate was 20.6% in 2019 compared to 22.4% in 2018. The operating profit increased €7.9 million (+2.6%) year-on-year to €308.3 million. Operating revenues at €596.8 million were €15.3 million (+2.6%) higher than in the previous year. This increase was influenced by the positive development in fee and commission income and higher trading income. Operating expenditure increased by €7.4 million (+2.6%) to €288.5 million.

Return on equity (ROE) was 11.6% in 2019 (12.6% in 2018).

CUSTOMER CARE AND SERVICE QUALITY

- **Clients' satisfaction with the Bank is, by several measures, among the highest in the market**
- **Slovenská sporiteľňa won three "Bank of the Year" titles in 2019**

Clients and their satisfaction are one of the Bank's main goals

Slovenská sporiteľňa pays great attention to client satisfaction, as only satisfied clients remain loyal and recommend the Bank to others. The needs and satisfaction of retail and corporate clients regarding banking products are evaluated by means of several types of surveys: strategic regular measurements focused on overall satisfaction; measurements after a certain type of event, e.g. visiting a branch; using electronic banking in George or on the web; or, for example, after resolving a complaint. This picture of what clients need and how they are served is complemented by mystery shopping, focus groups and customer journey analysis. In this way the Bank can react swiftly and effectively to current clients' needs, constantly streamlining processes, seeking to make the client's interaction as pleasant as possible, and striving especially to be trustworthy and reliable advisor in the area of both personal and business finance.

Client satisfaction and recommendations are an important component of all employees' KPIs, meaning that all Bank staff are interested in improving client experience.

At the same time, Slovenská sporiteľňa pays individual attention to each suggestion and complaint received. In resolving more complicated situations, clients are helped by the Bank ombudsman's special team.

In 2019, thanks to measures for improving client experience, the Bank managed to maintain client satisfaction and recommendations at historically high levels, which are among the best in the market. The Bank also maintained quality levels above the average of its competitors based on clients' own assessments.

Golden Hat-Trick

Slovenská sporiteľňa became triple Bank of the Year in 2019. Two of the most respected international awards from The Banker and Euromoney are considered an internationally recognised indicator of banks' quality and financial health. Slovenská sporiteľňa triumphed also in the prestigious domestic award TREND TOP 2019 in the Bank of the Year category in seven of the last eight years. The Bank ranked first also in an opinion poll conducted on the Profesia.sk portal as Best Employer in the category Banking, Finance & Insurance. As a signatory to the Diversity Charter, Slovenská sporiteľňa also received the Inakosť (Otherness) Award for the Business Sector for its activities during the last year. As part of the Bank's programme "Step by Step", we managed to build 19 houses for Roma who met the requirements of regular savings, lending, financial education training and work on building their home. With this programme, the Bank was placed in the "Support" category on the Innovation Map by Sapie.

RETAIL SERVICES

- **Mobile payments have never been easier**
- **Loyalty scheme makes daily banking more advantageous**
- **Regular investment can also be set up in George**
- **Bancassurance with significant growth**
- **New housing loans in the volume of €2.1 billion**
- **Digitalisation and consolidation in consumer loans**
- **Erste Private Banking's assets under management reached €950 million**

Bank continued in expanding mobile payments

In June 2019, Slovenská sporiteľňa confirmed its role as an innovator when it joined the first wave of banks to bring their customers the innovative Apple Pay service in the Slovak market. A month later, the Bank introduced another new feature – the ability to pay using a smart watch with Garmin Pay or Fitbit Pay. With Google Pay alongside these services, Slovenská sporiteľňa is the only one of the TOP 5 banks to offer all the mobile payments systems available in the Slovak market. This is one of the reasons why the number of customers using mobile payments increased more than 8-fold in 2019.

Loyalty scheme makes daily banking more advantageous

The most sought-after of Slovenská sporiteľňa's products in the area of daily banking is the Personal Account. The "Výhodný súčet" loyalty scheme is one of the main reasons for this. It is enough for customers to pay for purchases using a debit or credit card, to use standing orders or direct debits, and to save regularly, and the fee for the personal account is half price or completely free of charge. Slovenská sporiteľňa, is one of the few banks that does not make the account fee discount conditional on income. Thanks to the loyalty scheme, more than 60% of customers enjoyed lower account fees in 2019.

More and more partner merchants are providing benefits for purchases at their e-shops

As part of the Odmena+ scheme, customers can receive rewards at partner merchants for purchases paid using payment cards. More than 50 retailers have joined the scheme, usually the largest retailers in their segment, who provide Slovenská sporiteľňa payment card holders benefits of up to 5% of the purchase value. In addition to standard year-round rewards, in 2019 we added time-limited offers with attractive discounts of up to 60%. This year, many partners extended the scheme to their e-shops alongside their brick-and-mortar stores, confirming the increasing popularity of online shopping among customers. The number of them has already reached 37.

Regular investment is getting popular, it can be set up also via mobile

Savings accounts remain Slovenská sporiteľňa's most successful product in the area of deposits. The continued growth in savings has been significantly assisted by the simplification of sales using the tablet or mobile app.

Regular investment was also popular, as the number of newly opened programmes increased by 30% year-on-year. The number of regularly investing clients in 2019 was approximately 20% higher than the year before. A new feature in George is that clients are now able to set up regular investments.

Bancassurance with significant growth

Life insurance has long been one of the main products of Slovenská sporiteľňa and remained so in 2019. Tablet use at branches is significantly helping life insurance sales. This customer-friendly process of concluding an insurance policy paper-free facilitates advisers' day-to-day communication with clients. The offers are thus fully personalised and tailored to the customer's needs.

Insurance product Personal Belongings & Card Insurance (OVAK) enjoys growing popularity. In 2019, coverage was even expanded to include additional risks. In addition to branch and client centrum, Slovenská sporiteľňa also introduced the possibility to conclude OVAK insurance online in George and in the George mobile application. Customers thus can buy this insurance via any distribution channel without needing to visit a branch.

Consumer loans even simpler

Last year, the Bank provided more than €900 million of consumer loans during. The year 2019 at Slovenská sporiteľňa was notable for the electronic streamlining and digitalisation of lending processes in order to fulfil customers' needs as simply as possible. The Bank began the roll out of providing consumer credit via mobile app and internet banking also for new customers. The number of consumer loans sold through this channel thus increased by around 40% compared to 2018.

Over the past year, Slovenská sporiteľňa again helped customers consolidate loans from other banks and financial institutions, with the aim of providing the customer a better offer more suitable for them. It supported consolidation by a bonus of €10 for each €500 transferred, with this bonus rising to €20 in spring and autumn campaigns.

Sale of mortgages not just in branches, but also remotely

Slovenská sporiteľňa maintained its position as a leader in the housing loan market. The volume of newly granted loans in 2019 reached €2.1 billion, increasing by more than 10% compared to the previous year. The process of selling home loans was added to the tablets at branches, with several functions and improvements incorporated to help visualise offers for the customer.

As part of its progressive digitalisation, the Bank now accepts a valuer's opinion in digital format and enables electronic credit statements and confirmations of interest paid on loans with a tax bonus to be sent directly to the customer's internet banking.

In 2019 the Bank brought out 15-year fixation and, thanks to attractive interest rates on all fixations, it improved the affordability of housing finance. In addition, it introduced a new form of progressive housing finance, which makes it easier for customers to draw down tranches when a property is financed in stages. Slovenská sporiteľňa has traditionally arranged a valuer for customers as well as arranging and paying for the entry in the cadastral land register. This has saved customers the time needed for making a visit to the land registry office, as well as the fee of €66.

Slovenská sporiteľňa streamlined the refinancing of housing loans, particularly in the case of city apartments as a valuer's opinion is no longer necessary there and the Bank pays the fee for early repayment of the loan at another bank for all clients.

Erste Private Banking

Erste Group Private Banking, through its private bankers, provides individual and comprehensive care for the private finances of the most creditworthy customers. In 2019, Erste Group Private Banking was named "Best Private Bank in Central and Eastern Europe" by The Banker and PWM for the sixth time in a row. Erste Private Banking serves more than 1 400 customers in Slovakia, with total assets under the management growing to €952 million.

Over the past year, in collaboration with the developer HB Reavis Group, several bond issues were offered as well as a real estate fund, where customers invested in total €26 million.

At the start of April, customers of Slovenská sporiteľňa and Erste Private Banking were involved in the ZWIRN issue – an issue of secured bonds by the company ZWIRN area s.r.o. in a total volume of €11.3 million. The ZWIRN project is a long-term project aimed at creating a pleasant place for housing, for work and overall for life in one of the most prominent localities near the centre of Bratislava.

As part of expanding the open architecture of products, private banking brought customers the Franklin Target Income 2024 fund in EUR and CZK tranches, from the Franklin Templeton investments company.

Based also on customers' requests, Erste Private Baking offered 25 issues of investment certificates with a total invested volume of €15.5 million.

DISTRIBUTION NETWORK

- **Another 21 branches in new design**
- **Number of cash deposit ATMs topped 50**
- **Development of the tablet as a key tool for customer service continued**
- **George is the most popular digital and mobile banking in the Slovak market**
- **The number of mobile app users passed half a million**
- **George users can see the status of their investments and will be able to buy mutual funds**
- **Digital sales form an increasingly significant share in the Bank's total sales**
- **The Bank has acceded to the National Plan for the Implementation of Instant Payments**

Largest distribution network in Slovakia

At the end of 2019, Slovenská sporiteľňa's distribution network consisted of 233 branches and 754 ATMs, making it the largest bank distribution network in Slovakia. The Bank continued in reconstructing branches, with now more than two thirds of branches offering customers a more pleasant environment, friendly atmosphere and greater privacy.

The Bank kept investing in the network of cash deposit ATMs, at which customers can not just withdraw cash, but also deposit it. The Bank now has 53 such ATMs available. This modern way of depositing money on an account is particularly popular among customers thanks to cost savings and time flexibility, since cash deposit machines are available also outside branch opening hours. Together with other activities focused on moving branch transactions into the online environment, they create greater room in branches for further improving the quality of personal advice and shortening waiting times.

The tablet represents an important part of sales

The Bank also continued in developing the tablet as a key tool for serving customers at branches. Most of Slovenská sporiteľňa's products can either be set up or presented on the tablet.

In the first half of the year, the Bank added a process for selling mortgage loans, as well as an aid for onboarding new customers, in which the customer chooses a suitable account in cooperation with the adviser. At the same time, the adviser recommends appropriate related products and services for the customer based on the suggestions in the tablet. George is automatically presented to new customers at the branch, together with help in activating it.

In the second half of the year, the Bank clarified, streamlined and redesigned the tablet application. It also continued in digitalising processes and customer documentation to work with the tablet. Customers began using digital signing on the tablet, which allowed for full digitalisation of some sales processes (savings, life insurance) and made it possible to perform them paper-free.

George – the most popular Internet banking

Over the year, George strengthened its position in the banking market. Slovenská sporiteľňa thus has the highest number of Internet banking users and the mobile version of George is the most used banking app in Slovakia. Clients have a growing number of useful features available in George. Through George, they can set up savings and arrange overdrafts, as well as personal property and card insurance. They can also activate or block their payment card. They have an overview of their investments and they can set up regular investments in selected mutual funds. The latter service received a very positive response and hundreds of new clients set up new regular investments. One of the major changes in 2019 was the replacement of SMS notifications on account transactions by push notifications. The many innovations are one of the reasons why the George mobile app has been installed by so many users, who surpassed half a million at the year's end.

Digital sales grew in the past year, up by a third against a year earlier in the volume of loans sold through the George web interface and mobile app. The volume of loans sold was close to €130 million.

Biometrics helps in client acquisition

The Bank managed to attract new clients also thanks to biometrics. Every adult Slovak citizen can become a client of Slovenská sporiteľňa without visiting a branch and without having an account at another bank. All that is needed is a valid ID card, a mobile phone with a camera, and an internet connection. With George, you can set up a personal account or apply for a consumer loan in just a few simple steps. Slovenská sporiteľňa also began providing mortgages remotely, only requiring the client to visit the Bank to sign the loan contract. The entire loan application process takes place online, including its approval and the valuation of the pledged property.

Payment services

In 2019 the Bank worked on modifications to systems and processes aimed at delivering greater security for clients when paying, and on reducing the risk of misuse of payment instruments.

Slovenská sporiteľňa implemented technical solutions for third parties. Specifically, this concerned open and secure communication for providing information about clients' accounts in the apps of other banks and entities, and also the possibility for a third party to initiate payments from our clients' accounts.

SLSP actively cooperated with the banking sector, the Ministry of Finance, the State Treasury and the National Bank of Slovakia in drawing up the National Plan for the Implementation of Instant Payments in the Slovak Republic, with the aim of exploiting new technologies and introduction innovative solutions for its clients. Since these are major technological changes, the Bank is continuing to work intensively on modifications to its systems.

CORPORATE BANKING

- **Market share continued to grow in 2019**
- **The main theme of the past year was again the expansion of digital services**
- **The Bank is attracting new clients with its advisers' professionalism and expertise and the quality of its banking services and products**

Slovenská sporiteľňa increased its market shares in corporate banking

In 2019, the Bank continued to grow in corporate finance. The volume of loans to firms (excluding public sector entities) grew by €447 million[4] against a year earlier, increasing its market share by 1.7 percentage points. Over the course of the year, the Bank managed not just to attract new clients, but also to support existing ones with new financing. The Bank strengthened its position in the agricultural sector thanks to the integration of S Slovensko, which focused on financing for farmers. The risk of the corporate loan portfolio improved, despite credit growth which outpaced market growth. The portfolio of standard financial products was appropriately complemented by modern solutions in the area of receivables and trade financing, as well as leasing.

Electronic banking for businesses

The number of clients actively using Business24 – electronic banking for corporate clients – continued to grow in 2019. Several improvements were made for facilitating communication with the Bank. Slovenská sporiteľňa was the first bank in Slovakia to issue electronic bank guarantees. Another innovation was the Business24 mobile application, which brought several benefits for corporate clients:

- It provides a simple overview of turnover, accounts and transactions
- Allows the user to check balances on the firm's accounts
- Payments can be made using a QR code, IBAN or templates from the Business24 web version
- Signing of batch payment orders
- Authorisation of input payments prepared by an accounting officer
- Ability to repeat selected types of unexecuted payments or delete them
- Display notifications for payments pending approval

The Bank reaffirms its strong market position in the SME segment

Throughout the year, Slovenská sporiteľňa confirmed its market position also in the area of providing financial services to small and medium-sized enterprises (SMEs) with a turnover of €1 million to €75 million. Customer care for SMEs is provided through eight corporate centres, present in every region of Slovakia. At the end of 2019, the total number of SME clients had grown to more than six thousand. The volume of loans provided to this segment, including leasing and factoring financing, increased year-on-year by more than 16% to over €1.55 billion. The volume of managed deposits reached €618 million, representing a year-on-year increase of more than 12%.

Support for business activities provided by global transaction banking specialists also contributed to meeting SME clients' needs. In addition to greater activity in transactional deals, this also resulted in increased revenues from transaction services and products.

An important strategic partner for large corporate clients

In line with its long-term strategy, Slovenská sporiteľňa, in 2019, further strengthened its position in the provision of financial services to large corporates, who enjoy tailor-made product solutions. The Bank also improved its position in the local market by co-financing most of its clients' major projects. In these times of persisting low interest rates and a strongly competitive environment, the importance of providing comprehensive care has been clearly demonstrated. Also in the segment of large corporate clients, Slovenská sporiteľňa recorded a 16% increase in loans provided against a year earlier.

A significant portion of the Bank's revenues were achieved through the active use of transaction banking products and services. The highly professional approach of dealers and comprehensive fulfilment of corporate clients' needs worked to strengthen client loyalty and satisfaction. In 2019, a number of large corporate clients continued to benefit from comprehensive services and products provided within the Erste Group.

Active use of the digital reverse factoring solution also contributed to client satisfaction. This solution links large firms with their smaller suppliers and improves conditions for the financing and administration of receivables.

Financing of real estate projects also increased

Slovenská sporiteľňa's approach remained responsible in 2019 and focused on healthy growth in financing. The Bank increased its credit exposure against a year earlier by supporting in particular the construction of residential and non-residential premises, as well as business and logistics projects.

Slovenská sporiteľňa is the market leader in the public sector

Through its acquisition activities, Slovenská sporiteľňa gained more than 100 new active clients mainly in the segment of municipalities. Thanks to this, its market share in the segment increased by almost

[4] *Data may differ from that given in the financial statements due to a different classification of banking lines.*

2.5 percentage points. The Bank also cooperated with the Association of Towns and Communities of Slovakia (ZMOS), which brings together 95% of Slovak towns and municipalities, and with other professional organisations of towns and municipalities: the Association of Heads of Municipal Offices, the Association of Municipal Finance Officers and the Association of Principal Controllers of the Slovak Republic.

Activities in the financial institutions segment

At the beginning of the year there were signals in the market that the environment of negative interest rates might not persist in long term. However, this scenario was not confirmed in the second half of the year. This led financial institutions to increasingly reflect the negative interest rate situation in fees and interest rates, which means greater costs for depositors holding liquidity. At the same time, the situation of negative interest rates puts pressure on financial institutions to accept higher risks when investing in bonds with positive yield.

There was an increase in the total volume of securities and depository services under management in comparison with 2018, in part thanks to the start of providing services for the NN financial group. It included assets managed previously by the AEGON pension fund management company, which were acquired by the NN financial group.

FINANCIAL MARKETS

- **The year the Bank entered the international syndicated covered bond market**

In 2019, Slovenská sporiteľňa entered into the international syndicated covered bond market. Following a successful May road show at European financial centres, in June 2019 Slovenská sporiteľňa issued a benchmark syndicated issue of Aaa-rated (by Moody's) covered bonds with a maturity of 7 years in a total volume of €500 million. The risk premium of 19 basis points represents the lowest level achieved so far in a benchmark issue of covered bonds by a Slovak issuer. The high quality of Slovenská sporiteľňa's covered bonds is also confirmed by their performance on the secondary market. In addition to covered bonds, the Bank also issued secured and unsecured bonds for local clients totalling more than €100 million, confirming its leading position in the domestic bond capital market.

RISK MANAGEMENT

- **Share of non-performing loans fell significantly from 3.3% to 2.9% in 2019**
- **Total capital adequacy ratio fell to 17.3% in 2019, though remains comfortably above the minimum limit required by the regulator**
- **Liquidity situation remained stable, well above minimum regulatory requirements**

Risk management principles

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

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

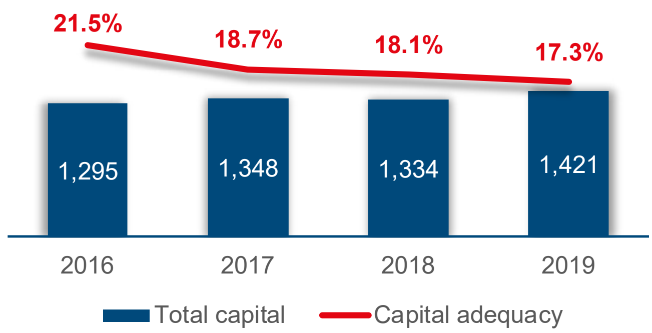
- a prudent approach to risk, emphasising long-term sustainability;
- risk management is as far as possible independent from business lines; it is centralised and has sufficient resources and powers to fulfil its functions;
- risk management is integrated; the overall risk profile reflects interdependencies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

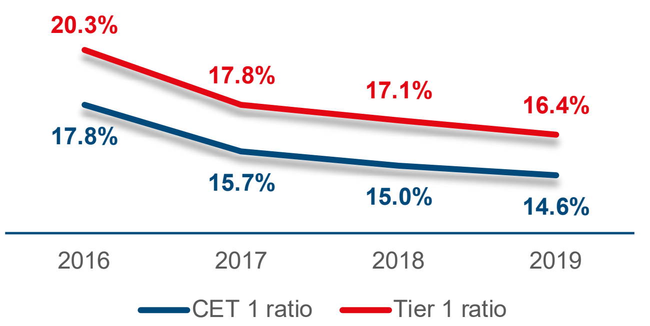
Again in 2019, the Bank defined its binding Risk Appetite Statement, which is a set of indicators determining the Bank's target risk profile. This document was one of the defining starting points in creating the Bank's strategic business plan.

Capital adequacy decreased slightly

The Bank's consolidated capital adequacy went from 18.1% at the end of 2018 to 17.3% in 2019. The downward trend was due to the continuing increase in the volume of loans, as well as methodological changes introduced towards the end of 2019. Throughout the year, the Bank nonetheless continued to easily satisfy the ECB's minimum capital adequacy requirements, including all capital buffers. The long-term development of Tier 1 and CET 1 capital ratios copies the trend in total capital adequacy. Since 2015, the Tier 1 indicator has been slightly higher than CET 1, thanks to additional Tier 1 capital in a volume of €150 million.

Capital and capital adequacy





Liquidity situation remained stable

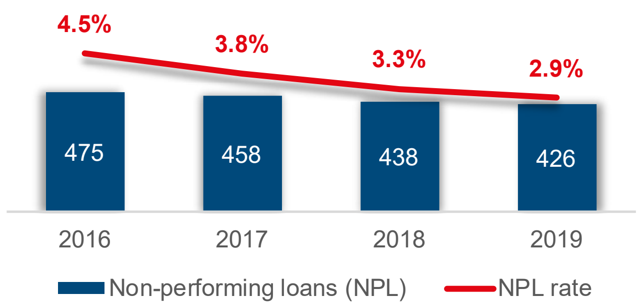
Slovenská sporiteľňa's liquidity situation is free of problems; the Bank fully satisfies all relevant statutory and internal requirements. The Liquidity Coverage Ratio (LCR) averaged 177% over the year (the yearly low was 152%), well above the statutory limit of 100%. The Net Stable Funding Ratio (NSFR) exceeded the 130% level; the statutory limit is 100%. The Bank holds about €3.9 billion in highly liquid assets as a liquidity buffer (mainly Slovak government bonds) and complies with internal limits for survival period in the case of crisis situations (survival period analysis).

Share of non-performing loans[5] decreased again

Slovenská sporiteľňa recorded a decrease in the share of non-performing loans, from 3.3% in 2018 to 2.9% in 2019. Besides positive macroeconomic developments, the reasons for this included a combination of prudent lending policy, prevention, more efficient collection, and the regular write-off and sale of non-performing loans.

In 2019, the Bank implemented a new definition of non-performing loan status based on EBA guidelines, but this had no material impact on the level of non-performing loans.

Non-performing loans and the NPL rate



Non-performing loans in retail declined despite legal restrictions

The share of non-performing retail loans fell from 3.3% in 2018 to 3.0% in 2019, indicating the improving quality of the retail loan portfolio. With the positive economic background, the decrease in the share of non-performing loans was mainly due to the continued streamlining of the recovery process for unsecured and secured loans, as well as growth in the Bank's loan portfolio. The Bank increased the efficiency of its cooperation with debt recovery agencies in collecting receivables, as well as in using an automated system (Collection Assistant).

In 2019 Slovenská sporiteľňa sold retail loans receivables totalling €74.9 million.

Impact of legislative and regulatory changes

Seeking to slow the dynamic growth in consumer debt on the market, the National Bank of Slovakia (NBS) continued in tightening regulation, introducing new measures. During the first half of 2019, it gradually tightened the conditions for lending through the DTI (debt-to-income) indicator, limiting each client's total debt to 8 times their net annual income. The NBS also tightened the LTV indicator (the ratio of a secured loan to value of pledged real estate). From Slovenská sporiteľňa's point of view, these tightened measures have led to a slowdown in credit growth. This was, however, partially offset by a further decrease in rates, especially for housing loans.

Following significant legislative changes in the Bankruptcy & Restructuring Act, there was an increase in declared personal bankruptcies resulting in debt relief for the debtor in 2019. Over the year, more than 16 000 personal bankruptcies were declared in Slovakia, which was nearly 17% more than the year before. Bankruptcy proceedings were concluded in 13 664 cases, of which more than 93% were closed for lack of assets, which means without any satisfaction of creditors. Slovenská sporiteľňa recorded 12 438 declarations of personal bankruptcy in 2019. Clients against whom the Bank had a receivable were involved in 1 273 cases. Slovenská sporiteľňa carefully monitors such cases and investigates whether personal bankruptcy applications are filed dishonestly.

Continued emphasis on lending to own customers

As in the previous year, a substantial part of the growth in the loan portfolio came from the Bank's own clients, whose risk profile the Bank is easily able to assess.

The loan portfolio's growth was driven mainly by loans secured by real estate. This portfolio is the most important in the retail segment. The Bank, therefore, meticulously tests its sensitivity to systemic risks.

Another significant part of the loan portfolio comprised consumer loans, whose growth continued to be influenced by the efforts of Slovenská sporiteľňa, as well as other banks, to provide clients with beneficial solutions in the form of one loan instead of several. In the area of consumer loans, the share of own clients in newly granted loans is greater than in the case of loans secured by real estate. In both the market as a whole and Slovenská sporiteľňa's portfolio, there can be seen a significant slowdown in consumer loan growth.

Improvements in the quality of data on loan security

In 2019, the Bank stabilised its extensive digitalisation of the security process and automation of data flows, with the goal of eliminating errors in manual processing, and obtaining the necessary data for regulatory and group supervision at an appropriate quality. The Bank continued collaborating with its network of contracted property valuers, while revaluing existing collateral by means of a statistical model in the case of residential property and a team of internal experts in the case of commercial property. The Bank arranged expert training for its internal property valuers in cooperation with the building engineering section of ÚSI Žilina.

Substantial fall in non-performing corporate loans

The trend of substantial decline in the share of non-performing corporate loans at Slovenská sporiteľňa continued again in 2019. The Bank recorded a fall in the share of non-performing corporate loans from 3.0% in 2018 to 2.7%. Despite a growing portfolio, the total volume of non-performing loans remained stable compared to the previous year at €103 million.

[5] *When reporting non-performing loans (NPL), the Bank uses the definition issued by the European Banking Authority (EBA).*

The continual improvement in the quality of the corporate loans portfolio can be seen as the successful outcome of a number of steps taken over the preceding years (e.g. lending policy adjustments for individual corporate banking segments, fine-tuning of the early warning signals monitoring system), as well as ongoing work with the non-performing portfolio.

HUMAN RELATIONS

- **Slovenská sporiteľňa is "Employer of the Year" for the fourth time**
- **Innovative approach to employee development**
- **Slovenská sporiteľňa offers its employees many benefits**
- **Volunteering is still popular**

Slovenská sporiteľňa defended its title of Employer of the Year in the category Banking, Finance & Insurance for the fourth time now. It is a result of a prestigious opinion poll organised by the job search firm Profesia which aims at finding out how potential employees perceive firms in Slovakia, their benefits and overall image.

The principle of learning in a dynamic environment

Over the course of 2019, HR focused on mixed forms of learning, such as digital education, conferences, training, and webinars. The Learning Organisation concept was demonstrated by the Sporka talks. This internal mini-conference, inspired by the legendary TEDx, focuses on acquiring presentation skills directly in practice. Ten employees of the Bank received several months' coaching under the leadership of the organisers of Bratislava's TEDx, with the culmination of this preparation being their performance with a 12-minute lecture. This way of learning encourages individuals to take responsibility, while concurrently being supported by their leader and HR.

For various groups of employees (students / graduates, specialists, managers) there are development programmes, so called talent pools, within the Erste Group. The aim of them is to identify, develop and retain high-performing employees who demonstrate the potential for career growth. Last year, two of our managers attended the Group Key Positions Pool (GKPP), who also received elite education at the Spanish IESE School in Barcelona.

Internal information sharing

A new activity in 2019 was Hyde Park Technology, where colleagues share their know-how in various fields at regular meetings. It is a platform for presentation as well as for discussion on professional topics from across the Bank. In a similar spirit, a concept of mutual internships between business and IT departments was launched.

These innovations inspire the internal sharing of know-how to be extended to smaller, intimate workshops and seminars organised by employees as needed. Internal conferences of individual business streams become more and more commonplace year by year. Throughout 2019, the Bank was also the venue for regular professional seminars and workshops of the professional itSMF (IT Service Management Forum) community.

Last year, the Bank held the first edition of an event called Business Innovation Day, the aim of which was to present existing and prepared innovations to the Bank's employees. The Innovation Day continued the tradition of internal conference of Slovenská sporiteľňa entitled "An Evening of Inspirations". The topic of this event was "I can be responsible and innovative". The Bank's external partners and clients presenting their experience and inspiration on stage included Michal Meško from Martinus, Jozef Bardik from Regal Burger and Jozef Dolinka from Slido.

Employee support

Thanks to the benefit of one extra paid day off, the Bank's employees were able to pursue their hobbies or support various volunteering initiatives. Every year, more than 28% of employees use this opportunity to help with the implementation of projects in social, environmental or other public benefit areas.

In addition to the Bank's non-working days, the Bank also provides health care benefits to its employees. Every 24 months every employee of the Bank can attend a preventive health check-up. Last year, 804 colleagues took this opportunity. For employees at special workplaces, such as at regional cash registers, the Bank provides a physical examination for the locomotor system once a year and also provides rehabilitation services directly to its employees at its workplaces. As a preventive measure, Slovenská sporiteľňa provides the opportunity to use massages provided by a sheltered workshop in Bratislava and Banská Bystrica and the Bank organises annual preventive health event Health Day.

A unique project of Slovenská sporiteľňa is a 24/7 telephone helpline, which employees can use in the event of a crisis such as the death of a close person in the family, unexpected serious health problems and the like.

It has become a tradition that in summer the Bank in Bratislava organises a children's day camp. Employees' children "go to work" with their parents and enjoy a varied programme with activity leaders throughout the working week.

Cooperation with schools

As part of the transfer of its know-how to the external environment, Slovenská sporiteľňa participated in the second year of the project of joint Ukrainian-Slovak study programmes. The purpose of the project run by the School of Economics and Management of Public Administration in Bratislava and the IT Association of Slovakia in cooperation with Ukrainian universities is to attract international talent to Slovakia. Last year, the Bank hosted two IT students from Ukraine.

In 2019, cooperation with the Faculty of Electrical Engineering and Information Technology of the Slovak University of Technology was also strengthened. Their students work on their bachelor's and master's theses at Slovenská sporiteľňa and Bank's employees consult on their work and occasionally give lectures at the faculty.

Since the school year 2019/2020, Slovenská sporiteľňa has also entered the dual education system, providing practical lessons for ten students of the Račianska Commercial Academy in Bratislava. Employees often use the opportunity to train at the interactive exhibition FLiP (Financial Life Park) in Vienna, which was created by the parent Erste Bank at its headquarters. Every week two visits for children of Slovak primary and secondary schools are organised and the guides are employees of our Bank.

Summary Corporate Governance Report

CODE OF CORPORATE GOVERNANCE

The management of Slovenská sporiteľňa recognises the importance of sound and responsible corporate governance. The basis for applying the principles of corporate governance is the commitment declared in 2003 by Slovenská sporiteľňa's parent company – Erste

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

Over the course of 2019, Slovenská sporiteľňa complied with all Group Governance Policy rules, as well as the applicable principles of the Governance Code.

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

Pursuant to requirements for raising the level of corporate culture, information for clients and transparency, and increasing quality in the provision of investment services and securities trading, the Bank consistently applies measures under the Directive of the European Parliament and the European Council on markets in financial instruments (MiFID II) for strengthening consumer protection in accordance with European legislation. Since 01.01.2018, the Bank has, prior to providing an investment service, furnished clients with a document giving key information on structured retail investment products and insurance-based products.

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

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

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

RELEVANT INFORMATION REGARDING MANAGEMENT AND ORGANISATION OF THE COMPANY

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

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

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

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

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

In 2019 the Bank continued to apply the principle of separation between risk monitoring and banking activities at all levels of management including the highest. The Corporate Credit Risk Management, Retail Credit Risk Management, Strategic Risk Management and Compliance and Operational Risk Management departments must not engage, and during 2019 did not engage, in any banking, lending or investment business. Competence for authorising transactions with persons with a special relationship to the Bank is exercised by the Board of Directors of the company in accordance with the Banks Act and the Organisational Code.

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

INTERNAL CONTROL AND RISK MANAGEMENT

Internal control system

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

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

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

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

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

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

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

The Bank pays particular attention to measures for protecting the Bank against money laundering, terrorist financing and financial fraud. Their implementation is a responsibility of the Compliance and Operational Risk Management department under the management of the Compliance Officer. Its other responsibilities include the application of preventive mechanisms in accordance with sanction policies and measures, monitoring the compliance of the Bank's internal regulations with legislation issued by regulatory bodies and the detection and handling of fraudulent conduct. Slovenská sporiteľňa applies a principle of zero tolerance of corrupt conduct and enforces and monitors compliance with the principle. The Bank has adopted a policy on whistleblowing and applies guidelines on the reporting and investigation of antisocial activity consistently. It has established an independent and anonymous means for reporting corrupt or antisocial conduct, which is available to staff 24 hours a day on the intranet and is fully anonymous. Employees are informed about this reporting option by various means, including through the intranet or through training.

Risk management and control system

Slovenská sporiteľňa has, in accordance with applicable Slovak legislation, a risk management system in place that is based on a clearly defined risk management strategy, the Bank's risk appetite and the Bank's ethical values. The Bank has appointed a Chief Risk

Officer on the level of the Board of Directors. Within its competence, the Board of Directors has established a Risk Management Committee responsible for compliance with and monitoring of the effectiveness of the risk management system and the periodic review of its effectiveness and adequacy. The effectiveness of risk management is overseen by the Supervisory Board, or the Supervisory Board Risk Management Committee. Within its organisational structure, the Bank keeps trading and investment activities strictly separated from risk management. The organisational units for strategic risk management, corporate credit risk management, retail credit risk management, compliance & operational risk management and legal services report to the member of the Board of Directors responsible for risk management, the Chief Risk Officer.

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

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

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

In accordance with statutory provisions, the Bank has a Recovery Plan prepared. The plan describes each risk type, the potential failure points for the Bank, and its scenarios for recovery and identifies critical functions and the main strategies and procedures to be implemented in unexpected major critical situations. Because the Bank is part of the Erste Group, the local Recovery Plan is, in accordance with European legislation, a direct part of the Group Recovery Plan and is designed to enable the Bank to restore its financial position in such circumstances without external assistance.

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

The rules for the appointment and dismissal of members of the company's bodies are set out in Slovenská sporiteľňa's Articles, which are approved by the Shareholders' General Meeting pursuant to the provisions of the Commercial Code. In order to ensure the effectiveness of the Supervisory Board's monitoring and supervisory function, the election and dismissal of members of the statutory body falls within the competence of the Supervisory Board. The Supervisory Board elects the members of the Board of Directors subject to prior approval by the European Central Bank, which supervises Slovenská sporiteľňa as a systemically important bank, as well as in accordance with recommendations of the Nomination Committee of the Supervisory Board. The appointment and dismissal of Supervisory Board members, other than representatives elected and dismissed by employees, lies in the authority of the General Meeting, following prior consent by the European Central Bank. The suitability of members of the Supervisory Board and the Board of Directors and the company's top management is assessed in accordance with the guidelines issued by the European Banking Authority (EBA/GL/2017/12) and the Banks Act, as amended. The Bank regularly reviews and assesses whether members of the Board of Directors, the Supervisory Board and key employees meet the eligibility criteria laid down in the guidelines. Appointments to the Bank's Supervisory Board and Board of Directors take account of the criterion of gender diversity, among others. It is Erste Group's ambition that at least 35% of the members of such bodies should be women. In 2019 the statutory and supervisory bodies of Slovenská sporiteľňa had 25% women members. The slight decrease against the criterion at the local level was caused by Board Member Alexandra Habeler-Drabek transferring to the Board of Directors of the parent company.

General Meeting

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

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

In 2019, one ordinary General Meeting was held, and two decisions of the sole shareholder was executed. On 4 February 2019, the sole shareholder decided to elect Paul Formanko as a member of the Supervisory Board. At the General Meeting on 27 March 2019, the shareholder approved the annual individual and consolidated financial statements, the profit distribution, and the company's Annual Report for 2018. The General Meeting also approved the appointment of PricewaterhouseCoopers Slovensko, s.r.o. as the external auditor to audit Slovenská sporiteľňa's financial statements for 2019. The second decision of the sole shareholder was made on 14 October 2019, when Stefan Dörfler was elected as a member of the Supervisory Board; he was subsequently elected Chairman of the Supervisory Board.

Supervisory Board

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

Composition of the Supervisory Board and term of office

Slovenská sporiteľňa's Supervisory Board has six members. Pursuant to the Articles, the term of office of members of the Board of Directors is five years. In 2019 the Supervisory Board acted in the following composition:

Supervisory Board Member	Year of birth	Profession	Date of first election	End of term
Gernot Mittendorfer (chairman)	1964	Board Member	23. 3. 2012 7. 8. 2017	23. 3. 2017 30. 6. 2019
Stefan Dörfler (chairman)	1971	Board Member	14. 10. 2019	14. 10. 2024
Jan Homan (vice-chairman)	1947	CEO	4. 5. 2012 7. 8. 2017	4. 5. 2017 7. 8. 2022
Tatiana Knošková [1]	1973	lawyer	25. 5. 2017	25. 5. 2022
Paul Formanko [1]	1965	bank analyst	4. 2. 2019	4. 2. 2024
Alena Adamcová [2]	1967	bank advisor	2. 11. 2016	2. 11. 2021
Beatrica Melichárová [2]	1957	trade union officer	5. 6. 2003 7. 5. 2019	19. 12. 2018 7. 5. 2024

[1] *independent member of the Supervisory Board*

[2] *member of the Supervisory Board elected by employees*

In accordance with the requirements laid down by guidelines of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA), two members of the Supervisory Board satisfied the criteria of independence in 2019.

Committees and advisory bodies of the Supervisory Board

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

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

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

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

Nomination Committee

This Committee was established by the Supervisory Board as an advisory body to fulfil its responsibilities related to the nomination of members of the Bank's Board of Directors and Supervisory Board. It was established in accordance with Directive of the European Parliament CRD IV. It oversees the candidate selection process, the scrutiny and reappraisal of candidates' suitability with reference to the characteristics, skills, knowledge and experience required for the relevant positions under the Banks Act and applicable rules of the European Banking Authority.

Risk Management Committee

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

Board of Directors

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

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

Composition of the Board of Directors and terms of office

The Board of Directors of Slovenská sporiteľňa has five members. Pursuant to the Articles, the term of office of members of the Board of Directors is five years. In 2019, the Board of Directors worked in the following composition:

Board Member	Year of birth	Date of first election	End of term
Peter Krutil (Chairman)	1968	17. 12. 1998	3. 1. 2021
Alexandra Habeler-Drabek	1970	1. 1. 2017	30. 6. 2019[(1)]
Zdeněk Románek	1976	15. 6. 2015	15. 6. 2020
Pavel Cetkovský	1969	26. 1. 2018	26. 1. 2023
Milan Hain	1962	1. 7. 2018	1. 7. 2023
Norbert Hovančák	1974	1. 10. 2019	1. 10. 2024

[(1)] *Alexandra Habeler-Drabek resigned from the Board of Directors on 30.6.2019.*

No vice-chairman of the Board of Directors was appointed in 2019.

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

Board Member	Area of competence
Peter Krutil (Chairman)	Strategy and Customer Experience, Brand Strategy and Development, Human Relations and SLSP Foundation. Until 30 September 2019, he was responsible for Treasury, Large Corporate Clients & Real Estate, Corporate Clients, Products and Solutions for Corporate Clients, Steering and Operating Office Corporates, and assumed responsibility for Balance Sheet Management from 1 December 2019;
Pavel Cetkovský	Accounting and Controlling, Facilities, Environment and Construction. Since 1 July 2019 he has been in charge of Strategic Risk Management, Corporate Credit Risk Management, Retail Credit Risk Management, Compliance and Operational Risk Management and Legal Services. On 1 December 2019 he was appointed the Chief Risk Officer of Slovenská sporiteľňa. He is also Chief Environmental Officer and Chief Sustainability Officer.
Alexandra Habeler-Drabek	Until 30 June 2019 she was responsible for Compliance and Operational Risk Management, Strategic Risk Management, Corporate Credit Risk Management, Retail Credit Risk Management and Legal Services. She was the Chief Risk Officer and Chief Gender Equality Officer
Zdeněk Románek	Retail Product Management, Support Network and Client Centre, Client Relationship Management, Digital Banking and Client Data, Branch Network Management and Social Bank, Bancassurance, Private Banking. He is the person responsible for the area of financial intermediation;
Milan Hain	IT Delivery, IT Operations, Architecture, Change Management & Project Management, Financial Management for IT Services, Security, Payments & Settlement, Retail Processing Centre.
Norbert Hovančák (from 1 October 2019)	Treasury, Large Corporate Clients & Real Estate, Corporate Clients, Products and Solutions for Corporate Clients, Steering and Operating Office Corporates.

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

The Board of Directors may establish advisory committees, to which it can delegate tasks as well as its decision-making and approval powers in certain areas. Committees are established via a resolution that must contain the date of the committee's establishment, its competences, number of members, composition, designation of the chairman from the committee members and other particulars determined by the Committees' Statute. At any time, the Board of Directors may, by resolution, change a committee's competences or its composition, or cancel it. During 2019, the Bank had the following committees:

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

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

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

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

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

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

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

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

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

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

Specialised functions

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

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

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

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

The **persons responsible for MiFID** (Markets in Financial Instruments Directive) monitor and evaluate the effectiveness of measures and procedures to ensure the Bank's provision of investment services complies with its obligations as a securities dealer under the Securities Act. The responsibility is divided into two areas. The first is the definition of operational controls, checking their fulfilment, reporting and organisation in this area and MiFID2 implementation. The second person is responsible for the development, methodology and administration of investment products and related guidelines, and for customer care and related control activities.

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

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

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

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

The Chief Environmental Officer and **Chief Sustainability Officer** implements an environmental concept of sustainability into corporate strategy, manages environmental protection and defines rules for combating climate change at the Bank.

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

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

The **Safeguarding Officer** is responsible for establishing and regularly reviewing measures and procedures for the protection of clients' funds and financial instruments, their separation and proper record keeping, including prevention of their unauthorised use; as well as responsible for compliance with related requirements under the act on securities and investment services and MiFID2.

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

The Banks Act regulates the holding of functions in the management and supervisory bodies of other companies by members of a statutory body. In 2019, members of the Board of Directors of Slovenská sporiteľňa acted in statutory and similar bodies of Slovak companies or interest groups in accordance with the Banks Act, as follows:

Board Member	Area of competence
Peter Krutil (Chairman)	Member of the Presidium of the Slovak Banking Association, member of the Board of Trustees of the Slovenská sporiteľňa Foundation
Alexandra Habeler-Drabek	Member of the Supervisor Board of Prvá stavebná sporiteľňa, a. s., External member of the Board of Directors of Erste Bank Hungary, member of the Board of Directors of the Slovak-Austrian Chamber of Commerce (until 30. 6. 2019)
Zdeněk Románek	Member of the Supervisory Board of KOOPERATIVA poisťovňa, a.s., Vienna Insurance Group.
Pavel Cetkovský	Deputy chairman of the Deposit Protection Fund Council, executive officer of Procurement Services SK, s.r.o., chairman of the Supervisory Board in LANED a.s., member of the Board of Directors of Prvá stavebná sporiteľňa, a.s. (From 10. 12. 2019)
Milan Hain	Executive officer of Služby SLSP, s.r.o. (from 18. 12. 2019)
Norbert Hovančák	Member of the Board of Directors of the Slovak-Austrian Chamber of Commerce (from November 2019)

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

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

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

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

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

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

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

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

Implementation of remuneration principles is subject to annual review by the Internal Audit Division of Slovenská sporiteľňa. The Internal Audit review for 2019 did not find any shortcomings in the procedures and rules for calculating and awarding the variable part of remuneration. Slovenská sporiteľňa submits the review of compliance with remuneration rules to the National Bank of Slovakia by 30 June of the year following the calendar year to which the report relates.

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

Activities of the Board of Directors in 2019

In 2019 the Board of Directors met 41 times. The Board of Directors regularly discussed the Bank's financial results. It fulfilled control activity and security policy obligations either by considering reports drawn up by the company's internal audit or by discussing reports on compliance and evaluation of the programme of own activity against money laundering and terrorist financing. Particular attention was paid to risk management, credit portfolio analyses, and monitoring of customer behaviour to protect shareholders' and clients' funds. In order to streamline workflows, the Board of Directors also decided to make changes to the company's organisational structure and approved projects and strategic programmes focused on change management. Changes in the legislative environment, regulatory requirements and market conditions were reflected in decisions made by the Board of Directors concerning consumer protection, business conditions and product policy, an update to the programme of own activity against money laundering and terrorism financing, and the adoption of the environmental protection policy. Strategic decisions on investments in information technology were implemented through projects to develop services for clients, communication and sales channels, digital technologies and company culture and values.

SHAREHOLDER RIGHTS, KEY FUNCTIONS OF OWNERSHIP AND SHARE CAPITAL STRUCTURE

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

As at 31. 12. 2019, a qualified participation of 100% in the Bank's share capital is held by Erste Group Bank AG, registered office Am Belvedere 1, 1010 Vienna, Austria.

The company applies principles of equitable treatment of shareholders in a manner appropriate to the fact that the Bank has a sole shareholder. The voting rights of the sole shareholder are not limited and the management of Slovenská sporiteľňa is not aware of the existence of any agreement that could restrict transferability of securities or restrict voting rights. As at the date of writing this report, Slovenská sporiteľňa has not issued any employee shares or shares with special control rights. In 2019, Slovenská sporiteľňa did not acquire any own shares, interim shares or participating interests or shares; nor does it acquire any interim shares or participating interests in its parent accounting entity pursuant to §22 of the Accounting Act. Any decision to increase or decrease the Bank's share capital, to issue or redeem shares lies in the direct responsibility of the General Meeting. The shareholder is entitled to participate at the General Meeting, to vote, to make proposals and to request information and explanations concerning the company's affairs, or the affairs of entities controlled by the company that relate to the subject of discussion of the General Meeting. The shareholder also has the right to a share in the company's profit (dividend), which the General Meeting determines for distribution based on the company's profit. The shareholder also has the right to decide on the payment of board members' fees for members of the Supervisory Board in the proposal for profit distribution. In accordance with the Articles, the shareholder has the right to appoint and to dismiss members of the Supervisory Board, other than those members elected by employees. The Bank provides regular information to the shareholder in annual, half-yearly and quarterly reports submitted to the regulatory authority so that the shareholder is sufficiently informed about the company's state and the state of its investment.

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

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

Operating costs for activities related to research and development in Slovenská sporiteľňa in 2019 were of an insignificant amount.

List of companies consolidated in the financial statements to 31. 12. 2019:

- Služby SLSP, s. r. o., registered office Tomášikova 48, 832 01 Bratislava, ID no.: 48 247 677
- Realitná spoločnosť Slovenskej sporiteľne, a. s. in liquidation, registered office Tomášikova 48, 832 10 Bratislava, ID no.: 36 725 234
- LANED, a.s., registered office Tomášikova 48, 832 71 Bratislava, ID no.: 35 918 918
- S Slovensko, spol. s r.o., registered office Tomášikova 48, 831 04 Bratislava, ID no.: 35 812 419
- Procurement Services SK, s.r.o., registered office Tomášikova 48, 832 75 Bratislava, ID no.: 36 721 972
- Slovak Banking Credit Bureau, s.r.o., registered office Mlynské nivy 14, 821 09 Bratislava, ID no.: 35 869 810
- Holding Card Service, spol. s r.o., registered office Olbrachtova 1929/62, 140 00 Praha 4, Czech Republic, ID no.: 04 5628 61
- Prvá stavebná sporiteľňa, a. s., registered office Bajkalská 30, 829 48 Bratislava, ID no.: 31 335 004

STAKEHOLDERS' RIGHTS, INFORMATION DISCLOSURE AND TRANSPARENCY

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

CORPORATE SOCIAL RESPONSIBILITY

- **In 2019, Slovenská sporiteľňa distributed €1.4 million in the form of direct support**
- **Further €1.1 million was invested in socially beneficial projects through partnerships and grant programmes by Slovenská sporiteľňa foundation**
- **Most projects were again in the fields of financial education, culture and sport**
- **In the area of saving the environment, the Bank reduced electricity and paper consumption**
- **The Bank has been developing program for start-ups and for non-profit organizations**

In 2019, Slovenská sporiteľňa provided direct support to a wide range of projects with a total value of €1.4 million. Music, theatre and sport remained among the strategic focus of its sponsorship activities.

Culture is important

As a responsible bank, Slovenská sporiteľňa wishes to contribute to positive changes in the country by supporting culture. This is one of the reasons why the Bank continued in partnerships with outstanding music festivals – Bratislava Jazz Days, Viva Musica!, Pohoda and Konvergencie. It also added the Východná folk festival to its list for the first time. There is also cooperation with major theatres throughout Slovakia (Studio L+S, the Slovak Chamber Theatre in Martin and the State Theatre in Košice). In partnership with the DOSKY theatre awards of the Season, the Slovenská sporiteľňa Prize was once again awarded to the theatre of the season based on an audience poll of Slovak theatre fans.

For the promotion of sport, Slovenská sporiteľňa partnered with the Slovak Football Association and the Slovak Olympic Committee. It encouraged children to develop a more positive relationship to physical activities through projects like the Peter Sagan Children's Cycle Tour and the Matej Tóth Sports Academy, in which a series of sports days were attended by over 4 000 children from elementary schools.

Financial education and society development are necessary for modern country

The development of education and financial literacy starting in primary school remained a priority in the area of corporate social responsibility. The Slovenská sporiteľňa Foundation is particularly active in this area, but last year the Bank itself continued to support projects aimed at developing young people's critical thinking. Examples include the project To dá rozum (It Makes Sense) and the publication of a series of comics about issues related to the Velvet Revolution.

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

As a responsible leader, the Bank cares about the quality of the environment. After deciding to end its use of outdoor posters, promotional leaflets in branches and ATM receipts, Slovenská sporiteľňa further increased its activities in environmental protection and the improvement of public space. It again supported the national campaign Cycling to Work, in which 10,000 cyclists took part and rode more than a million kilometres in a month. The Bank also joined the association Živé námestie (Living Square), whose aim is to improve public spaces in the centre of Bratislava and supported the purchase of street furnishings in the Sadni si! (Sit Down!) campaign.

In the area of social and environmental innovations, the Bank launched a partnership with Impact Hub in Bratislava to promote the social economy and urban innovation, and for the first time it supported the What City! Project, which is aimed at developing modern cities and an ecological approach to their management.

Support in many other areas

As a signatory to the Diversity Charter, Slovenská sporiteľňa believes that diversity should not divide us but bring us together and therefore it has long supported projects that help disadvantaged groups. Last year, therefore, the Bank supported the launch of the initiative Za farebnú kultúru (For a Colourful Culture), whose aim was to support the cultural projects of LGBTI organisations, for which it was awarded the Otherness Prize in the business category.

In 2019, the Bank continued its partnership with the charity campaigns Daffodil Day run by the League Against Cancer, and Children's Hour run by the Children of Slovakia Foundation. The Bank's whole branch network got involved in the collections. For the first time, Slovenská sporiteľňa also participated in a collection organised by the Slovak Catholic Charity to purchase school supplies for socially disadvantaged families and children from children's homes. It also expanded its partnership with the NGO Dobrý anjel (Good Angel). The Bank also helped clients affected by the fire that destroyed an apartment building in Prešov. It not only provided extraordinary financial assistance but also assisted with the insurance claims and gave additional relief from fees and loan repayments.

Bank seeks to help groups having difficult access to bank services

In 2019, Slovenská sporiteľňa continued to develop the "Social Bank" project. Its aim is to provide banking services, financial education and advice to groups who would otherwise not have access to them. The Bank focused on start-up entrepreneurs, profit organisations and low-income groups. In so doing Slovenská sporiteľňa wants to contribute to solving social problems such as poverty, low financial literacy or obstacles for start-up entrepreneurs. The Bank wants activities to have the greatest possible impact, to be sustainable and, from the Bank's aspect, without profit or loss.

The Bank got involved in the activities of the non-profit organisation DOM.ov, in the preparation of self-help house construction in selected Roma localities and in line with the effort of Slovenská sporiteľňa Foundation with focus on financial education it helped involved families finance their new housing via microloans.

Financial education – the main pillar of the Slovenská sporiteľňa Foundation's activities

In 2019, the Slovenská sporiteľňa Foundation gave financial assistance of over €1.1 million to 102 public benefit projects and initiatives in the fields of education, social assistance, environmental protection, cultural and sports development, and building civil society.

Support also continued in 2019 for major educational projects in Slovakia. Thanks to long-term collaboration in the project Know Your Money, the Foundation for Children of Slovakia was able to train more than 100 new teachers and bring them new modern tools for developing financial literacy.

The Slovenská sporiteľňa Foundation also intensified its partnership with the educational organisation Junior Achievement Slovakia. Thanks to the support, all teaching texts were updated, methodological days and the organisation staged teacher consultation meetings were as well as two nationwide competitions for pupils involved in the programme More than Money.

The Foundation further developed its own unique programme of financial education and the development of financial culture for schools in Slovakia under the name FinQ. The innovative programme is aimed at developing critical and systemic thinking in the overall context of finance. In 2019, the programme prepared comprehensive teaching and methodological support for teachers in the form of 250 methodological sheets and learning tasks.

The Slovenská sporiteľňa Foundation also contributed to increasing the prestige of the teaching profession through support for the 2nd year of the national prize Teacher of Slovakia (CEEV Živica). In 2019, the Foundation became a general partner of the conference for modern and innovative teachers in Slovakia Teaching for Life (Indícia), supported the Teach for Slovakia (Manageria) project and in collaboration with the Green Foundation launched the Academy of Social Economy for Social Entrepreneurs.

Grant programme #mamnato

Slovenská sporiteľňa continued a further year in its successful communication concept #mamnato. As a responsible and innovative leader, the Bank seeks to inspire society and use its grants to find good ideas that help Slovakia advance on the path to a prosperous modern country. In 2019, the Slovenská sporiteľňa Foundation supported 35 winning projects from the first year of the #mamnato grant programme with a total of €250 000. Grants were awarded to non-profit organisations from all over Slovakia in three areas – community development, environmental protection and active leisure. In October 2019, the Slovenská sporiteľňa Foundation followed up on the successful first year of the #mamnato grant by announcing its second year with the theme A City Close to People. Again, 35 publicly beneficial projects will be supported and implemented in 2020 for a total amount of €250 000.

The Foundation also helped in the social field

The Foundation also supported various non-profit organisations that provide social assistance to socially or otherwise disadvantaged people or that help protect health.

For the third year, the Foundation was a partner of the League Against Cancer for the nationwide collection Daffodil Day. It has developed a long-term partnership with the DANUBE Dance Club through a project for integrated social dance involving healthy persons and the severely disabled.

The Foundation also continued its cooperation with the civic association VAGUS, which has long been providing services to homeless people. It developed a partnership with the Natália Centre, which provides rehabilitation services especially for children with cerebral palsy. Again in 2019, it supported Maltese Aid and its project to help seniors and the disabled. The Foundation continued in supporting the project of the civic association Návrat (Return), which provides services in the area of foster family care and in the area of rehabilitation of the child's original family environment. It also continued to develop partnerships with the non-profit organisation Projekt DOM.ov, focusing on financial education and helping the residents of Roma settlements in eastern Slovakia to build homes of their own.

The Bank continues to build on its environmental policy

Slovenská sporiteľňa continued to manage its environmental processes in accordance with the ISO 14001:2015 certificate that it holds.

It continues to be successful in reducing electricity consumption (and therefore also CO_2 production) both in absolute terms and in proportion to its employee headcount and floor space. Electricity consumption decreased by more than 7% in 2019 compared to 2018. Energy consumption is also being reduced through branch reconstructions, which include the replacement of obsolete technology with more efficient new equipment and appliances. Another measure to reduce consumption is the analysis of consumption at 15-minute intervals to detect excess consumption in branches and take technical measures to remedy it. In addition, Slovenská sporiteľňa started to cooperate with an external company that proposes savings in energy consumption based on the monitoring of heating, ventilation and cooling operations.

The Bank also made progress in reducing paper consumption, which resulted in the use of 7% less paper in 2019 than the year before. Specific measures that reduced paper consumption included the digitalisation of certain processes, ending the printing receipts from ATMs, and ceasing to send paper statements for credit cards. In addition, Slovenská sporiteľňa stopped printing leaflets for distribution in its branches.

To assist workers who commute to work by bicycle, new showers were installed at the back-office building in Banská Bystrica and the Bank plans to install additional bicycle stands.

At the headquarters building in Bratislava the Bank installed a box to collect used toothbrushes, which will be sent for further processing.

OUTLOOK FOR 2020

Objectives for 2020

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

Digitalisation will remain one of the Bank's top priorities in 2020. The Bank will continue working on enhancements and new features for internet banking, both in the George retail app and the corporate Business24 application. Clients who visit a Bank branch will be able to choose the most fitting products and processes from the increasing offer in a tablet. The suggestions for clients will be more individual, considering both current and future client's needs. This way, the Bank will provide clients with truly comprehensive financial advisory.

In cooperation with partners, the Bank wants to focus even more on offering insurance and investment alongside its traditional banking products. These and other activities are intended to make Slovenská sporiteľňa more attractive to new and existing clients and encourage more people to make active use of its services.

Slovenská sporiteľňa will continue to focus on the area of costs, striving to maintain the ratio of operating costs to operating revenues at a low level. Digitalisation, besides delivering greater convenience for clients, will create favourable conditions for long-term cost optimisation. The Bank will again continue to streamline internal processes and activities, accelerate development and work on a better experience for clients using its products and services. All the Bank's decisions will take account of the acceptable degree of risk.

Through its business activities, the activities of the Social Bank and the Slovenská sporiteľňa Foundation, Slovenská sporiteľňa wants to further contribute to the prosperity of society and to move Slovakia forwards on the road towards becoming a more modern country.

Forecast economic and financial situation of Slovenská sporiteľňa

In 2020, Slovenská sporiteľňa expects year-on-year balance sheet growth of 7%, driven by a higher volume of client transactions in terms of both loans granted and deposits received. The forecast increase in client transactions should strengthen Slovenská sporiteľňa's leading position in the Slovak banking market. The planned growth in lending should be financed mostly through deposits received, and also by way of long-term debt security issues. By the end of 2020, the loan-to-deposit ratio is expected to be slightly above 100%, which will be due to a slightly slower rate of increase in client deposits compared to the increase in client loans. Thanks to appropriate measures, it is realistic to assume that the Bank will meet the indicators and parameters required by the regulator under the CRR (Capital Requirements Regulation) and the CRD (Capital Requirements Directives).

At the end of 2020, Slovenská sporiteľňa expects a favourable economic result, albeit significantly lower in the year-on-year comparison, due mainly to the increased bank levy (a legislative change approved while the budget was being finalised). Net interest income will decline year-on-year, for reason of falling interest income on loans, but also particularly due to the maturity of a portfolio of securities with higher interest income in the first half of 2020. Other reasons for the decline include stiff competition, tightening regulation and long-term low interest rates, the decline in which cannot be fully offset by growth in volumes. Conversely, the Bank expects higher fee and commission income. Growing revenues in particular from brokering insurance products and from the sale of funds should help, though growth in other categories of fee and commission income is also expected. This increase, though, will be partly offset by a change in the methodology for recognising early repayment (a movement from fees to interest income). Revenues from trading may be highly variable, as they are dependent on many market factors. Net operating income is forecast to decrease year-on-year due mainly to the aforementioned decline in net interest income. On the other side of the accounts, in 2020 the Bank expects an increase in operating costs, related mainly to an increase in personnel costs. Slovenská sporiteľňa's effectiveness in the area of cost management is confirmed by an expected cost-to-income ratio of approximately 50 percent (excluding the impact of the Deposit Protection Fund levy).

The main risks and uncertainties Slovenská sporiteľňa faces stem mainly from (i) legislative changes in the Slovak Republic and the European Union in the area of banking, including changes related to tightening balance-sheet structure requirements; (ii) credit market conditions in an environment of persistently low interest rates; and (iii) the impact of global economic situation on the domestic economy.

Late in 2019, new virus disease started to spread in China, eventually called COVID-19 or simply Coronavirus, which then spread worldwide in the first few months of 2020. The bank is currently not able to fully assess the impact of the Coronavirus outbreak on its future financial position and its operations. However, depending on the further development, the impact may be negative and significant. The impact of this outbreak on the macroeconomic forecasts will be incorporated into the bank's IFRS 9 estimates of expected credit loss provisions in 2020. Sensitivity of expected credit loss provisions on the macroeconomic forecasts is disclosed in the Note Risk management of the financial statements. No other events of special significance have occurred after the end of the accounting period for which this Annual Report is prepared.

Statement of responsible persons

The responsible persons of Slovenská sporiteľňa, with its registered office at Tomášikova 48, 832 37 Bratislava, entered in the Commercial Register of District Court Bratislava I, section: Sa, entry: 601/B, corporate registration no.: 00151653: Ing. Peter Krutil, Chairman of the Board of Directors and CEO, and Ing. Pavel Cetkovský, Member of the Board of Directors and Deputy CEO, to the best of their knowledge hereby declare that the financial statements contained herein give a true and fair representation of assets, liabilities, financial situation and results of Slovenská sporiteľňa and companies consolidated by Slovenská sporiteľňa, and that this Corporate Governance Report and Annual Report represent a true and fair view of the development and results of Slovenská sporiteľňa's business operations and position, including the companies included in its consolidation for 2019, together with a description of the key risks and uncertainties it faces in connection with its business activities.

Supervisory Board Report

The Supervisory Board of Slovenská sporiteľňa, in performing its activities over the course of 2019, was governed by statutory provisions applicable in the Slovak Republic. It fulfilled tasks arising from the Bank's Articles of Association, took decisions on matters falling within its competence pursuant to the Bank's competence rules, and was governed by the Supervisory Board's internal rules of procedure.

In 2019, four ordinary meetings of the Supervisory Board were held, and eight votes were conducted by circular resolution. The Supervisory Board discussed and adopted an opinion regarding the individual and consolidated financial statements, the proposal for profit distribution and the Board of Directors' report on the company's business activities and assets.

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

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

In 2019 there were several changes in the membership of the Supervisory Board. Effective from 4 February 2019, Paul Formanko was elected a member of the Supervisory Board, replacing Ľudovít Ódor as an independent member. Ľudovít Ódor resigned from his seat to take up the post of Vice-Governor of the National Bank of Slovakia. As of 7 May 2019, Beatrica Melichárová was re-elected by employees of Slovenská sporiteľňa. As of 30 June 2019, Gernot Mittendorfer resigned as a member and Chairman of the Supervisory Board. Stefan Dörfler, nominated by the Bank's shareholder, was elected to his vacant position with effect from 14 October 2019. The election of new members of the Supervisory Board is subject to prior approval by the National Bank of Slovakia and the European Central Bank. At the date of election, all candidates had received prior approval.

In 2019, the Supervisory Board worked with the support of advisory committees, namely the audit, credit, remuneration and nomination committees, which are established and operate according to their own statutes. In December 2019, the Supervisory Board also set up a Supervisory Board Risk Management Committee in accordance with the EBA's Guidelines on Internal Governance (EBA/GL/2017/11). The Nomination Committee, the Remuneration Committee and the Risk Management Committee are chaired by independent members of the Supervisory Board in accordance with the above guidelines.

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

The Credit Committee of the Supervisory Board decides on certain credit transactions on an ad hoc basis in accordance with the Bank's Competence Code. It did not assess any business case in 2019.

The Remuneration Committee of the Supervisory Board considered, approved and inspected the remuneration principles for members of the Board of Directors as well as selected categories of employees having a material impact on the Bank's risk. The primary focus was on the balancing of all risks related to the remuneration system so as to ensure long-term prudent management of the company, including its liquidity, capital, etc. It also approved the key banking objectives and KPIs for board members and their evaluation for the preceding accounting period. It also approved the updated list of persons having a material impact on the Bank's risk. In 2019 the Committee held three ordinary meetings and three circular resolution votes.

The Supervisory Board established a Nomination Committee as its advisory body in fulfilling its responsibilities relating to the nomination of new members of the Bank's Board of Directors and Supervisory Board and their subsequent repeated evaluation. The suitability of the members of the supervisory and statutory bodies is reviewed once a year in accordance with the Guidelines on the assessment of the suitability of members of the management body and key function holders and Methodological Guideline No 1/2018 of the Financial Market Supervision Unit of the National Bank of Slovakia on the demonstration of the competence and suitability of persons nominated to functions in accordance with the Act on Banks. In 2019, the Committee assessed the suitability of the members of the Board of Directors and the Supervisory Board at its two regular meetings and evaluated the nominations of the new members of the Supervisory Board by circular resolution.

In 2019, the membership of the committees of the Supervisory Board was adjusted in line with the changes in membership of the Supervisory Board. In December 2019, the Supervisory Board established the Risk Management Committee and approved its statutes and members.

The Supervisory Board discussed the audit of the consolidated and individual balance sheet of Slovenská sporiteľňa as well as the related profit & loss statement as at 31 December 2019. The audit was carried out and verified by PricewaterhouseCoopers Slovensko, s.r.o., in accordance with International Standards on Auditing. It confirmed that the financial statements give a true and fair view of the Bank's financial situation as at 31 December 2019 in all material regards and that it has no objections to them. Based on the above facts, the Supervisory Board recommended that the General Meeting approve the financial statements for 2019, including the proposal for distribution of profit.

Stefan Dörfler
Chairman

SUPERVISORY BOARD
OF SLOVENSKÁ SPORITEĽŇA, A.S.

STEFAN DÖRFLER

Chairman

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

He has been a member of the Supervisory Board of Slovenská sporiteľňa since 14 October 2019.

JAN HOMAN

Member

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

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

TATIANA KNOŠKOVÁ

Independent member

Tatiana Knošková received her education in law at Comenius University in Bratislava and the Faculty of Law at the University of Groningen in the Netherlands. She has completed courses in commercial, tax and private law at law schools in the USA and passed tests on Czech Accounting Standards organised by the Association of Chartered Certified Accountants (ACCA) in the Czech Republic.

She has worked in various expert teams specialising in the provision of financial, tax, accounting and legal services for financial institutions in international audit and consulting firms. She is a member of the Slovak Bar Association. She is currently a partner at WALLENBERG LEGAL.

She has been a member of the Audit Committee of the Supervisory Board of Slovenská sporiteľňa, initially as an independent member without membership of the Supervisory Board, since 2007.

On 25 May 2017, she was elected a full, independent member of the Supervisory Board of Slovenská sporiteľňa.

PAUL FORMANKO

Independent member

Paul Formanko is a graduate of the University of Illinois at Chicago, the Faculty of Economics of Katholieke Universiteit Leuven, Belgium, and the University of Chicago, from which he holds an MBA in Finance and International Business. In 1994 he joined J.P. Morgan Investment Management in New York and London as an analyst and investment advisor for emerging markets in Central Europe, Russia and Turkey. From 1998 he held senior analytical and advisory positions at Goldman Sachs International and CLSA Global Emerging Markets in London. In 2003, he joined J.P. Morgan Equity Research in London, where he worked in senior research roles until 2018. During this period Paul became the Head of CEEMEA Banks Equity Research and a Managing Director at J.P. Morgan.

He is currently an independent member of the Supervisory Board of Slovenská sporiteľňa. He was elected with effect from 4 February 2019.

ALENA ADAMCOVÁ

Supervisory Board Member elected by employees

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

She was elected a member of the Supervisory Board of Slovenská sporiteľňa with effect from 2 November 2016.

BEATRICA MELICHÁROVÁ

Supervisory Board Member elected by employees

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

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

Annexes

Slovenská sporiteľňa, a.s.

Consolidated financial statements
prepared in accordance with International
Financial Reporting Standards
as adopted by the European Union
for the year ended 31 December 2019

(Translated version, original version in Slovak)

Independent Auditor's Report

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

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Slovenská sporiteľňa, a.s. and its subsidiaries (together the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 26 February 2020.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss for the year ended 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants issued by the International Federation of Accountants ("Code of Ethics") and other requirements of legislation that are relevant to our audit of the consolidated financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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

The non-audit services that we have provided to the Group, in the period from 1 January 2019 to 31 December 2019 are disclosed in Note 7 to the consolidated financial statements.

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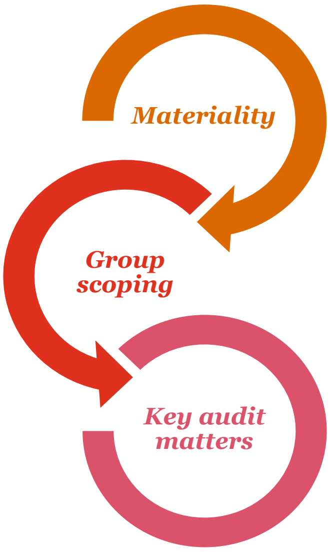
Our audit approach



Overview

Overall Group materiality is EUR 12.7 million which represents approximately 5% of consolidated profit before income tax and levy on banking activities.

We focused our audit work on Slovenská sporiteľňa, a.s. which is the most material consolidated reporting unit. Slovenská sporiteľňa, a.s. as a standalone reporting unit represents approximately 100.0% of the Group's total assets as at 31 December 2019 and 96.9% of the Group's net result for the year then ended.

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

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

Materiality

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

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

The qualitative considerations and assessment of the overall impact of the misstatements, which relate to reclassification within the primary consolidated statements might be considered not material even if they are quantitatively in excess of the materiality thresholds disclosed below.

Overall Group materiality	EUR 12.7 million
How we determined it	We determined the materiality as approximately 5% of consolidated profit before income tax and levy on banking activities.

Rationale for the materiality benchmark applied	The performance of the Group is most commonly evaluated by financial statements' users based on the Group's profitability. The quantitative threshold of approximately 5% was applied to consolidated profit before income tax and levy on banking activities, which in our experience represents acceptable benchmark. Levy on banking activities was added back because of the similar nature as income tax.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Credit loss allowances estimate	
As explained in Note 15, Note 16 and Note 18 to the consolidated financial statements, management estimated total credit loss allowances for loans and advances to customers, finance lease receivables and trade and other receivables at EUR 344,461 thousand. The carrying value of loans and advances to customers, finance lease receivables and trade and other receivables measured at amortised cost may be materially misstated if individual or collective credit loss allowances are not appropriately identified and estimated. The estimates required for credit loss allowances are significant estimates, as explained in more detail in Note B.e) Significant accounting judgements, assumptions and estimates, of the consolidated financial statements. The identification of significant increase in credit risk or default; the estimation of credit loss including estimates of future cash flows and valuation of collateral; implementation of comprehensive credit models - all involve significant management judgement. Due to the significance of the amount of the credit loss allowances and material impact of the credit loss allowances on	We assessed and tested design and operating effectiveness of manual and automated controls related to the timely identification of defaulted loans. We tested design and operating effectiveness of IT general controls, including access to programs and data, program changes and computer operations related to quantification of credit loss allowances. We verified that models used for accurate quantification of credit loss allowances are in line with requirements of IFRS 9. A sample of individually significant loan exposures was examined, in order to test accuracy of credit loss allowances calculated on an individual basis. We considered management's assumptions, including forecasts of future cash flows, by comparing them to historical performance of the customer and expected future performance as well as assessing external and internal valuations of underlying collateral and comparing them to values used by management in the credit loss allowances quantification. On a sample basis, we assessed the underlying models, reasonableness of assumptions, and completeness and accuracy of the underlying data, which were used by the Group to estimate collective credit loss allowances for loans that share similar credit risk characteristics. The underlying models were assessed by our specialists for financial risk management and modelling. They assessed the design and implementation of models in line with applicable reporting standards, including shifts in risk

Key audit matter	How our audit addressed the Key audit matter
the net result for the year, we consider the credit loss estimate as a key audit matter.	parameters due to the impact of forward looking information and accuracy of collective credit loss allowances. Our specialists evaluated a validation process implemented by the Group and interpreted results of the validation report.

How we tailored our Group audit scope

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

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed. Slovenská sporiteľňa, a.s. as a standalone reporting unit represents approximately 100.0% of the Group's total assets as at 31 December 2019 and 96.9% of the Group's net result for the period. We focused our audit work on Slovenská sporiteľňa, a.s. which is the most material consolidated reporting unit. Except for Slovenská sporiteľňa, a.s., we did not identify other significant reporting units where full-scope audit procedures were required.

Reporting on other information in the Annual Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Reporting on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Group in 2017. Our appointment has been renewed annually by shareholders resolution representing a total period of uninterrupted engagement appointment of three years.

PricewaterhouseCoopers Slovensko, s.r.o.

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

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

Mgr. Martin Gallovič
UDVA licence No. 1180

Bratislava, 28 February 2020, except for the section "Reporting on other information in the Annual Report" of this report, for which the date of our report is 18 March 2020.

Consolidated statement of profit or loss

for the year ended 31 December 2019

EUR ths.	Pozn.	2018	2019
Net interest income	1	437 828	430 653
Interest income		471 042	458 395
Other similar income		8 291	11 695
Interest expense		(29 596)	(29 148)
Other similar expense		(11 909)	(10 289)
Net fee and commission income	2	128 821	145 166
Fee and commission income		155 765	171 682
Fee and commission expense		(26 944)	(26 516)
Dividend income	3	1 044	951
Net trading result	4	9 669	20 721
Gains/losses from financial instruments measured at fair value through profit or loss	5	2 145	(3 732)
Net result from equity method investments		1 673	1 823
Rental income from investment properties & other operating leases	6	310	1 176
Personnel expenses	7	(141 810)	(148 896)
Other administrative expenses	7	(96 504)	(92 742)
Depreciation and amortisation	7	(42 787)	(46 868)
Gains/losses from derecognition of financial assets measured at amortised cost		-	71
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss		(93)	(475)
Impairment result from financial instruments	8	(23 522)	(42 656)
Other operating result	9	(40 158)	(38 668)
thereof Levies on banking activities		(33 030)	(35 588)
Pre-tax profit from continuing operations		**236 616**	**226 524**
Taxes on income	10	(52 932)	(46 565)
Net result for the period		**183 684**	**179 959**
Net result attributable to non-controlling interests		**16**	**19**
Net result attributable to owners of the parent		**183 668**	**179 940**

Earnings per share

		2018	2019
Net result attributable to owners of the parent	EUR ths.	183 668	179 940
Number of outstanding shares	pcs.	212 000	212 000
Earnings per share	EUR	**866**	**849**

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

The notes on pages 81 to 195 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2019

EUR ths.	2018	2019
Net result for the period	**183 684**	**179 959**
Other comprehensive income		
Items that may not be reclassified to profit or loss		
Remeasurement of net liability of defined pension plans	(199)	(320)
Fair value changes of equity instruments at fair value through other comprehensive income	11 330	32 757
Deferred taxes relating to items that may not be reclassified	(2 338)	(6 812)
Total	**8 793**	**25 625**
Items that may be reclassified to profit or loss		
Currency translation	(71)	92
Total	(71)	92
Total other comprehensive income	8 722	25 717
Total comprehensive income	**192 406**	**205 676**
Total comprehensive income attributable to non-controlling interests	**16**	**19**
Total comprehensive income attributable to owners of the parent	**192 390**	**205 657**

The notes on pages 81 to 195 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 31 December 2019

EUR ths.	Pozn.	31.12.2018	31.12.2019
Assets			
Cash and cash balances	11	416 093	501 441
Financial assets held for trading	12	42 941	41 423
Derivatives		42 941	41 423
Non-trading financial assets at fair value through profit or loss	13	29 242	19 633
Equity instruments		5 620	16 458
Debt securities		23 622	3 175
Financial assets at fair value through other comprehensive income	14	56 395	89 262
Equity investments		56 395	89 262
Financial assets at amortised cost	15	16 380 498	17 329 196
thereof pledged as collateral		1 905 870	2 276 299
Debt securities		3 550 631	3 536 464
Loans and advances to banks		47 796	54
Loans and advances to customers		12 782 071	13 792 678
Finance lease receivables	16	129 516	213 191
Hedge accounting derivatives	17	9 905	23 020
Property and equipment, right-of-use assets	22	141 963	156 097
Investment property	22	1 879	1 828
Intangible assets	23	39 041	23 755
Investments in associates	19	31 662	33 455
Current tax assets	20	4 639	786
Deferred tax assets	20	44 968	44 727
Trade and other receivables	18	95 952	107 139
Other assets	21	18 212	34 070
Total assets		**17 442 906**	**18 619 023**
Liabilities and Equity			
Financial liabilities held for trading	12	41 062	40 024
Derivatives		41 062	40 024
Financial liabilities at amortised cost	24	15 742 939	16 770 901
Deposits from banks		251 300	263 287
Deposits from customers		13 653 163	14 392 424
Debt securities issued		1 803 287	2 070 975
Other financial liabilities		35 189	44 215
Lease liabilities	22	-	18 384
Hedge accounting derivatives	17	41 348	48 041
Provisions	25	20 677	17 514
Current tax liabilities	20	91	2 076
Other liabilities	26	83 444	102 140
Total liabilities		**15 929 561**	**16 999 080**
Equity attributable to non-controlling interests		28	30
Equity attributable to owners of the parent	27	1 513 317	1 619 913
Subscribed capital		212 000	212 000
Additional paid-in capital		150 000	150 000
Retained earning and other reserves		1 151 317	1 257 913
Total equity		**1 513 345**	**1 619 943**
Total liabilities and equity		**17 442 906**	**18 619 023**

The notes on pages 81 to 195 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2019

EUR ths.	Subscribed capital	Other capital instruments	Legal reserve fund	Other funds	Retained earnings	Fair value reserve	Currency translation	Remeasurement of net liability of defined pension plans	Equity attributable to owners of the paren	Equity attributable to non-controlling interests	Total equity
As of 1.1.2018	**212 000**	**150 000**	**79 795**	**39 104**	**964 023**	**31 133**	**23**	**(480)**	**1 475 598**	**31**	**1 475 629**
Dividends paid / Distribution for Investment certificate	-	-	-	-	(154 538)	-	-	-	(154 538)	(19)	(154 557)
Other changes	-	-	-	-	(133)	-	-	-	(133)	-	(133)
Total comprehensive income	-	-	-	-	183 668	8 951	(71)	(158)	192 390	16	192 406
Net result for the period	-	-	-	-	183 668	-	-	-	183 668	16	183 684
Other comprehensive income	-	-	-	-	-	8 951	(71)	(158)	8 722	-	8 722
Change from remeasurement of defined benefit plans	-	-	-	-	-	-	-	(158)	(158)	-	(158)
Change in fair value reserve	-	-	-	-	-	8 951	-	-	8 951	-	8 951
Change in currency translation reserve	-	-	-	-	-	-	(71)	-	(71)	-	(71)
As of 31.12.2018	**212 000**	**150 000**	**79 795**	**39 104**	**993 020**	**40 084**	**(48)**	**(638)**	**1 513 317**	**28**	**1 513 345**

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

The impact of deferred tax included in Fair value reserve as at 31 December 2019 amounts 6.9 mil. Eur (2018: 2.4 mil. Eur).

The notes on pages 81 to 195 are an integral part of these consolidated financial statements.

Currency translation contains changes from Euro conversion (Skk to Eur) in 2009 and the movement during the year 2018 and 2019 includes impact from translation from Czk to Eur from associate Holding Card Service, spol. s r.o., which use functional currency Czk.

Consolidated statement of cash flows
for the year ended 31 December 2019

EUR ths.	2018	2019
Profit before income taxes	**236 616**	**226 524**
Non-cash adjustments for:		
Loss allowances for loans and advances, Provisions for off-balance sheet	23 641	42 656
Provisions for liabilities and other liabilities	(461)	(3 157)
Impairment of tangible and intangible assets net	470	(1 125)
Depreciation and amortization	42 787	46 868
Profit/(loss) on disposal of fixed assets	2 151	2 366
Gains/(losses) from measurement and derecognition of financial assets and financial liabilities	(2 634)	(10 747)
Accrued interest, amortisation of discount and premium	(1 421)	23 940
Transfer of dividends received to investing activities	(880)	951
Investment in subsidiaries - increase / decrease of share	-	24 848
Cash flows from operations before changes in operating assets and liabilities	**300 269**	**353 124**
(Increase)/decrease in operating assets:		
Minimum reserve deposits with the central bank	(1 034)	(86 213)
Financial assets held for trading	(6 457)	1 518
Non-trading financial assets at fair value through profit or loss	2 477	20 356
Equity instruments	-	-
Debt securities	2 477	20 356
Financial assets at fair value through other comprehensive income	(256)	(110)
Financial assets at amortised cost	(1 132 051)	(1 004 313)
Debt securities	(39 278)	13 945
Loans and advances to banks	129 820	47 742
Loans and advances to customers	(1 222 593)	(1 066 000)
Finance lease receivables	(52 575)	(83 675)
Hedge accounting derivatives	(3 144)	(13 115)
Trade and other receivables	(27 163)	(11 187)
Other assets from operating activities	12 866	(11 152)
Increase / (decrease) in operating liabilities:		
Financial liabilities held for trading	7 718	(1 038)
Financial liabilities measured at amortised cost	884 115	761 385
Deposits from banks	(237 269)	11 987
Deposits from customers	1 177 216	740 372
Other financial liabilities	(55 832)	9 026
Hedge accounting derivatives	(752)	6 693
Provisions	(1 063)	(5 931)
Other liabilities from operating activities	(6 337)	18 943
Net cash flows provided by / (used in) operating activities before income tax	**(23 387)**	**(54 715)**

Table continues on the following page

EUR ths.	2018	2019
Net cash flows provided by / (used in) operating activities before income tax	**(23 387)**	**(54 715)**
Income taxes paid	(42 459)	(46 393)
Net cash flows provided by / (used in) operating activities	**(65 846)**	**(101 108)**
Cash flows from investing activities		
Dividends received from subsidiaries, associates and other investments	880	968
Purchase of share in subsidiaries and associates	(6)	(24 848)
Purchase of intangible assets, property and equipment	(23 015)	(30 059)
Proceeds from sale of intangible assets, property and equipment	1 777	1 642
Net cash flows provided by / (used in) investing activities	**(20 364)**	**(52 297)**
Cash flows from financing activities		
Dividends paid	(154 538)	(99 327)
Drawing of subordinated debt	15 762	-
Repayment of subordinated debt	(22 876)	-
Issue of the bonds	581 842	530 079
Repayment of the bonds	(343 201)	(269 618)
Lease liabilities	-	(6 900)
Net cash flows provided by / (used in) financing activities	**76 989**	**154 234**
Effect of foreign exchange rate changes on cash and cash equivalents	51	224
Net increase / (decrease) in cash and cash equivalents	**(9 170)**	**1 053**
Cash and cash equivalents at beginning of period	**423 590**	**414 419**
Cash and cash equivalents at end of period	**414 420**	**415 472**
Operational cash flows from interest and dividends (included in cash flow from operating activities)	**403 782**	**412 321**
Income taxes paid	(42 459)	(46 393)
Interest paid	(25 303)	(18 038)
Interest received	470 664	475 784
Dividends received	880	968

Cash and cash equivalents are equal to cash in hand, cash balances at central banks and other demand deposits. Further information related to net debt reconciliation are provided in note 24. Comparative period in above disclosed Cash flow statement has been updated as a consequence of methodology changes, however such changes do not have significant effect to presented figures.

The notes on pages 81 to 195 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

A. GENERAL INFORMATION

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

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

As of 31 December 2019, DIE ERSTE oesterreichische Spar-Casse Privatstiftung ('ERSTE Foundation'), a foundation, holds together with its partners in shareholder agreements the share in Erste Group Bank AG and represents the main shareholder. Besides the direct holding of ERSTE Foundation, the indirect participation of the ERSTE Foundation is held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated company of the ERSTE Foundation, and also by Austrian savings banks and their foundations acting together with the ERSTE Foundation and affiliated with Erste Group Bank AG through the Haftungsverbund. Further part of the subscribed capital is held by the ERSTE Foundation on the basis of a shareholder agreement with CaixaBank S.A. and residual share represents minority direct holdings held by other partners to other shareholder agreements.

The Board of Directors of the Group had five members as at 31 December 2019:
Ing. Peter Krutil (chairman), Ing. Pavel Cetkovský (member), Mgr. Ing. Zdeněk Románek, MBA (member), RNDr. Milan Hain, PhD. (member) and Mgr. Ing. Norbert Hovančák (member).

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

The Supervisory Board of the Group had six members as at 31 December 2019:
Ing. Stefan Dörfler (chairman), Mag. Jan Homan (vice-chairman), Mgr. Tatiana Knošková (member), Paul Formanko, MBA (member), Mgr. Alena Adamcová (member) and JUDr. Beatrica Melichárová (member).

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

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

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

B. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

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

These consolidated financial statements of the Group for the year ended 31 December 2019 are prepared in accordance with International Financial Reporting Standards ('IFRS' or 'IAS') as adopted by the European Union ('EU') on the basis of the regulation no. 1606/2002.

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

b) Basis of preparation

These consolidated financial statements have been approved by the Board of Director of the Bank and will be submitted for approval to the Supervisory Board and the General Assembly. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2019, which were signed and authorised for issue by the Board of Directors of the Bank on 11 February 2020 and are available at its registered office or on the web page.

The Group's consolidated financial statements for the prior period (the year ended 31 December 2018) were signed and authorised for issue on 13 February 2019.

These consolidated financial statements were prepared using the going concern assumption that the Group will continue to operate continuously in the foreseeable future.

These consolidated financial statements are presented in Euro (Eur), which is the functional currency of the Group besides the associate Holding Card Service, spol. s r.o., which has Czech crown (Czk) as functional currency. The measurement unit is thousands of Eur ('Eur ths.'), unless stated otherwise. The amounts in parentheses represent negative values. The tables in these consolidated financial statements and notes may contain rounding differences.

The comparative amounts presented in these consolidated financial statements are those presented in the Consolidated statement of financial positions as at 31 December 2018 and the Consolidated statement of profit or loss and and the Consolidated statement of other comprehensive income for the year ended 31 December 2018.

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

c) Subsidiaries and associates

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

Subsidiaries

All subsidiaries controlled by the Bank are consolidated in the Group financial statements on the basis of the subsidiaries' annual financial statements as of 31 December 2019.

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

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

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

Investments in associates

Investments in associates are accounted for using the equity method. Under the equity method, an interest in an associate is recognised on the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity. The Group's share of the associate's profit or loss is recognised in the income statement. Entities accounted for using the equity method are recognised on the basis of annual financial statements as of 31 December 2019.

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

Changes in the scope of consolidation during 2019 and 2018

The group structure of Slovenská sporiteľňa, a.s. is presented in the note 19. This note also provides information on acquisitions, sales, mergers and other transactions relating to the investments of the Bank in subsidiaries and associates undertaken during the years 2019 and 2018.

d) Accounting and measurement methods

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 IFRS 9, all financial assets and financial liabilities, including derivative financial instruments, have to be recognised on the balance sheet and measured in accordance with their assigned categories.

Measurement methods for financial instruments

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

I. Amortised cost and effective interest rate

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

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

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

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

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

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

II. Fair value

Fair value is the price that would be received if an asset was sold, or the price that would be paid for a liability or transfer of liability in an standard 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 35.

Initial recognition and measurement

i. Initial recognition

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

ii. Initial measurement

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

Classification and subsequent measurement of financial assets

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

1. the business model for managing the financial assets - the assessment is focused on whether the financial asset is part of a portfolio,
   - where the assets are held in order to collect contractual cash flows,
   - to both collect the contractual cash flows and sell the financial asset, or
   - they are held in other business models,

2. the cash flow characteristics of the financial assets - the assessment is focused on whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

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

I. Financial assets at amortised cost

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

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

Interest income on these financial assets is calculated by effective interest method and is included under the line 'Net interest income' in the 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 financial assets are reported under the line item 'Other gains/losses from derecognition of financial Instruments not measured at fair value through profit of loss'.

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

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

II. Financial assets at fair value through other comprehensive income

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

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

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

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

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

In the 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.

Classification and subsequent measurement of financial liabilities

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

I. Financial liabilities at amortised cost

For presentation on the balance sheet, the line item 'Financial liabilities 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 from financial liabilities are calculated using effective interest method and 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'.

II. Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL consist of financial liabilities held for trading presented under the two categories 'Financial liabilities held for trading', sub-item 'Other financial liabilities' and ´Financial liabilities designated at FVPL´. The Group does not recognise any of liabilities under these categories.

Impairment of financial instruments

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

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

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

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

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

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

12-month expected credit loss is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. More detailed information about identification of significant increases in credit risk including collective assessment, estimation techniques used to measure 12-month and lifetime expected credit losses and definition of default is provided in note 34.

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

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

In the 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'.

Contingent liabilities

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

Write-offs of financial assets

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

Derecognition of financial instruments

I. Derecognition of financial assets

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

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

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

II. Derecognition of financial liabilities

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

Derivative financial instruments

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

For presentation purposes derivatives are split into:

- Derivatives – held for trading
- Derivatives – hedge accounting

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

Derivatives – held for trading are those, which are not designated as hedging instruments for hedge accounting. They are presented in the balance sheet line item 'Derivatives' under the heading

'Financial assets / Financial liabilities held for trading'. All type of non-hedging derivatives regardless to their internal classification, i.e. both derivatives held in the trading book and banking book, are presented in this line item.

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

Changes in the fair value (clean price) of derivatives – held for trading as well as of derivatives designated as hedging instruments in fair value hedges are reported in the 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 (dirty price) of derivatives in cash flow hedges is reported as other comprehensive income in the line item 'Cash flow hedge reserve' of the statement of comprehensive income. The ineffective part of changes in the fair value (dirty price) of derivatives in cash flow hedges is reported in the statement of income under the line item 'Net trading result'.

Embedded derivatives

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

Embedded derivatives are separated from the host debt instruments if:

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

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

Repo transactions and reversal repo transactions

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

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

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

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

Securities lending and borrowing

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

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

Hedge accounting

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

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

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

Offsetting financial instruments

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

Financial guarantees

In the ordinary course of business, the Group provides financial guarantees, consisting of various types of letters of credit and guarantees. According to IFRS 9 the financial guarantee is a contract that requires the guarantor to make specified payments to reimburse the holder for a loss it incurs in case a specified debtor fails to make a payment when due in accordance with the original or modified terms of a debt instrument.

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

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

Leases

Leases under IFRS 16

The Group leases various land and office premises. Rental contracts are typically made for fixed periods in average of 5 years length. Until 31 December 2018 leases of land and premises were classified as operating leases under IAS 17. As at 1 January 2019, new standard IFRS 16 became effective. Since then leases are recognised as a right-of-use asset and a corresponding lease liability starting from the date when the leased asset became available for use by the Group, the commencement date.

IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset presented under the balance sheet line item ´Property and equipment´ and a lease liability representing its obligation to make lease payments presented under the balance sheet line item ´Lease liabilities´. There are recognition exemptions for short-term leases and leases of low-value items. As short-term leases are classified leases with the lease term of 12 months and less as at commencement date. As a low-value assets are classified leases for which the value of the individual lease asset, when new, amounts to EUR equivalent of 5 000 USD as a maximum.

At inception date of a contract, the contract is assessed for whether it contains a lease, i.e. whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. A right-of-use asset and a lease liability are recognised at the lease commencement date. The right-of-use asset is initially measured at cost and subsequently depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term. The cost of the right-of-use asset comprises: the present value of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset. The Group uses the straight-line method of depreciation. Right-of-use assets are subject to the impairment regulations of IAS 36.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments comprise fixed lease payments. The incremental borrowing rate for property leases consists of Euribor as a base rate. The determination of the incremental borrowing rate for property leases is based on two components, the market rate and the single property rate. The market rate considers the lease term, creditworthiness and the base rate Euribor and is derived from existing group data from the lending business. The single property rate represents a surcharge to the market rate based on the quality of the single property.

Lessor accounting remains similar to the IAS 17 standard, i.e. the lessor continues to classify leases as finance or operating leases. Compared to IAS 17 the disclosure requirements are more comprehensive under IFRS 16. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

The Group transited to IFRS 16 using the modified retrospective approach according to IFRS 16.C5 (b) whereby comparative information were not restated. All contracts which were previously identified as leases applying IAS 17 and IFRIC 4 were taken over into IFRS 16. The Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The right-of-use assets were recognised at an amount equal to the lease liabilities (IFRS 16.C8 (b)(ii)). The Group's equity was not impacted by the initial application. The Group does not apply IFRS 16 to any leases on intangible assets. The Group uses the exemption for short-term leases and leases of low-value items whereby the right-of-use asset is not recognised.

In the statement of financial position, right-of-use assets have been included in the line item 'Property and equipment'.

Interest expense calculated represents finance cost of leasing and is included in the line item ´Other liabilities´ of the income statement line ´Interest expenses´.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

The application of IFRS 16 will have an impact on future profit or loss. While the total amount of the expenses charged over the lease term remains the same, the distribution in time and the disclosure of the related expenses in profit or loss change. According to IAS 17, expenses for operating leases are recognised on a straight-line basis. According to IFRS 16 expenses are to be split between interest expenses and depreciation. Interest expenses decrease over the lease term, but depreciation is generally carried out on a straight-line basis, which results in a shift of expenses into the earlier periods of the lease term.

In the context of transition to IFRS 16, right-of-use assets and lease liabilities in the amount of EUR 10.7 million were recognised as at 1 January 2019. Mainly land and buildings are subject to lease at the Group.

Reconciliation of total lease commitments to lease liabilities

	EUR ths.
Operating lease commitments (IAS 17) undiscounted as of 31 December 2018	**19 276**
(-) Discounting (using incremental borrowing rates as at 1 January 2019)	(1 500)
Discounted operating lease commitments as of 1 January 2019	**17 776**
Recognition exemption for:	-
(Less): short-term leases	(1 487)
(Less): leases of low-value assets	(49)
Add/(Less): Extension and termination options reasonably certain to be exercised	-
Add/(Less): Other	-
Lease liabilities recognised as of 1 January 2019	**16 240**

The movement of right of use assets by class of underlying items is analysed in the Note 22.

Leases under IAS 17

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

I. The Group as a lessor

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

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

II. The Group as a lessee

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

According to IFRS 16 the Group as a lessee recognises the righ-of-use that represents the asset related to the right to use the underlying asset and the lease liability that represents the obligation for leasing payments.

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

Operating lease commitments (IAS 17) disclosed as of 31 December 2018 were as follows:

EUR ths.	31.12.2018
< 1 year	5 952
1-5 years	5 863
> 5 years	1 897
Total	**13 712**

Foreign currency translations

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

Transactions in foreign currencies are initially recorded at the functional currency exchange rate effective as of the date of the transaction. Subsequently, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate as of the balance sheet date. All resulting exchange differences that arise are recognised in the 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.

Trade and other receivables

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

Property and equipment

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

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

The estimated useful lives are as follows:

Type of property and equipment	Useful life in years 2018 and 2019
Own buildings and structures	30 years
Rented premises	per contract
Office furniture and equipment	4 – 6 years
Computer hardware	4 years
Passenger cars	4 years
Fixture and fittings	6 – 12 years

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

Investment property

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

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

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

Intangible assets

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

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

The estimated useful lives are as follows:

Type of intangible assets	Useful life in years 2018 and 2019
Core banking system and related applications	8 years
Computer software	4 - 8 years

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

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

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

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

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

Defined employee pension plans

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

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

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

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

Provisions

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

Levies

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

Taxes

I. Current tax

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

II. Deferred tax

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

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

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

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

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

Fiduciary assets

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

Dividends on ordinary shares

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

Recognition of income and expenses

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

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

I. Net interest income

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

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

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

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

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

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

II. Net fee and commission incomeií

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

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

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

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

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

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

III. Dividend income

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

IV. Net trading result

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

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

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

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

VI. Rental income from investment properties and other operating leases

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

VII. Personnel expenses

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

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

VIII. Other administrative expenses

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

Furthermore, the line item contains deposit insurance contributions expenses.

IX. Depreciation and amortisation

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

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

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

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

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

XII. Impairment result from financial instruments

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

XIII. Other operating result

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

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

e) Significant accounting judgements, assumptions and estimates

The consolidated financial statements contain amounts that have been determined on the basis of judgements and by the use of estimates and assumptions. The estimates and assumptions used are based on historical experience and other factors, such as planning as well as expectations and forecasts of future events that are currently deemed to be reasonable. As a consequence of the uncertainty associated with these assumptions and estimates, actual results could in future periods lead to adjustments in the carrying amounts of the related assets or liabilities. The most significant uses of judgements, assumptions and estimates are 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 accounting judgements. These judgements are crucial in the classification and measurement process as they determine whether the asset has to be measured at FVPL or, depending on the business model assessment, at amortised cost or at FVOCI. When taking into consideration specific features of loans in the business of the Group, significant areas of judgement are prepayment fees, project financing loans and benchmark test for loans with interest mismatches features.

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

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

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

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

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

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

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

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

Business model assessment

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

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

Impairment of financial instruments

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

From 1. January 2018 the new methodology for impairment of financial instruments was introduced under IFRS9. The Group applies staging with relevant credit risk parameters. IFRS 9 establishes a three stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. Disclosures on methodology for impairment of financial Instruments are described in note 34.

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 35.

Deferred tax assets

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

f) Application of new and amended IAS / IFRS

The Group has adopted all the standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC), as adopted by the European Union, which are valid for the current reporting period and relevant for its business. The following standards, interpretations and their amendments are applicable for the first time in the year 2019:

Effective standards and interpretations

The following standards, their amendments and interpretation have become mandatory for the financial year 2019 and have been, endorsed by the EU:

- IFRS 16: Leases,
- Amendments to IFRS 9: Prepayment features with negative compensation,
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement,
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures,
- Annual Improvements to IFRSs 2015-2017 Cycle (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23),
- IFRIC 23: Uncertainty over Income Tax Treatments.

Adoption of IFRS 16, Leases. The Group has adopted IFRS 16 retrospectively from 1 January 2019 with certain simplifications and exemptions, and has not restated comparatives for the 2018 reporting period, as permitted under the transitional provisions of IFRS 16. The effects of application of IFRS 16 are decribed in Note Bd). Otherwise application of the above mentioned amendments and interpretation did not have a significant impact on the Bank's financial statements.

Standards and interpretations not yet effective

The standards, amendments and interpretations shown below were issued by the IASB but are not yet effective (mandatory for the annual periods beginning on or after 1 January 2020 or later).

Following standards, amendments and interpretations are already endorsed by the EU:

Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued in September 2019 and are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. The Group does not expect significant impact to the Group's financial statements arising from implementation of these amendments.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Group does not expect significant impact to the Group's financial statements arising from implementation of these amendments.

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

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective and the Groups will apply them and assess their impact from 1 January 2020.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). The Group does not expect significant impact to the Group's financial statements arising from implementation of these amendments.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The Group does not expect significant impact to the Group's financial statements arising from implementation of these amendments.

C. NOTES

1. Net interest income

EUR ths.	2018	2019
Interest and other similar income		
Financial assets at amortised cost	471 042	458 395
Demand deposits	7	7
Loans and advances	364 015	354 962
Debt securities	107 020	103 426
Interest income	471 042	458 395
Non-trading financial assets at fair value through profit or loss	168	86
Financial assets - held for trading	14 511	15 579
Derivatives - hedge accounting, interest rate risk	(9 252)	(9 263)
Other assets	1 855	4 273
Negative interest from financial liabilities	1 009	1 020
Other similar income	**8 291**	**11 695**
Total interest income	**479 333**	**470 090**
Interest and other similar expenses		
Financial liabilities measured at amortised cost	(29 596)	(29 148)
Deposits	(13 805)	(12 235)
Debt securities in issue	(15 791)	(16 913)
Interest expenses	**(29 596)**	**(29 148)**
Financial liabilities - held for trading	(13 433)	(14 157)
Derivatives - hedge accounting, interest rate risk	1 689	4 994
Other liabilities	(165)	(1 126)
Other similar expenses	**(11 909)**	**(10 289)**
Total Interest expenses	**(41 505)**	**(39 437)**
Net interest income	**437 828**	**430 653**

Interest income for the year 2019 included interests related to impaired financial assets in the amount of 8.4 mil. Eur (2018: 8.1 mil. Eur).

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

Negative interest from financial assets that relates to transactions with financial institutions for the year 2019 amounted 0.3 mil. Eur (2018: 0.1 mil. Eur) is disclosed under line item 'Interest income from financial assets at amortised cost – Loans and advances'. Negative interest from financial liabilities that relates to transactions with financial institutions for the year 2019 amounted 0.9 mil. Eur (2018: 1.7 mil. Eur) is disclosed under line item 'Interest expense from financial liabilities measured at amortised cost – Deposits' in amount of 0.2 mil.Eur (2018: 0.7 mil. Eur) and under line item 'Negative interest income from financial liabilities' in amount of 0.7 mil. Eur (2018: 1.0 mil. Eur).

The line item ´Other liabilities´ comprises impact from implementation of new standard IFRS 16 Leases effective since 1 January 2019.

2. Net fee and commission income

EUR ths.	2018	2019
Fee and commission income		
Securities	1 895	3 016
Issuances	483	245
Transfer orders	308	1 153
Other	1 104	1 618
Asset management	7 876	8 649
Custody	1 176	1 437
Collective investment	418	468
Other	758	969
Payment services	97 116	100 492
Card business	37 842	42 194
Others	59 274	58 298
Customer resources distributed but not managed	26 613	32 790
Collective investment	-	-
Insurance products (as agent)	26 590	32 770
Other	23	20
Lending Business	20 399	24 045
Loan commitments given	3 846	2 851
Financial guarantees given	3 680	3 949
Other lending business	12 873	17 245
Other	690	1 259
Total fee and commission income	**155 765**	**171 682**
Fee and commission expense		
Securities	(779)	(831)
Transfer orders	(766)	(827)
Other	(13)	(4)
Custody	(837)	(1 114)
Payment services	(16 342)	(17 869)
Card business	(12 493)	(13 561)
Others	(3 849)	(4 308)
Customer resources distributed but not managed	(1 919)	(1 176)
Insurance products (as agent)	(1 919)	(1 176)
Lending Business	(7 032)	(5 455)
Financial guarantees received	(17)	(15)
Other lending business	(7 015)	(5 440)
Other	(35)	(71)
Total fee and commission expense	**(26 944)**	**(26 516)**
Net fee and commission income	**128 821**	**145 166**

3. Dividend income

EUR ths.	2018	2019
Non-trading financial assets at fair value through profit or loss	715	512
Financial assets at fair value through other comprehensive income	329	439
Dividend income	**1 044**	**951**

4. Net trading result

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

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

EUR ths.	2018	2019
Securities trading	2 751	3 632
Derivatives trading	7 122	17 034
Result from hedge accounting	(204)	55
Net trading result	**9 669**	**20 721**

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

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

EUR ths.	2018	2019
Result from measurement/sale of financial assets mandatorily at fair value through profit or loss	2 145	(3 732)
Gains/losses from financial instruments measured at fair value through profit or loss	**2 145**	**(3 732)**

6. Rental income from investment properties and other operating leases

EUR ths.	2018	2019
Investment properties	310	293
Other operating leases	-	883
Rental income from investment properties & other operating leases	**310**	**1 176**

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

7. General administrative expenses

EUR ths.	2018	2019
Personnel expenses	**(141 810)**	**(148 896)**
Wages and salaries	(102 042)	(105 947)
Compulsory social security	(34 883)	(36 291)
Long-term employee provisions	(250)	(2 538)
Other personnel expenses	(4 635)	(4 120)
Other administrative expenses	**(96 504)**	**(92 742)**
Deposit insurance contribution	(866)	(962)
IT expenses	(37 802)	(38 955)
Expenses for office premises	(22 818)	(13 446)
Office operating expenses	(9 851)	(10 568)
Advertising/marketing	(14 620)	(15 023)
Legal and consulting costs	(3 754)	(4 287)
Sundry administrative expenses	(6 793)	(9 501)
Depreciation and amortisation	**(42 787)**	**(46 868)**
Software and other intangible assets	(23 469)	(20 845)
Owner occupied real estate	(10 692)	(15 887)
Investment properties	(211)	(218)
Office furniture and equipment and sundry property and equipment	(8 415)	(9 918)
General administrative expenses	**(281 101)**	**(288 506)**

As at 31 December 2019 the Group had 4 081 employees, thereof five members of the Board of Directors.
As at 31 December 2018 the Group had 4 105 employees, thereof five members of the Board of Directors.

Effective from 1 January 2019 based on implementation of new standard IFRS 16 Leases the Group does not report rental expenses for operational leases in the line item ´Expenses for office premises´ under the group ´Other administrative expenses´. In accordance with IFRS 16 the Group´s obligation to make lease payments till the end of rental contract constituted basis for lease liability and the right-of-use asset, which were recognised in the Group´s balance sheet at inception date. The right-of-use asset is depreciated on the straight line basis till the end of contracted period and is disclosed as part of depreciation for ´Owner occupied real estate´ in line item ´Depreciation and amortisation´. Expenses for leases complying with recognition exemptions for short-term leases (less than 12 months) and leases of low-value items under IFRS 16 are disclosed on the same principle as in previous period under the line item ´Expenses for office premises´.

The Group is legally obliged to make a contribution to the Deposit Protection Fund, which is accounted for in accordance with the IFRIC 21. The amount of this annual contribution is calculated based on the Group's customer deposit liabilities. The contribution to the Deposit Protection Fund was paid in June 2019.

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

EUR ths.	2018	2019
Audit of consolidated financial statements	(492)	(527)
Other assurance services	(98)	(98)
Tax consulting services	-	-
Other non-audit services	(28)	(25)
Total	**(618)**	**(650)**

Other assurance services in the amount of 98 ths. Eur (2018: 98 ths. Eur) related to a review of the special-purpose standard reporting forms. Other non-audit services in the amount of 25 ths. Eur (2018: 28 ths. Eur) related to agreed-upon procedures on the Group's compliance with the covenants of the loan agreement between the Group and the European Bank for Reconstruction and Development; report on compliance with articles 71h - 71k of the Act No. 566/2001 Coll. on securities and investment services; reports ISAE 3000 and ISAE 3402 prepared in acordance with International Standard on Assurance Engagements.

8. Impairment result from financial instruments

EUR ths.	2018	2019
Financial assets at amortised cost	(26 018)	(45 052)
Net allocation of loss allowances	(29 293)	(51 946)
Direct write-offs	(1 260)	(1 959)
Recoveries recorded directly to the income statement	4 535	8 853
Finance lease	72	(3 565)
Net allocation of loss allowances for commitments and guarantees given	2 424	5 961
Impairment result from financial instruments	**(23 522)**	**(42 656)**

9. Other operating result

EUR ths.	2018	2019
Other operating expenses	**(43 719)**	**(45 251)**
Allocation to other provisions	(465)	(1 075)
Levies on banking activities	(33 030)	(35 588)
Banking tax	(30 306)	(32 521)
Resolution fund	(2 724)	(3 067)
Other taxes	(216)	(217)
Losses from derecognition of tangible and intagible assets	(260)	-
Other	(9 748)	(8 371)
Other operating income	**3 561**	**6 583**
Release of other provisions	585	1 077
Gains from derecognition of tangible and intagible assets	-	993
Other	2 976	4 513
Other operating result	**(40 158)**	**(38 668)**

The Group is legally obliged to make a contribution to the National resolution fund ('Resolution fund'), which is accounted for in accordance with the IFRIC 21. Estimated amount of contribution is during the year recorded on the balance sheet line item 'Provisions'. The contribution to the Resolution Fund was paid in May 2019.

10. Taxes on income

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

EUR ths.	2018	2019
Pre-tax profit / loss	235 062	226 524
Statutory tax rate	21%	21%
Theoretical income tax expense	49 363	47 570
Impact of tax-exempt earnings	(1 579)	(6 045)
Impact of tax non-deductible expenses	5 086	3 033
Net impact of non-valued fiscal losses for the year	-	88
Tax expenses / earnings not attributable to the reporting period	62	1 920
Total	**52 932**	**46 565**
Current tax expense / income	(50 094)	(54 056)
current period	(50 094)	(54 056)
Deferred tax expense / income	(2 838)	7 491
current period	(2 838)	7 491
Total	**(52 932)**	**(46 565)**

Expiration of tax losses

EUR ths.	2018	2019
2019	832	-
2020	769	769
2021	-	-
2022	-	-
2023	-	-
Total	**1 601**	**769**

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

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

11. Cash and cash balances

EUR ths.	31.12.2018	31.12.2019
Cash on hand	407 193	398 088
Cash balances at central banks	1 704	93 129
Other demand deposits to credit institutions	7 196	10 224
Cash and cash balances	**416 093**	**501 441**

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.

As at 31 December 2019 the balances at central banks included a mandatory reserve deposit in the amount of 87.9 mil. Eur (2018: 1.7 mil. Eur). For the period covering the year-end 2019 the prescribed balance of the mandatory reserve deposit amounted 141.1 mil. Eur (2018: 134.3 mil. Eur).

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

12. Derivatives held for trading

EUR ths.	31.12.2018			31.12.2019		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	**1 733 868**	**42 272**	**40 368**	**2 476 840**	**41 112**	**35 709**
Interest rate derivatives	1 434 030	10 285	8 468	2 132 669	15 594	14 084
Equity derivatives	1 451	-	-	-	-	-
Foreign exchange derivatives	298 387	31 987	31 900	344 171	25 518	21 625
Derivatives held in the banking book	**65 771**	**669**	**693**	**101 637**	**311**	**4 315**
Equity derivatives	65 088	669	669	101 637	311	4 315
Foreign exchange derivatives	683	-	24	-	-	-
Total gross amounts	**1 799 639**	**42 941**	**41 061**	**2 578 477**	**41 423**	**40 024**

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

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

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

EUR ths.	31.12.2018		31.12.2019	
	Designated at fair value	Mandatorily at fair value	Designated at fair value	Mandatorily at fair value
Equity instruments	-	5 620	-	16 458
Debt securities	-	23 622	-	3 175
Credit institutions	-	20 170	-	-
Other financial corporations	-	3 452	-	3 175
Non-trading financial assets at fair value through profit or loss	**-**	**29 242**	**-**	**19 633**

Debt securities classified under category ´Mandatorily at fair value´ represents financial assets, which do not comply with the SPPI criteria under IFRS 9. Based on the strategic decision of the Group, the category ´Mandatorily at fair value´ also includes ´Equity Instruments´ for which the same classification criteria as for debt securities are used.

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 Group ceased to exist as the shareholder of the company Poisťovňa SLSP, a. s. Vienna Insurance Group. At the same date (1 April 2018) the Group acquired investment in company KOOPERATIVA poisťovňa, a. s. in the notional amount of 763 ths. Eur, which represents the share of 1.53 % in the share capital of the company.
As at 31 December 2019 was this investment revalued to the fair value of 6.7 mil. Eur (2018: 5.6 mil. Eur).

14. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include only Equity instruments in amount of 89.3 mil. Eur that the Group holds for strategic business decisions and are not subject to any impairment requirements. All the accumulated fair value movements for these investments are presented solely in other comprehensive income (OCI) with no subsequent presentation in Profit or loss at any time point allowed.

15. Financial assets at amortised cost

Gross carrying amounts and credit loss allowances

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

The amounts represent the maximum exposure to credit risk. As at 31 December 2019 the Group had no reverse repo agreements.

As at 31 December 2019, 15 largest customers accounted for 5.2 % of the gross loan portfolio amounting to 730.1 mil. Eur.

EUR ths. As of 31.12.2018	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	**3 551 013**	**-**	**-**	**-**	**3 551 013**	**(382)**	**-**	**-**	**-**	**(382)**	**3 550 631**
General governments	3 301 947	-	-	-	3 301 947	(263)	-	-	-	(263)	3 301 684
Credit institutions	127 676	-	-	-	127 676	(75)	-	-	-	(75)	127 601
Other financial corporations	25 277	-	-	-	25 277	(24)	-	-	-	(24)	25 253
Non-financial corporations	96 113	-	-	-	96 113	(20)	-	-	-	(20)	96 093
Loans and advances to banks	**47 819**	**1**	**-**	**-**	**47 820**	**(24)**	**-**	**-**	**-**	**(24)**	**47 796**
Credit institutions	47 819	1	-	-	47 820	(24)	-	-	-	(24)	47 796
Loans and advances to customers	**12 362 873**	**327 849**	**338 895**	**102 781**	**13 132 397**	**(35 401)**	**(33 865)**	**(229 723)**	**(51 337)**	**(350 326)**	**12 782 071**
General governments	230 021	111	-	-	230 133	(193)	(2)	-	-	(195)	229 938
Other financial corporations	154 560	93	10	-	154 663	(164)	(12)	(8)	-	(184)	154 479
Non-financial corporations	2 699 507	73 359	25 040	97 682	2 895 587	(6 972)	(4 084)	(16 906)	(48 396)	(76 358)	2 819 229
Households	9 278 785	254 286	313 845	5 099	9 852 014	(28 072)	(29 767)	(212 809)	(2 941)	(273 589)	9 578 425
Total	**15 961 705**	**327 850**	**338 895**	**102 781**	**16 731 230**	**(35 807)**	**(33 865)**	**(229 723)**	**(51 337)**	**(350 732)**	**16 380 498**

As at 31 December 2018, 15 largest customers accounted for 5.2 % of the gross loan portfolio amounting to 688.5 mil. Eur.

Allowances for financial assets at amortised cost

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

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

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

Movement table of credit loss allowances above represents changes in allowances disclosed based on the reason of the change and is prepared on as at 31 December 2018 in comparison to 1 January of the respective reported period. The table contains allocations, releases, reclassifications between stages as well as use of the credit loss allowances. Due to the fact that not all of these movements are accounted through income statement, so the full reconciliation to 'Impairment result from financial instruments' line in the Statement of profit or loss is not achievable. Furthermore certain expenses such as write offs, sales and unwinding correction are recognised in the balance sheet line ´Financial assets at amortised cost´ and are not disclosed in the movement table.

In column 'Additions' increases of CLA due to the initial recognition of loans at AC during the current reporting period are disclosed. Releases of CLA following the derecognition of the loans at amortised cost are reported in column 'Derecognitions'.

In column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related amortised cost loans from Stage 1 (as at 1 January 2019 or initial recognition date) to Stages 2 or 3 as at 31 December 2019 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line 'Stage 1'. The income statement-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in columns 'Net changes due to modifications without derecognition' and ´Decrease in allowance account due to write-offs´.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Other changes´. In 2019 the column ´Other adjustments´contains loss allowances acquired in connection with acquisition of part of business from subsidiary S Slovensko, spol. s r.o.

EUR ths.	01.01.2018	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2018
Debt securities									
Stage 1	**(459)**	**(24)**	**21**	**77**	**3**	**-**	**-**	**-**	**(382)**
General governments	(306)	(2)	3	43	-	-	-	-	(262)
Credit institutions	(71)	(15)	18	(7)	-	-	-	-	(75)
Other financial corporations	-	(7)	-	19	(37)	-	-	-	(25)
Non-financial corporations	(82)	-	-	22	40	-	-	-	(20)
Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total allowances for debt securities	**(459)**	**(24)**	**21**	**77**	**3**	**-**	**-**	**-**	**(382)**

EUR ths.	01.01.2018	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2018
Loans and advances to banks									
Stage 1	**-**	**(1 972)**	**1 992**	**(44)**	**-**	**-**	**-**	**-**	**(24)**
Credit institutions	-	(1 972)	1 992	(44)	-	-	-	-	(24)
Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total allowances for loans and advances to banks	**-**	**(1 972)**	**1 992**	**(44)**	**-**	**-**	**-**	**-**	**(24)**

EUR ths.	01.01.2018	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without dere-cognition	Decrease in al-lowance account due to write-offs	Other adjustments	31.12.2018
Loans and advances to customers									
Stage 1	**(35 603)**	**(28 573)**	**1 439**	**11 187**	**16 109**	**-**	**40**	**-**	**(35 401)**
General governments	(189)	(76)	-	22	50	-	-	-	(193)
Other financial corporations	(210)	(655)	3	699	(1)	-	-	-	(164)
Non-financial corporations	(8 570)	(15 292)	420	13 934	2 536	-	-	-	(6 972)
Households	(26 634)	(12 550)	1 016	(3 468)	13 524	-	40	-	(28 072)
Stage 2	**(39 736)**	**(6 410)**	**461**	**19 591**	**(7 915)**	**-**	**145**	**-**	**(33 865)**
General governments	(3)	(16)	-	17	-	-	-	-	(2)
Other financial corporations	(5)	(8)	1	6	(6)	-	-	-	(12)
Non-financial corporations	(6 148)	(1 785)	68	5 715	(1 952)	-	18	-	(4 084)
Households	(33 580)	(4 601)	392	13 853	(5 957)	-	127	-	(29 767)
Stage 3	**(223 927)**	**(4 692)**	**3 753**	**(25 188)**	**(32 262)**	**-**	**52 593**	**-**	**(229 723)**
General governments	(1)	-	-	-	-	-	1	-	-
Other financial corporations	(19)	(6)	-	3	-	-	14	-	(8)
Non-financial corporations	(26 355)	(1 763)	17	1 147	(2 656)	-	12 705	-	(16 906)
Households	(197 552)	(2 923)	3 736	(26 338)	(29 606)	-	39 873	-	(212 809)
POCI	**(59 539)**	**-**	**896**	**1 317**	**-**	**-**	**5 990**	**-**	**(51 337)**
Other financial corporations	(281)	-	-	281	-	-	-	-	-
Non-financial corporations	(54 834)	-	663	194	-	-	5 581	-	(48 396)
Households	(4 424)	-	233	842	-	-	409	-	(2 941)
Total allowances for loans and advances to customers	**(358 805)**	**(39 675)**	**6 549**	**6 907**	**(24 068)**	**-**	**58 768**	**-**	**(350 326)**

Transfers of gross carrying amount between impairment stages

EUR ths.	2018	2019
Transfers between Stage 1 and Stage 2	**356 656**	**436 091**
To Stage 2 from Stage 1	171 369	333 496
To Stage 1 from Stage 2	185 287	102 595
Transfers between Stage 2 and Stage 3	**63 831**	**68 555**
To Stage 3 from Stage 2	47 228	58 714
To Stage 2 from Stage 3	16 603	9 841
Transfers between Stage 1 and Stage 3	**82 636**	**95 063**
To Stage 3 from Stage 1	63 029	76 753
To Stage 1 from Stage 3	19 607	18 310

Mandate loans

During the year 2019 the Group cooperated with 4 external companies (2018: 4 companies). Based on the mandate contracts the management and administration of certain non-performing receivables is outsourced to the external company. In case of mandate loans, the Group maintains risks and rewards associated with the underlying exposures. External service providers are rewarded by commission from the claimed amount of loans, which are subject to the mandate contracts.

As at 31 December 2019 the total amount of gross loans outsourced was 119.1 mil. Eur (2018: 145.5 mil. Eur).

Write off and sale of receivables

During the year 2019 the Group sold loan receivables in the amount of 93.0 mil. Eur (2018: 47.8 mil. Eur) for a consideration of 22.9 mil. Eur (2018: 7.1 mil. Eur) and used the corresponding allowances amounting 78.6 mil. Eur (2018: 43.4 mil. Eur). Once loan receivables are sold, the Group transfers all risks and rewards attributable to them and does not have any continuing involvement in the loan receivables subsequent to their sale.

In the year 2019 the Group has written off loans and finance lease receivables in the amount of 17.9 mil. Eur (2018: 17.3 mil. Eur) and used the respective allowances amounting 16.0 mil. Eur (2018: 15.8 mil. Eur).

16. Finance lease receivables

The principal assets held under lease arrangements include cars and other technical equipment. As at 12 April 2019 the Group acquired new leasing contracts from its subsidiary S Slovensko, spol. s r.o.. The impact of this transaction represents increase in finance lease receivables by 44.8 mil. EUR.

Gross carrying amounts and credit loss allowances

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

EUR ths. As of 31.12.2018	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	57	-	-	-	57	-	-	-	-	-	57
Other financial corporations	349	-	-	-	349	-	-	-	-	-	349
Non-financial corporations	127 569	168	289	-	128 026	(80)	-	(107)	-	(187)	127 839
Households	1 261	11	3	-	1 275	(1)	-	(3)	-	(4)	1 271
Total	**129 236**	**179**	**292**	**-**	**129 707**	**(81)**	**-**	**(110)**	**-**	**(191)**	**129 516**

Allowances for finance lease receivables

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

The movement table including detail description of columns is described in note 15.

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

EUR ths.	01.01.2018	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without dere-cognition	Decrease in al-lowance account due to write-offs	Other adjustments	31.12.2018
Stage 1	**(196)**	**(98)**	**2**	**211**	**-**	**-**	**-**	**-**	**(81)**
Other financial corporations	(1)	(1)	-	2	-	-	-	-	-
Non-financial corporations	(194)	(96)	-	210	-	-	-	-	(80)
Households	(1)	(1)	2	(1)	-	-	-	-	(1)
Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Stage 3	**(541)**	**-**	**-**	**217**	**(28)**	**-**	**242**	**-**	**(110)**
Non-financial corporations	(493)	-	-	183	(28)	-	231	-	(107)
Households	(48)	-	-	34	-	-	11	-	(3)
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(737)**	**(98)**	**2**	**428**	**(28)**	**-**	**242**	**-**	**(191)**

Transfers of gross carrying amount between impairment stages

EUR ths.	2018	2019
Transfers between Stage 1 and Stage 2	**475**	**2 625**
To Stage 2 from Stage 1	475	1 228
To Stage 1 from Stage 2	-	1 397
Transfers between Stage 2 and Stage 3	**-**	**3 121**
To Stage 3 from Stage 2	-	3 121
To Stage 2 from Stage 3	-	-
Transfers between Stage 1 and Stage 3	**159**	**5 014**
To Stage 3 from Stage 1	159	5 014
To Stage 1 from Stage 3	-	-

Minimum lease payments

EUR ths.	31.12.2018	31.12.2019
Gross investment in finance leases	**136 946**	**225 922**
Thereof:		
< 1 year	32 777	59 174
1-5 years	82 246	132 617
> 5 years	21 923	34 131
Unearned income	**(7 239)**	**(8 165)**
Net investment in finance leases	**129 707**	**217 757**
Thereof:		
< 1 year	30 505	58 072
1-5 years	78 089	126 904
> 5 years	21 113	32 781

17. Hedge accounting derivatives

EUR ths.	31.12.2018			31.12.2019		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Fair value hedges	**895 521**	**9 905**	**41 348**	**1 145 521**	**23 020**	**48 041**
Interest rate	895 521	9 905	41 348	1 145 521	23 020	48 041
Total gross amounts	**895 521**	**9 905**	**41 348**	**1 145 521**	**23 020**	**48 041**

Fair value hedge of assets

As at 31 December 2019 the Group held in portfolio of financial assets at amortised cost fixed rate bonds denominated in Eur with nominal value of 381.2 mil. Eur (2018: 381.2 mil. Eur). As the purchases of these bonds increased exposure to interest rate risk in the period from five to fifteen years, the Group entered into interest rate swap deals in order to hedge the changes of fair value caused by changes of risk-free interest rates, paying fixed and receiving floating rates.

During the year 2019 the hedges were effective in hedging fair value exposure to interest rate movements. During the period the Group recognised a net loss on the hedging instruments in the amount of 6.6 mil. Eur (2018: net gain 0.6 mil. Eur). On the other hand, a net gain on the hedged item attributable to the hedged risk amounted to 6.4 mil. Eur (2018: net loss 0.6 mil. Eur).

Fair value hedge of liabilities

The Group uses hedging to secure its issued fixed rate covered bonds (former mortgage bonds). The list of bonds is disclosed in the note 24. As at 31 December 2019 the Group holds covered bonds in total notional value of 764.3 mil. Eur (2018: 514.3 mil. Eur).

During the year 2019 the hedges were effective in hedging fair value exposure to interest rate movements. During the period the Group recognised a net gain on the hedging instruments in the amount of 12.6 mil. Eur (2018: net gain 2.5 mil. Eur). On the other hand, a net loss on the hedged item attributable to the hedged risk amounted to 12.5 mil. Eur (2018: net loss 2.7 mil. Eur).

18. Trade and other receivables

Gross carrying amounts and credit loss allowances

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

EUR ths. As of 31.12.2018	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	-	9	-	-	9	-	-	-	-	-	9
Other financial corporations	100	56	-	-	157	-	-	-	-	-	157
Non-financial corporations	93 460	2 281	3 111	-	98 852	(307)	(8)	(2 855)	-	(3 170)	95 682
Households	105	-	397	-	502	-	-	(398)	-	(398)	104
Total	**93 665**	**2 346**	**3 508**	**-**	**99 520**	**(307)**	**(8)**	**(3 253)**	**-**	**(3 568)**	**95 952**

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

Allowances for trade and other receivables

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

The movement table including detail description of columns is described in note 15.

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

EUR ths.	01.01.2018	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2018
Stage 1	**(247)**	**(3 008)**	**2 066**	**882**	**-**	**-**	**-**	**-**	**(307)**
General governments	-	(3)	-	3	-	-	-	-	-
Other financial corporations	-	(4)	-	4	-	-	-	-	-
Non-financial corporations	(247)	(2 969)	2 055	854	-	-	-	-	(307)
Households	-	(32)	11	21	-	-	-	-	-
Stage 2	**-**	**-**	**-**	**(8)**	**-**	**-**	**-**	**-**	**(8)**
Non-financial corporations	-	-	-	(8)	-	-	-	-	(8)
Stage 3	(3 206)	-	-	(232)	(2)	-	187	-	(3 253)
Non-financial corporations	(2 826)	-	-	(215)	(2)	-	187	-	(2 856)
Households	**(380)**	**-**	**-**	**(17)**	**-**	**-**	**-**	**-**	**(397)**
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(3 453)**	**(3 008)**	**2 066**	**642**	**(2)**	**-**	**187**	**-**	**(3 568)**

Transfers of gross carrying amount between impairment stages

EUR ths.	2018	2019
Transfers between Stage 1 and Stage 2	**1 597**	**1 343**
To Stage 2 from Stage 1	1 597	1 342
To Stage 1 from Stage 2	-	1
Transfers between Stage 2 and Stage 3	**-**	**58**
To Stage 3 from Stage 2	-	58
To Stage 2 from Stage 3	-	-
Transfers between Stage 1 and Stage 3	**388**	**2 555**
To Stage 3 from Stage 1	388	2 555
To Stage 1 from Stage 3	-	-

19. Investments in associates

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 % subsidiary of Služby SLSP, s.r.o.)	Tomášikova 48 Bratislava 832 10 Slovenská republika	Real estate agency	100.00%	100.00%
LANED, a.s. (100 % subsidiary of Služby SLSP, s.r.o.)	Tomášikova 48 Bratislava 832 71 Slovenská republika	SPE-Real estate company	100.00%	100.00%
S Slovensko, spol. s r.o.	Tomášikova 48 Bratislava 832 75 Slovenská republika	Procurement	100.00%	100.00%
Procurement Services SK, s.r.o.	Tomášikova 48 Bratislava 831 04 Slovenská republika	Leasing company	51.00%	51.00%

Investments in associates of Slovenská sporiteľňa, a.s.

EUR ths.	Prvá stavebná sporiteľňa, a.s.		Slovak Banking Credit Bureau, s.r.o.		Holding Card Service, spol. s r. o.	
	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019
Place of business	Bajkalská 30 829 48 Bratislava Slovenská republika		Mlynské nivy 14 821 09 Bratislava Slovenská republika		Olbrachtova 1929/62, 140 00 Praha 4 Česká republika	
Main business activity	Banking		Retail credit register		Equity release company	
Ownership held	9.98%	9.98%	33.33%	33.33%	24.62%	24.62%
Voting rights held	35.00%	35.00%	33.33%	33.33%	24.62%	24.62%
IFRS Classification	Associate		Associate		Associate	
Reporting currency	EURO		EURO		EURO	
Dividend income received	-	-	-	-	-	-
Impairment loss recognized (cumulative basis)	-	-	-	-	-	-
Impairment loss recognized (allocation, release, use for the reporting year)	-	-	-	-	-	-
Loan commitments, financial guarantees and other commitments given	-	-	-	-	-	-
Investee's key financial information for the reporting year (as at reporting year-end)						
Cash and cash balances	163	685	235	267	10	8
Other financial assets	2 954 682	2 908 491	6	3	-	-
Non-financial assets	80 495	85 060	-	-	30 011	30 384
Current liabilities	2 776 229	2 717 299	5	19	-	-
Non-current liabilities	18 199	18 789	-	-	3	-
Operating Income	(28 735)	(33 212)	39	37	(22)	1
Post-tax result from continuing operations	14 091	14 767	37	36	(22)	1
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	14 091	14 767	37	36	(22)	1
Depreciation and amortization	(4 126)	(4 761)	(1)	-	-	-
Interest income	95 183	92 544	-	-	-	-
Interest expense	(43 516)	(35 258)	(1)	(1)	-	-
Tax expense/income	(4 715)	(4 546)	-	-	-	-

As at 31 December 2019 the Group held 9.98 % share of Prvá stavebná sporiteľňa, a.s. (hereafter 'PSS'), alike in the year 2018. In accordance with a contract with Erste Group Bank AG, the Group acts on behalf of its parent company, which held 25.02 % shares in PSS in both presented years. In the year 2004, in accordance with the approval of the National Bank of Slovakia, the Bank has nominated a representative in the Supervisory Board of PSS, who replaced a representative of Erste Group Bank AG. Consequently the Group has established significant influence in PSS and therefore the Bank's investment in PSS is presented as an associate.

Changes during the year 2019

As at 1 March 2019 the Bank acquired 100 % share in the company S Slovensko, spol. s r.o. This share was acquired from parent company Erste Group Bank AG in cash in total amount of 24.8 mil. Eur. The acquisition price represented the fair value of subsidiary.

As at 12 April 2019 the Bank acquired part of a business from its subsidiary S Slovensko, spol. s r.o. and took over total assets amounting 142.5 mil. Eur and total liabilities amounting to 124.9 mil. Eur for the cash consideration in fair value of the acquired part of business in amount of 17.6 mil. Eur. Subsequently respective assets and liabilities were recognised in historical cost.

Detail breakdown of Statement of financial position of the took over part of business is disclosed in the table below:

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

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

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

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 7 046 ths. Eur as at 31 December 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.

20. Tax assets and liabilities

The structure of tax assets and liabilities was as follows:

EUR ths.	Tax assets		Tax liabilities		Through PL	Through OCI	Through OCI
	31.12.2018	31.12.2019	31.12.2018	31.12.2019	Net variance 2019		
Assets							
Financial assets at fair value through other comprehensive income	-	-	(10 567)	(17 446)	-	(6 879)	(6 879)
Financial assets at amortised cost & trade & other receivables	44 692	51 014	-	-	6 322	-	6 322
Property and equipment & investment property	386	695	(1 676)	(1 075)	910	-	910
Other assets	44	12	-	-	(32)	-	(32)
Tax loss carried forward	336	1 224	-	-	888	-	888
Liabilities	**-**		**-**		**-**	**-**	**-**
Provisions	2 685	1 454	-	-	(1 231)	-	(1 231)
Provisions Employee benefits Pensions and other post retirement benefit obliga-tions - pension	667	1 249	-	-	514	67	581
Other liabilities	8 400	8 662	-	-	262	-	262
Gross deferred taxes	**57 211**	**65 150**	**(12 243)**	**(20 423)**	**6 571**	**(6 812)**	**(241)**
Net deferred taxes	44 968	44 727	-	-	-	-	-
Total current taxes	4 639	786	91	2 076	-	-	-
Total taxes	**49 607**	**45 513**	**91**	**2 076**	**-**	**-**	**-**

The Group applies conservative approach for the recognition of deferred tax assets and liabilities. Deferred tax liabilities are recognised in their full amount. Deferred tax assets are recognised only up to the amount, in which the Group expects realisation of tax benefits in the future. Deferred tax assets and liabilities are offset in accordance with the Group's accounting policy. Further information on taxes on income are disclosed in note 10.

21. Other assets

EUR ths.	31.12.2018	31.12.2019
Client settlement	11 058	22 859
Personnel balances	5 256	8 260
State budget, social and health insurance, taxes	1 275	1 857
Sundry assets	623	1 094
Other assets	**18 212**	**34 070**

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

Cost

EUR ths.	Land and buildings	Office equip-ment / other fixed assets	IT assets (hardware)	Movable other property	Property and equipment total	Right-of-use assets - Land and buildings	Investment properties
Balance as at 1 January 2018	**263 480**	**63 254**	**47 697**	**-**	**374 431**	**-**	**6 257**
Additions	6 015	3 774	6 269	-	16 058	-	-
Disposals	(11 180)	(4 902)	(715)	-	(16 797)	-	(371)
Reclassification	(377)	-	-	-	(377)	-	377
Balance as at 31 December 2018	**257 938**	**62 126**	**53 251**	**-**	**373 315**	**-**	**6 263**
Initial application of IFRS 16	-	-	-	-	-	16 240	-
Additions	6 176	3 749	8 043	4 751	22 719	7 195	-
Disposals	(11 601)	(9 432)	(12 727)	(3 935)	(37 695)	(143)	(159)
Additions related to acqui-sition of S Slovensko, spol. s r.o.	-	532	-	-	532	-	-
Reclassification	(387)	(539)	532	-	(394)	-	394
Balance as at 31 December 2019	**252 126**	**56 436**	**49 099**	**816**	**358 477**	**23 292**	**6 498**

Accumulated depreciation

EUR ths.	Land and buildings	Office equip-ment / other fixed assets	IT assets (hardware)	Movable other property	Property and equipment total	Right-of-use assets - Land and buildings	Investment properties
Balance as at 1 January 2018	**(135 534)**	**(53 887)**	**(35 445)**	**-**	**(224 866)**	**-**	**(4 227)**
Depreciation	(10 691)	(3 753)	(4 663)	-	(19 107)	-	(212)
Disposals	7 729	4 700	715	-	13 144	-	225
Impairment	(1 531)	-	-	-	(1 531)	-	(11)
Reversal of impairment	798	-	-	-	798	-	48
Reclassification	208	-	-	-	208	-	(208)
Balance as at 31 December 2018	**(139 021)**	**(52 940)**	**(39 393)**	**-**	**(231 354)**	**-**	**(4 385)**
Depreciation	(10 518)	(3 717)	(5 376)	(825)	(20 436)	(5 367)	(217)
Disposals	8 794	9 279	12 503	653	31 229	103	106
Additions related to acquisition of S Slovensko, spol. s r.o.	-	(324)	-	-	(324)	-	-
Impairment	(1 861)	-	-	-	(1 861)	-	(25)
Reversal of impairment	2 099	-	-	-	2 099	-	90
Reclassification	239	309	(309)	-	239	-	(239)
Balance as at 31 December 2019	**(140 268)**	**(47 393)**	**(32 575)**	**(172)**	**(220 408)**	**(5 264)**	**(4 670)**

Carrying amount

EUR ths.	Land and buildings	Office equip-ment / other fixed assets	IT assets (hardware)	Movable other property	Property and equipment total	Right-of-use assets - Land and buildings	Investment properties
Balance as at 31 December 2018	**118 920**	**9 184**	**13 859**	**-**	**141 963**	**-**	**1 879**
Balance as at 31 December 2019	**111 859**	**9 041**	**16 525**	**644**	**138 070**	**18 027**	**1 828**

Increase in the value of Property and equipment relates to initial application of international accounting standard IFRS 16 Leases, which became effective as at 1 January 2019. As at the date of transition to IFRS 16 the Group recorded the asset representing the right of use to the property in the amount of 16.2 mil. Eur into the Property and equipment. The value of asset represents the financial valuation of all leasing contracts that establish the right to use an underlying asset to the Group. On the liabilities side the Group recorded liabilities from financial leases in the equal amount. The value of asset is depreciated during the lifetime of the asset. As at 31 December 2019 the value of right of use represents 18.0 mil. Eur and the value of liabilities from financial leases is of 18.4 mil. Eur.

Cost of property and equipment, which are fully depreciated but still used by the Group as at 31 December 2019 amounted 60.3 mil. Eur (2018: 75.7 mil. Eur) and includes various types of tangible fixed assets.

As at 31 December 2019 the Group owned property and equipment not yet put in use in the amount of 2.7 mil. Eur (2018: 1.0 mil. Eur). Tangible assets are insured for standard risks, such as theft, robbery, vandalism, natural disasters etc.

Investment properties

As at 31 December 2019 the carrying amount of investment properties was 1.8 mil. Eur (2018: 1.9 mil. Eur). Total rental income earned on this property for the year 2019 amounted 0.3 mil. Eur (2018: 0.3 mil. Eur) and is separately presented in the line item 'Rental income from investment properties & other operating leases'. Depreciation of rented property for the year 2019 amounted 0.2 mil. Eur (2018: 0.2 mil. Eur) and is presented in the line item 'Depreciation'.

23. Intangible assets

Cost

EUR ths.	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as at 1 January 2018	**229 228**	**51 103**	**3 143**	**283 474**
Additions	6 990	-	63	7 053
Reclassification	5	(5)	-	-
Balance as at 31 December 2018	**236 223**	**51 098**	**3 206**	**290 527**
Additions	5 541	-	-	5 541
Disposals	(15 134)	-	(513)	(15 647)
Additions related to acquisition of S Slovensko, spol. s r.o.	84	-	-	84
Balance as at 31 December 2019	**226 714**	**51 098**	**2 693**	**280 505**

Accumulated amortisation

EUR ths.	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as at 1 January 2018	**(202 421)**	**(22 552)**	**(3 043)**	**(228 017)**
Amortisation	(16 856)	(6 537)	(76)	(23 469)
Balance as at 31 December 2018	**(219 277)**	**(29 089)**	**(3 119)**	**(251 486)**
Amortisation	(15 163)	(5 650)	(32)	(20 845)
Disposals	15 130	-	513	15 643
Additions related to acquisition of S Slovensko, spol. s r.o.	(63)	-	-	(63)
Balance as at 31 December 2019	**(219 373)**	**(34 739)**	**(2 638)**	**(256 751)**

Carrying amount

EUR ths.	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as at 31 December 2018	**16 945**	**22 009**	**87**	**39 041**
Balance as at 31 December 2019	**7 341**	**16 359**	**55**	**23 755**

Cost of intangible assets, which are fully depreciated but still used by the Group as at 31 December 2019 amounted 172.8 mil. Eur (2018: 139.8 mil. Eur).

As at 31 December 2019 the Group owned intangible assets not yet put in use in the amount of 2.5 mil. Eur (2018: 2.4 mil. Eur).

During the year 2019 the Group put in use upgrade of the core banking system, which amounted 4.0 mil. Eur (2018: 8.0 mil. Eur). Intangible assets are insured for standard risks, such as theft, robbery, vandalism, natural disasters etc.

24. Financial liabilities measured at amortised cost

Deposits from banks

EUR ths.	31.12.2018	31.12.2019
Overnight deposits	4 710	9 449
Term deposits	195 744	202 982
Repurchase agreements	50 846	50 856
Deposits from banks	**251 300**	**263 287**

Deposits from customers

EUR ths.	31.12.2018	31.12.2019
Overnight deposits	**7 880 091**	**9 133 385**
Non-savings deposits	7 880 091	9 133 385
General governments	73 317	96 438
Other financial corporations	256 347	579 453
Non-financial corporations	1 622 482	1 860 646
Households	5 927 945	6 596 848
Term deposits	**5 773 072**	**5 259 039**
Deposits with agreed maturity	2 556 253	1 605 059
Non-savings deposits	2 556 253	1 605 059
General governments	491 455	749
Other financial corporations	319 099	209 072
Non-financial corporations	213 557	167 816
Households	1 532 142	1 227 422
Deposits redeemable at notice	3 216 819	3 653 980
Households	3 216 819	3 653 980
Deposits from customers	**13 653 163**	**14 392 424**
General governments	564 772	97 187
Other financial corporations	575 446	788 525
Non-financial corporations	1 836 039	2 028 462
Households	10 676 906	11 478 250

As at 31 December 2019, no embedded derivatives were included in deposits from customers (neither at the year-end 2018).

As at 31 December 2019, no deposits from customers were collateralised by securities (neither at the year-end 2018).

As at 31 December 2019 liabilities related to settlement of securities transactions and clearing of payment transactions in the amount of 44.2 mil. Eur are disclosed in the line item 'Other finacial liabilities' (2018: 35.2 mil. Eur).

Debt securities issued

EUR ths.	31.12.2018	31.12.2019
Subordinated issues	72 792	75 366
Other debt securities issued	1 730 495	1 995 609
Bonds	248 580	152 259
Mortgage covered bonds	1 481 915	1 843 350
Debt securities issued	**1 803 287**	**2 070 975**

Net debt reconciliation

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

EUR ths.	31.12.2018	31.12.2019
Debt securities issued		
Opening balance as at 1 January	1 567 216	1 803 287
Cash-flows reported within financing activities	231 527	260 460
Non-cash adjustments	4 544	7 228
Closing balance as at 31 December	1 803 287	2 070 975
Lease liability		
Opening balance as at 1 January	-	-
Initial application of IFRS 16	-	16 240
Cash-flows reported within financing activities	-	(6 900)
Non-cash adjustments	-	9 044
Closing balance as at 31 December	-	18 384

Subordinated debt securities issued

The subordinated debt securities issued listed in the following table do not include embedded derivatives, which were separated and disclosed on the balance sheet line item 'Financial liabilities – held for trading'. As at 31 December 2019 fair value of these derivatives amounted 0.0 mil. Eur (2018: 0.0 mil. Eur).

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

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2018	2019
Subordinated Bonds	August 2010	August 2020	4.30%	10 000	1 000	EUR	13 453	13 981
Subordinated Bonds	August 2011	August 2021	4.30%	10 000	1 000	EUR	12 918	13 436
Subordinated Bonds	November 2011	November 2023	4.58%	4 250	1 000	EUR	5 341	5 577
Subordinated Bonds	June 2012	June 2022	5.80%	11 000	1 000	EUR	14 475	15 271
Subordinated Bonds	November 2012	November 2022	4.30%	9 000	1 000	EUR	10 844	11 339
Subordinated Bonds	September 2018	September 2028	2.88%	33	100 000	EUR	3 326	3 326
Subordinated Bonds	September 2018	September 2028	1.63%	33	100 000	EUR	3 316	3 315
Subordinated Bonds	November 2018	November 2028	2.45%	91	100 000	EUR	9 119	9 120
Total							**72 792**	**75 366**

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

As at 31 December 2019, other debt securities issued included embedded derivatives (equity and commodities) in the amount of 0.3 mil. Eur (2018: -0.7 mil. Eur), which were separated and are disclosed in the line items 'Financial assets – held for trading' and 'Financial liabilities – held for trading'.

The interest rate shown in the next table represents actual interest expense of the Group.

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2018	2019
Covered Bonds	July 2007	July 2027	4.95%	250	66 388	EUR	22 928	23 100
Covered Bonds	April 2008	April 2021	5.00%	250	66 388	EUR	17 183	17 182
Covered Bonds	December 2012	December 2019	-	-	50 000	EUR	3 305	-
Covered Bonds	January 2013	January 2025	3.10%	87	50 000	EUR	4 412	4 411
Covered Bonds	February 2013	February 2019	-	-	1 000	EUR	4 954	-
Covered Bonds	March 2013	March 2019	-	-	1 000	EUR	4 857	-
Covered Bonds	April 2013	April 2019	-	-	1 000	EUR	4 867	-
Covered Bonds	June 2013	June 2028	3.00%	132	50 000	EUR	6 615	6 615
Covered Bonds	June 2013	December 2019	-	-	1 000	EUR	4 156	-
Covered Bonds	July 2013	January 2020	2.00%	2 197	1 000	EUR	2 244	2 218
Covered Bonds	August 2013	August 2019	-	-	1 000	EUR	2 559	-
Covered Bonds	August 2013	August 2019	-	-	1 000	EUR	4 267	-
Covered Bonds	September 2013	September 2019	-	-	1 000	EUR	6 422	-
Covered Bonds	October 2013	October 2019	-	-	1 000	EUR	5 851	-
Covered Bonds	November 2013	November 2019	-	-	1 000	EUR	6 666	-
Senior Unsecured Bonds	December 2013	December 2019	-	-	1 000	EUR	624	-
Covered Bonds	December 2013	December 2019	-	-	50 000	EUR	3 504	-
Covered Bonds	December 2013	December 2019	-	-	1 000	EUR	9 585	-
Covered Bonds	February 2014	August 2020	2.00%	9 828	1 000	EUR	9 955	9 907
Covered Bonds	February 2014	February 2029	2.80%	97	50 000	EUR	4 899	4 899
Investment Certificates	March 2014	March 2019	-	-	5 000	PLN	609	-
Investment Certificates	March 2014	March 2019	-	-	1 000	EUR	798	-
Covered Bonds	March 2014	March 2021	2.00%	8 235	1 000	EUR	8 411	8 280
Covered Bonds	March 2014	March 2022	2.00%	220	50 000	EUR	11 124	11 138
Covered Bonds	May 2014	May 2021	1.90%	4 844	1 000	EUR	4 938	4 857
Covered Bonds	June 2014	June 2021	1.75%	9 378	1 000	EUR	9 420	9 387
Covered Bonds	July 2014	July 2021	1.55%	3 473	1 000	EUR	3 534	3 498
Senior Unsecured Bonds	September 2014	September 2019	-	-	100 000	EUR	100 295	-
Senior Unsecured Bonds	September 2014	September 2019	-	-	1 000	EUR	13 925	-
Covered Bonds	November 2014	November 2020	0.88%	150	100 000	EUR	15 017	15 017
Covered Bonds	February 2015	February 2022	0.88%	350	100 000	EUR	35 261	35 267
Covered Bonds	February 2015	February 2019	-	-	100 000	EUR	50 023	-
Covered Bonds	March 2015	March 2020	1.25%	4 181	1 000	EUR	4 222	4 198
Covered Bonds	June 2015	June 2020	1.20%	4 833	1 000	EUR	4 894	4 835
Covered Bonds	July 2015	July 2020	1.20%	4 820	1 000	EUR	4 882	4 845
Covered Bonds	July 2015	July 2020	0.88%	500	100 000	EUR	50 142	50 169
Covered Bonds	August 2015	August 2025	1.38%	100	100 000	EUR	10 004	10 012
Covered Bonds	August 2015	August 2022	1.00%	100	100 000	EUR	10 018	10 024
Covered Bonds	August 2015	August 2020	1.20%	4 895	1 000	EUR	4 996	4 915
Covered Bonds	September 2015	September 2020	1.20%	4 278	1 000	EUR	4 308	4 292
Covered Bonds	October 2015	October 2020	1.20%	3 529	1 000	EUR	3 549	3 536
Covered Bonds	November 2015	November 2020	0.63%	400	100 000	EUR	40 031	40 035

Table continues on the following page

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2018	2019
Covered Bonds	November 2015	November 2020	1.20%	2 959	1 000	EUR	2 994	2 962
Covered Bonds	December 2015	December 2021	0.63%	170	100 000	EUR	17 001	17 003
Investment Certificates	February 2016	February 2020	4.10%	121	5 000	EUR	644	618
Covered Bonds	February 2016	February 2021	0.50%	500	100 000	EUR	50 218	50 220
Investment Certificates	February 2016	February 2020	4.20%	210	1 000	EUR	224	215
Covered Bonds	March 2016	March 2021	1.05%	6 926	1 000	EUR	6 990	6 948
Covered Bonds	March 2016	March 2019	-	-	100 000	EUR	6 002	-
Covered Bonds	March 2016	March 2026	1.00%	90	100 000	EUR	8 996	9 006
Investment Certificates	April 2016	April 2019	-	-	1 000	EUR	650	-
Covered Bonds	April 2016	April 2021	1.05%	4 946	1 000	EUR	4 961	4 958
Covered Bonds	May 2016	May 2021	1.00%	4 939	1 000	EUR	4 984	4 947
Covered Bonds	May 2016	November 2020	0.07%	500	100 000	EUR	50 008	50 004
Covered Bonds	June 2016	June 2021	0.00%	3 902	1 000	EUR	3 853	3 850
Investment Certificates	June 2016	June 2020	3.70%	400	1 000	EUR	423	408
Investment Certificates	July 2016	July 2019	-	-	1 000	EUR	350	-
Covered Bonds	July 2016	July 2021	0.90%	4 860	1 000	EUR	4 936	4 881
Covered Bonds	August 2016	August 2021	0.80%	4 918	1 000	EUR	4 975	4 934
Covered Bonds	August 2016	August 2021	0.75%	4 860	1 000	EUR	4 919	4 873
Investment Certificates	August 2016	August 2020	3.00%	339	1 000	EUR	361	350
Covered Bonds	September 2016	September 2021	0.70%	4 896	1 000	EUR	4 952	4 905
Covered Bonds	October 2016	October 2021	0.65%	4 935	1 000	EUR	4 971	4 941
Covered Bonds	November 2016	November 2021	0.25%	1 000	100 000	EUR	100 005	100 011
Covered Bonds	December 2016	December 2021	0.65%	9 789	1 000	EUR	9 831	9 791
Senior Unsecured Bonds	December 2016	December 2021	0.65%	4 244	1 000	EUR	4 915	4 245
Covered Bonds	March 2017	March 2025	0.75%	1 000	100 000	EUR	100 347	100 390
Senior Unsecured Bonds	March 2017	March 2022	0.60%	4 647	1 000	EUR	4 695	4 668
Senior Unsecured Bonds	April 2017	April 2022	0.60%	30	100 000	EUR	3 013	3 013
Senior Unsecured Bonds	April 2017	April 2022	0.60%	4 668	1 000	EUR	4 877	4 687
Covered Bonds	May 2017	May 2019	-	-	100 000	EUR	29 994	-
Senior Unsecured Bonds	May 2017	May 2022	0.60%	4 577	1 000	EUR	4 827	4 594
Covered Bonds	June 2017	June 2022	0.38%	50	100 000	EUR	4 999	5 002
Senior Unsecured Bonds	July 2017	July 2022	0.60%	4 619	1 000	EUR	4 865	4 631
Senior Unsecured Bonds	August 2017	August 2022	0.63%	4 556	1 000	EUR	4 826	4 567
Senior Unsecured Bonds	September 2017	September 2022	0.63%	4 789	1 000	EUR	4 981	4 797
Senior Unsecured Bonds	September 2017	September 2022	0.63%	9 451	1 000	EUR	9 813	9 466
Covered Bonds	October 2017	October 2022	0.50%	1 500	100 000	EUR	149 974	150 025
Senior Unsecured Bonds	November 2017	November 2027	1.38%	44	100 000	EUR	4 399	4 400
Senior Unsecured Bonds	November 2017	November 2022	2.00%	4 923	1 000	USD	4 376	4 393
Senior Unsecured Bonds	February 2018	February 2023	2.15%	3 650	1 000	USD	3 274	3 311
Senior Unsecured Bonds	February 2018	February 2023	0.65%	9 649	1 000	EUR	10 038	9 705
Senior Unsecured Bonds	March 2018	March 2021	0.25%	142	100 000	EUR	14 216	14 222
Senior Unsecured Bonds	March 2018	March 2023	0.65%	9 770	1 000	EUR	10 013	9 818
Senior Unsecured Bonds	April 2018	April 2021	2.30%	3 628	1 000	USD	3 260	3 280
Investment Certificates	May 2018	May 2019	-	-	5 000	EUR	1 086	-
Investment Certificates	May 2018	May 2019	-	-	5 000	EUR	743	-
Investment Certificates	June 2018	June 2019	-	-	5 000	EUR	1 747	-
Senior Unsecured Bonds	June 2018	June 2020	2.00%	1 884	1 000	USD	1 675	1 695
Senior Unsecured Bonds	June 2018	June 2024	0.75%	5 018	1 000	EUR	5 100	5 037
Investment Certificates	July 2018	July 2019	-	-	5 000	EUR	909	-
Investment Certificates	July 2018	July 2019	-	-	5 000	EUR	439	-
Investment Certificates	August 2018	August 2019	-	-	5 000	EUR	474	-

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2018	2019
Covered Bonds	August 2018	August 2025	0.63%	2 500	100 000	EUR	252 153	258 815
Senior Unsecured Bonds	August 2018	August 2024	0.70%	4 934	1 000	EUR	4 992	4 946
Senior Unsecured Bonds	September 2018	September 2024	0.70%	4 800	1 000	EUR	4 994	4 810
Investment Certificates	September 2018	September 2019	-	-	5 000	EUR	489	-
Investment Certificates	October 2018	January 2019	-	-	50 000	NOK	634	-
Senior Unsecured Bonds	November 2018	November 2024	0.75%	4 893	1 000	EUR	5 003	4 896
Covered Bonds	December 2018	December 2024	0.50%	2 500	100 000	EUR	249 846	255 352
Senior Unsecured Bonds	December 2018	December 2024	0.75%	4 947	1 000	EUR	5 003	4 950
Senior Unsecured Bonds	February 2019	February 2025	0.70%	9 947	1 000	EUR	-	10 007
Senior Unsecured Bonds	March 2019	March 2025	0.00%	100	50 000	EUR	-	4 823
Investment Certificates	March 2019	March 2020	8.00%	168	5 000	EUR	-	909
Covered Bonds	June 2019	June 2026	0.13%	5 000	100 000	EUR	-	496 896
Senior Unsecured Bonds	June 2019	December 2025	0.60%	5 938	1 000	EUR	-	5 940
Senior Unsecured Bonds	June 2019	June 2022	2.00%	3 706	1 000	USD	-	3 335
Investment Certificates	July 2019	July 2020	12.50%	97	5 000	EUR	-	550
Investment Certificates	August 2019	August 2020	6.80%	1 578	25 000	CZK	-	1 674
Investment Certificates	August 2019	August 2020	8.00%	224	5 000	EUR	-	1 224
Investment Certificates	September 2019	September 2020	8.00%	1 112	1 000	EUR	-	1 219
Investment Certificates	December 2019	December 2020	8.00%	785	1 000	EUR	-	859
Total							**1 730 495**	**1 995 609**

25. Provisions

EUR ths.	31.12.2018	31.12.2019
Commitments and guarantees given	12 065	6 208
Long-term employee benefits provisions	3 178	5 946
Pending legal issues	5 353	5 281
Other provisions	81	79
Restructuring	77	77
Other	4	2
Provisions	**20 677**	**17 514**

Commitments and guarantees given

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

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

EUR ths.	1.1.2019	Increases due to origination and acquisition	Decreases due to derecogni-tion	Net changes due to change in credit risk	Transfers between stages	31.12.2019
Provisions for commitments and guarantees given						
Stage 1	3 143	36 992	(7 864)	(28 908)	51	(3 363)
Stage 2	723	-	(1 019)	2 014	1 014	(1 718)
Stage 3	601	-	(299)	655	270	(957)
POCI	7 598	-	(7 833)	405	-	(170)
Total	**12 065**	**36 992**	**(17 015)**	**(25 834)**	**1 335**	**6 208**

EUR ths.	1.1.2018	Increases due to origination and acquisition	Decreases due to derecogni-tion	Net changes due to change in credit risk	Transfers between stages	31.12.2018
Provisions for commitments and guarantees given						
Stage 1	4 488	35 271	(10 578)	(26 038)	(2 041)	3 143
Stage 2	1 201	-	(1 239)	761	434	723
Stage 3	444	-	(1 024)	1 182	382	601
POCI	8 236	-	(502)	(137)	-	7 598
Total	**14 369**	**35 271**	**(13 343)**	**(24 232)**	**(1 225)**	**12 065**

Long-term employee pension provisions

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

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

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

EUR ths.	Pension provision	Working anniversaries provision	Total
As at 1 January 2018	**2 619**	**363**	**2 982**
Service cost	180	35	215
Interest cost	38	5	43
Payments	(248)	(49)	(297)
Actuarial (gains)/losses	199	36	235
from changes in financial assumptions	199	36	235
As at 31 December 2018	**2 788**	**390**	**3 178**
Service cost	193	240	433
Interest cost	40	6	46
Payments	(117)	(18)	(135)
Actuarial (gains)/losses	320	2 104	2 424
from changes in financial assumptions	320	2 104	2 424
As at 31 December 2019	**3 224**	**2 722**	**5 946**

The actuarial calculation of pension provision used the following assumptions:

Pension provision	2018	2019
Annual discount rate	1.45%	0.01%
Annual rate of salary increase in future	0.00%	0.00%
Annual employee turnover	6.47 % - 13.79 %	5.43 % - 13.32 %
Retirement age	62 years	64 years

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

Working anniversary provision	2018	2019
Annual discount rate	1.45%	0.01%
Annual rate of salary increase in future	0.00%	0.00%
Annual employee turnover	6.47 % - 13.79 %	5.43 % - 13.32 %
Retirement age	62 years	64 years

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

Provisions for pending legal issues

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

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

EUR ths.	1.1.2018	Additions	Use	Release	31.12.2018
Restructuring provision	1 341	3 694	(4 063)	(895)	77
Pending legal issues	5 653	466	(181)	(585)	5 353
Other provisions	-	4	-	-	4
Total	**6 994**	**4 164**	**(4 244)**	**(1 480)**	**5 434**

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

Other provisions

The item 'Other provisions' includes provision on contribution to Resolution fund and provision on contribution to Deposit protection fund during the year. When the actual amount of contributions is announced, the payment is accounted for as utilisation of particular provision. Both contributions for the year 2019 were paid in full amount, therefore the Group does not disclose these items as other provisions.

26. Other liabilities

EUR ths.	31.12.2018	31.12.2019
Client settlement	4 841	11 649
Trade payables	35 475	51 494
Personnel balances and social fund	38 421	33 083
State budget, social and health insurance, taxes	4 707	5 328
Sundry liabilities	-	586
Other liabilities	**83 444**	**102 140**

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

EUR ths.	2018	2019
As at 1 January	**1 267**	**2 023**
Additions	2 808	2 159
Withdrawals	(2 052)	(1 934)
As at 31 December	**2 023**	**2 248**

27. Equity

Share capital

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

EUR ths.	31.12.2018	31.12.2019
Nominal value of share (in EUR)	1 000	1 000
Number of shares (in pcs.)	212 000	212 000
Share capital (in EUR)	**212 000 000**	**212 000 000**

The following table presents distribution of individual profits of the bank for the years 2018 (approved) and 2019 (proposed):

Profit distribution	2018	2019
Profit for the year (in EUR ths.)	180 176	174 436
Distribution for Investment certificate 2015 SLSP AT1 PNC5	11 700	11 700
Dividends paid to shareholder from profit for the year	87 608	78 276
Transfer to retained earnings	80 868	84 460
Number of shares with nominal value of EUR 1 000 (in pcs.)	212 000	212 000
Dividend per share (in EUR)	**413**	**369**

Dividends for the year 2018 were paid in March 2019 following the resolution of General Assembly of the Bank dated 27 March 2019. The first portion of dividend from investment certificate 2015 SLSP AT1 PNC5 was paid in amount of 5.8 mil. Eur as at 23 May 2019. The second portion of amount as at 25. November 2019 5.9 mil. Eur.

Other capital instruments

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

Legal reserve fund

According to Commercial Code all companies are required to create a legal reserve fund to cover adverse financial conditions in the future. The Group is obliged to contribute to the fund the amount, which is not less than 10 % of its annual net profit until the cumulative amount of annual contributions reaches 20 % of its share capital. As at 31 December 2019 Legal reserve fund amounted to 79.8 mil. Eur (2018: 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 Group's share capital or legal reserve fund is increased, Statutory fund may be terminated and transferred back to the distributable profits with the approval of the Supervisory Board and of the General Assembly. As at 31 December 2019 Statutory fund amounted 39.1 mil. Eur (2018: 39.1 mil. Eur).

Fair value reserve

Fair value reserve represents the unrealised revaluation of financial assets measured at fair value through other comprehensive income. This reserve is not available for distribution to the sharefolder. As at 31 December 2019 the revaluation of financial assets measures at fair value through other comprehensive income amounted to 66.0 mil. Eur (2018: 40.1 mil. Eur), net of deferred tax.

Remeasurement of net liability of defined pension plans

This equity component reflects the results of actuarial calculations related to the pension provision. As at 31 December 2019 the remeasurement of the pension provision amounted 0.8 mil. Eur (2018: 0.6 mil. Eur), net of deferred tax.

28. Related party transactions

Related parties

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

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

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

EUR ths.	Erste Group Bank AG		Companies of Erste Group		Associates	
	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019
Aktíva						
Cash and cash balances	4 248	4 153	130	5 576	-	-
Derivatives	1 948	4 962	380	-	-	-
Derivatives – Hedge accounting	3 657	16 501	-	-	-	-
Securities	-	-	-	-	5 255	5 255
Loans and advances to banks	388	4 354	8 724	147	1	-
Loans and advances to customers	-	-	73 003	16 244	-	-
Other assets	3 288	-	-	-	-	-
Total	**13 529**	**29 970**	**82 237**	**21 967**	**5 256**	**5 255**
Liabilities						
Derivatives held for trading	39 500	31 617	-	-	-	-
Deposits from banks	53 289	58 199	1 695	705	-	15 472
Deposits from customers	-	-	3 151	2 669	-	-
Debt securities issued	875 977	758 859	-	2 981	-	-
Derivatives – hedge accounting	41 348	48 041	-	-	-	-
Other liabilities	62	297	1 067	2 989	-	-
Total	**1 010 176**	**897 013**	**5 913**	**9 344**	**-**	**15 472**

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

EUR ths.	Erste Group Bank AG		Companies of Erste Group		Associates	
	2018	2019	2018	2019	2018	2019
Interest income	(9 057)	(8 247)	1 682	594	73	119
Interest expense	(4 150)	(1 564)	(13)	(4)	(3)	(11)
Dividend income	-	-	566	475	-	-
Net fee and commisssion income	(230)	36	6 470	6 410	3	1
Net trading and fair value result	165	20 733	380	-	-	-
General administrative expenses	(4 370)	(4 923)	(10 374)	(13 171)	-	-
Depreciation and amortisation	-	-	-	-	-	-
Other operating result	352	1 170	1 165	598	-	-
Total	**(17 290)**	**7 205**	**(124)**	**(5 098)**	**73**	**109**

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

In the year 2015 the Group has issued investment certificates in the amount of 150 mil. Eur, which were purchased by Erste Group Bank AG (see note 27).

As at 31 December 2019 the Group has received a guarantee from its parent company Erste Group Bank AG covering exposures towards Erste Group Immorent Slovensko s.r.o. in the amount of 23.2 mil. Eur (2018: 23.2 mil. Eur).

The Group received guarantees from its parent company Erste Group Bank AG covering clients' exposures in the amount of 2.2 mil. Eur as at the reporting date (2018: 2.2 mil. Eur).

The Group has received guarantee from its sister company Česká spořitelna, a.s. covering credit exposures towards s_Autoleasing SK, s.r.o. as at 31 December 2019 in the maximum amount of the guarantee was 9.0 mil. Eur (2018: 17.0 mil. Eur).

The Group received guarantees from its sister company Česká spořitelna, a.s. covering clients' exposures in the amount of 0.2 mil. Eur as at the reporting date (2018: 0.8 mil. Eur).

The Group did not record any received guarantee from its sister company Erste Bank AD Podgorica to cover client's exposure

as at the reporting date (2018: 0.1 mil. Eur).

As at 31 December 2019 the Group owned a share in real estate fund Sporo realitny fond SPF of Asset Management Slovenskej sporiteľne, a.s. in the amount of of 3.2 mil. Eur (2018: 3.4 mil. Eur).

As at 31 December 2019 and 31 December 2018, the Group did not receive any dividends from its associates.

Transactions with key management personnel

The remuneration of the Board of Directors members and the Supervisory Board members paid during the year 2019 in form of short-term employee benefits amounted to 2.6 mil. Eur (2018: 2.0 mil. Eur). The remuneration policy of the Board of Directors members is in compliance with CRD directive as adopted in the national legislation.

29. Off-balance sheet items

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

Loan comitments, guarantees and letters of credit

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

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

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

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

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

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

EUR ths.	31.12.2018	31.12.2019
Guarantees provided	368 083	399 866
Guarantees from letter of credit	10 168	4 502
Loan commitments and undrawn loans	1 223 703	1 420 923
Total	**1 601 954**	**1 825 291**

As at 31 December 2019 the value of payment guarantees represented 73.89 mil. Eur (2018: 83.03 mil. Eur), the value of non-payment guarantees represented 311.87 mil. Eur (2018: 276.78 mil. Eur) and the value of other guarantees represented 14.10 mil. Eur (2018: 8.27 mil. Eur).

30. Collaterals

The Group holds collaterals against loans and advances to customers in form of real estates, securities, received bank guaranties and other credit enhancements. The fair values of collaterals are estimated based on their value at the time of borrowings and are regularly updated. In general, collaterals are not held against loans and advances to banks, except for securities held as a part of reverse repurchase agreements commented in the note 15.

Collaterals received

As at 31 December 2019 the Group had collateralized loans in the amount 10 192.4 mil. Eur (2018: 9 524.4 mil. Eur). The uncollateralized loans amounted 4 298.4 mil. Eur (2018: 3 920.5 mil. Eur).

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

31.12.2019 **EUR ths.**	**Credit risk exposure**	**Collateral: there-of attributable to credit impaired exposure**	**Collateralised by**			**Collateral total**	**Credit risk exposu-re net of collateral**
			Guarantees	**Real estate**	**Other**		
Cash and cash balances - other demand deposits	10 224	-	-	-	-	-	10 224
Financial assets at amortised cost	17 665 885	163 119	35 774	8 216 165	267 742	8 519 681	9 146 204
Loans and advances to banks	54	-	46	-	-	46	9
Loans and advances to custo-mers	14 128 982	163 119	17 715	8 216 165	267 742	8 501 622	5 627 359
of which: Lending for house purchase	8 071 861	145 104	-	7 298 979	37	7 299 016	772 844
'of which: Credit for con-sumption	1 786 766	28	-	45	106	151	1 786 615
'of which: Corporate loans and others	4 270 355	17 987	17 715	917 141	267 599	1 202 455	3 067 900
Debt securities	3 536 849	-	18 013	-	-	18 013	3 518 836
Finance lease receivables	217 757	6 036	-	119	153 185	153 305	64 452
Trade and other receivables	110 728	-	-	-	-	-	110 282
Non-trading financial assets at fair value through profit or loss - 'Debt securities	3 175	-	-	-	-	-	3 175
Financial assets - held for trading	41 423	-	-	-	-	-	41 423
Positive fair value of derivatives	23 020	-	-	-	-	-	23 020
Total credit risk exposure on-balance	**18 072 212**	**169 155**	**35 774**	**8 216 284**	**420 927**	**8 672 986**	**9 398 780**
Off-balance	1 825 291	267	44 708	126 831	42 307	213 846	1 611 445
Total credit risk exposure	**19 897 503**	**169 422**	**80 482**	**8 343 115**	**463 234**	**8 886 832**	**11 010 225**

31.12.2018 EUR ths.	Credit risk exposure	Collateral: thereof attributable to credit impaired exposure	Collateralised by			Collateral total	Credit risk exposure net of collateral
			Guarantees	Real estate	Other		
Cash and cash balances - other demand deposits	7 196	-	-	-	-	-	7 196
Financial assets at amortised cost	16 731 229	186 053	37 958	7 555 336	238 890	7 832 185	8 899 045
Loans and advances to banks	47 820	-	48	-	-	48	47 772
Loans and advances to customers	13 132 396	186 053	19 892	7 555 336	238 890	7 814 119	5 318 278
of which: Lending for house purchase	7 519 839	131 789	-	6 648 973	39	6 649 012	870 827
'of which: Credit for consumption	1 807 046	17	-	51	312	363	1 806 683
'of which: Corporate loans and others	3 805 511	54 246	19 892	906 312	238 539	1 164 743	2 640 767
Debt securities	3 551 013	-	18 018	-	-	18 018	3 532 995
Finance lease receivables	129 707	229	-	-	91 705	91 705	38 001
Trade and other receivables	99 517	-	-	-	-	-	99 517
Non-trading financial assets at fair value through profit or loss - 'Debt securities	23 622	-	-	-	-	-	23 622
Financial assets - held for trading	42 941	-	-	-	-	-	42 941
Positive fair value of derivatives	9 905	-	-	-	-	-	9 905
Total credit risk exposure on-balance	**17 044 117**	**186 282**	**37 958**	**7 555 336**	**330 595**	**7 923 890**	**9 120 227**
Off-balance	1 601 954	35 140	54 903	95 638	42 772	193 313	1 408 641
Total credit risk exposure	**18 646 071**	**221 422**	**92 861**	**7 650 974**	**373 367**	**8 117 203**	**10 528 868**

Assets pledged as collaterals

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

EUR ths. As of 31.12.2019	Carrying amount of transferred assets					Carrying amount of associated liabilities		
	Total	Repurchase agreements	Assets pledged for derivatives	Assets pledged for covered bonds	Other transferred assets	Total	Repurchase agreements	Other associated liabilities
Financial assets at amortised cost								
Debt securities	204 946	45 596	40 252	113 699	5 399	230 836	50 856	179 980
Loans and advances to customers	2 071 353	-	-	2 071 353	-	1 747 431	-	1 747 431
Assets pledged as collateral	**2 276 299**	**45 596**	**40 252**	**2 185 052**	**5 399**	**1 978 267**	**50 856**	**1 927 411**

EUR ths. As of 31.12.2018	Carrying amount of transferred assets					Carrying amount of associated liabilities		
	Total	Repurchase agreements	Assets pledged for derivatives	Assets pledged for covered bonds	Other transferred assets	Total	Repurchase agreements	Other associated liabilities
Financial assets at amortised cost								
Debt securities	208 946	45 657	51 098	112 191	-	225 156	50 846	174 310
Loans and advances to customers	1 696 924	-	-	1 696 924	-	1 390 015	-	1 390 015
Assets pledged as collateral	**1 905 870**	**45 657**	**51 098**	**1 809 115**	**-**	**1 615 171**	**50 846**	**1 564 325**

31. Offsetting of financial assets and financial liabilities

31.12.2019 EUR ths.	Gross amounts of recognised financial instruments	Net amounts of financial instruments in the balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting Non-cash financial collateral pledged	Net amount after potential offsetting
Assets				
Derivatives	41 423	41 423	-	41 423
Derivatives - hedge accounting	23 020	23 020		23 020
Total assets	**64 443**	**64 443**	**-**	**64 443**
Liabilities				
Derivatives	36 020	36 020	29 683	6 337
Derivatives - hedge accounting	48 041	48 041	27 941	20 100
Repurchase agreements	50 856	50 856	50 856	-
Total liabilities	**134 917**	**134 917**	**108 480**	**26 437**

31.12.2018 EUR ths.	Gross amounts of recognised financial instruments	Net amounts of financial instruments in the balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting Non-cash financial collateral pledged	Net amount after potential offsetting
Assets				
Derivatives	42 941	42 941	-	42 941
Derivatives - hedge accounting	9 905	9 905	-	9 905
Total assets	**52 846**	**52 846**	**-**	**52 846**
Liabilities				
Derivatives	41 062	41 062	35 780	5 282
Derivatives - hedge accounting	41 348	41 348	21 196	20 152
Repurchase agreements	50 846	50 846	50 846	-
Total liabilities	**133 256**	**133 256**	**107 822**	**25 434**

32. Assets under administration

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

As at 31 December 2019 the Group held assets for collective investment undertakings in the amount of 3 918.7mil. Eur (2018: 1 211.2 mil. Eur).

As at 31 December 2019 the Group also held assets for customers other than collective investment undertakings in the amount of 7 509.0 mil. Eur (2018: 6 384.8 mil. Eur).

33. Segment reporting

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

Structural change and major principles

Following a strategic review related to the Group operating segments and method used for the capital allocation to segments, from 1 January 2016 changes are introduced in the segment reporting of the Group accordingly and aligned with the Group governance. Consequently the segment structure in force is used for internal and external reporting from 1 January 2016. The overarching principles of internal regular reporting of the segments´ performance to the Board of directors of the Group is described in the Group Segment reporting policy.

The segment report represents the single source of truth for reporting of financial performance of the Group's segments and serves as the basis for business steering of all individual segments, as well as consolidated result of the Group. All the areas of the 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 the Group. It is the responsibility of the respective area to assure that the alignment is achieved. Segment reporting in the Group has to be aligned with Erste 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 Group's segment structure serves as a basis for budgeting, forecasting, strategic discussions, setting and tracking of key performance indicators (KPIs).

Business segments

The segment reporting was aligned with Erste group segment principles in order to present the Group's structure in a transparent way reflecting internal steering and allocations of sources. The Group is divided into the following business segments:
- Retail,
- Corporates
- Assets and Liabilities Management (ALM) and Local Corporate Centre (LCC),
- Group Markets (GM),

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

Retail segment comprises the entire business activities with private individuals, free professionals and micros, which are in the responsibility of account managers in the Retail network. Retail products and services, including current accounts and savings, loans pledged by real estate, mortgage and consumer loans, credit cards, investment and cross selling products (e.g. insurance, asset management products and building society products) are offered via various distribution channels, such as branch network and digital banking. The Retail segment is divided into 8 regions, 42 areas and 233 branches (status as at 31 December 2019).

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 small, medium and local companies with an annual turnover from 1 mil. Eur to 75 mil. Eur.
- Local Large Corporates (LLC) are clients with a consolidated annual turnover threshold above 75 mil. Eur 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 500 mil. Eur. 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 500 mil. Eur, selected customers with an annual turnover below 500 mil. Eur

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), Local Corporate Center (LCC) and Free Capital segment comprises on the one side the management of Group's assets and liabilities in the light of uncertainty of cash flows, cost of funds and return on investments in order to determine the optimal trade-off between risk, return and liquidity. Furthermore it comprises funding transactions, hedging activities, investments into securities other than held for trading purpose, management of own issues and FX positions. On the other side it also includes the local corporate center which comprises all non-core banking business activities such as non-profit servicing participations, intragroup eliminations within the respective partial group, dividends, refinancing costs of participations, all non-banking balance sheet positions (e.g. fixed assets) which cannot be allocated to other business segments. Apart from that the Local Corporate Center includes received dividends and reconciliations to the accounting result. The segment comprises also free capital which is defined as the difference of the total average IFRS equity and the average economical equity allocated to all operating segments.

Group Markets (GM) segment comprises trading and markets services, as well as business with financial institutions. This segment is divided on Treasury trading and market services (GMT) and Financial institutions (GMFI).

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

Measurement and reporting

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

The profit and loss statement presented in the segment report is based on the measures reported to the Board of Directors for the purpose of resource allocation and segments' performance assessment. In line with the regular internal reporting prepared for the Board of Directors, total assets, total liabilities, as well as risk weighted assets and allocated equity are disclosed per segment.

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

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

Business Segments EUR ths.	Retail		Corporates		Group markets		Asset Liability Management, Local Corporate Center and Free Capital		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Net interest income	373 126	344 740	71 269	77 652	3 989	5 524	(10 555)	2 737	437 829	430 653
Net fee and commission income	108 209	125 450	16 532	18 471	6 959	7 417	(2 879)	(6 173)	128 821	145 166
Dividend income	-	-	-	17	-	-	1 044	934	1 044	951
Net trading result	3 646	3 764	2 332	7 451	3 372	4 147	318	5 360	9 669	20 721
Gains/losses from financial instruments measured at FVPL	-	-	-	-	-	-	2 145	(3 732)	2 145	(3 732)
Net result from equity method investments	1 673	1 823	-	-	-	-	-	-	1 673	1 823
Rental income from investment properties & other operating leases	-	-	-	-	-	-	310	1 176	310	1 176
General administrative expenses	(241 247)	(246 662)	(34 614)	(36 442)	(5 075)	(5 151)	(166)	(251)	(281 101)	(288 506)
Gains/losses from derecognition of financial assets at AC	-	-	-	-	-	-	-	71	-	71
Other gains/losses from derecognition of financial instruments not at FVPL	-	-	-	-	-	-	(93)	(475)	(93)	(475)
Impairment result from financial instruments	(32 768)	(23 273)	9 106	(19 553)	(13)	77	154	93	(23 522)	(42 656)
Other operating result	(21 440)	(23 277)	(3 937)	(3 910)	(1 608)	(1 859)	(13 173)	(9 621)	(40 158)	(38 668)
Levies on banking activities	(21 440)	(23 277)	(3 937)	(3 912)	(1 608)	(1 859)	(6 045)	(6 540)	(33 031)	(35 588)
Pre-tax profit from continuing operations	**191 199**	**182 565**	**60 688**	**43 686**	**7 624**	**10 155**	**(22 895)**	**(9 881)**	**236 617**	**226 524**
Taxes on income	(39 800)	(37 963)	(12 744)	(9 174)	(1 601)	(2 132)	1 214	2 704	(52 932)	(46 565)
Net result for the period	**151 399**	**144 602**	**47 944**	**34 512**	**6 023**	**8 023**	**(21 681)**	**(7 177)**	**183 685**	**179 959**
Net result attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**16**	**19**	**16**	**19**
Net result attributable to owners of the parent	**151 399**	**144 602**	**47 944**	**34 512**	**6 023**	**8 023**	**(21 697)**	**(7 196)**	**183 669**	**179 940**
Operating income	486 654	475 777	90 133	103 592	14 320	17 087	(9 617)	302	581 490	596 757
Operating expenses	(241 247)	(246 662)	(34 614)	(36 442)	(5 075)	(5 151)	(166)	(251)	(281 101)	(288 506)
Operating result	**245 407**	**229 115**	**55 519**	**67 150**	**9 245**	**11 936**	**(9 783)**	**51**	**300 389**	**308 251**
Risk-weighted assets (credit risk, eop)*	2 863 273	2 795 578	2 900 738	3 450 373	37 922	51 746	586 721	646 664	6 388 654	6 944 361
Average allocated capital**	414 716	404 865	260 123	307 965	7 917	8 889	231 617	344 036	914 373	1 065 755
Cost/income ratio	49.57%	51.84%	38.40%	35.18%	35.44%	30.15%	-1.72%	83.09%	48.34%	48.35%
Return on allocated capital	36.51%	35.72%	18.43%	11.21%	76.07%	90.24%	-9.35%	-2.08%	20.09%	16.88%
Total assets (eop)	9 737 402	10 384 225	3 441 390	3 891 768	59 728	16 106	4 204 387	4 326 925	17 442 906	18 619 024
Total liabilities excluding equity (eop)	11 200 595	12 086 728	1 430 259	1 619 206	639 127	812 033	2 659 670	2 481 114	15 929 651	16 999 080
Impairments										
Net impairment loss on financial instruments AC	(33 136)	(20 864)	6 878	(24 068)	(10)	62	250	(181)	(26 017)	(45 052)
Net impairment loss on financial instruments Leasing	-	(1 949)	-	(1 879)	-	-	72	262	72	(3 565)
Impairments and provisions for commitments and guarantees given	368	(460)	2 227	6 394	(3)	15	(168)	12	2 424	5 961
Net impairment on other non-financial assets	-	-	-	-	-	-	436	103	436	103

*Credit RWA (Eop) after intercompany transactions according to Pillar 1, calculated by Erste group for the purpose of segment report and management purposes.
** Average allocated capital is calculated based on Erste group controlling methodology.

34. Risk management

Risk strategy and policy

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

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

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

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

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

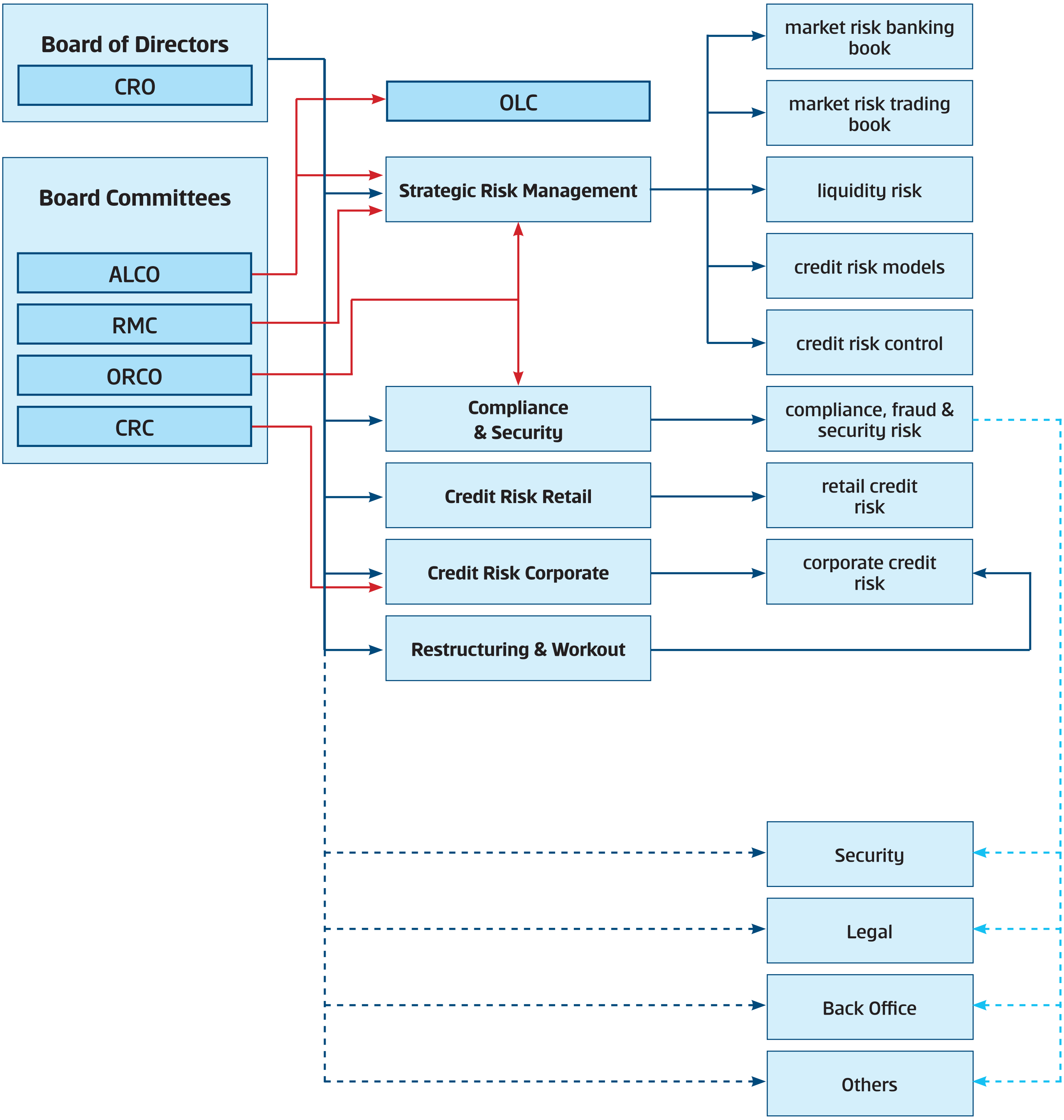
Risk taking is an inseparable part of the Group's operations and Group business operations inevitably carry a certain degree of risk. Proper risk management should allow for better exploitation of business opportunities. Therefore, risk management strategy must be clearly linked to the business strategies.

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

The Group is also committed to follow the risk management provisions defined by both local, as well as international laws and regulators.

Risk management organization

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



Risk management structure

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

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

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

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

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

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

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

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

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

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

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

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

Comprehensive risk and capital management

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

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

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

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

Risk materiality assessment

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

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

Risk-bearing capacity calculation

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

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

Besides the Pillar 1 risk types (credit, market and operational risks) and in the context of Pillar 2, interest rate risks in the banking book, business and strategic risk, liquidity risk, residual credit risk and credit risk for sovereign counterparties are explicitly considered within the required economic capital via internal models. The economic capital requirement for unexpected losses is computed on a one-year time horizon with a 99.9 % confidence level. During the year 2019 the utilization of the economic capital was in the range 52 - 57 %.

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

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

Stress testing

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

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

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

Capital management

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

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

Risk planning and forecasting

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

Capital allocation

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

Credit risk

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

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

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

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

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

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

Strategic Risk Management
Strategic Risk Management, more specifically its Credit Risk Control department, is the independent risk control unit in line with capital requirements regulation and directive. SRM is not involved in the operative credit decision-making. However it is responsible for the design of rating systems, testing and monitoring of accuracy and selectivity of internal rating grades, production and analysis of summary reports from the Group's rating systems. SRM is also responsible for the design and implementation of models for calculation of risk parameters (PD, LGD, CCF, etc.), standard risk costs and portfolio provisions. It is also responsible for the design and implementation of models for calculation of risk-weighted assets according to capital requirements regulation and directive and model for economic capital. In addition to this, SRM has two other specific roles:
- credit exposures to banks, sovereigns and countries, which are governed centrally by Erste Holding (credit analysis, limit setting), are locally approved and monitored by SRM;
- credit lines of Treasury clients (approved by Credit Risk Corporate or Credit Committee) are determined and monitored by SRM.

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

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

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

Default definition
SLSP applies the definition of default on client level. If a client defaults on any of its credit risk exposure then the client rating must be set to "R" and all on- and off balance exposure including equity products is considered as defaulted.
Default is recognized when one or both of the following incidents occur:
- the obligor is past due 90 consecutive days with any material credit obligation to the Group, the parent undertaking or any of its subsidiaries in full; or
- the obligor is considered unlikely to pay (UTP) its credit obligation to the Group, the parent undertaking or any of its subsidiaries in full l, in full without realisation of the collateral.

In the Group the default status triggers the credit-impairment and the Stage 3 classification under IFRS9. In addition EG considers all non-performing exposures as defaulted.

Client is classified as defaulted due following 5 reasons, which are linked either to unlikely to pay (UTP) or days past due:
- E1 – unlikely to pay
- E2 – 90 days overdue
- E3 – forbearance
- E4 – Credit loss
- E5 – bankruptcy

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

Credit risk classification

For the disclosure of asset quality SLSP assigns each customer to one of the following four risk categories:

Low risk. Typically regional customers with well-established and rather long-standing relationships with Group or large internationally recognised customers. Very good to satisfactory financial position and low likelihood of financial difficulties relative to the respective market in which the customers operate. Retail clients having long relationships with the Group, or clients with a wide product pool use. No relevant late payments currently or in the most recent 12 months. New business is generally with clients in this risk category.

Management attention. Vulnerable non-retail clients, which may have overdue payments or defaults in their credit history or may en-counter debt repayment difficulties in the medium term to the Group. Retail clients with possible payment problems in the past triggering early collection reminders from the Group side. These clients typically have a good recent payment history.

Substandard. The borrower is vulnerable to short term negative financial and economic developments and shows an elevated probability of failure. In some cases, restructuring measures are possible or already in place. As a rule, such loans are managed in specialised risk management departments.

Non-performing. There are exposure meet criteria according default definition mentioned above. The Group applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well. Furthermore, non-performing exposures also comprise non-performing forborne transactions even in cases where the client has not defaulted.

In order to enhance the comparability of the Group's asset quality, in 2018 Erste Group developed and implemented a new model for the assignment of exposures to risk categories. Based on the calibration of internal PDs (probabilities of default) for regulatory purposes to the default rates published by rating agencies, the equivalent external customer rating was used for the assignment to risk categories. For the agency ratings, average one-year default rates resulting from long-term time series were applied.

Credit risk under IFRS9

SLSP applies IFRS9 from 01.01.2018 for classification and measurement of financial instruments. Due to new methodology raised by IFRS 9 we apply staging with relevant credit risk parameters.

IFRS 9 sets out guidance to assist entities in identifying information to be used to determine when a provision for lifetime expected credit losses is required. The application guidance sets out a wide range of potential sources of such information which includes:

- Significant change in internal price
- Other changes in the rates or terms of an existing financial instrument
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same term
- An actual or expected significant change in the financial instrument's external credit rating
- An actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally
- Significant changes in operating results of the borrower
- A significant increase in credit risk on other financial instruments of the same borrower
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations
- Significant changes in the value of the collateral
- Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument
- Significant changes in the expected performance and behaviour of the borrower
- Changes in the entity's credit management approach in relation to the financial instrument

The IFRS 9 standard contains a rebuttable presumption that credit risk has increased significantly when contractual payments are more than predefined threshold days past due. This means that when payments are more than predefined threshold days past due, the financial asset is considered to have moved from Stage 1 to Stage 2, and lifetime expected credit losses are recognised. Past due is defined as failure to make a payment when that payment was contractually due.

IFRS 9 sets out a new 'expected loss' impairment model for financial assets and replaced the existing 'incurred loss' model in IAS 39 Financial Instruments: Recognition and Measurement. Under IFRS 9, the impairment model is more forward looking in that a credit event (or impairment 'trigger') no longer has to occur before credit losses are recognised.

For financial assets that are measured at amortised cost or FVOCI and other instruments in scope of IFRS 9 impairment requirements, the Group will always recognise (at a minimum) 12 months expected losses in profit or loss. Lifetime expected losses will be recognised on instruments for which there is a significant increase in credit risk after initial recognition.
The following financial assets and other instruments are included within the scope of the impairment requirements:

- Originated, purchased, reclassified or modified debt instruments (including trade recievables) that are measured at amortised cost in accordance with IFRS 9
- Debt instrument assets that are required to be measured at fair value through other comprehensive income (FVOCI) in accordance with IFRS 9
- Other debt instruments in the scope of IFRS 9 impairment requirements (finance/operating lease, ...)
- Loan commitments given (including loan commitments which would result in non-trading loans measured mandatorily at FVPL)
- Financial guarantees contracts to which IFRS 9 applied (except those measured at FVPL)

IFRS 9 establishes a three stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognised (as well as the amount of interest revenue):

- STAGE 1: If credit risk for a financial instrument has not increased significantly since initial recognition an entity shall measure the loss allowance for instrument at an amount equal to 12-month expected credit losses (ECLs)
- STAGE 2: For non-defaulted financial instruments whose credit risk has significantly increased since initial recognition, lifetime ECLs shall be recognised, i.e. estimated lifetime losses from default events that are possible over the entire residual life of the instruments. In this stage, interest revenues are recognised based on the gross carrying amount of the financial assets.
- STAGE 3: A financial asset reaches stage 3 if it is specifically identified as credit-impaired. As for Stage 2, the loss allowance equals full lifetime ECLs. In this stage, recognition of interest revenue is based on the net carrying amount. In general SLSP classifies defaulted exposures as being in Stage 3. From this perspective also defaulted off-balance exposures - loan commitments and financial guarantees – can belong to Stage 3 even when they generate no interest revenue.

12-month expected credit loss is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. From risk management perspective 12-month probabilities of default are relvant for the calculation.

Lifetime expected credit loss is defined as the expected credit losses that result from all possible default events over the expected life of a financial instrument. i.e. from credit risk management perspective it reflects the probabilities of default throughout the expected maturity of the instrument.

In case of product without contractual maturity (typically revolving product such as credit card and overdraft) the expected lifetime credit losses is defined (based on expected maturity).

IFRS 9 guideline indicates that an entity should measure expected credit losses with all reasonable and supportable information that is available without undue cost or effort at the reporting date. This includes information about past events, current conditions and forecasts of future economic conditions. Forecasts of future economic conditions are available at Erste Group and are therefore included in the IFRS 9 ECL calculation.

In addition to that, the IFRS Transition Resource Group for Impairment of Financial Instruments (ITG) noted in 2015 that, if there is a nonlinear relationship between the different forward-looking scenarios and their associated credit losses, using a single forward-looking scenario would not result in an unbiased estimator of the ECL. Instead, more than one forward-looking scenario would need to be incorporated into the measurement of expected credit losses.

Credit risk exposure

Credit risk exposure relates to the following balance sheet items:

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

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

The gross carrying amount of the credit risk exposure increased by 6,69% to 19,898 bil. Eur (2018: EUR 18,646 bil. Eur).

ECL measurement

Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios.

The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. The Group used supportable forward looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. The most significant forward looking assumptions that correlate with ECL level and their assigned weights were as follows at 31 December 2019.

Parameter	Scenario		2019	2020	2021	2022
GDP - real growth (in %)	Macro down	38%	3.4	0.1	(0.3)	(0.4)
	Macro base	50%	3.4	3.3	2.9	2.8
	Macro up	12%	3.4	5.7	5.3	5.2
GDP - Nominal growth (in %)	Macro down	38%	5.9	2.2	1.4	1.3
	Macro base	50%	5.9	5.7	4.9	4.8
	Macro up	12%	5.9	7.9	7.1	7.0
Unemployment rate (in %)	Macro down	38%	5.8	7.4	7.2	7.2
	Macro base	50%	5.8	5.7	5.5	5.5
	Macro up	12%	5.8	4.1	3.9	3.9
Inflation - CPI (in %)	Macro down	38%	2.5	0.8	0.3	0.3
	Macro base	50%	2.5	2.5	2.0	2.0
	Macro up	12%	2.5	3.7	3.2	3.2
Unemployment rate - shift 12 months (in %)	Macro down	38%	6.5	5.8	7.4	7.2
	Macro base	50%	6.5	5.8	5.7	5.5
	Macro up	12%	6.5	5.8	4.1	3.9
GDP - YtY (in %)	Macro down	38%	(0.7)	(3.3)	(0.4)	(0.1)
	Macro base	50%	(0.7)	(0.1)	(0.4)	(0.1)
	Macro up	12%	(0.7)	2.3	(0.4)	(0.1)

There are volumes for each attribute with relevant scenarios entering the calculation of changes in credit loss allowances in the table above. There is impact of increasing 1.4 mil. Eur of CLA due to mentioned scenarios – we recognize unemployment and GDP Growth rate.

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

31.12.2019 EUR ths.	Gross carrying amount	Credit loss allowances				Net carrying amount
		Stage 1	Stage 2	Stage 3	POCI	
Cash and cash balances - other demand deposits	10 224	-	-	-	-	10 224
Financial assets at amortised cost	17 665 884	34 706	36 177	212 655	53 150	17 329 196
Loans and advances to banks	54	-	-	-	-	54
Loans and advances to customers	14 128 981	34 321	36 177	212 655	53 150	13 792 678
of which: Lending for house purchase	8 071 860	12 229	10 343	80 259	308	7 968 721
of which: Credit for consumption	1 786 766	11 990	12 355	98 251	172	1 663 998
of which: Corporate loans and others	4 270 355	10 102	13 479	34 145	52 670	4 159 959
Debt securities	3 536 849	385	-	-	-	3 536 464
Finance lease receivables	217 757	253	6	4 307	-	213 191
Trade and other receivables	110 729	193	3	3 394	-	107 139
Non-trading financial assets at fair value through profit or loss - 'Debt securities	3 175	-	-	-	-	3 175
Financial assets - held for trading	41 423	-	-	-	-	41 423
Positive fair value of derivatives	23 020	-	-	-	-	23 020
Total credit risk exposure on-balance	**18 072 212**	**35 152**	**36 186**	**220 356**	**53 150**	**17 727 368**
Off-balance	1 825 291	3 365	1 718	957	170	1 819 081
Total credit risk exposure	**19 897 503**	**38 517**	**37 904**	**221 313**	**53 320**	**19 546 449**

31.12.2018 EUR ths.	Gross carrying amount	Credit loss allowances				Net carrying amount
		Stage 1	Stage 2	Stage 3	POCI	
Cash and cash balances - other demand deposits	7 196	-	-	-	-	7 196
Financial assets at amortised cost	16 731 229	35 806	33 865	229 722	51 337	16 380 498
Loans and advances to banks	47 820	23	0	-	-	47 796
Loans and advances to customers	13 132 396	35 401	33 865	229 722	51 337	12 782 071
of which: Lending for house purchase	7 519 839	12 431	12 886	85 026	280	7 409 216
of which: Credit for consumption	1 807 046	14 456	15 062	120 330	199	1 657 001
of which: Corporate loans and others	3 805 511	8 514	5 918	24 367	50 858	3 715 855
Debt securities	3 551 013	382	-	-	-	3 550 631
Finance lease receivables	129 707	81	0	110	-	129 516
Trade and other receivables	99 517	307	8	3 252	-	95 952
Non-trading financial assets at fair value through profit or loss - 'Debt securities	23 622	-	-	-	-	23 622
Financial assets - held for trading	42 941	-	-	-	-	42 941
Positive fair value of derivatives	9 905	-	-	-	-	9 905
Total credit risk exposure on-balance	**17 044 117**	**36 194**	**33 874**	**233 085**	**51 337**	**16 689 630**
Off-balance	1 601 954	3 147	723	601	7 598	1 589 885
Total credit risk exposure	**18 646 071**	**39 341**	**34 597**	**233 686**	**58 935**	**18 279 515**

Stage 1 and Stage 2 comprise not impaired credit risks while Stage 3 includes impaired credit risks. POCI (purchased or originated credit impaired) consists of credit risks already impaired when purchased or originated as at the date when the loan was provided.

The defaulted part of POCI amounted to EUR 113.566 millions, the non-defaulted part to EUR 21.049 millions.

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. 31.12.2019	Low Risk	Management attention	Substandard	Non-performing loans	Total
Agriculture and forestry	108 677	63 972	24 068	26 106	222 823
Mining	73 608	281	2 243	21	76 153
Manufacturing	1 045 941	74 788	42 721	6 940	1 170 390
Energy and water supply	396 537	2 933	64 584	420	464 474
Construction	288 749	30 616	100 395	3 246	423 006
Development of building projects	375	45	34 007	8	34 435
Trade	578 972	125 205	27 004	23 068	754 249
Transport and communication	643 065	31 487	91 769	3 519	769 840
Hotels and restaurants	29 592	9 181	51 510	1 487	91 770
Financial and insurance services	460 090	1 868	10 127	286	472 371
Holding companies	99 683	4	24	157	99 868
Real estate and housing	575 254	18 603	601 778	106 145	1 301 780
Services	126 015	31 790	38 488	6 525	202 818
Public administration	3 488 389	7 023	57	-	3 495 469
Education, health and art	98 200	5 708	16 770	286	120 964
Private households	8 666 854	887 378	481 132	295 350	10 330 714
Other	208	32	442	-	682
Total	**16 580 151**	**1 290 865**	**1 553 088**	**473 399**	**19 897 503**

EUR ths. 31.12.2018	Low Risk	Management attention	Substandard	Non-performing loans	Total
Agriculture and forestry	76 282	44 627	2 505	1 783	125 197
Mining	42 444	152	3 366	-	45 962
Manufacturing	946 944	68 038	38 981	15 452	1 069 415
Energy and water supply	351 169	3 103	64 286	84	418 642
Construction	218 788	22 822	43 264	7 869	292 743
Development of building projects	16 368	62	16 295	16	32 741
Trade	566 992	81 527	30 066	14 557	693 142
Transport and communication	619 712	44 431	4 450	3 126	671 719
Hotels and restaurants	31 633	7 854	33 323	4 506	77 316
Financial and insurance services	474 240	2 342	35 595	47	512 224
Holding companies	107 979	697	5 099	-	113 775
Real estate and housing	757 564	8 632	329 912	112 103	1 208 211
Services	100 167	25 988	30 541	5 377	162 073
Public administration	3 414 055	18	125 540	18	3 539 631
Education, health and art	71 371	4 318	7 375	155	83 219
Private households	6 493 547	2 430 222	499 781	321 975	9 745 525
Other	22	84	946	-	1 052
Total	**14 164 930**	**2 744 158**	**1 249 931**	**487 052**	**18 646 071**

The following table presents credit risk exposure by risk category:

EUR ths. 31.12.2019	Credit risk exposure				Gross carrying amount
	Low Risk	Management attention	Substandard	Non-performing	
Cash and cash balances - other demand deposits	10 224	-	-	-	10 224
Financial assets at amortised cost	14 738 886	1 149 292	1 367 554	410 153	17 665 885
Loans and advances to banks	52	3	-	-	55
Loans and advances to customers	11 285 754	1 149 289	1 283 785	410 153	14 128 981
of which: Lending for house purchase	7 006 258	593 559	302 275	169 768	8 071 860
of which: Credit for consumption	1 275 683	236 391	154 810	119 882	1 786 766
of which: Corporate loans and others	3 003 813	319 339	826 700	120 503	4 270 355
Debt securities	3 453 080	-	83 769	-	3 536 849
Finance lease receivables	181 283	20 649	5 710	10 115	217 757
Trade and other receivables	81 947	4 563	18 296	5 922	110 728
Non-trading financial assets at fair value throu-gh profit or loss - 'Debt securities	-	-	3 175	-	3 175
Derrivatives - held for trading	35 589	261	5 572	1	41 423
Positive fair value of derivatives - hedge accounting	23 020	-	-	-	23 020
Total credit risk exposure on-balance	**15 070 949**	**1 174 765**	**1 400 307**	**426 191**	**18 072 212**
Off-balance	1 509 202	116 100	152 782	47 207	1 825 291
Total credit risk exposure	**16 580 151**	**1 290 865**	**1 553 089**	**473 398**	**19 897 503**

EUR ths. 31.12.2018	Credit risk exposure				Gross carrying amount
	Low Risk	Management attention	Substandard	Non-performing	
Cash and cash balances - other demand deposits	7 196	-	-	-	7 196
Financial assets at amortised cost	12 649 484	2 589 430	1 058 608	433 707	16 731 229
Loans and advances to banks	47 819	1	-	-	47 820
Loans and advances to customers	9 050 652	2 589 429	1 058 608	433 707	13 132 396
of which: Lending for house purchase	5 418 870	1 630 158	301 170	169 640	7 519 839
of which: Credit for consumption	792 007	693 867	175 637	145 536	1 807 046
of which: Corporate loans and others	2 839 775	265 404	581 801	118 531	3 805 511
Debt securities	3 551 013	-	-	-	3 551 013
Finance lease receivables	122 465	6 196	753	292	129 707
Trade and other receivables	55 394	5 104	35 511	3 508	99 517
Non-trading financial assets at fair value throu-gh profit or loss - 'Debt securities	23 570	-	52	-	23 622
Derrivatives - held for trading	39 074	195	3 668	5	42 941
Positive fair value of derivatives - hedge accounting	9 753	-	152	-	9 905
Total credit risk exposure on-balance	**12 906 936**	**2 600 925**	**1 098 744**	**437 512**	**17 044 117**
Off-balance	1 257 992	143 235	151 188	49 539	1 601 954
Total credit risk exposure	**14 164 928**	**2 744 160**	**1 249 932**	**487 051**	**18 646 071**

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

EUR ths. 31.12.2019	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Not subject to stage assessment**	**Total credit risk exposure**
Agriculture and forestry	175 241	21 234	26 051	242	54	222 822
Mining	76 056	47	21	-	29	76 153
Manufacturing	1 123 003	39 500	5 338	1 649	900	1 170 390
Energy and water supply	325 024	110 982	420	-	28 049	464 475
Construction	408 994	6 704	2 924	4 075	307	423 004
Development of building projects	34 180	31	7	-	216	34 434
Trade	687 042	40 320	19 050	4 429	3 409	754 250
Transport and communication	753 455	11 211	3 208	311	1 655	769 840
Hotels and restaurants	72 802	2 414	1 477	14 325	753	91 771
Financial and insurance services	437 513	1 301	286	-	33 271	472 371
Holding companies	99 708	4	157	-	-	99 869
Real estate and housing	1 151 531	40 988	727	105 417	3 116	1 301 779
Services	188 040	7 439	6 419	750	172	202 820
Public administration	3 494 856	613	-	-	-	3 495 469
Education, health and art	118 975	1 628	285	23	52	120 963
Private households	9 806 828	226 825	293 625	3 392	44	10 330 714
Other	344	27	-	-	311	682
Total	**18 819 704**	**511 233**	**359 831**	**134 613**	**72 122**	**19 897 503**

EUR ths. 31.12.2018	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Not subject to stage assessment**	**Total credit risk exposure**
Agriculture and forestry	115 921	7 393	1 355	447	81	125 197
Mining	45 891	20	-	-	50	45 961
Manufacturing	1 023 914	27 268	10 418	5 077	2 739	1 069 416
Energy and water supply	370 983	13 290	84	-	34 285	418 642
Construction	277 356	3 134	2 755	8 812	686	292 743
Development of building projects	32 285	14	12	4	425	32 740
Trade	659 882	11 111	9 900	4 679	7 568	693 140
Transport and communication	662 141	5 615	2 154	993	816	671 719
Hotels and restaurants	55 684	1 223	3 989	15 788	632	77 316
Financial and insurance services	474 664	705	46	-	36 808	512 223
Holding companies	113 775	-	-	-	-	113 775
Real estate and housing	1 076 157	17 950	460	111 643	2 002	1 208 212
Services	151 161	5 597	4 378	825	113	162 074
Public administration	3 539 493	120	18	-	-	3 539 631
Education, health and art	81 672	1 349	155	23	21	83 220
Private households	9 178 441	252 218	310 811	4 028	27	9 745 525
Other	211	33	-	-	808	1 052
Total	**17 713 571**	**347 026**	**346 523**	**152 315**	**86 636**	**18 646 071**

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

31.12.2019 EUR ths.	Cash and cash balances - other demand deposits	Financial assets at amortised cost					Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - ,Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
		Loans and advances to banks	Loans and advances to customers			Debt securities						
			of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others							
Slovakia	-	29	8 066 677	1 785 642	4 195 427	3 215 229	217 757	74 428	3 163	35 861	1 766 177	19 360 390
Central and Eastern Europe	9 729	13	2 073	454	25 453	36 301	-	13 398	-	22 062	49 816	159 299
Austria	4 153	9	262	56	2	-	-	5 768	-	21 965	12 505	44 720
Czech Republic	254	1	1 243	263	25 446	36 301	-	5 084	-	97	34 344	103 033
Hungary	5 304	3	56	19	2	-	-	1 839	-	-	2 957	10 180
Croatia	13	-	109	36	-	-	-	159	-	-	2	319
Romania	5	-	226	46	1	-	-	497	-	-	6	781
Serbia	-	-	177	34	2	-	-	51	-	-	2	266
Other EU	318	10	1 200	246	44 550	280 242	-	19 867	13	6 520	8 231	361 197
Other industrialised countries	177	-	286	72	4 888	5 077	-	1 251	-	-	5	11 756
Emerging markets	-	3	1 625	354	38	-	-	1 778	-	-	1 063	4 861
Total	**10 224**	**55**	**8 071 861**	**1 786 768**	**4 270 356**	**3 536 849**	**217 757**	**110 722**	**3 176**	**64 443**	**1 825 292**	**19 897 503**

31.12.2018 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						
			of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others							
Slovakia	-	31	7 514 774	1 805 884	3 718 935	3 250 396	129 707	71 835	3 400	40 485	1 546 917	18 082 364
Central and Eastern Europe	4 378	9 036	1 993	424	37 905	23 138	-	7 295	-	6 275	36 282	126 726
Austria	4 248	311	142	15	2	-	-	456	-	6 235	5 094	16 503
Czech Republic	54	1	1 244	270	37 898	23 138	-	4 509	-	40	28 911	96 065
Hungary	56	8 724	61	23	2	-	-	1 595	-	-	2 229	12 690
Croatia	19	-	112	32	1	-	-	391	-	-	2	557
Romania	1	-	252	47	1	-	-	337	-	-	43	681
Serbia	-	-	182	37	1	-	-	7	-	-	3	230
Other EU	2 726	38 752	1 294	194	48 617	272 403	-	17 257	20 222	6 085	18 200	425 750
Other industrialised countries	92	-	331	79	9	5 076	-	1 828	-	-	5	7 420
Emerging markets	-	1	1 447	466	45	-	-	1 302	-	-	550	3 811
Total	**7 196**	**47 820**	**7 519 839**	**1 807 047**	**3 805 511**	**3 551 013**	**129 707**	**99 517**	**23 622**	**52 845**	**1 601 954**	**18 646 071**

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

31.12.2019 EUR ths.	Non-impaired loans							Impaired loans	Total Credit risk exposure
	Total past due non Impaired	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due	Neither past due nor Impaired		
Cash and cash balances - other demand deposits	-	-	-	-	-	-	10 224	-	10 224
Financial assets at amortised cost	375 374	344 675	18 120	8 155	4 389	34	16 880 360	410 153	17 665 885
Loans and advances to banks	54	54	-	-	-	-	1	-	54
Loans and advances to customers	375 320	344 621	18 120	8 155	4 389	34	13 343 510	410 153	14 128 982
of which: Lending for house purchase	133 458	118 686	8 516	3 277	2 978	-	7 768 635	169 768	8 071 861
of which: Credit for con-sumption	75 734	66 022	5 242	3 479	991	-	1 591 150	119 882	1 786 766
of which: Corporate loans and others	166 128	159 913	4 362	1 399	420	34	3 983 725	120 503	4 270 355
Debt securities	-	-	-	-	-	-	3 536 849	-	3 536 849
Finance lease receivables	5 693	4 397	958	242	92	4	201 950	10 115	217 757
Trade and other receivables	11 719	9 589	1 423	236	470	-	93 087	5 922	110 728
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	-	-	-	3 175	-	3 175
Financial assets - held for trading	-	-	-	-	-	-	41 423	-	41 423
Positive fair value of derivatives	-	-	-	-	-	-	23 020	-	23 020
Total credit risk exposure on-ba-lance	**392 786**	**358 661**	**20 501**	**8 633**	**4 951**	**38**	**17 253 239**	**426 190**	**18 072 212**
Off-balance	-	-	-	-	-	-	1 778 083	47 208	1 825 291
Total credit risk exposure	**392 786**	**358 661**	**20 501**	**8 633**	**4 951**	**38**	**19 031 322**	**473 398**	**19 897 503**

31.12.2018 EUR ths.	Non-impaired loans							Impaired loans	Total Credit risk exposure
	Total past due non Impaired	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due	Neither past due nor Impaired		
Cash and cash balances - other demand deposits	-	-	-	-	-	-	7 196	-	7 196
Financial assets at amortised cost	327 632	298 489	17 607	10 681	82	775	15 979 231	424 366	16 731 229
Loans and advances to banks	50	50	-	-	-	-	47 770	-	47 820
Loans and advances to customers	327 582	298 438	17 607	10 681	82	775	12 380 449	424 366	13 132 396
of which: Lending for house purchase	139 963	123 887	10 663	5 061	15	337	7 217 250	162 626	7 519 839
of which: Credit for con-sumption	84 490	73 627	6 063	4 553	7	240	1 579 113	143 443	1 807 046
of which: Corporate loans and others	103 129	100 924	881	1 067	60	197	3 584 085	118 297	3 805 511
Debt securities	-	-	-	-	-	-	3 551 013	-	3 551 013
Finance lease receivables	30 343	30 119	178	45	-	-	99 072	292	129 707
Trade and other receivables	14 060	12 398	1 562	98	-	1	81 949	3 508	99 517
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	-	-	-	23 622	-	23 622
Financial assets - held for trading	-	-	-	-	-	-	42 941	-	42 941
Positive fair value of derivatives	-	-	-	-	-	-	9 905	-	9 905
Total credit risk exposure on-ba-lance	**372 035**	**341 006**	**19 347**	**10 824**	**82**	**776**	**16 243 915**	**428 166**	**17 044 117**
Off-balance	-	-	-	-	-	-	1 552 422	49 532	1 601 954
Total credit risk exposure	**372 035**	**341 006**	**19 347**	**10 824**	**82**	**776**	**17 796 337**	**477 698**	**18 646 071**

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

31.12.2019 EUR ths.	Cash and cash balances - other demand deposits	Financial assets at amortised cost					Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - ,Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
		Loans and advances to banks	Loans and advances to customers			Debt securities						
			of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others							
Low risk	10 224	1	6 989 818	1 271 003	2 909 607	3 453 080	179 137	73 411	-	58 610	1 509 201	16 454 092
Management attention	-	-	571 392	225 504	296 950	-	17 960	2 211	-	261	116 100	1 230 378
Substandard	-	-	207 427	94 642	777 167	83 769	4 852	17 465	3 175	5 572	152 782	1 346 851
Non-performing loans (NPE)	-	-	-	-	-	-	-	-	-	1	-	1
Total	**10 224**	**1**	**7 768 637**	**1 591 149**	**3 983 724**	**3 536 849**	**201 949**	**93 087**	**3 175**	**64 444**	**1 778 083**	**19 031 322**

31.12.2018 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						
			of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others							
Low risk	7 196	47 770	5 413 349	791 102	2 799 029	3 551 013	94 825	47 960	23 570	48 827	1 257 992	14 082 633
Management attention	-	-	1 597 361	676 973	241 437	-	3 793	3 143	-	195	143 235	2 666 137
Substandard	-	-	202 891	110 332	543 601	-	454	30 846	52	3 819	151 188	1 043 183
Non-performing loans (NPE)	-	-	3 650	706	17	-	-	-	-	5	7	4 385
Total	**7 196**	**47 770**	**7 217 251**	**1 579 113**	**3 584 084**	**3 551 013**	**99 072**	**81 949**	**23 622**	**52 846**	**1 552 422**	**17 796 338**

The following table credit risk exposure by industry:

31.12.2019 EUR ths.	Cash and cash balances - other demand deposits	Financial assets at amortised cost			Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - ,Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
		Loans and advances to banks	Loans and advances to customers	Debt securities						
Agriculture and forestry	-	-	170 964	-	30 779	659	-	54	20 367	222 823
Mining	-	-	54 027	-	335	225	-	29	21 536	76 152
Manufacturing	-	-	787 770	9 355	43 597	57 423	-	696	271 549	1 170 390
Energy and water supply	-	-	365 100	-	4 992	2 043	-	28 049	64 291	464 475
Construction	-	-	149 077	-	4 674	1 438	-	307	267 513	423 009
Development of building projects	-	-	31 144	-	-	20	-	216	3 054	34 434
Trade	-	-	504 453	-	16 552	34 538	-	393	198 313	754 249
Transport and communication	-	-	411 382	83 769	102 335	5 628	-	1 655	165 070	769 839
Hotels and restaurants	-	-	72 917	-	220	7	-	753	17 874	91 771
Financial and insurance services	10 224	54	88 562	220 133	82	5 668	3 175	28 813	115 658	472 369
Holding companies	-	-	32 423	15 153	-	446	-	-	51 846	99 868
Real estate and housing	-	-	1 113 965	-	896	383	-	3 116	183 419	1 301 779
Services	-	-	137 241	-	9 013	1 895	-	172	54 498	202 819
Public administration	-	-	243 811	3 223 591	521	-	-	-	27 545	3 495 468
Education, health and art	-	-	98 375	-	3 614	821	-	52	18 102	120 964
Private households	-	-	9 931 029	-	146	-	-	44	399 495	10 330 714
Other	-	-	313	-	-	-	-	311	58	682
Total Credit risk exposure	**10 224**	**54**	**14 128 986**	**3 536 848**	**217 756**	**110 728**	**3 175**	**64 444**	**1 825 288**	**19 897 503**

31.12.2018 EUR ths.	Cash and cash balances - other demand deposits	Financial assets at amortised cost			Finance lease receivables	Trade and other recei-vables	Non-trading fi-nancial assets at fair value through profit or loss - ,Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
		Loans and advances to banks	Loans and advances to customers	Debt securities						
Agriculture and forestry	-	-	97 778	-	1 693	110	-	81	25 536	125 198
Mining	-	-	41 236	-	290	238	-	50	4 147	45 961
Manufacturing	-	-	705 607	9 356	32 271	54 512	-	563	267 107	1 069 416
Energy and water supply	-	-	302 942	-	4 733	2 211	-	34 285	74 471	418 642
Construction	-	-	117 206	-	3 880	621	-	686	170 351	292 744
Development of building projects	-	-	27 794	-	-	6	-	425	4 515	32 740
Trade	-	-	460 600	-	9 392	34 792	-	215	188 140	693 139
Transport and communication	-	-	409 010	86 656	68 492	1 237	-	816	105 508	671 719
Hotels and restaurants	-	-	71 184	-	417	3	-	632	5 081	77 317
Financial and insurance services	7 196	47 820	158 473	171 072	56	987	23 622	12 547	90 452	512 225
Holding companies	-	-	67 687	25 378	-	-	-	-	20 710	113 775
Real estate and housing	-	-	970 132	-	697	178	-	2 002	235 202	1 208 211
Services	-	-	97 120	-	5 887	3 699	-	113	55 254	162 073
Public administration	-	-	235 185	3 283 930	13	9	-	-	20 494	3 539 631
Education, health and art	-	-	66 110	-	1 768	919	-	21	14 401	83 219
Private households	-	-	9 399 585	-	117	-	-	27	345 795	9 745 524
Other	-	-	228	-	-	-	-	808	16	1 052
Total Credit risk exposure	**7 196**	**47 820**	**13 132 396**	**3 551 014**	**129 706**	**99 516**	**23 622**	**52 846**	**1 601 955**	**18 646 071**

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

31.12.2019 EUR ths.	Cash and cash balances - other demand deposits	Financial assets at amortised cost			Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - ,Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
		Loans and advances to banks	Loans and advances to customers	Debt securities						
Sovereigns	-	-	245 084	3 223 591	541	391	-	-	27 513	3 497 120
Institutions	10 224	54	-	194 849	-	4 492	-	28 485	58 725	296 829
Corporates	-	-	3 264 818	118 408	194 067	104 940	3 175	35 914	1 218 337	4 939 659
Retail	-	-	10 619 080	-	23 149	905	-	44	520 717	11 163 895
Total	**10 224**	**54**	**14 128 982**	**3 536 848**	**217 757**	**110 728**	**3 175**	**64 443**	**1 825 292**	**19 897 503**

31.12.2018 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	-	-	230 133	3 301 947	57	9	-	-	20 478	3 552 625
Institutions	7 196	47 820	-	127 676	-	188	20 170	12 472	60 872	276 394
Corporates	-	-	2 883 101	121 390	125 790	97 731	3 452	40 346	1 051 592	4 323 403
Retail	-	-	10 019 162	-	3 859	1 588	-	27	469 012	10 493 649
Total	**7 196**	**47 820**	**13 132 396**	**3 551 013**	**129 706**	**99 516**	**23 622**	**52 845**	**1 601 954**	**18 646 071**

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.

Forbearance

In September 2014 the Group has implemented a forbearance definition based on the EBA definition. The forborne exposure can be identified in both, performing and non-performing portfolios:
- Performing forbearance – forborn loans for customers without financial difficulties
- Non-performing forbearance – forborn loans for customers, which defaulted after forbearance
- Defaulted forbearance – forborn loans for customers in default

The following table presents carrying amounts of renegotiated loans, which are exposures with performing forbearance status:

EUR ths.	31.12.2018	31.12.2019
Renegotiated loans	81 515	120 922
Total	**81 515**	**120 922**

The following table presents a summary of the Group's credit risk to the Slovak Republic, companies controlled by the Slovak government, self-governing regions, guarantees issued by the Slovak government and similar exposures:

EUR ths.	Amount		Portion of total assets %	
	31.12.2018	31.12.2019	31.12.2018	31.12.2019
Cash and cash balances	1 704	93 129	0.01%	0.50%
Loans and receivables to customers	450 735	446 101	2.58%	2.40%
Securities portfolio	3 006 180	2 924 842	17.23%	15.70%
Deferred tax asset	44 968	44 727	0.26%	0.24%
Total	**3 503 587**	**3 508 799**	**20.09%**	**18.84%**

The following table presents a breakdown of state debt securities held by the Group per portfolio and type of security:

EUR ths.	31.12.2018	31.12.2019
Financial assets at amortised cost	3 006 180	2 924 842
State bonds denominated in EUR	2 975 833	2 894 007
State bonds denominated in USD	30 347	30 835
Total	**3 006 180**	**2 924 842**

The sovereign issuer rating of the Slovak Republic according to the international rating agency Moody's is A2 with stable outlook (since september 2019).

Market risk

Market risk is the risk of losses in balance sheet and off-balance sheet positions arising from movements in market factors, i.e. prices, interest rates, foreign exchange rates, volatilities, etc. The risk management process comprises of the four key elements:

- risk identification – identify all risks inherent in the trading operations and in new products (new products check) and ensure these are subject to adequate procedures and controls before being introduced or undertaken
- risk measurement – calculation of risk exposure using sensitivities and value-at-risk
- limits management – comprehensive limit system and limit allocation in order to restrict the maximum risk exposure
- risk monitoring and reporting

The entire market risk management is independent from the business lines and is carried out by Strategic Risk Management (SRM). Trading and investment operations are subject to strict rules defined by SRM and approved by ALCO committee.

Methods and instruments employed

All positions of the Group, both in banking and trading books, that are subject to market risk are re-valued daily (including positions held-to-maturity), either to market or to model prices, and respective profit or loss is calculated.

The main tool to measure market risk exposure in the Group is sensitivity analysis and value-at-risk (VAR) which is complemented by back testing and stress testing programme.

VAR for trading book and investment portfolios of banking book estimates the maximum potential loss over 1-day holding period with 99 % confidence interval and is based on historical simulation (2-years history window, equally weighted) while all positions are treated via full valuation in the calculation (i.e. no simplification of positions for the purpose of VAR). VAR is measured consistently across all portfolios (both banking and trading book) and considers relevant market factors.

In order to validate the value-at-risk model, daily back testing routines are applied. In the procedure the real value of closing position of the previous trading day is computed first using relevant market rates of that day. The same closing position is then revalued using the closing market rates of the current day. The difference between the two values is the so-called hypothetical profit and loss, i.e. profit and loss that would have been obtained if the position remained unchanged during the last trading day. If this profit or loss figure exceeds the value-at-risk figure, an exception is recorded and documented. Back testing is conducted not only for the whole trading book, but also for each trading desk and additionally for each applicable risk factor (interest rate, FX rate, stock price, volatility, etc.).

VAR is subject to some model assumptions (e.g. historical simulation), hence stress testing is established in order to partially tackle these shortcomings by estimating losses due to extreme changes in market factors, the probabilities of which are very small. Position or portfolios are tested under a number of potential extreme scenarios and their impact on value and hence profit and loss is computed.

VAR for the overall banking employs Monte Carlo simulation to generate potential future yield curves (99.9 or 0.01 percentiles of the simulated short rate paths) that are then used to calculate change in value caused by that shifts in yield curves.

Overall market risk of the entire balance sheet is also measured using economic value of equity measure based on EBA guidelines. It is a change in present value of bank's interest rate sensitive assets and liabilities as a result of prescribed set of severe scenarios (both parallel and non-parallel, specified by EBA). The resulting sensitivity is related to the available capital.

Risk mitigation and reporting

In order to manage the maximum risk exposure, a comprehensive system of limits is established, including VAR, sensitivity, and stop-loss limits. Limits are structured according to individual portfolios (separate limits are defined for derivative trades). Limits are reviewed/proposed usually at year-end by SRM in cooperation with Treasury/BSM for the upcoming business year. Reallocations are also possible during the current year. The new limits proposal or change in approved limits is subject to approval by ALCO committee. Monitoring is performed daily by SRM. Each limit violation must be reported and explained with ALCO being the supreme decision maker on further action.

Risk reporting is done daily for relevant management and monthly for ALCO.

Market risk measures

The following tables summarize the risk measures – Value at Risk of banking book and trading book:

EUR ths.	2018	2019
Trading book VAR	0.0	0.0
Banking book VAR - ALM portfolio	10.0	7.5
Banking book VAR - Corporate portfolio	0.8	0.87
Banking book VAR – ALCO portfolio	0.2	0.13
Overall Banking book VAR	138.0	61.1
Overall Banking book sensitivity (the market value of equity - 200bp shock)	98.6	29.2

VAR figure is almost fully driven by interest rate risk, whilst foreign exchange and other risks are negligible.

FX risk

Basis principle behind managing FX risk is to transfer positions stemming from banking book activities to Erste Holding. However, in reasonable cases, banking book is permitted to hold strategic FX positions. This would typically be opened in order to hedge existing FX positions that are not explicitly seen on the balance sheet.

Strategic positions are subject to ALCO approval and shall be managed on a daily basis by Balance Sheet Management. They are covered by sufficient limit structure and reporting on VAR, stop-loss limit and are disclosed as the gain or loss (responsibility of Strategic Risk Management).

Liquidity risk

The liquidity risk is defined in the Group as the inability to meet the Group's cash obligations as they come due because of an inability to liquidate assets or obtain adequate funding. Accordingly, a distinction is made between market liquidity risk, which is the risk that the Group cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the Group will not be able to meet efficiently both expected and unexpected current and future cash flows and collateral needs without affecting either daily operations or the financial condition of Group.

Liquidity risk is within the authority of ALCO. The Local Operating Liquidity Committee ('L-OLC') is responsible for operational managing and analysing of the liquidity situation of the Group.

Actual management of liquidity risk is done by Strategic Risk Management. Structural liquidity management is performed by Balance Sheet Management and daily liquidity managing and the fulfilment of minimum required reserves is performed by the Treasury department.

Liquidity strategy

The primary goal of the Funding Strategy in the year 2019 was to cover the planned funding gap coming from the core business efficiently in terms of structure and costs vs. risk tolerance. This has been successfully achieved as the Group comfortably fulfills all regulatory and internal liquidity limits and keeps sufficient liquidity buffer composed mainly of government securities.

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period (SPA) on weekly basis. This analysis determines the maximum period during which the Group can survive different crisis scenarios (severe market, idiosyncratic, or combined crisis) while relying on its pool of liquid assets. The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflow.

Liquidity ratios defined by the regulator (LCR – Liquidity Coverage Ratio, NSFR – Net Stable Funding Ration and local LCR) are periodically monitored and are all at very satisfactory levels. All limits defined by the regulator are observed with large buffer.

Additionally, the static liquidity gap is monitored regularly on weekly basis and reported monthly to ALCO. Funding concentration risk is continuously analysed in respect to counterparties and is also reported to ALCO monthly.

Strategic Risk Management provides the reverse stress testing of liquidity where several assumptions (withdrawal, rollover, reserve haircuts) are modelled in order for the Group to survive exactly one month. This is done on a monthly basis and is reported to ALCO.

Methods and instruments of risk mitigation

General standards of liquidity risk controlling and management (standards, limits and analysis) have been defined withing the Group and are continuously reviewed and improved by L-OLC and ALCO.

The short-term liquidity risk is managed by limits resulting from the survival period analysis where horizon limits are defined for each scenario as follows:
- ordinary course of business – over 3 months
- severe name crisis – over 1 months
- severe market crisis – over 6 months
- sever combined name and market crisis – over 3 months
- mild name crisis – over 3 months
- mild market crisis – over 12 months
- mild combined name and market crisis – over 6 months

For each scenario also the limit for liquidity surplus over given horizon limit is applied. The limit is set at 0 Eur with warning level in range between 0 and 200 mil. Eur.

The minimum volume of the ECB eligible securities in liquidity buffer (counter-balancing capacity) is limited by 1.5 bn Eur. The Group daily monitors its counter-balancing capacity, which consists of cash, excess minimum reserve at the central banks, as well as unencumbered central bank eligible assets. These assets can be mobilized in the short term to offset potential cash outflows in a crisis situation.

Further, short-term risk is managed by regulatory and internal (more severe) limits on LCR, NFSR, and local LCR ratios.

Funding Concentrations management - sum of top 10 biggest clients of each monitored group of wholesale funding providers (public, financial, credit institutions and corporates) may not account for more than 500 mil. Eur. Should this amount be exceeded, the minimum liquidity reserve must be increased by the amount of excess.

Based on analysis and measurement, and based on liquidity strategy, medium and long-term (structural) management of liquidity is carried out by BSM while major decisions have to be approved by ALCO. Strategic Risk Management must ensure that the execution is in line with the approved Liquidity Strategy and that the approved limits are being followed. ALCO must be informed on the status of structural liquidity within the regular ALCO liquidity reports.

The Contingency Plan ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis.

Analysis of liquidity risk

All regulatory ratios were well above the defined regulatory limits during the year 2019.

Internal analysis

Counter-balancing capacity – the minimum amount of highly-liquid ECB eligible securities to cover unexpected cash outflow was around 3.9 bn Eur throughout 2019 (well above the 1.5 bn Eur limit).

2019 EUR ths.	< 1 week	1 week 1 month	1-3 months	3-6 months	6-12 months
Cash, excess reserve	384	-	-	-	-
Liquid assets	3 516	(5)	-	(359)	(11)
Retained covered bonds	-	799	-	-	-
Counterbalancing capacity	**3 900**	**794**	**-**	**(359)**	**(11)**

2018 EUR ths.	< 1 week	1 week 1 month	1-3 months	3-6 months	6-12 months
Cash, excess reserve	394	-	-	-	-
Liquid assets	3 527	-	-	(142)	-
Counterbalancing capacity	**3 921**	**-**	**-**	**(142)**	**-**

Survival period analysis

During the year 2019 all SPA limits were fulfilled. The most severe scenario (combined crisis) had a value about 12 month during the whole year.

Funding concentrations

During the year 2019 the funding concentrations limits was violated a few times (on average by 42.2 mil. Eur). All of these limit violations were caused by short-dated deposits and all of them were covered by temporary increase of minimum liquidity reserve by the amount of exceeding.

Operational risk

Main objectives of effective system of operational risk management are:

- set up a bank-wide framework for operational risk management and to translate this framework into specific policies, procedures or processes that can be implemented and verified within different business units
- properly identify major drivers of operational risk
- develop model for quantification of risk exposure profile and for calculation of both economic and regulatory capital
- prevent or minimize losses due to operational risk by adaptation of suitable processes, preventive measures or by selecting suitable insurance
- implement and update of insurance program
- define outsourcing and internal control system principles
- prepare ORCO meetings
- continuously improve the operational risk management process (described in subsequent chapters on risk identification, measurement and management)
- provide quality reporting and documentation

Risk identification

Comprehensive risk identification is imperative for each subsequent stages of the operational risk management life cycle. Its primary objective is to provide information needed for correct decision making within operational risk management. Prompt risk identification may lead to quick detection and correction of deficiencies in policies or processes, and may substantially reduce the potential frequency and / or severity of loss events.

Risk identification is generally forward-looking. While it is inevitable to use historical loss data, they are supported by forward-looking approaches in order to obtain better quality assessment. Whenever possible, identification factors are translatable into quantitative measures.

The most significant sources of operational risk in the Group are:
- theft and fraud (both external and internal)
- legal risks
- human processing error
- data, infrastructure, and system related risks
- cyber crime
- improper practices (including incomplete or ambiguous internal guidelines)
- natural disaster and wilful damage

These sources of risk must be consistently assessed and re-evaluated using a variety of risk identification techniques, described in the following sub-sections. The results of the risk identification are regularly reported to high-level decision bodies (ORCO, Board of Directors).

Internal data

The Group maintains a central database of operational risk events and losses. This is as comprehensive as possible in that it captures all material activities throughout the Group. Data collection is conducted via a web-based application EMUS which was upgraded in 2016. This application now provides more user friendly platform to deal with operational risk losses.

Operational risk event is defined as an event due to inadequate or failed processes, human factors or systems, or external events, which lead (or have the potential to lead) to losses, or have other negative impact on the Group. All organizational units and their employees are obligated to report operational risk events, encountered or potential loss (both direct and indirect) of which is higher than defined threshold, or is not quantifiable yet relevant. Reporting is done via EMUS, where every employee of the Group has an access right. Information on loss amounts, recoveries, date of event and other relevant descriptive information must be provided.

Every event reported in the EMUS application follows the acceptance procedure by expert departments. Events have two-stage acceptance procedure. Depending on the type of event, first stage is conducted by either IT Security, Physical Security, Fraud Prevention, Card Services, Internal Services or Legal Unit. Second stage is a data consistency check and is performed by Operational Risk Management. Events are categorized according to business lines. Special attention must be paid to events that span more than one business line, or events that arise in centralized function that cannot be directly mapped to a business line. Internal data collection process is covered by Operational Risk Management in an associated guideline. This guideline covers definitions, principles for event and loss classification, minimum loss threshold, event acceptance procedure, required data for each event, etc.

External data

As severe operational risk events are scarce, and may not have been captured in internal data collection, the Group also includes adequate external event data in its risk identification system. These cover infrequent severe events with relevance to the Group or financial industry. The Group systematically incorporate external data into its risk measurement methodology. External data collection is coordinated with the Erste group efforts on this matter and will be locally conducted by Operational Risk Management.

Scenario analysis

Contrary to internal and external data collection, scenario analysis is a forward-looking tool of risk identification. The Group includes such analysis in order to evaluate its exposure to high-severity events and to derive reasonable estimates of potential severe losses. The results will in turn serve as input factors to the risk measurement process. Scenarios must be periodically reassessed for meaningfulness and should consider breakdown of assumed correlation patterns (i.e. the possibility of two or more severe events happening simultaneously). Scenario analysis is conducted by Compliance and Operational Risk Management departments.

Risk mapping and key risk indicators

The objective of this risk identification technique is to map the level of different operational risks across the Group and to set up a measurable framework known as key risk indicators ('KRI') that tracks the most important drivers of operational risk and that could subsequently be used in risk measurement. Risk mapping is a top-down approach. Compliance and Operational Risk Management, with the help of respective senior or third level manager, will conduct an analysis and grading of operational risks inherent in each unit's activities, in order to come with overall risk map of the Group. The resulting map will have three dimensions, namely:
- risk category
- business line / product
- functional process level – where applicable, this provides depth for the business line / product dimension (e.g. stages of particular process or lifecycle phases of product)

The outcome of risk mapping will provide the basis for defining KRI, which will in turn be periodically monitored. It will serve as input for risk measurement and operational risk management decision making. Reporting on KRI is the responsibility of business units.
KRI has the following properties:
- it is easy to use, i.e. available for reliable periodical measurement, cost effective to measure, and easy to understand and communicate;
- it is effective, i.e. apply to high risk points, reflect objective measurement rather than subjective judgment, and provide useful management information.

Risk measurement

The Group measures its operational risk exposure using the loss distribution approach. In this, the probability distribution of both, frequency of loss and amount of loss, is modelled and is recombined (typically using Monte Carlo simulation) into a compound distribution of yearly losses. Out of this distribution, both expected and unexpected losses could be calculated. In accordance with Basel II, the confidence interval for unexpected loss should be at least 99.9 % and the holding period should be one year.

In modelling the distribution, all outcomes of risk identification process is used, i.e. both internal and external data, scenario analysis, risk mapping, and factors reflecting the business environment and internal control systems is used. In calculating the exposure, mitigation techniques (specifically insurance) may be included. This is done via decreasing of the gross loss for individual loss events by probable insurance coverage.

The Group is able, given both adequate data and sound models are available, to arrive at sufficiently granular profile of the risk exposures, i.e. to calculate the exposures for all major drivers of operational risk (along business lines and risk types). Over time, the model is validated through comparison to actual experience and appropriate corrections are made. Design of the risk measurement model is within the responsibility of Erste Holding (for more details see the group AMA documentation). Modelling inputs are provided by Operational Risk Management.

Managing operational risk

Management of operational risk is primarily the responsibility of each individual business unit in its daily course of operations. In addition, Operational Risk Management has a harmonization role and performs activities of global scope.

In general, operational risk can be managed via any (or a combination) of the following:
- risk mitigation, including insurance
- system of internal controls
- outsourcing
- risk acceptance
- decrease of the extent or disposal of the risky activity

Selection of the approach is by definition the responsibility of senior managers or of the Board of Directors for the activities and risks of global scope. For risks identified as significant, senior managers are required to present the selected risk management tactics to a high-level decision body (ORCO, the Board of Directors) for approval.

The following sub-sections give an overview of the main activities regarding operational risk management within the Group.

Operational Risk and Compliance Committee is the ultimate decision-making body for operational risk issues. It is defined as a high-level management committee that deals with operational risk strategies and procedures, decides on risk appetite and tolerance levels, and decides on mitigation measures for, or risk acceptance of operational risk, compliance, financial crime, IT security and operations, anti-money laundering, etc.

Operational Risk Management or any other unit may present results of risk identification and risk measurement processes or other operational risk issues to ORCO for a risk acceptance/disapproval decision. It will typically happen in case high risk was identified during risk mapping or larger loss event was recorded or any substantial activity carrying possible high operational risk is planned. In case ORCO does not accept the identified risk, it assigns tasks to senior management to come up with mitigation measures. ORCO consists of selected board members, senior managers and other representatives.

System of internal controls

Each unit manager implements a system of internal controls ('ICS') within his area of competence, with the objective of identification and mitigation of operational risks. Within the system, a set of operative controls is created, in order to systematically check selected product, service, process, etc. Each unit manager is responsible for effectiveness and quality of the system. It is also his responsibility to identify problematic or risky areas that will be covered by operative controls.

Internal control system shall consist of:
- risk assessment – in order to determine what are the most important processes and what controls are needed
- written policies and procedures – all important operations must be covered by operation manuals
- control activities – control procedures itself
- review – in order to assess the appropriateness of controls
- accounting, information, and communication systems – a proper combination of such systems in order to provide detailed, accurate, and timely information

Principles to be followed when implementing ICS include, but are not limited to:
- four-eye principle
- thorough task assignment and monitoring
- substitutability of staff
- required vacation or absence from duties (for relevant units only)
- segregation of duties
- avoidance of conflict of interest

Internal Audit shall regularly conduct an audit of the Group's ICS in order to determine whether the Group is following enacted policies and procedures. Operational Risk Management issues associated Internal Control System Policy giving detailed information on the system. However, Operational Risk Management does not assume any coordination role in the implementation and execution of ICS by individual managers.

Insurance

In order to mitigate operational risk, the Group engages in a comprehensive insurance program. This covers direct or indirect losses due to all major sources of operational risk, i.e. improper use or failure of internal processes, human factor failures, system failures or external factors, and that in both the Group and its subsidiaries. The primary objective of the insurance program is to safeguard the Group against catastrophic events. Insurance does not serve for protection against common, expected losses. Responsibility for the insurance program is given to Operational Risk Management. It shall design suitable and cost-effective insurance program with the objective of minimizing losses due to operational risk. Overall insurance program is designed on Erste Holding level. The program is to be documented in an associated guideline which, inter alia, covers procedures in case of insurance incident.

Outsourcing

Outsourcing is defined as long-term delegation of internal operation to external entity that specializes in that operation. In context of operational risk management, the primary focus is on outsourcing of banking operations.

Outsourcing is governed by the following high-level principles:
- outsourcing of any banking operation must be approved by respective decision making body
- the Group wills to bear risks brought along by this activity and to undertake the responsibility for it
- special attention is to be paid to legal and regulatory issues

General outsourcing policy is defined on Erste Holding level. Operational Risk Management is responsible for local implementation of this policy, giving detailed definition of principles and procedures for outsourcing. These are documented in associated internal policy. All outsourced activities must strictly follow this policy.

Each outsourcing must have an outsourcing sponsor and an outsourcing manager (both coming from the Group) who are responsible for governance, correct functioning, operational risk, and other issues related to the outsourced activity.

Operational risk management related to outsourcing is within the responsibility of respective outsourcing sponsor and outsourcing manager. Operational Risk Management shall periodically conduct overall risk assessment of outsourcing.

Outsourcing shall be periodically checked by Internal audit.

35. Fair values of financial assets and liabilities

The best indication of a fair value of financial instrument is quoted market prices in an active market. Where such prices are available, they are used to measure the fair value (Level 1 of the fair value hierarchy).

In case a quoted market price is used for a valuation, but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators), the instrument is classified as Level 2 of the fair value hierarchy. In case no market prices are available, the fair value is determined by using valuation models, which are based on observable market data. If all the significant inputs in a valuation model are observable, the instrument is classified as Level 2 of the fair value hierarchy. For Level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters.

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor using valuation models that rely entirely on observable market data. In these cases individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently, the instrument is classified as Level 3 of the fair value hierarchy. For Level 3 valuations, typically credit spreads derived from both external sources (similar securities or issuers) and internal sources (risk parameters such as rating, PD or LGD) are used besides observable parameters.

Financial instruments measured at fair value

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

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

Description of the valuation models and inputs

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

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

OTC-derivative financial instruments
Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps, commodity swaps) are valued by standard valuation models. These models include discounting cash flow models, option models of Black-Scholes-type and Hull-White-type. Models are calibrated on quoted market data (including implied volatilities). Valuation model for more complex instruments also use Monte-Carlo-techniques. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used. The Group values derivatives at mid-market levels.

Credit value adjustments (CVA) for counterparty risk and debt value adjustments (DVA) for the own default credit risk are applied to OTC-derivatives. For CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and the Group's credit quality. The Group has implemented an approach, where the modelling of the expected exposure is based on option replication strategies. This modelling approach is considered for the most relevant products and portfolios. The methodology for the remaining entities and products is determined by market value plus add-on considerations. The probability of default of counterparties, which are not traded in an active market, is determined from internal PDs mapped to a basket of liquid titles being present in the central European market. Thereby market based valuation concepts have been incorporated. Counterparties with liquid bond or CDS markets are valued by the respective single-name market based PD derived from the prices. The Group's probability of default has been derived from the buy-back levels of the Group's issuances. Netting has only been considered for a few counterparties where the impact was material. For those netting has been applied for both CVA and DVA. The methodology and the calculation itself are carried out by Erste Holding.

For collateralised derivatives the effect of collateral received is considered and reduces the amount of CVA accordingly. For counterparties with CSA-agreements in place no CVA was taken into account for all cases with immaterial threshold amounts.

As at 31 December 2019 the cumulative CVA adjustment amounted 1.8 mil. Eur (2018: 0.9 mil. Eur) and the cumulative DVA adjustment amounted 0.1 mil. Eur (2018: 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).

In case of change in the measurement of financial instrument, its level in fair value hierarchy is also considered to meet the criteria described above for the respective Stage.

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	Marked to model based on observable market data	Marked to model based on non-observable inputs		Quoted market prices in active markets	Marked to model based on observable market data	Marked to model based on non-observable inputs	
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	31.12.2018				31.12.2019			
Assets								
Financial assets - held for trading	-	42 941	-	42 941	-	41 423	-	41 423
Derivatives	-	42 941	-	42 941	-	41 423	-	41 423
Non-trading financial assets at fair value through profit or loss	-	-	29 242	29 242	-	-	19 632	19 633
Equity instruments	-	-	5 620	5 620	-	-	16 457	16 458
Debt securities	-	-	23 622	23 622	-	-	3 175	3 175
Financial assets at fair value through other comprehensive income	-	-	56 395	56 395	-	-	89 262	89 262
Equity instruments	-	-	56 395	56 395	-	-	89 262	89 262
Hedge accounting derivatives	-	9 905	-	9 905	-	23 020	-	23 020
Total assets	**-**	**52 846**	**85 637**	**138 483**	**-**	**64 443**	**108 894**	**173 338**
Liabilities								
Financial liabilities - held for trading	-	41 062	-	41 062	-	36 020	4 004	40 024
Derivatives	-	41 062	-	41 062	-	36 020	4 004	40 024
Hedge accounting derivatives	-	41 348	-	41 348	-	48 041	-	48 041
Total liabilities	**-**	**82 410**	**-**	**82 410**	**-**	**84 061**	**4 004**	**88 065**

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, estimates and expert judgments.

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

Changes in volumes of Level 1 and Level 2

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

Movements in Level 3 of financial Instruments measured at fair value

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

EUR ths.	01.01.2019	Gain/loss in profit or loss	Gain/loss in other com-pre-hensive income	Purchas-es	Sales	Settle-ments	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	31.12.2019
Assets												
Non-trading financial assets at fair value through profit or loss	29 242	(3 645)	-	-	(500)	(10 090)	14 714	-	1	(10 089)	-	19 632
Equity instruments	5 620	(3 877)	-	-	-	-	14 714	-	1	-	-	16 457
Debt securities	23 622	232	-	-	(500)	(10 090)	-	-	-	(10 089)	-	3 175
Financial assets at fair value through other comprehensive income	56 395	-	32 758	-	-	-	-	-	-	-	109	89 262
Equity instruments	56 395	-	32 758	-	-	-	-	-	-	-	109	89 262
Total assets	**85 637**	**(3 645)**	**32 758**	**-**	**(500)**	**(10 090)**	**14 714**	**-**	**1**	**(10 089)**	**109**	**108 894**
Liabilities												
Financial liabilities held for trading	-	(5 632)	-	-	-	-	9 636	-	-	-	-	4 004
Derivatives	-	(5 632)	-	-	-	-	9 636	-	-	-	-	4 004
Total liabilities	**-**	**(5 632)**	**-**	**-**	**-**	**-**	**9 636**	**-**	**-**	**-**	**-**	**4 004**

EUR ths.	01.01.2018	Gain/loss in profit or loss	Gain/loss in other com-prehensive income	Purchas-es	Sales	Settle-ments	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	31.12.2018
Assets												
Non-trading financial assets at fair value through profit or loss	18 859	2 373	-	-	(1 999)	(72)	-	-	10 082	(1)	-	29 242
Equity instruments	3 059	2 541	-	-	-	-	-	-	21	(1)	-	5 620
Debt securities	15 800	(168)	-	-	(1 999)	(72)	-	-	10 061	-	-	23 622
Financial assets at fair value through other comprehensive income	-	-	(11 330)	-	-	-	-	-	67 725	-	-	56 395
Equity instruments	-	-	(11 330)	-	-	-	-	-	67 725	-	-	56 395
Total assets	**18 859**	**2 373**	**(11 330)**	**-**	**(1 999)**	**(72)**	**-**	**-**	**77 807**	**(1)**	**-**	**85 637**

Gains or losses on Level 3 financial instruments held at the end of the reporting period, which are included in the income statement were as follows:

EUR ths.	31.12.2018	31.12.2019
Assets		
Non-trading financial assets at fair value through profit or loss	(563)	(3 715)
Equity instruments	-	(3 877)
Debt securities	(563)	162
Total assets	**(563)**	**(3 715)**
Liabilities		
Financial liabilities - held for trading	-	5 632
Derivatives	-	5 632
Total liabilities	**-**	**5 632**

The volume of Level 3 financial assets consists solely of a few positions in illiquid securities and can be allocated to the following three categories:
- Market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs);
- Illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2;
- Non-SPPI compliant loans.

Unobservable inputs and sensitivity analysis for Level 3 measurements

In case the fair value measurement of a financial asset or liabilities is retrieved from inputs parameters which are not observable in the market, those parameters can be derived from similar market observable parameters or set on an expert opinion.

Range of unobservable valuation parameters used in Level 3 measurements

Financial assets	Type of instrument	Fair value in Eur mil.	Valuation technique	Significant unobser-vable inputs	Range of unobser-vable inputs
31.12.2019					
Financial assets at FVTOCI / at FVTPL	Non-trading equity instruments (parti-cipations)	3.2	Published NAV adjusted by assessed impairment value	Repayment dates for the worst and for the current scenario	2020-2028
				risk spreads	50-220bp

Investments in real estate funds with fair value of 3.2 mil. Eur are assessed by adjusting of their NAV (the latest NAV published by the Assets Management company) by the impairment value. The assessment of the impairment value is based on the estimated time of redemption and estimated decline in value under negative scenario.

Sensitivity analysis using reasonably possible alternatives per product type

EUR mil.	31.12.2019	
	Fair value changes	
	Positive	Negative
Equity instruments	**0.04**	**-0.03**
Income statement	0.04	-0.03
Total	**0.04**	**-0.03**
Other comprehensive income	**0.04**	**-0.03**

The following ranges of reasonably possible alternatives of the unobservable inputs were considered in the sensitivity analysis of Equity Instruments (investments in real estate funds):
- Change in estimated risk spread by 30bp.
- Prolongation or shortening of estimated redemption time by two years in the worst scenario.

Fair value of financial instruments disclosed in the notes

The following table shows fair values of the financial instruments disclosed in the notes as at 31 December 2019 and 31 December 2018:

EUR ths.	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets			**31.12.2018**					**31.12.2019**		
Cash and cash balances	416 093	416 093	416 093	-	-	501 441	501 441	501 441	-	-
Financial assets at amortised cost	16 380 498	17 161 773	3 730 527	262 620	13 168 626	17 329 196	17 796 677	2 848 142	1 128 346	13 820 188
Loans and advances to banks	47 796	47 974	-	-	47 974	54	54	-	-	54
Loans and advances to customers	12 782 071	13 105 344	-	-	13 105 344	13 792 678	13 786 999	-	-	13 786 999
of which: Lending for house purchase	7 409 216	7 747 920	-	-	7 747 920	7 968 721	7 966 527	-	-	7 966 527
of which: Credit for consumption	1 657 001	1 842 128	-	-	1 842 128	1 663 998	1 662 093	-	-	1 662 093
of which: Corporate loans and others	3 715 854	3 515 296	-	-	3 515 296	4 159 959	4 158 379	-	-	4 158 379
Debt securities	3 550 631	4 008 455	3 730 527	262 620	15 308	3 536 464	4 009 624	2 848 142	1 128 346	33 135
Finance lease receivables	129 516	130 644	-	-	130 644	213 191	210 555	-	-	210 555
Trade and other receivables	95 952	95 952	-	-	95 952	107 139	107 139	-	-	107 139
Liabilities										
Financial liabilities measured at amortised cost	15 742 939	15 700 663	-	1 744 312	13 956 351	16 770 901	17 022 762	501 678	1 516 307	15 004 777
Deposits from banks	251 300	255 483	-	-	255 483	263 287	260 981	-	-	260 981
Deposits from customers	13 653 163	13 584 667	-	-	13 584 667	14 392 424	14 610 470	-	-	14 610 470
Debt securities in issue	1 803 287	1 825 324	-	1 744 312	81 012	2 070 975	2 107 096	501 678	1 516 307	89 111
Other financial liabilities	35 189	35 189	-	-	35 189	44 215	44 215	-	-	44 215

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 aggregated 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 amortised cost is based on market prices or on observable market parameters, where available. Otherwise it is estimated by taking into consideration the actual interest rate environment and they are transferred to Level 3.

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

The fair value of off-balance sheet liabilities (i.e. financial guarantees and unused loan commitments) is estimated with the help of regulatory credit conversion factors. The difference between the calculated market value and the notional amount of the hypothetical loan equivalents represents the fair value of these contingent liabilities. In case, when the total market value is higher than the notional amount of the hypothetical loan equivalent, the fair value of contingent liability is reported in negative value.

Fair value of non-financial assets

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

Property, equipment and other assets

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

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

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

Investment property

Investment property is measured at fair value on recurring basis.

As at 31 December 2019 the estimated fair value of investment property was in amount of 1,8 mil. Eur (2018: 1,9 mil. Eur). The Group uses its own model for determining the fair value of investment property, which is based on discounting future rental income decreased by direct operating expenses. Future rental income was determined using market rental rates for buildings with similar conditions and location. Such measurements are presented in Level 3 of the fair value hierarchy.

36. Current and non-current assets and liabilities

The classification of assets, liabilities and equity to current (due within 1 year) and non-current (due over 1 year) based on their expected maturity is shown in the following table:

EUR ths.	< 1 year	> 1 year	< 1 year	> 1 year
	31.12.2018		31.12.2019	
Assets				
Cash and cash balances	416 093	-	501 441	-
Financial assets held for trading	910	42 031	1 603	39 820
Derivatives	910	42 031	1 603	39 820
Non-trading financial assets at fair value through profit or loss	20 171	9 072	9 082	10 551
Equity instruments	1	5 620	9 082	7 376
Debt securities	20 170	3 452	-	3 175
Financial assets at fair value through other comprehensive income	-	56 395	-	89 262
Equity instruments	-	56 395	-	89 262
Financial assets at amortised cost	1 704 027	14 676 471	2 163 630	15 165 566
Debt securities	140 299	3 410 332	373 424	3 163 040
Loans and advances to banks	47 796	-	54	-
Loans and advances to customers	1 515 932	11 266 139	1 790 152	12 002 526
Finance lease receivables	30 505	99 011	55 506	157 685
Hedge accounting derivatives	-	9 905	-	23 020
Property, plant, equipment	-	141 963	-	156 097
Investment properties	-	1 879	-	1 828
Intangible assets	-	39 041	-	23 755
Investments in subsidiaries and associates	-	31 662	-	33 455
Current tax assets	4 639	-	786	-
Deferred tax assets	-	44 968	-	44 727
Trade and other receivables	3	95 949	107 139	-
Other assets	64	18 147	784	33 286
Total	**2 176 412**	**15 266 494**	**2 839 971**	**15 779 052**
Liabilities				
Financial liabilities held for trading	1 435	39 627	5 842	34 182
Derivatives	1 435	39 627	5 842	34 182
Financial liabilities at amortised costs	5 997 058	9 745 881	14 677 704	2 093 197
Deposits from banks	88 090	163 210	77 458	185 829
Deposits from customers	5 602 993	8 050 170	14 335 398	57 026
Debt securities in issue	270 786	1 532 501	220 633	1 850 342
Other financial liabilities	35 189	-	44 215	-
Lease liabilities	-	-	5 484	12 900
Hedge accounting derivatives	-	41 348	-	48 041
Provisions	20 677	-	11 568	5 946
Current tax liabilities	-	-	2 076	-
Deferred tax liabilities	91	-	-	-
Other Liabilities	83 444	-	102 140	-
Total	**6 102 705**	**9 826 856**	**14 804 814**	**2 194 266**

The following table details the Group's non-derivative financial liabilities based on their remaining contractual maturity (calculated as undiscounted cash flows):

31.12.2019 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Financial liabilities measured at amortised costs	13 448 650	399 830	835 216	1 091 892	1 063 286	16 838 874
Deposits from banks	40 071	18 148	19 270	135 257	52 461	265 207
Deposits from customers	13 362 013	373 812	600 357	56 820	69	14 393 071
Debt securities issued	2 351	7 870	215 589	899 815	1 010 756	2 136 381
Other financial liabilities	44 215	-	-	-	-	44 215
Lease liabilities	189	784	4 512	11 627	1 272	18 384
Guarantees provided	6 726	36 775	171 299	168 478	16 588	399 866
Guarantees from letter of credit	956	3 085	461	-	-	4 502
Loan commitments and undrawn loans	1 420 923	-	-	-	-	1 420 923
Total	**14 877 444**	**440 474**	**1 011 488**	**1 271 997**	**1 081 146**	**18 682 549**

31.12.2018 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Financial liabilities measured at amortised costs	12 108 140	426 143	1 464 563	967 964	871 193	15 838 003
Deposits from banks	51 273	13 091	23 798	66 619	101 453	256 234
Deposits from customers	12 020 885	343 680	1 234 413	55 295	37	13 654 310
Debt securities issued	793	69 372	206 352	846 050	769 703	1 892 270
Other financial liabilities	35 189	-	-	-	-	35 189
Guarantees provided	368 083	-	-	-	-	368 083
Guarantees from letter of credit	819	1 054	8 295	-	-	10 168
Loan commitments and undrawn loans	1 223 703	-	-	-	-	1 223 703
Total	**13 700 745**	**427 197**	**1 472 858**	**967 964**	**871 193**	**17 439 957**

The following table details the Group's derivative financial liabilities based on their remaining contractual maturity (calculated as undiscounted cash flows):

31.12.2019 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Derivatives held for tradeing	110 642	13 778	12 616	43 516	51 100	231 652
Hedge accounting derivatives	2 625	3 494	7 508	46 305	21 070	81 002
Total	**113 267**	**17 272**	**20 124**	**89 821**	**72 170**	**312 654**

31.12.2018 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Derivatives held for tradeing	73 948	10 283	8 913	90 295	765	184 204
Hedge accounting derivatives	2 625	3 467	7 503	49 710	31 198	94 503
Total	**76 573**	**13 750**	**16 416**	**140 005**	**31 963**	**278 707**

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 issued by European Parliament and Council (EU) no.575/2013 (CRR) and Articles 437 (1) (a), (d), (e) and (f) CRR.

Regulatory requirements

Since 1 January 2014 the Group has been calculating the regulatory capital and the regulatory capital requirements according to Basel 3. The requirements were implemented within the EU by the Capital Requirements Regulation no. 575/2013 (CRR) and the Capital Requirement Directive no. 36/2013 (CRD IV) that were enacted in national law, as well as within various technical standards issued by the European Banking Authority (EBA).

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

The Group fulfilled regulatory capital requirements in both years 2019 and 2018 consisting from Pillar 1 requirement, Pillar 2 requirement and combined buffer requirement.

Accounting principles

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

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

Comparison of consolidation for accounting purposes and regulatory purposes

Disclosure requirements: Art. 436 (b) CRR

Scope of consolidation

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

Regulatory scope of consolidation

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

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

- Based on the CRR, mainly credit institutions pursuant to Article 4 (1) (1) CRR, investment firms pursuant to Article 4 (1) (2) CRR, ancillary services undertakings pursuant to Article 4 (1) (18) CRR and financial institutions pursuant to Article 4 (1) (26) CRR have to be considered within the regulatory scope of consolidation. Under IFRS all other entities not required to be consolidated under CRR, such as insurance undertakings, must be included in the financial scope of consolidation.

- Exclusion of entities from the regulatory scope of consolidation can be applied based on Article 19 CRR. According to Article 19 (1) CRR, entities can be excluded from the regulatory scope if their total assets and off-balance sheet items are less than the lower amount of either EUR 10 mil. or 1% of the total amount and off-balance sheet items of the parent company. SLSP Group makes use of Article 19 (1) CRR.

- According to Article 19 (2) CRR, entities can also be excluded if the limits defined in Article 19 (1) CRR are exceeded, but are not relevant for regulatory purposes. Exclusion of entities based on Article 19 (2) CRR needs the prior approval of the competent authorities. For entities that exceed the limits as defined in Article 19 (1) CRR by insignificant amounts, SLSP Group does not make use of Article 19 (2) CRR and follows the requirements for the approval process as defined within this article. SLSP Group does not apply Article 19 (2) CRR for credit institutions and investment firms.

Consolidation methods

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

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

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

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

Presentation of the scope of consolidation

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

Entity Name	Sector	Relationship	Accounting treatment IFRS	Accounting treatment CRR scope	Classification
LANED a.s.	Non-financial corporations	subsidiary of Služby SLSP, s. r. o.	fully consolidated	fully consolidated	SPE - Real estate company
Realitná spoločnosť Slovenskej sporiteľne, a.s. v likvidácii	Non-financial corporations	subsidiary of Služby SLSP, s. r. o.	fully consolidated	not consolidated	Real estate company
Služby SLSP, s.r.o.	Other financial corporation	subsidiary	fully consolidated	fully consolidated	Ancillary service undertaking
S Slovensko, spol. s r.o.	Other financial corporation	subsidiary	fully consolidated	fully consolidated	Leasing company
Prva stavebna sporitelna, a.s.	Credit institutions	associated company	at equity method	at equity method	Credit institutions
Slovak Banking Credit Bureau, s.r.o.	Non-financial corporations	associated company	at equity method	at equity method	Ancillary service undertaking
Holding Card Service, s.r.o.	Other financial corporation	associated company	at equity method	at equity method	Financial institution
Procurement Services SK, s.r.o.	Non-financial corporations	subsidiary	fully consolidated	not consolidated	Procurement

As of 31 December 2019 the number of companies consolidated pursuant to IFRS was 8. As of 31 December 2019 the number of companies consolidated pursuant to regulatory capital requirements, except those entities which are covered by Art. 19 (1) and (2) CRR) was 6.

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

As at 1 March 2019 the Group acquired 100 % share in the company S Slovensko, spol. s r.o. which is fully consolidated within IFRS scope as well as in the prudential scope of consolidation.

In the prudential scope of consolidation the subsidiary Realitná spoločnosť Slovenskej sporiteľne, a.s. was deconsolidated in 2018. Under IFRS scope of consolidation this subsidiary is still fully consolidated.

There were no other changes within the fully consolidated entities within the regulatory scope of consolidation in the year 2019.

Own funds

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

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

EUR ths.	Article pursuant to CRR	31.12.2018	31.12.2019
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)	924 904	1 013 040
Interim profit	26 (2)	-	-
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	39 427	65 144
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)	153	117
Value adjustments due to the requirements for prudent valuation	34, 105	(4 554)	(3 105)
Goodwill	4 (1) (113), 36 (1) (b), 37	-	-
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	(39 041)	(23 755)
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	36 (1) (c), 38	(336)	(175)
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-	(20 598)
Development of unaudited risk provisions during the year (EU No 183/2014)		(23 522)	(42 723)
Excess of deduction from AT1 items over AT1	36 (1) (j)	-	-
Common equity tier 1 capital (CET1)	**50**	**1 109 031**	**1 199 945**
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**	**1 259 031**	**1 349 945**

Table continues on the next page.

EUR ths.	Article pursuant to CRR	31.12.2018	31.12.2019
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**1 259 031**	**1 349 945**
Tier 2 capital (T2)			
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	43 485	33 741
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)	36 893	42 337
Standardised approach general credit risk adjustments	62 (c)	-	-
Other transitional adjustments to T2	476, 477, 478, 481	-	-
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	(5 255)	(5 255)
Tier 2 capital (T2)	**71**	**75 123**	**70 823**
Total own funds	**4 (1) (118) and 72**	**1 334 154**	**1 420 768**
Capital requirement	**92 (3), 95, 96, 98**	**589 617**	**657 705**
CET1 capital ratio	**92 (2) (a)**	**15.05%**	**14.60%**
Tier 1 capital ratio	**92 (2) (b)**	**17.08%**	**16.42%**
Total capital ratio	**92 (2) (c)**	**18.10%**	**17.28%**

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

EUR ths.	Article pursuant to CRR	31.12.2018		31.12.2019	
		Total risk	Capital requirement	Total risk	Capital requirement
Total Risk Exposure Amount	**92 (3), 95, 96, 98**	**7 370 216**	**589 617**	**8 221 309**	**657 705**
Risk weighted assets (credit risk)	92 (3) (a) (f)	6 405 442	512 435	7 302 603	584 208
Standardised approach		256 533	20 523	246 454	19 716
IRB approach		6 148 909	491 912	7 056 149	564 492
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)	2 750	220	984	79
Operational Risk	92 (3) (e), 92 (4) (b)	924 635	73 971	892 201	71 376
Exposure for CVA	92 (3) (d)	37 389	2 991	25 521	2 042
Other exposure amounts incl. Basel 1 floor	3, 458, 459, 500	-	-	-	-

Balance sheet reconciliation

Disclosure requirements: Art. 437 (1) (a) CRR
The table below represents the difference between the financial scope of consolidation and the regulatory scope of consolidation as at 31 December 2019:

EUR ths.	IFRS	Effects - scope of consolidation	CRR
Assets			
Cash and cash balances	501 441	-	501 441
Financial assets held for trading	41 423	-	41 423
Derivatives	41 423	-	41 423
Non-trading financial assets at fair value through profit or loss	19 633	-	19 633
Equity instruments	16 458	-	16 458
Debt securities	3 175	-	3 175
Financial assets at fair value through other comprehensive income	89 262	-	89 262
Equity investments	89 262	-	89 262
Financial assets at amortised cost	17 329 196	-	17 329 196
thereof pledged as collateral	2 276 299	-	2 276 299
Debt securities	3 536 464	-	3 536 464
Loans and advances to banks	54	-	54
Loans and advances to customers	13 792 678	-	13 792 678
Finance lease receivables	213 191	-	213 191
Hedge accounting derivatives	23 020	-	23 020
Property and equipment	156 097	-	156 097
Investment property	1 828	-	1 828
Intangible assets	23 755	-	23 755
Investments in joint ventures and associates	33 455	278	33 733
Current tax assets	786	(23)	763
Deferred tax assets	44 727	(38)	44 689
Trade and other receivables	107 139	(88)	107 051
Other assets	34 070	(25)	34 045
Total assets	**18 619 023**	**104**	**18 619 127**
Liabilities and equity			
Financial liabilities held for trading	40 024	-	40 024
Derivatives	40 024	-	40 024
Financial liabilities measured at amortised cost	16 770 901	188	16 771 089
Deposits from banks	263 287	-	263 287
Deposits from customers	14 392 424	188	14 392 612
Debt securities in issue	2 070 975	-	2 070 975
Other financial liabilities	44 215	-	44 215
Lease liabilities	18 384	-	18 384
Hedge accounting derivatives	48 041	-	48 041
Provisions	17 514	-	17 514
Current tax liabilities	2 076	-	2 076
Other liabilities	102 140	(276)	101 863
Total liabilities	**16 999 080**	**(88)**	**16 998 991**
Equity attributable to non-controlling interests	30	(30)	-
Equity attributable to owners of the parent	1 619 913	223	1 620 136
Subscribed capital	212 000	-	212 000
Additional equity instruments	150 000	-	150 000
Retained earning and other reserves	1 257 913	223	1 258 136
Total equity	**1 619 943**	**193**	**1 620 136**
Total liabilities and equity	**18 619 023**	**105**	**18 619 127**

The table below represents the difference between the financial scope of consolidation and the regulatory scope of consolidation as at 31 December 2018:

EUR ths.	IFRS	Effects - scope of consolidation	CRR
Assets			
Cash and cash balances	416 093	-	416 093
Financial assets held for trading	42 941	-	42 941
Derivatives	42 941	-	42 941
Non-trading financial assets at fair value through profit or loss	29 242	-	29 242
Equity instruments	5 620	-	5 620
Debt securities	23 622	-	23 622
Financial assets at fair value through other comprehensive income	56 395	-	56 395
Equity investments	56 395	-	56 395
Financial assets at amortised cost	16 380 498	-	16 380 498
thereof pledged as collateral	1 905 870	-	1 905 870
Debt securities	3 550 631	-	3 550 631
Loans and advances to banks	47 796	-	47 796
Loans and advances to customers	12 782 071	-	12 782 071
Finance lease receivables	129 516	-	129 516
Hedge accounting derivatives	9 905	-	9 905
Property and equipment	141 963	-	141 963
Investment property	1 879	-	1 879
Intangible assets	39 041	-	39 041
Investments in joint ventures and associates	31 662	279	31 939
Current tax assets	4 639	-	4 639
Deferred tax assets	44 968	(49)	44 920
Trade and other receivables	95 952	60	96 012
Other assets	18 212	(103)	18 110
Total assets	**17 442 906**	**187**	**17 443 093**
Liabilities and equity			
Financial liabilities held for trading	41 062	-	41 062
Derivatives	41 062	-	41 062
Financial liabilities measured at amortised cost	15 742 939	353	15 743 292
Deposits from banks	251 300	-	251 300
Deposits from customers	13 653 163	353	13 653 517
Debt securities in issue	1 803 287	-	1 803 287
Other financial liabilities	35 189	-	35 189
Hedge accounting derivatives	41 348	-	41 348
Provisions	20 677	-	20 677
Current tax liabilities	91	(20)	70
Other liabilities	83 444	(329)	83 116
Total liabilities	**15 929 561**	**4**	**15 929 565**
Equity attributable to non-controlling interests	28	(28)	-
Equity attributable to owners of the parent	1 513 317	211	1 513 528
Subscribed capital	212 000	-	212 000
Additional equity instruments	150 000	-	150 000
Retained earning and other reserves	1 151 317	211	1 151 528
Total equity	**1 513 345**	**183**	**1 513 528**
Total liabilities and equity	**17 442 906**	**187**	**17 443 093**

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

Total equity

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

Total equity as at 31 December 2019:

EUR ths. 31.12.2019	Own funds disclosure table - reference	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds
Subscribed capital		212 000	-	212 000	-	212 000
Capital reserve		118 899	-	118 899	-	118 899
AT1 capital instruments and the related share premium accounts	a	150 000	-	150 000	-	150 000
Retained earnings	b	893 959	182	894 141	-	894 141
Other comprehensive income (OCI)	c	65 115	29	65 144	-	65 145
Cash flow hedge reserve	g	-	-	-	-	-
Financial assets at fair value through other comprehensive income		83 497	-	83 497	-	83 497
unrealized gains according to Art. 35 CRR	h	83 497	-	83 497	-	83 497
unrealized losses according to Art. 35 CRR		-	-	-	-	-
other		-	-	-	-	-
Currency translation		44	29	73	-	73
Remeasurement of net liability of defined pension plans		(1 128)	-	(1 128)	-	(1 128)
Deferred tax		(17 297)	-	(17 297)	-	(17 297)
Profit or loss attributable to equity holders of the parent		179 940	12	179 952	(179 952)	-
Other		-	-	-	-	-
Equity attributable to the owners of the parent		1 619 913	223	1 620 136	(179 952)	1 440 185
Equity attributable to non-controlling interests	d	30	(30)	-	-	-
Total equity		**1 619 943**	**193**	**1 620 136**	**(179 952)**	**1 440 185**

Total equity as at 31 December 2018:

EUR ths. 31.12.2018	Own funds disclosure table - reference	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds
Subscribed capital		212 000	-	212 000	-	212 000
Capital reserve		118 899	-	118 899	-	118 899
AT1 capital instruments and the related share premium accounts	a	150 000	-	150 000	-	150 000
Retained earnings	b	809 352	180	809 532	(3 527)	806 005
Other comprehensive income (OCI)	c	39 399	29	39 427	-	39 427
Cash flow hedge reserve	g	-	-	-	-	-
Financial assets at fair value through other comprehensive income		50 740	-	50 740	-	50 740
unrealized gains according to Art. 35 CRR	h	50 740	-	50 740	-	50 740
unrealized losses according to Art. 35 CRR		-	-	-	-	-
other		-	-	-	-	-
Currency translation		(48)	29	(19)	-	(19)
Remeasurement of net liability of defined pension plans		(808)	-	(808)	-	(808)
Deferred tax		(10 486)	-	(10 486)	-	(10 486)
Profit or loss attributable to equity holders of the parent		183 667	3	183 670	(183 670)	-
Other		-	-	-	-	-
Equity attributable to the owners of the parent		1 513 317	211	1 513 528	(187 197)	1 326 331
Equity attributable to non-controlling interests	d	28	(28)	-	-	-
Total equity		**1 513 345**	**183**	**1 513 528**	**(187 197)**	**1 326 331**

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

Intangible assets

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

EUR ths. 31.12.2019	Own funds disclosure table - reference	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds
Intangible assets	e	23 755	-	23 755	-	23 755
deductible from CET1 acc. to transitional provisions	-	-	-	-	-	-
deductible from AT1 acc. to transitional provisions	-	-	-	-	-	-
Intangible assets	**e**	**23 755**	**-**	**23 755**	**-**	**23 755**

EUR ths. 31.12.2018	Own funds disclosure table - reference	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds
Intangible assets	e	39 041	-	39 041	-	39 041
deductible from CET1 acc. to transitional provisions	-	-	-	-	-	-
deductible from AT1 acc. to transitional provisions	-	-	-	-	-	-
Intangible assets	**e**	**39 041**	**-**	**39 041**	**-**	**39 041**

Details regarding the development of intangible assets are disclosed under "Intangible assets" (note 23).

Deferred taxes

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

EUR ths. 31.12.2019	Own funds disclosure table - reference	IFRS	Effects - scope of consolidation	CRR / Own funds	Regulatory adjustments	Own funds
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities		175	-	175	-	175
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		44 553	(38)	44 514	-	44 514
Deferred tax assets		**44 727**	**(38)**	**44 689**	**-**	**44 689**

EUR ths. 31.12.2018	Own funds disclosure table - reference	IFRS	Effects - scope of consolidation	CRR / Own funds	Regulatory adjustments	Own funds
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities		336	-	336	-	336
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		44 632	(49)	44 583	-	44 583
Deferred tax assets		**44 968**	**(49)**	**44 920**	**-**	**44 920**

Based on the threshold definition according to Article 48 CRR deferred tax assets that rely on future profitability and arise from temporary differences are not deductible for the Group at the year end 2019. In accordance with Article 48 (4) CRR the non-deductible amount is risk weighted with 250 % and considered within the credit risk.

Details regarding deferred tax assets are disclosed under "Tax assets and liabilities" in note 20.

Subordinated liabilities

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

EUR ths. 31.12.2019	Own funds disclosure table - reference	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds
Subordinated issues and deposits and supplementary capital		75 366	-	75 366	(41 625)	33 741
Tier 2 capital instruments (including related share premium) issued by the parent company	k	75 366	-	75 366	(41 625)	33 741
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		**75 366**	**-**	**75 366**	**(41 625)**	**33 741**

EUR ths. 31.12.2018	Own funds disclosure table - reference	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds
Subordinated issues and deposits and supplementary capital		72 792	-	72 792	(29 307)	43 485
Tier 2 capital instruments (including related share premium) issued by the parent company	k	72 792	-	72 792	(29 307)	43 485
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		**72 792**	**-**	**72 792**	**(29 307)**	**43 485**

Details regarding subordinated liabilities are disclosed under "Financial liabilities measured at amortised costs" in note 24.

Own funds development

The following table shows own funds development for the reporting period:

EUR ths.	31.12.2018	31.12.2019
CET1 at the beginning of the period	1 127 145	1 109 031
Changes in retained earnings	14 727	88 137
Changes in accumulated other comprehensive income	(55 001)	25 717
Changes in minority interest	-	-
Changes in prudential filters	(1 248)	1 412
Changes in regulatory deductions	16 856	(5 150)
IRB shortfall of credit risk adjustments to expected losses	-	(20 598)
other intangibles	16 415	15 287
Other	6 551	(19 201)
CET1 at the end of the period	1 109 030	1 199 946
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	70 523	75 123
Net increase / (decrease) in T2	5 609	(9 744)
Changes in regulatory deduction	(5 255)	-
IRB Excess and SA credit risk adjustments	4 247	5 443
T2 at the end of the period	75 124	70 822
Total own funds	**1 334 154**	**1 420 768**

Transitional provisions

The transitional Provisions are not applied by the Group.

Own funds statement

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

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

The table below presents the composition of the regulatory capital based on the Implementing Technical Standards on the disclosure of own funds published in the Official Journal of the European Bank Authority (EBA). 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	31.12.2018	31.12.2019
Common equity tier 1 (CET1) capital: instruments and reserves			
Common equity tier 1 (CET1) capital: instruments and reserves	a	212 000	212 000
thereof ordinary shares	a	212 000	212 000
Retained earnings	b	924 904	1 013 040
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)		39 427	65 144
Fund for general banking risk	c	-	-
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		-	-
Minority interests (amount allowed in consolidated CET1)	d	-	-
Independently reviewed interim profits net of any foreseeable charge or dividend		-	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments		**1 176 331**	**1 290 184**

Table continues on the following page.

EUR ths.	Reference to reconciliaton tables	31.12.2018	31.12.2019
Common Equity Tier 1 (CET1) capital before regulatory adjustments			
Additional value adjustments (negative amount)		(4 554)	(3 105)
Intangible assets (net of related tax liability) (negative amount)	e	(39 041)	(23 755)
Empty Set in the EU		-	-
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	(336)	(175)
Fair value reserves related to gains or losses on cash flow hedges	g	-	-
Negative amounts resulting from the calculation of expected loss amounts		-	(20 598)
Any increase in equity that results from securitised assets (negative amount)		-	-
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		153	116
Defined-benefit pension fund assets (negative amount)		-	-
Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		-	-
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)		-	-
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)		-	-
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)		-	-
Empty Set in the EU		-	-
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		-	-
of which: qualifying holdings outside the financial sector (negative amount)		-	-
of which: securitisation positions (negative amount)		-	-
of which: free deliveries (negative amount)		-	-
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)		-	-
Amount exceeding the 15% threshold (negative amount)		-	-
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		-	-
Empty Set in the EU		-	-
of which: deferred tax assets arising from temporary differences		-	-
Losses for the current financial year (negative amount)		-	-
Foreseeable tax charges relating to CET1 items (negative amount)		-	-
Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment		-	-
Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468		-	-
unrealised loss		-	-
unrealised gain	h	-	-
Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		-	-
Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		-	-
CET1 other deductions		(23 522)	(42 723)
Total regulatory adjustments to Common equity Tier 1 (CET1)		**(67 300)**	**(90 239)**
Common Equity Tier 1 (CET1) capital		**1 109 031**	**1 199 945**

Table continues on the following page

EUR ths.	Reference to reconciliaton tables	31.12.2018	31.12.2019
Additional Tier 1 (AT1) capital: instruments			
Capital instruments and the related share premium accounts		150 000	150 000
of which: classified as equity under applicable accounting standards		150 000	150 000
of which: classified as liabilities under applicable accounting standards		-	-
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		-	-
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		-	-
of which: instruments issued by subsidiaries subject to phase out		-	-
Additional Tier 1 (AT1) capital before regulatory adjustments		**150 000**	**150 000**
Additional Tier 1 (AT1) capital: regulatory adjustments			
Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)		-	-
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)		-	-
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)		-	-
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)		-	-
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)		-	-
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		-	-
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		-	-
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: ...		-	-
Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		-	-
Total regulatory adjustments to Additional Tier 1 (AT1) capital		**-**	**-**
Additional Tier 1 (AT1) capital		**150 000**	**150 000**
Tier 1 capital (T1 = CET1 + AT1)		**1 259 031**	**1 349 945**

Table continues on the following page

EUR ths.	Reference to reconciliaton tables	31.12.2018	31.12.2019
Tier 2 (T2) capital: Instruments and provisions			
Capital instruments and the related share premium accounts	k	43 485	33 741
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		-	-
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	-	-
of which: instruments issued by subsidiaries subject to phase out	m	-	-
Credit risk adjustments		36 893	42 337
Tier 2 (T2) capital before regulatory adjustments		**80 379**	**76 078**
Tier 2 (T2) capital: regulatory adjustments			
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		-	-
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)		-	-
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)		-	-
Of which new holdings not subject to transitional arrangements		-	-
OF which holdings existing before 1 January 2013 and subject to transitional arrangements		-	-
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)	(5 255)
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)		-	-
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		-	-
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		-	-
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: ...		-	-
Total regulatory adjustments to Tier 2 (T2) capital		**(5 255)**	**(5 255)**
Tier 2 (T2) capital		**75 123**	**70 823**
Total capital (TC = T1 + T2)		**1 334 154**	**1 420 768**

Table continues on the following page

EUR ths.	Reference to reconciliaton tables	31.12.2018	31.12.2019
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.)		-	-
Total risk-weighted assets		**7 370 216**	**8 221 309**
Capital ratios and buffers			
Common Equity Tier 1 (as a percentage of risk exposure amount)		15.05%	14.60%
Tier 1 (as a percentage of total risk exposure amount)		17.08%	16.42%
Total capital (as a percentage of total risk exposure amount)		18.10%	17.28%
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)		346 315	404 925
of which: capital conservation buffer requirement		184 255	205 533
of which: countercyclical buffer requirement		88 358	117 179
of which: systemic risk buffer requirement		73 702	82 213
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		73 702	82 213
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)		10.55%	10.10%
[non-relevant in EU regulation]		-	-
[non-relevant in EU regulation]		-	-
[non-relevant in EU regulation]		-	-
Capital ratios and buffers			
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)		-	-
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)		-	-
Empty Set in the EU		-	-
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)		44 583	44 514

Table continues on the following page

EUR ths.	Reference to reconciliaton tables	31.12.2018	31.12.2019
Applicable caps on the inclusion of provisions in Tier 2			
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		-	-
Cap on inclusion of credit risk adjustments in T2 under standardised approach		-	-
Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		91 871	45 940
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		36 893	42 337
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
Current cap on CET1 instruments subject to phase-out arrangements		-	-
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		-	-
Current cap on AT1 instruments subject to phase out arrangements		-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		-	-
Current cap on T2 instruments subject to phase out arrangements		-	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		-	-

38. Events after the reporting period

Since 31 December 2019 up to the date of issue of these consolidated financial statements there were no other events identified that would require adjustments or disclosure.

These consolidated financial statements were signed and authorised for issue by the Board of Directors of the Bank on 11 February 2020.

Ing. Peter Krutil
Chairman of the Board of Directors
and Chief Executive Officer

Ing. Pavel Cetkovský
Member of the Board of Directors
and Deputy of Chief Executive Officer

Slovenská sporiteľňa, a.s.

Separate financial statements
prepared in accordance with International
Financial Reporting Standards
as adopted by the European Union
for the year ended 31 December 2019

Independent Auditor's Report

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

Report on the audit of the separate financial statements

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Slovenská sporiteľňa, a.s. (the "Bank") as at 31 December 2019, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 26 February 2020.

What we have audited

The Bank's separate financial statements comprise:

- the separate statement of profit or loss for the year ended 31 December 2019;
- the separate statement of comprehensive income for the year then ended;
- the separate statement of financial position as at 31 December 2019;
- the separate statement of changes in equity for the year then ended;
- the separate statement of cash flows for the year then ended; and
- the notes to the separate financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate financial statements section of our report.

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

Independence

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants issued by the International Federation of Accountants ("Code of Ethics") and other requirements of legislation that are relevant to our audit of the separate financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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

The non-audit services that we have provided to the Bank, in the period from 1 January 2019 to 31 December 2019 are disclosed in Note 6 to the separate financial statements.

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The firm's ID No. (IČO): 35 739 347.
Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ): 2020270021.
VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH): SK2020270021.
Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava I, pod Vložkou č.: 16611/B, Oddiel: Sro.
The firm is registered in the Commercial Register of Bratislava I District Court, Ref. No.: 16611/B, Section: Sro.

Our audit approach

Overview

Overall materiality	Overall materiality is EUR 12.7 million, which represents approximately 5% of profit before income tax and levy on banking activities.
Key audit matter	Credit loss allowances estimate.

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

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

Materiality

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

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

The qualitative considerations and assessment of the overall impact of the misstatements, which relate to reclassification within the primary separate statements might be considered not material even if they are quantitatively in excess of the materiality thresholds disclosed below.

Overall materiality	EUR 12.7 million
How we determined it	We determined the materiality as approximately 5% of profit before income tax and levy on banking activities.
Rationale for the materiality benchmark applied	The performance of the Bank is most commonly evaluated by financial statements' users based on the Bank's profitability. The quantitative threshold of approximately 5% was applied to profit before income tax and levy on banking activities, which in our experience represents acceptable benchmark. Levy on banking activities was added back because of the similar nature as income tax.

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Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Credit loss allowances estimate	
As explained in Note 14, Note 15 and Note 17 to the separate financial statements, management estimated total credit loss allowances for loans and advances to customers, finance lease receivables and trade and other receivables at EUR 344,460 thousand. The carrying value of loans and advances to customers, finance lease receivables and trade and other receivables measured at amortised cost may be materially misstated if individual or collective credit loss allowances are not appropriately identified and estimated. The estimates required for credit loss allowances are significant estimates, as explained in more detail in Note B.e) Significant accounting judgements, assumption and estimates, of the separate financial statements. The identification of significant increase in credit risk or default; the estimation of credit loss including estimates of future cash flows and valuation of collateral; implementation of comprehensive credit loss models all involve significant management judgement. Due to the significance of the amount of the credit loss allowances and material impact of the credit loss allowances on the net result for the year, we consider the credit loss estimate as a key audit matter.	We assessed and tested design and operating effectiveness of manual and automated controls related to the timely identification of defaulted loans. We tested design and operating effectiveness of IT general controls, including access to programs and data, program changes and computer operations related to quantification of credit loss allowances. We verified that models used for accurate quantification of credit loss allowances are in line with requirements of IFRS 9. A sample of individually significant loan exposures was examined, in order to test accuracy of credit loss allowances calculated on an individual basis. We considered management's assumptions, including forecasts of future cash flows by comparing them to historical performance of the customer and expected future performance as well as assessing external and internal valuations of underlying collateral and comparing them to values used by management in the credit loss allowances quantification. On a sample basis, we assessed the underlying models, reasonableness of assumptions, and completeness and accuracy of the underlying data, which were used by the Bank to estimate collective credit loss allowances for loans that share similar credit risk characteristics. The underlying models were assessed by our specialists for financial risk management and modelling. They assessed the design and implementation of models in line with applicable reporting standards, including shifts in risk parameters due to the impact of forward looking information and accuracy of collective credit loss allowances. Our specialists evaluated a validation process implemented by the Bank and interpreted results of the validation report.

Reporting on other information in the Annual Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Reporting on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Bank in 2017. Our appointment has been renewed annually by shareholders resolution representing a total period of uninterrupted engagement appointment of three years.

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

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

Mgr. Martin Gallovič
UDVA licence No. 1180

Bratislava, 28 February 2020, except for the section "Reporting on other information in the Annual Report" of this report, for which the date of our report is 18 March 2020.

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Separate statement of profit or loss

for the year ended 31 December 2019

EUR ths.	Notes	2018	2019
Net interest income	1	438 146	429 378
Interest income		471 359	458 730
Other similar income		8 292	11 340
Interest expense		(29 596)	(29 021)
Other similar expense		(11 909)	(11 671)
Net fee and commission income	2	128 823	145 169
Fee and commission income		155 765	171 688
Fee and commission expense		(26 942)	(26 519)
Dividend income	3	1 064	968
Net trading result	4	9 669	15 090
Gains/losses from financial instruments measured at fair value through profit or loss	5	2 145	1 900
Rental income from investment properties & other operating leases		310	293
Personnel expenses	6	(141 030)	(147 536)
Other administrative expenses	6	(103 539)	(92 864)
Depreciation and amortisation	6	(39 064)	(48 508)
Gains/losses from derecognition of financial assets measured at amortised cost		-	71
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss		(93)	(475)
Impairment result from financial instruments	7	(23 522)	(42 723)
Other operating result	8	(40 321)	(39 242)
thereof Levies on banking activities		(33 030)	(35 588)
Pre-tax profit from continuing operations		**232 588**	**221 521**
Taxes on income	9	(52 412)	(47 085)
Net result for the period		**180 176**	**174 436**

Earnings per share

		2018	2019
Net result attributable to owners of the parent	EUR ths.	180 176	174 436
Number of outstanding shares	pcs.	212 000	212 000
Earnings per share	EUR	**850**	**823**

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

The notes on pages 210 to 322 are an integral part of these separate financial statements.

Separate statement of comprehensive income

for the year ended 31 December 2019

EUR ths.	2018	2019
Net result for the period	**180 176**	**174 436**
Other comprehensive income		
Items that may not be reclassified to profit or loss		
Remeasurement of net liability of defined pension plans	(199)	(320)
Fair value changes of equity instruments at fair value through other comprehensive income	11 330	32 758
Deferred taxes relating to items that may not be reclassified	(2 338)	(6 812)
Total other comprehensive income	**8 793**	**25 626**
Total comprehensive income	**188 969**	**200 062**

The notes on pages 210 to 322 are an integral part of these separate financial statements.

Separate statement of financial position

as at 31 December 2019

EUR ths.	Notes	31.12.2018	31.12.2019
Assets			
Cash and cash balances	10	416 093	501 441
Financial assets held for trading	11	42 941	41 423
Derivatives		42 941	41 423
Non-trading financial assets at fair value through profit or loss	12	29 242	10 550
Equity instruments		5 620	7 375
Debt securities		23 622	3 175
Financial assets at fair value through other comprehensive income	13	56 395	89 262
Equity investments		56 395	89 262
Financial assets at amortised cost	14	16 415 865	17 362 934
thereof pledged as collateral		1 905 870	2 276 299
Debt securities		3 550 630	3 536 464
Loans and advances to banks		47 797	54
Loans and advances to customers		12 817 438	13 826 416
Finance lease receivables	15	129 516	213 191
Hedge accounting derivatives	16	9 905	23 020
Property and equipment, right-of-use assets	21	85 720	128 344
Investment property	21	1 879	1 828
Intangible assets	22	39 041	23 739
Investments in subsidiaries and associates	18	23 048	47 896
Current tax assets	19	4 639	0
Deferred tax assets	19	44 696	44 146
Trade and other receivables	17	96 012	106 693
Other assets	20	18 109	33 286
Total assets		**17 413 101**	**18 627 753**
Liabilities and Equity			
Financial liabilities held for trading	11	41 062	36 020
Derivatives		41 062	36 020
Financial liabilities at amortised cost	23	15 747 148	16 797 583
Deposits from banks		251 300	263 287
Deposits from customers		13 657 372	14 419 106
Debt securities issued		1 803 287	2 070 975
Other financial liabilities		35 189	44 215
Lease liabilities	21	-	44 703
Hedge accounting derivatives	16	41 348	48 041
Provisions	24	20 677	17 514
Current tax liabilities	19	0	2 076
Other liabilities	25	82 994	101 190
Total liabilities		**15 933 229**	**17 047 127**
Equity attributable to owners of the parent	26	1 479 872	1 580 626
Subscribed capital		212 000	212 000
Additional paid-in capital		150 000	150 000
Retained earning and other reserves		1 117 872	1 218 626
Total equity		**1 479 872**	**1 580 626**
Total liabilities and equity		**17 413 101**	**18 627 753**

The notes on pages 210 to 322 are an integral part of these separate financial statements.

Separate statement of changes in equity

for the year ended 31 December 2019

Separate statement of changes in equity	Subscribed capital	Other capital instruments	Legal reserve fund	Other funds	Retained earnings	Fair value reserve	Remeasurement of net liability of defined pension plans	Equity attributable to owners of the parent
As of 1.1.2018	212 000	**150 000**	**79 795**	**39 104**	**933 889**	**31 133**	**(480)**	**1 445 441**
Dividends paid / Distribution for Investment certificate	-	-	-	-	(154 538)	-	-	(154 538)
Total comprehensive income	**-**	**-**	**-**	**-**	**180 176**	**8 951**	**(158)**	**188 969**
Net result for the period	-	-	-	-	180 176	-	-	180 176
Other comprehensive income	-	-	-	-	-	8 951	(158)	8 793
Change in fair value reserve	-	-	-	-	-	8 951	-	8 951
Change from remeasurement of defined pension plans	-	-	-	-	-	-	(158)	(158)
As of 31.12.2018	**212 000**	**150 000**	**79 795**	**39 104**	**959 527**	**40 084**	**(638)**	**1 479 872**
As of 1.1.2019	**212 000**	**150 000**	**79 795**	**39 104**	**959 527**	**40 084**	**(638)**	**1 479 872**
Dividends paid / Distribution for Investment certificate	-	-	-	-	(99 308)	-	-	(99 308)
Total comprehensive income	**-**	**-**	**-**	**-**	**174 436**	**25 879**	**(253)**	**200 062**
Net result for the period	-	-	-	-	174 436	-	-	174 436
Other comprehensive income	-	-	-	-	-	25 879	(253)	25 626
Change from remeasurement of defined pension plans	-	-	-	-	-	-	(253)	(253)
Change in fair value reserve	-	-	-	-	-	25 879	-	25 879
As of 31.12.2019	**212 000**	**150 000**	**79 795**	**39 104**	**1 034 655**	**65 963**	**(891)**	**1 580 626**

The impact of deferred tax included in Fair value reserve as at 31 December 2019 amounts 6,9 mil. Eur (2018: 2,4 mil. Eur).

The notes on pages 210 to 322 are an integral part of these separate financial statements.

Separate statement of cash flows

for the year ended 31 December 2019

EUR ths.	2018	2019
Profit before income taxes	**232 588**	**221 521**
Non-cash adjustments for:		
Loss allowances for loans and advances, Provisions for off-balance sheet	21 217	42 696
Provisions for liabilities and other liabilities	(1 525)	(3 484)
Impairment of tangible and intangible assets net	470	(1 125)
Depreciation and amortization	39 064	48 508
Profit/(loss) on disposal of fixed assets	2 151	2 366
Gains/(losses) from measurement and derecognition of financial assets and financial liabilities	(2 634)	(1 664)
Accrued interest, amortisation of discount and premium	250	27 011
Transfer of dividends received to investing activities	(1 064)	(951)
Cash flows from operations before changes in operating assets and liabilities	**290 517**	**334 878**
(Increase)/decrease in operating assets:		
Minimum reserve deposits with the central bank	(1 034)	(86 213)
Financial assets held for trading	(6 457)	1 518
Non-trading financial assets at fair value through profit or loss	2 477	20 356
Equity instruments	-	-
Debt securities	2 477	20 356
Financial assets at fair value through other comprehensive income	(257)	(109)
Financial assets at amortised cost	(1 125 783)	(1 002 748)
Debt securities	(39 279)	13 946
Loans and advances to banks	129 815	47 744
Loans and advances to customers	(1 216 319)	(1 064 438)
Finance lease receivables	(52 575)	(83 675)
Hedge accounting derivatives	(3 144)	(13 115)
Trade and other receivables	(27 223)	(10 681)
Other assets from operating activities	13 222	(10 605)
Increase / (decrease) in operating liabilities:		
Financial liabilities held for trading	7 718	(5 042)
Financial liabilities measured at amortised cost	884 995	783 859
Deposits from banks	(237 269)	11 987
Deposits from customers	1 178 096	762 846
Other financial liabilities	(55 832)	9 026
Hedge accounting derivatives	(752)	6 693
Provisions	1	(5 830)
Other liabilities from operating activities	(5 184)	17 645
Net cash flows provided by / (used in) operating activities before income tax	**(23 479)**	**(53 069)**

Table continues on the following page.

EUR ths.	2018	2019
Net cash flows provided by / (used in) operating activities before income tax	**(23 479)**	**(53 069)**
Income taxes paid	(43 206)	(44 798)
Net cash flows provided by / (used in) operating activities	**(66 685)**	**(97 867)**
Cash flows from investing activities		
Dividends received from subsidiaries, associates and other investments	1 064	951
Purchase of share in subsidiaries and associates	(6)	(24 848)
Purchase of intangible assets, property and equipment	(22 359)	(27 616)
Proceeds from sale of intangible assets, property and equipment	1 775	1 641
Net cash flows provided by / (used in) investing activities	**(19 526)**	**(49 872)**
Cash flows from financing activities		
Dividends paid	(154 538)	(99 308)
Drawing of subordinated debt	15 762	-
Repayment of subordinated debt	(22 876)	-
Issue of the bonds	581 842	530 079
Repayment of the bonds	(343 201)	(269 618)
Lease liabilities	-	(14 504)
Net cash flows provided by / (used in) financing activities	**76 989**	**146 649**
Effect of foreign exchange rate changes on cash and cash equivalents	51	224
Net increase / (decrease) in cash and cash equivalents	**(9 171)**	**(866)**
Cash and cash equivalents at beginning of period	**423 590**	**414 419**
Cash and cash equivalents at end of period	**414 419**	**413 553**
Operational cash flows from interest and dividends (included in cash flow from operating activities)	**403 544**	**414 026**
Income taxes paid	(43 206)	(44 798)
Interest paid	(25 303)	(17 911)
Interest received	470 989	475 784
Dividends received	1 064	951

Cash and cash equivalents are equal to cash in hand, cash balances at central banks and other demand deposits. Further information related to net debt reconciliation are provided in note 24. Comparative period in above disclosed Cash flow statement has been updated as a consequence of methodology changes, however such changes do not have significant effect to presented figures.

The notes on pages 210 to 322 are an integral part of these separate financial statements.

Notes to the separate financial statements

A. GENERAL INFORMATION

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

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

As of 31 December 2019, DIE ERSTE oesterreichische Spar-Casse Privatstiftung ('ERSTE Foundation'), a foundation, holds together with its partners in shareholder agreements the share in Erste Group Bank AG and represents the main shareholder. Besides the direct holding of ERSTE Foundation, the indirect participation of the ERSTE Foundation is held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated company of the ERSTE Foundation, and also by Austrian savings banks and their foundations acting together with the ERSTE Foundation and affiliated with Erste Group Bank AG through the Haftungsverbund. Further part of the subscribed capital is held by the ERSTE Foundation on the basis of a shareholder agreement with CaixaBank S.A. and residual share represents minority direct holdings held by other partners to other shareholder agreements.

The Board of Directors of the Bank had five members as at 31 December 2019:

Ing. Peter Krutil (chairman), Ing. Pavel Cetkovský (member), Mgr. Ing. Zdeněk Románek, MBA (member), RNDr. Milan Hain, PhD. (member) and Mgr. Ing. Norbert Hovančák (member).

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

The Supervisory Board of the Bank had six members as at 31 December 2019:

Ing. Stefan Dörfler (chairman), Mag. Jan Homan (vice-chairman), Mgr. Tatiana Knošková (member), Paul Formanko, MBA (member), Mgr. Alena Adamcová (member) and JUDr. Beatrica Melichárová (member).

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

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

B. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

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

These separate financial statements for the year ended 31 December 2019 are prepared in accordance with International Financial Reporting Standards ('IFRS' or 'IAS') as adopted by the European Union ('EU') on the basis of the regulation no. 1606/2002.

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

b) Basis of preparation

These separate financial statements do not include consolidation of assets, liabilities and operational results of subsidiaries.

As required by the law, the Bank issued Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2019, which were signed and authorised for issue by the Board of Directors of the Bank on 11 February 2020 and are available at its registered office or on the web page.

The Bank's separate financial statements for the prior period (the year ended 31 December 2018) were signed and authorised for issue on 13 February 2019.

The Bank holds controlling interests in the subsidiaries and significant influence in the associates described in note 18.

In these separate financial statements the subsidiaries and associates are recognised at cost, less any impairment losses.

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

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

The measurement unit is thousands of Eur ('Eur ths.'), unless stated otherwise. The amounts in parentheses represent negative values.

The tables in these separate financial statements and notes may contain rounding differences.

The comparative amounts presented in these separate financial statements are those presented in the Separate statement of financial positions as at 31 December 2018 and the Separate statement of profit or loss and and the Separate statement of other comprehensive income for the year ended 31 December 2018.

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

c) Subsidiaries and associates

These separate financial statements present accounts and results of the Bank only.

Subsidiaries

The Bank holds controlling interests in the subsidiaries described in note 18. In these separate financial statements the subsidiaries are recognised at cost, less any impairment losses.

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

Investments in associates

The Bank has significant influence in the associates described in note 18. In these separate financial statements the investments in associates are recognised at cost, less any impairment losses.

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

Acquisitions, sales and mergers during the presented period

The group structure of Slovenská sporiteľňa, a.s. is presented in note 18. This note also provides information on acquisitions, sales, mergers and other transactions relating to the investments of the Bank in subsidiaries and associates undertaken during the years 2019 and 2018.

d) Accounting and measurement methods

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 IFRS 9, all financial assets and financial liabilities, including derivative financial instruments, have to be recognised on the balance sheet and measured in accordance with their assigned categories.

Measurement methods for financial instruments

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

I. Amortised cost and effective interest rate

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

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

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

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

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

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

II. Fair value

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

Details on valuation techniques applied for fair value measurement and on the fair value hierarchy are disclosed in note 34.

Initial recognition and measurement

I. Initial recognition

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

II. Initial measurement

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

Classification and subsequent measurement of financial assets

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

1. the business model for managing the financial assets - the assessment is focused on whether the financial asset is part of a portfolio,
   - where the assets are held in order to collect contractual cash flows,
   - to both collect the contractual cash flows and sell the financial assets, or
   - they are held in other business models,

2. the cash flow characteristics of the financial assets - the assessment is focused on whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

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

I. Financial assets at amortised cost

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

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

Interest income on these financial assets is calculated by effective interest method and is included under the line 'Net interest income' in the 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 financial assets are reported under the line item 'Other gains/losses from derecognition of financial Instruments not measured at fair value through profit of loss'.

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

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

II. Financial assets at fair value through other comprehensive income

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

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

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

On the balance sheet, debt instrument financial assets measured at FVPL are presented as 'Financial assets held for trading' and 'Non-trading financial assets at fair value through profit or loss', (sub-items 'Debt securities' and 'Equity instruments'). Non-trading financial assets consist of two sub-categories disclosed in note 12 which are 'mandatorily at fair value through profit or loss' and 'designated at fair value through profit or loss'. Financial assets are mandatorily measured at fair value through profit or loss either because their contractual cash flows are not SPPI or they are held as part of residual business models which are other thanheld for trading model.

Investments in equity instruments which are not held for trading are also measured at FVPL (unless they are designated at FVOCI). They are presented in the balance sheet under 'Non-trading financial assets at fair value through profit or loss', sub-item 'Equity instruments', sub-category 'mandatorily at fair value through profit or loss' in note 12.

In the 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.

Classification and subsequent measurement of financial liabilities

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

I. Financial liabilities at amortised cost

For presentation on the balance sheet, the line item 'Financial liabilities 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 from financial liabilities are calculated using effective interest method and 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'.

II. Financial liabilities at fair value through profit or loss

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

Impairment of financial instruments

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

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

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

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

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

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

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

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

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

In the 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'.

Contingent liabilities

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

Write-offs of financial assets

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

Derecognition of financial instruments

I. Derecognition of financial assets

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

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

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

II. Derecognition of financial liabilities

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

Derivative financial instruments

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

For presentation purposes derivatives are split into:
- Derivatives – held for trading
- Derivatives – hedge accounting

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

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

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

Changes in the fair value (clean price) of derivatives – held for trading as well as of derivatives designated as hedging instruments in fair value hedges are reported in the 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 (dirty price) of derivatives in cash flow hedges is reported as other comprehensive income in the line item 'Cash flow hedge reserve' of the statement of comprehensive income. The ineffective part of changes in the fair value (dirty price) of derivatives in cash flow hedges is reported in the 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 debt instruments if:
- the embedded derivative meets the definition of a derivative,
- the economic characteristics of the derivatives are not closely related to the economic characteristics and risks of the host debt Instruments,
- the hybrid instrument is not a financial asset or liability held for trading or designated at fair value through profit or loss.

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

Repo transactions and reversal repo transactions

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

The cash received upon sale of securities is recognised on the balance sheet with a corresponding obligation to return under the line item 'Financial liabilities 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 Bank's balance sheet and are presented separately under the original balance sheet items in the 'thereof pledged as collateral' lines. The measurement of the transferred financial assets does not change.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised on the balance sheet. Such transactions are also known as 'reverse repos'. The consideration paid is recorded on the balance sheet under the line items 'Loans and advances to banks' and 'Loans and advances to customers' reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement and recorded in the 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 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. According to IFRS 9 the financial guarantee is a contract that requires the guarantor to make specified payments to reimburse the holder for a loss it incurs in case a specified debtor fails to make a payment when due in accordance with the original or modified terms of a debt instrument.

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

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

Leases

Leases under IFRS 16

The Bank leases various land and office premises. Rental contracts are typically made for fixed periods in average of 5 years length. Until 31 December 2018 leases of land and premises were classified as operating leases under IAS 17.

As at 1 January 2019, new standard IFRS 16 became effective. Since then leases are recognised as a right-of-use asset and a corresponding lease liability starting from the date when the leased asset became available for use by the Bank, the commencement date.

IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset presented under the balance sheet line item ´Property and equipment´and a lease liability representing its obligation to make lease payments presented under the balance sheet line item ´Lease liabilities´. There are recognition exemptions for short-term leases and leases of low-value items. As short-term leases are classified leases with the lease term of 12 months and less as at commencement date. As a low-value assets are classified leases for which the value of the individual lease asset, when new, amounts to EUR equivalent of 5 000 USD as a maximum.

At inception date of a contract, the contract is assessed for whether it contains a lease, i.e. whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. A right-of-use asset and a lease liability are recognised at the lease commencement date. The right-of-use asset is initially measured at cost and subsequently depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term. The cost of the right-of-use asset comprises: the present value of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset. The Bank uses the straight-line method of depreciation. Right-of-use assets are subject to the impairment regulations of IAS 36.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments comprise fixed lease payments. The incremental borrowing rate for property leases consists of Euribor as a base rate. The determination of the incremental borrowing rate for property leases is based on two components, the market rate and the single property rate. The market rate considers the lease term, creditworthiness and the base rate Euribor and is derived from existing bank data from the lending business. The single property rate represents a surcharge to the market rate based on the quality of the single property. The weighted average incremental borrowing rate applied to calculation of the lease liability at the date of initial application of the standard was close to zero.

Lessor accounting remains similar to the IAS 17 standard, i.e. the lessor continues to classify leases as finance or operating leases. Compared to IAS 17 the disclosure requirements are more comprehensive under IFRS 16. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

The Bank transited to IFRS 16 using the modified retrospective approach according to IFRS 16.C5 (b) whereby comparative information were not restated. All contracts which were previously identified as leases applying IAS 17 and IFRIC 4 were taken over into IFRS 16. The Bank recognised lease liabilities in relation to leases which had previously been classified as operating leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The right-of-use assets were recognised at an amount equal to the lease liabilities (IFRS 16.C8 (b)(ii)). The Bank's equity was not impacted by the initial application. The Bank does not apply IFRS 16 to any leases on intangible assets. The Bank uses the exemption for short-term leases and leases of low-value items whereby the right-of-use asset is not recognised.

In the statement of financial position, right-of-use assets have been included in the line item 'Property and equipment'.

Interest expense calculated represents finance cost of leasing and is included in the line item ´Other liabilities´ of the income statement line ´Interest expenses´.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

The application of IFRS 16 will have an impact on future profit or loss. While the total amount of the expenses charged over the lease term remains the same, the distribution in time and the disclosure of the related expenses in profit or loss change. According to IAS 17, expenses for operating leases are recognised on a straight-line basis. According to IFRS 16 expenses are to be split between interest expenses and depreciation. Interest expenses decrease over the lease term, but depreciation is generally carried out on a straight-line basis, which results in a shift of expenses into the earlier periods of the lease term.

In the context of transition to IFRS 16, right-of-use assets and lease liabilities in the amount of EUR 45,1 million were recognised as at 1 January 2019. Mainly land and buildings are subject to lease at the Bank.

Reconciliation of total lease commitments to lease liabilities

	EUR ths.
Operating lease commitments (IAS 17) undiscounted as of 31 December 2018	**52 614**
(-) Discounting (using incremental borrowing rates as at 1 January 2019)	(5 959)
Discounted operating lease commitments as of 1 January 2019	**46 655**
Recognition exemption for:	-
(Less): short-term leases	(1 487)
(Less): leases of low-value assets	(49)
Add/(Less): Extension and termination options reasonably certain to be exercised	-
Add/(Less): Other	-
Lease liabilities recognised as of 1 January 2019	**45 119**

The movement of right of use assets by class of underlying items is analysed in note 21.

Leases under IAS 17

A lease is an agreement, or part of 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 Bank 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 of real estates, the leased asset is reported by the lessor in the balance sheet line item 'Investment property' and is depreciated in accordance with the principles applicable to the assets involved. Income from operating leases 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.

According to IFRS 16 the Bank as a lessee recognises the righ-of-use that represents the asset related to the right to use the underlying asset and the lease liability that represents the obligation for leasing payments.

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.

Operating lease commitments (IAS 17) disclosed as of 31 December 2018 were as follows:

EUR ths.	31.12.2018
< 1 year	14 141
1-5 years	36 576
> 5 years	1 897
Total	**52 614**

Foreign currency translations

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

Transactions in foreign currencies are initially recorded at the functional currency exchange rate effective as of the date of the transaction. Subsequently, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate as of the balance sheet date. All resulting exchange differences that arise are recognised in the 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.

Trade and other receivables

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

Property and equipment

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

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

The estimated useful lives are as follows:

Type of property and equipment	Useful life in years 2018 and 2019
Own buildings and structures	30 years
Rented premises	per contract
Office furniture and equipment	4 – 6 years
Computer hardware	4 years
Passenger cars	4 years
Fixture and fittings	6 – 12 years

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

Investment property

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

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

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

Intangible assets

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

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

The estimated useful lives are as follows:

Type of intangible assets	Useful life in years 2018 and 2019
Core banking system and related applications	8 years
Computer software	4 - 8 years

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

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

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

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

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

Defined employee pension plans

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

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

The key assumptions used in remeasurement of net liability of defined pension plans and the amount of respective provisions are disclosed in note 24.

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

Provisions

Provisions are recognised when the Bank has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reported on the balance sheet line item 'Provisions'. Expense or income related to provisions are reported in the income statement line item 'Other operating result'. Information on provisions are detailed in note 24.

Levies

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

Taxes

I. Current tax

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

II. Deferred tax

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

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

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

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

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

Fiduciary assets

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

Dividends on ordinary shares

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

Recognition of income and expenses

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

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

I. Net interest income

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

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

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

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

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

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

II. Net fee and commission income

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

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

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

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

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

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

III. Dividend income

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

IV. Net trading result

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

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

V. Gains/losses from financial instruments measured at fair value through profit or losst

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

VI. Rental income from investment properties & other operating leases

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

VII. Personnel expenses

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

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

VIII. OTHER ADMINISTRATIVE EXPENSES

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

Furthermore, the line item contains deposit insurance contributions expenses.

IX. Depreciation and amortisation

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

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

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

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

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

XII. Impairment result from financial instruments

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

XIII. Other operating result

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

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

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

e) Significant accounting judgements, assumption and estimates

The separate financial statements contain amounts that have been determined on the basis of judgements and by the use of estimates and assumptions. The estimates and assumptions used are based on historical experience and other factors, such as planning as well as expectations and forecasts of future events that are currently deemed to be reasonable. As a consequence of the uncertainty associated with these assumptions and estimates, actual results could in future periods lead to adjustments in the carrying amounts of the related assets or liabilities. The most significant uses of judgements, assumptions and estimates are 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 accounting judgements. These judgements are crucial in the classification and measurement process as they determine whether the asset has to be measured at FVPL or, depending on the business model assessment, at amortised cost or at FVOCI. When taking into consideration specific features of loans in the business of the Bank, significant areas of judgement are prepayment fees, project financing loans and benchmark test for loans with interest mismatches features.

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

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

The most critical area of SPPI judgements in the business of the Bank comprises loans with interest mismatch features. Interest mismatches relate to floating rate financial assets (loans and some debt securities, also referred to as 'deals') where:
- the reference rate's – type of variable interest rate of tenor different to the rate reset frequency (such as 3-month EURIBOR for other than three month interest period,
- the interest rate is fixed prior to the start of the interest period (such as 3-month EURIBOR fixed 2 months before the interest period starts), or interest rate arise from average rates over previous periods,or
- combinations of these features.

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

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

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

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

Business model assessment

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

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

Impairment of financial instruments

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

From 1. January 2018 the new methodology for impairment of financial instruments was introduced under IFRS9. The Bank applies staging with relevant credit risk parameters. IFRS 9 establishes a three stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. Disclosures on methodology for impairment of financial Instruments are described in note 33.

Fair value of financial instruments

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

Deferred tax assets

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

f) Application of new and amended IAS / IFRS

The Bank has adopted all the standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC), as adopted by the European Union, which are valid for the current reporting period and relevant for its business. The following standards, interpretations and their amendments are applicable for the first time in the year 2019:

Effective standards and interpretations

The following standards, their amendments and interpretation have become mandatory for the financial year 2019 and have been endorsed by the EU:

- IFRS 16: Leases,
- Amendments to IFRS 9: Prepayment features with negative compensation,
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement,
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures,
- Annual Improvements to IFRSs 2015-2017 Cycle (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23),
- IFRIC 23: Uncertainty over Income Tax Treatments.

Adoption of IFRS 16: Leases. The Bank has adopted IFRS 16 retrospectively from 1 January 2019 with certain simplifications and exemptions, and has not restated comparatives for the 2018 reporting period, as permitted under the transitional provisions of IFRS 16. The effects of application of IFRS 16 are decribed in Note Bd). Otherwise application of the above mentioned amendments and interpretation did not have a significant impact on the Bank's financial statements.

Standards and interpretations not yet effective

The standards, amendments and interpretations shown below were issued by the IASB but are not yet effective (mandatory for the annual periods beginning on or after 1 January 2020 or later).

Following standards, amendments and interpretations are already endorsed by the EU:

Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued in September 2019 and are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. The Bank does not expect significant impact to the Bank's financial statements arising from implementation of these amendments.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Bank does not expect significant impact to the Bank's financial statements arising from implementation of these amendments.

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

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments are prospective and the Bank will apply them and assess their impact from 1 January 2020.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). The Bank does not expect significant impact to the Bank's financial statements arising from implementation of these amendments.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The Bank does not expect significant impact to the Bank's financial statements arising from implementation of these amendments.

C. NOTES

1. Net interest income

EUR ths.	2018	2019
Interest and other similar income		
Financial assets at amortised cost	471 359	458 730
Demand deposits	7	7
Loans and advances	364 332	355 297
Debt securities	107 020	103 426
Interest income	**471 359**	**458 730**
Non-trading financial assets at fair value through profit or loss	168	86
Financial assets - held for trading	14 511	15 579
Derivatives - hedge accounting, interest rate risk	(9 252)	(9 263)
Other assets	1 855	3 918
Negative interest from financial liabilities	1 010	1 020
Other similar income	**8 292**	**11 340**
Total interest income	**479 651**	**470 070**
Interest and other similar expenses		
Financial liabilities measured at amortised cost	(29 596)	(29 021)
Deposits	(13 805)	(12 108)
Debt securities in issue	(15 791)	(16 913)
Interest expenses	**(29 596)**	**(29 021)**
Financial liabilities - held for trading	(13 433)	(14 157)
Derivatives - hedge accounting, interest rate risk	1 689	4 994
Other liabilities	(165)	(2 508)
Other similar expenses	**(11 909)**	**(11 671)**
Total Interest expenses	**(41 505)**	**(40 692)**
Net interest income	**438 146**	**429 378**

Interest income for the year 2019 included interests related to impaired financial assets in the amount of 8,4 mil. Eur (2018: 8,1 mil. Eur).

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

Negative interest from financial assets that relates to transactions with financial institutions for the year 2019 amounted 0,3 mil. Eur (2018: 0,1 mil. Eur) is disclosed under line item 'Interest income from financial assets at amortised cost – Loans and advances'. Negative interest from financial liabilities that relates to transactions with financial institutions for the year 2019 amounted 0,9 mil. Eur (2018: 1,7 mil. Eur) is disclosed under line item 'Interest expense from financial liabilities measured at amortised cost – Deposits' in amount of 0,2 mil.Eur (2018: 0,7 mil. Eur) and under line item 'Negative interest income from financial liabilities' in amount of 0,7 mil. Eur (2018: 1,0 mil. Eur).

The line item ´Other liabilities´ comprises impact from implementation of new standard IFRS 16 Leases effective since 1 January 2019.

2. Net fee and commission income

EUR ths.	2018	2019
Fee and commission income		
Securities	1 895	3 016
Issuances	483	245
Transfer orders	308	1 153
Other	1 104	1 618
Asset management	7 876	8 649
Custody	1 176	1 437
Collective investment	418	468
Other	758	969
Payment services	97 116	100 492
Card business	37 842	42 194
Others	59 274	58 298
Customer resources distributed but not managed	26 613	32 790
Collective investment	-	-
Insurance products (as agent)	26 590	32 770
Other	23	20
Lending Business	20 399	24 045
Loan commitments given	3 846	2 851
Financial guarantees given	3 680	3 949
Other lending business	12 873	17 245
Other	690	1 259
Total fee and commission income	**155 765**	**171 688**
Fee and commission expense		
Securities	(779)	(831)
Transfer orders	(766)	(827)
Other	(13)	(4)
Custody	(837)	(1 114)
Payment services	(16 340)	(17 872)
Card business	(12 493)	(13 561)
Others	(3 847)	(4 311)
Customer resources distributed but not managed	(1 919)	(1 176)
Insurance products (as agent)	(1 919)	(1 176)
Lending Business	(7 032)	(5 455)
Financial guarantees received	(17)	(15)
Other lending business	(7 015)	(5 440)
Other	(35)	(71)
Total fee and commission expense	**(26 942)**	**(26 519)**
Net fee and commission income	**128 823**	**145 169**

3. Dividend income

EUR ths.	2018	2019
Non-trading financial assets at fair value through profit or loss	715	512
Financial assets at fair value through other comprehensive income	349	439
Financial assets at amortised cost	-	17
Dividend income	**1 064**	**968**

4. Net trading result

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

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

EUR ths.	2018	2019
Securities trading	2 751	3 632
Derivatives trading	7 122	11 403
Result from hedge accounting	(204)	55
Net trading result	**9 669**	**15 090**

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

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

EUR ths.	2018	2019
Result from measurement/sale of financial assets mandatorily at fair value through profit or loss	2 145	1 900
Gains/losses from financial instruments measured at fair value through profit or loss	**2 145**	**1 900**

6. General administrative expenses

EUR ths.	2018	2019
Personnel expenses	**(141 030)**	**(147 536)**
Wages and salaries	(101 439)	(104 957)
Compulsory social security	(34 718)	(35 933)
Long-term employee provisions	(250)	(2 538)
Other personnel expenses	(4 623)	(4 108)
Other administrative expenses	**(103 539)**	**(92 864)**
Deposit insurance contribution	(866)	(962)
IT expenses	(37 752)	(38 700)
Expenses for office premises	(29 304)	(13 086)
Office operating expenses	(10 730)	(11 523)
Advertising/marketing	(14 620)	(14 994)
Legal and consulting costs	(3 486)	(4 212)
Sundry administrative expenses	(6 781)	(9 387)
Depreciation and amortisation	**(39 064)**	**(48 508)**
Software and other intangible assets	(23 469)	(20 840)
Owner occupied real estate	(7 028)	(18 442)
Investment properties	(211)	(218)
Office furniture and equipment and sundry property and equipment	(8 356)	(9 008)
General administrative expenses	**(283 633)**	**(288 908)**

As at 31 December 2019 the Bank had 4 070 employees, thereof five members of the Board of Directors.
As at 31 December 2018 the Bank had 4 091 employees, thereof five members of the Board of Directors.

Effective from 1 January 2019 based on implementation of new standard IFRS 16 Leases the Bank does not report rental expenses for operational leases in the line item ´Expenses for office premises´ under the group ´Other administrative expenses´. In accordance with IFRS 16 the Bank´s obligation to make lease payments till the end of rental contract constituted basis for lease liability and the right-of-use asset, which were recognised in the Bank´s balance sheet at inception date. The right-of-use asset is depreciated on the straight line basis till the end of contracted period and is disclosed as part of depreciation for ´Owner occupied real estate´ in line item ´Depreciation and amortisation´. Expenses for leases complying with recognition exemptions for short-term leases (less than 12 months) and leases of low-value items under IFRS 16 are disclosed on the same principle as in previous period under the line item ´ Expenses for office premises´ in total amount of 1,5 mil. Eur.

The Bank is legally obliged to make a contribution to the Deposit Protection Fund, which is accounted for in accordance with the IFRIC 21. The amount of this annual contribution is calculated based on the Bank's customer deposit liabilities. The contribution to the Deposit Protection Fund was paid in June 2019.

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

EUR ths.	2018	2019
Audit of statutory financial statements	(489)	(491)
Other assurance services	(98)	(98)
Tax consulting services	-	-
Other non-audit services	(28)	(25)
Total	**(615)**	**(614)**

Other assurance services in the amount of 98 ths. Eur (2018: 98 ths. Eur) related to a review of the special-purpose standard reporting forms. Other non-audit services in the amount of 25 ths. Eur (2018: 28 ths. Eur) related to agreed-upon procedures on the Bank's compliance with the covenants of the loan agreement between the Bank and the European Bank for Reconstruction and Development; report on compliance with articles 71h - 71k of the Act No. 566/2001 Coll. on securities and investment services; reports ISAE 3000 and ISAE 3402 prepared in acordance with International Standard on Assurance Engagements.

7. Impairment result from financial instruments

EUR ths.	2018	2019
Financial assets at amortised cost	(26 018)	(44 884)
Net allocation of loss allowances	(29 293)	(51 778)
Direct write-offs	(1 260)	(1 959)
Recoveries recorded directly to the income statement	4 535	8 853
Finance lease	72	(3 801)
Net allocation of loss allowances for commitments and guarantees given	2 424	5 962
Impairment result from financial instruments	**(23 522)**	**(42 723)**

8. Other operating result

EUR ths.	2018	2019
Other operating expenses	**(43 481)**	**(44 880)**
Allocation to other provisions	(465)	(1 075)
Levies on banking activities	(33 030)	(35 588)
Banking tax	(30 306)	(32 521)
Resolution fund	(2 724)	(3 067)
Other taxes	(175)	(165)
Losses from derecognition of tangible and intagible assets	(260)	-
Other	(9 551)	(8 052)
Other operating income	**3 160**	**5 638**
Release of other provisions	585	1 077
Gains from derecognition of tangible and intagible assets	-	400
Other	2 575	4 161
Other operating result	**(40 321)**	**(39 242)**

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'. The contribution to the Resolution Fund was paid in May 2019.

9. Taxes on income

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

EUR ths.	2018	2019
Pre-tax profit / loss	232 588	221 521
Statutory tax rate	21%	21%
Theoretical income tax expense	48 843	46 519
Impact of tax-exempt earnings	(1 578)	(4 133)
Impact of tax non-deductible expenses	5 081	2 819
Net impact of non-valued fiscal losses for the year	-	-
Tax expenses / earnings not attributable to the reporting period	66	1 880
Total	**52 412**	**47 085**
EUR ths.	2018	2019
Current tax expense / income	(49 254)	(53 347)
current period	(49 254)	(53 347)
Deferred tax expense / income	(3 158)	6 262
current period	(3 158)	6 262
Total	**(52 412)**	**(47 085)**

Expiration of tax losses

EUR ths.	2018	2019
2019	832	-
2020	769	769
2021	-	-
2022	-	-
2023	-	-
Total	**1 601**	**769**

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

Further information on tax assets and liabilities are disclosed in note 19.

10. Cash and cash balances

EUR ths.	31.12.2018	31.12.2019
Cash on hand	407 193	398 088
Cash balances at central banks	1 704	93 129
Other demand deposits to credit institutions	7 196	10 224
Cash and cash balances	**416 093**	**501 441**

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.

As at 31 December 2019 the balances at central banks included a mandatory reserve deposit in the amount of 87,9 mil. Eur (2018: 1,7 mil. Eur). For the period covering the year-end 2019 the prescribed balance of the mandatory reserve deposit amounted 141,1 mil. Eur (2018: 134,3 mil. Eur).

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

11. Derivatives held for trading

EUR ths.	31.12.2018			31.12.2019		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	**1 733 868**	**42 272**	**40 368**	**2 476 840**	**41 112**	**35 709**
Interest rate derivatives	1 434 030	10 285	8 468	2 132 669	15 594	14 084
Equity derivatives	1 451	-	-	-	-	-
Foreign exchange derivatives	298 387	31 987	31 900	344 171	25 518	21 625
Derivatives held in the banking book	**65 771**	**669**	**693**	**101 637**	**311**	**311**
Equity derivatives	65 088	669	669	101 637	311	311
Foreign exchange derivatives	683	-	24	-	-	-
Total gross amounts	**1 799 639**	**42 941**	**41 061**	**2 578 477**	**41 423**	**36 020**

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

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

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

EUR ths.	31.12.2018		31.12.2019	
	Designated at fair value	Mandatorily at fair value	Designated at fair value	Mandatorily at fair value
Equity instruments	-	5 620	-	7 375
Debt securities	-	23 622	-	3 175
Credit institutions	-	20 170	-	-
Other financial corporations	-	3 452	-	3 175
Non-trading financial assets at fair value through profit or loss	**-**	**29 242**	**-**	**10 550**

´Equity Instruments´ classified under category ´Mandatorily at fair value´ represents such equity Instruments that the Bank does not hold for strategic business decision.
´Debt securities´ classified under category ´Mandatorily at fair value´ represents financial assets, which do not comply with the SPPI criteria under IFRS 9.

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 Poisťovňa 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.
As at 31 December 2019 was this investment revalued to the fair value of 6,7 mil. Eur (2018: 5,6 mil. Eur).

13. Financial assets at fair value through other comprehensive income

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

14. Financial assets at amortised cost

Gross carrying amounts and credit loss allowances

EUR ths. As of 31.12.2019	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	**3 536 848**	**-**	**-**	**-**	**3 536 848**	**(384)**	**-**	**-**	**-**	**(384)**	**3 536 464**
General governments	3 223 591	-	-	-	3 223 591	(247)	-	-	-	(247)	3 223 344
Credit institutions	194 849	-	-	-	194 849	(106)	-	-	-	(106)	194 743
Other financial corporations	25 283	-	-	-	25 283	(15)	-	-	-	(15)	25 268
Non-financial corporations	93 125	-	-	-	93 125	(16)	-	-	-	(16)	93 109
Loans and advances to banks	**52**	**2**	**-**	**-**	**54**	**-**	**-**	**-**	**-**	**-**	**54**
Credit institutions	52	2	-	-	54	-	-	-	-	-	54
Loans and advances to customers	**13 263 683**	**471 725**	**341 898**	**85 414**	**14 162 720**	**(34 322)**	**(36 177)**	**(212 655)**	**(53 150)**	**(336 304)**	**13 826 416**
General governments	243 829	607	-	-	244 436	(248)	(23)	-	-	(271)	244 165
Other financial corporations	106 486	773	108	-	107 367	(288)	(67)	(76)	-	(431)	106 936
Non-financial corporations	3 030 477	238 260	41 051	81 261	3 391 049	(8 455)	(11 648)	(24 501)	(50 957)	(95 561)	3 295 488
Households	9 882 891	232 085	300 739	4 153	10 419 868	(25 331)	(24 439)	(188 078)	(2 193)	(240 041)	10 179 827
Total	**16 800 583**	**471 727**	**341 898**	**85 414**	**17 699 622**	**(34 706)**	**(36 177)**	**(212 655)**	**(53 150)**	**(336 688)**	**17 362 934**

The amounts represent the maximum exposure to credit risk. As at 31 December 2019 the Bank had no reverse repo agreements.

As at 31 December 2019, 15 largest customers accounted for 5,2 % of the gross loan portfolio amounting to 733,7 mil. Eur.

EUR ths. As of 31.12.2018	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Debt securities	**3 551 013**	**-**	**-**	**-**	**3 551 013**	**(383)**	**-**	**-**	**-**	**(383)**	**3 550 630**
General governments	3 301 947	-	-	-	3 301 947	(263)	-	-	-	(263)	3 301 684
Credit institutions	127 676	-	-	-	127 676	(75)	-	-	-	(75)	127 601
Other financial corporations	25 277	-	-	-	25 277	(25)	-	-	-	(25)	25 252
Non-financial corporations	96 113	-	-	-	96 113	(20)	-	-	-	(20)	96 093
Loans and advances to banks	**47 819**	**1**	**-**	**-**	**47 820**	**(23)**	**-**	**-**	**-**	**(23)**	**47 797**
Credit institutions	47 819	1	-	-	47 820	(23)	-	-	-	(23)	47 797
Loans and advances to customers	**12 398 239**	**327 849**	**338 895**	**102 781**	**13 167 764**	**(35 401)**	**(33 865)**	**(229 723)**	**(51 337)**	**(350 326)**	**12 817 438**
General governments	230 021	111	-	-	230 132	(193)	(2)	-	-	(195)	229 937
Other financial corporations	154 560	93	10	-	154 663	(164)	(12)	(8)	-	(184)	154 479
Non-financial corporations	2 734 873	73 359	25 040	97 682	2 930 954	(6 972)	(4 084)	(16 906)	(48 396)	(76 358)	2 854 596
Households	9 278 785	254 286	313 845	5 099	9 852 015	(28 072)	(29 767)	(212 809)	(2 941)	(273 589)	9 578 426
Total	**15 997 071**	**327 850**	**338 895**	**102 781**	**16 766 597**	**(35 807)**	**(33 865)**	**(229 723)**	**(51 337)**	**(350 732)**	**16 415 865**

As at 31 December 2018, 15 largest customers accounted for 5,3 % of the gross loan portfolio amounting to 693,8 mil. Eur.

Allowances for financial assets at amortised cost

EUR ths.	1.1.2019	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2019
Debt securities									
Stage 1	**(383)**	**(37)**	**17**	**19**	**-**	**-**	**-**	**-**	**(384)**
General governments	(262)	(3)	10	8	-	-	-	-	(247)
Credit institutions	(75)	(34)	7	(4)	-	-	-	-	(106)
Other financial corporations	(26)	-	-	11	-	-	-	-	(15)
Non-financial corporations	(20)	-	-	4	-	-	-	-	(16)
Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total allowances for debt securities	**(383)**	**(37)**	**17**	**19**	**-**	**-**	**-**	**-**	**(384)**

EUR ths.	1.1.2019	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2019
Loans and advances to banks									
Stage 1	**(23)**	**(3 313)**	**3 442**	**(106)**	**-**	**-**	**-**	**-**	**-**
Credit institutions	-	-	-	-	-	-	-	-	-
Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total allowances for loans and advances to banks	**(23)**	**(3 313)**	**3 442**	**(106)**	**-**	**-**	**-**	**-**	**-**

EUR ths.	1.1.2019	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2019
Loans and advances to customers									
Stage 1	**(35 401)**	**(27 792)**	**1 239**	**13 290**	**14 403**	**-**	**67**	**(129)**	**(34 323)**
General governments	(193)	(195)	10	107	22	-	-	-	(249)
Other financial corporations	(164)	(1 435)	1	1 272	39	-	-	-	(287)
Non-financial corporations	(6 972)	(14 158)	311	11 505	1 021	-	1	(163)	(8 455)
Households	(28 072)	(12 004)	917	406	13 321	-	66	34	(25 332)
Stage 2	**(33 865)**	**(7 327)**	**479**	**22 306**	**(17 100)**	**-**	**126**	**(796)**	**(36 177)**
General governments	(2)	-	-	52	(72)	-	-	-	(22)
Other financial corporations	(12)	(38)	1	6	(25)	-	-	-	(68)
Non-financial corporations	(4 084)	(3 323)	61	4 709	(8 153)	-	7	(866)	(11 649)
Households	(29 767)	(3 966)	417	17 539	(8 850)	-	119	70	(24 438)
Stage 3	**(229 724)**	**(5 812)**	**73 314**	**(42 212)**	**(12 143)**	**-**	**8 979**	**(5 057)**	**(212 655)**
Other financial corporations	(8)	-	8	(72)	(4)	-	-	-	(76)
Non-financial corporations	(16 905)	(1 822)	6 544	(7 219)	(1 300)	-	1 802	(5 600)	(24 500)
Households	(212 811)	(3 990)	66 762	(34 921)	(10 839)	-	7 177	543	(188 079)
POCI	**(51 336)**	**-**	**8 874**	**(12 549)**	**-**	**-**	**1 862**	**-**	**(53 149)**
Non-financial corporations	(48 396)	-	8 090	(12 207)	-	-	1 556	-	(50 957)
Households	(2 940)	-	784	(342)	-	-	306	-	(2 192)
Total allowances for loans and advances to customers	**(350 326)**	**(40 931)**	**83 906**	**(19 165)**	**(14 840)**	**-**	**11 034**	**(5 982)**	**(336 304)**

Movement table of credit loss allowances above represents changes in allowances disclosed based on the reason of the change and is prepared on Year-to-Date bases. The table contains allocations, releases, reclassifications between stages as well as use of the credit loss allowances. Due to the fact that not all of these movements are accounted through income statement, the full reconciliation to 'Impairment result from financial instruments' line in the Statement of profit or loss is not achievable. Furthermore certain expenses such as write offs, sales and unwinding correction are recognised in the balance sheet line ´Financial assets at amortised cost´ and are not disclosed in the movement table.

In column 'Additions' increases of CLA due to the initial recognition of loans at AC during the current reporting period are disclosed. Releases of CLA following the derecognition of the related loans at amortised cost are reported in column 'Derecognitions'.

In column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related amortised cost loans from Stage 1 (as at 1 January 2019 or initial recognition date) to Stages 2 or 3 as at 31 December 2019 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line 'Stage 1'. The income statement-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in columns 'Net changes due to modifications without derecognition' and ´Decrease in allowance account due to write-offs´.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Other changes´. In 2019 the column ´Other adjustments´contains loss allowances acquired in connection with acquisition of part of business from subsidiary S Slovensko, spol. s r.o.

EUR ths.	1.1.2018	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2018
Debt securities									
Stage 1	**(459)**	**(25)**	**21**	**77**	**3**	**-**	**-**	**-**	**(383)**
General governments	(306)	(2)	3	43	-	-	-	-	(262)
Credit institutions	(71)	(15)	18	(7)	-	-	-	-	(75)
Other financial corporations	-	(8)	-	19	(37)	-	-	-	(26)
Non-financial corporations	(82)	-	-	22	40	-	-	-	(20)
Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total allowances for debt securities	**(459)**	**(25)**	**21**	**77**	**3**	**-**	**-**	**-**	**(383)**

EUR ths.	1.1.2018	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without derecognition	Decrease in allowance account due to write-offs	Other adjustments	31.12.2018
Loans and advances to banks									
Stage 1	**-**	**(1 971)**	**1 992**	**(44)**	**-**	**-**	**-**	**-**	**(23)**
Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total allowances for loans and advances to banks	**-**	**(1 971)**	**1 992**	**(44)**	**-**	**-**	**-**	**-**	**(23)**

EUR ths.	1.1.2018	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifi-cations without derecognition	Decrease in allowance account due to write-offs	Other adj-ustments	31.12.2018
Loans and advances to customers									
Stage 1	**(35 603)**	**(28 573)**	**1 439**	**11 187**	**16 109**	**-**	**40**	**-**	**(35 401)**
General governments	(189)	(76)	-	22	50	-	-	-	(193)
Other financial corporations	(210)	(655)	3	699	(1)	-	-	-	(164)
Non-financial corporations	(8 570)	(15 292)	420	13 934	2 536	-	-	-	(6 972)
Households	(26 634)	(12 550)	1 016	(3 468)	13 524	-	40	-	(28 072)
Stage 2	**(39 736)**	**(6 410)**	**460**	**19 591**	**(7 915)**	**-**	**145**	**-**	**(33 865)**
General governments	(3)	(16)	-	17	-	-	-	-	(2)
Other financial corporations	(5)	(8)	1	6	(6)	-	-	-	(12)
Non-financial corporations	(6 148)	(1 785)	68	5 715	(1 952)	-	18	-	(4 084)
Households	(33 580)	(4 601)	391	13 853	(5 957)	-	127	-	(29 767)
Stage 3	**(223 927)**	**(4 692)**	**3 752**	**(25 188)**	**(32 262)**	**-**	**52 593**	**-**	**(229 724)**
General governments	(1)	-	-	-	-	-	1	-	-
Other financial corporations	(19)	(6)	-	3	-	-	14	-	(8)
Non-financial corporations	(26 355)	(1 763)	17	1 147	(2 656)	-	12 705	-	(16 905)
Households	(197 552)	(2 923)	3 735	(26 338)	(29 606)	-	39 873	-	(212 811)
POCI	**(59 539)**	**-**	**896**	**1 317**	**-**	**-**	**5 990**	**-**	**(51 336)**
Other financial corporations	(281)	-	-	281	-	-	-	-	-
Non-financial corporations	(54 834)	-	663	194	-	-	5 581	-	(48 396)
Households	(4 424)	-	233	842	-	-	409	-	(2 940)
Total allowances for loans and advances to customers	**(358 805)**	**(39 675)**	**6 547**	**6 907**	**(24 068)**	**-**	**58 768**	**-**	**(350 326)**

Transfers of gross carrying amount between impairment stages

EUR ths.	2018	2019
Transfers between Stage 1 and Stage 2	**356 656**	**436 091**
To Stage 2 from Stage 1	171 369	333 496
To Stage 1 from Stage 2	185 287	102 595
Transfers between Stage 2 and Stage 3	**63 831**	**68 555**
To Stage 3 from Stage 2	47 228	58 714
To Stage 2 from Stage 3	16 603	9 841
Transfers between Stage 1 and Stage 3	**82 636**	**95 063**
To Stage 3 from Stage 1	63 029	76 753
To Stage 1 from Stage 3	19 607	18 310

Mandate loans

During the year 2019 the Bank cooperated with 4 external companies (2018: 4 companies). Based on the mandate contracts the management and administration of certain non-performing receivables is outsourced to the external company temporary. In case of mandate loans, the Bank maintains risks and rewards associated with the underlying exposures. External service providers are rewarded by commission from the claimed amount of loans, which are subject to the mandate contracts.

As at 31 December 2019 the total amount of gross loans outsourced was 119,1 mil. Eur (2018: 145,5 mil. Eur).

Write off and sale of receivables

During the year 2019 the Bank sold loan receivables in the amount of 93,0 mil. Eur (2018: 47,8 mil. Eur) for a consideration of 22,9 mil. Eur (2018: 7,1 mil. Eur) and used the corresponding allowances amounting 78,6 mil. Eur (2018: 43,4 mil. Eur). Once loan receivables are sold, the Bank transfers all risks and rewards attributable to them and does not have any continuing involvement in the loan receivables subsequent to their sale.

In the year 2019 the Bank has written off loans and finance lease receivables in the amount of 17,9 mil. Eur (2018: 17,3 mil. Eur) and used the respective allowances amounting 16,0 mil. Eur (2018: 15,8 mil. Eur).

15. Finance lease receivables

The principal assets held under lease arrangements include cars and other technical equipment. As at 12 April 2019 the Bank acquired new leasing contracts from its subsidiary S Slovensko, spol. s r.o.. The impact of this transaction represents increase in finance lease receivables by 44,8 mil. EUR.

Gross carrying amounts and credit loss allowances

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

EUR ths. As of 31.12.2018	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	57	-	-	-	57	-	-	-	-	-	57
Other financial corporations	349	-	-	-	349	-	-	-	-	-	349
Non-financial corporations	127 569	168	289	-	128 026	(80)	-	(107)	-	(187)	127 839
Households	1 261	11	3	-	1 275	(1)	-	(3)	-	(4)	1 271
Total	**129 236**	**179**	**292**	**-**	**129 707**	**(81)**	**-**	**(110)**	**-**	**(191)**	**129 516**

Allowances for finance lease receivables

EUR ths.	1.1.2019	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without dere-cognition	Decrease in allo-wance account due to write-offs	Other adj-ustments	31.12.2019
Stage 1	**(81)**	**(574)**	**53**	**194**	**247**	**-**	**-**	**(92)**	**(253)**
Credit institutions	-	(6)	-	5	-	-	-	-	(1)
Other financial corporations	-	(1)	-	1	-	-	-	-	-
Non-financial corporations	(80)	(565)	52	165	242	-	-	(53)	(239)
Households	(1)	(2)	1	23	5	-	-	(39)	(13)
Stage 2	**-**	**-**	**1**	**198**	**46**	**-**	**-**	**(251)**	**(6)**
Non-financial corporations	-	-	1	180	(2)	-	-	(184)	(5)
Households	-	-	-	18	48	-	-	(67)	(1)
Stage 3	**(110)**	**-**	**1 008**	**(4 547)**	**(413)**	**-**	**4 388**	**(4 633)**	**(4 307)**
Non-financial corporations	(107)	-	877	(3 625)	(222)	-	4 023	(4 258)	(3 312)
Households	(3)	-	131	(922)	(191)	-	365	(375)	(995)
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(191)**	**(574)**	**1 062**	**(4 155)**	**(120)**	**-**	**4 388**	**(4 976)**	**(4 566)**

The movement table including detail description of columns is described in note 14.

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

EUR ths.	1.1.2018	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without dere-cognition	Decrease in allo-wance account due to write-offs	Other adj-ustments	31.12.2019
Stage 1	**(196)**	**(98)**	**2**	**211**	**-**	**-**	**-**	**-**	**(81)**
Other financial corporations	(1)	(1)	-	2	-	-	-	-	-
Non-financial corporations	(194)	(96)	-	210	-	-	-	-	(80)
Households	(1)	(1)	2	(1)	-	-	-	-	(1)
Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Stage 3	**(541)**	**-**	**-**	**217**	**(28)**	**-**	**242**	**-**	**(110)**
Non-financial corporations	(493)	-	-	183	(28)	-	231	-	(107)
Households	(48)	-	-	34	-	-	11	-	(3)
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(737)**	**(98)**	**2**	**428**	**(28)**	**-**	**242**	**-**	**(191)**

Transfers of gross carrying amount between impairment stages

EUR ths.	2018	2019
Transfers between Stage 1 and Stage 2	**475**	**2 625**
To Stage 2 from Stage 1	475	1 228
To Stage 1 from Stage 2	-	1 397
Transfers between Stage 2 and Stage 3	**-**	**3 121**
To Stage 3 from Stage 2	-	3 121
To Stage 2 from Stage 3	-	-
Transfers between Stage 1 and Stage 3	**159**	**5 014**
To Stage 3 from Stage 1	159	5 014
To Stage 1 from Stage 3	-	-

Maturity analysis of finance lease receivables by residual maturities:

EUR ths.	31.12.2018	31.12.2019
Gross investment in finance leases	**136 946**	**225 922**
Thereof:		
< 1 year	32 777	59 174
1-5 years	82 246	132 617
> 5 years	21 923	34 131
Unearned income	**(7 239)**	**(8 165)**
Net investment in finance leases	**129 707**	**217 757**
Thereof:		
< 1 year	30 505	58 072
1-5 years	78 089	126 904
> 5 years	21 113	32 781

16. Hedge accounting derivatives

EUR ths.	31.12.2018 Notional value	31.12.2018 Positive fair value	31.12.2018 Negative fair value	31.12.2019 Notional value	31.12.2019 Positive fair value	31.12.2019 Negative fair value
Fair value hedges	**895 521**	**9 905**	**41 348**	**1 145 521**	**23 020**	**48 041**
Interest rate	895 521	9 905	41 348	1 145 521	23 020	48 041
Total gross amounts	**895 521**	**9 905**	**41 348**	**1 145 521**	**23 020**	**48 041**

Fair value hedge of assets

As at 31 December 2019 the Bank held in portfolio of financial assets at amortised cost fixed rate bonds denominated in Eur with nominal value of 381,2 mil. Eur (2018: 381,2 mil. Eur). As the purchases of these bonds increased exposure to interest rate risk in the period from five to fifteen years, the Bank entered into interest rate swap deals in order to hedge the changes of fair value caused by changes of risk-free interest rates, paying fixed and receiving floating rates.

During the year 2019 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 6,6 mil. Eur (2018: net gain 0,6 mil. Eur). On the other hand, a net gain on the hedged item attributable to the hedged risk amounted to 6,4 mil. Eur (2018: net loss 0,6 mil. Eur).

Fair value hedge of liabilities

The Bank uses hedging to secure its issued fixed rate covered bonds (former mortgage bonds). The list of bonds is disclosed in the note 23. As at 31 December 2019 the Bank holds covered bonds in total notional value of 764,3 mil. Eur (2018: 764,3 mil. Eur).

During the year 2019 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 12,6 mil. Eur (2018: net gain 2,5 mil. Eur). On the other hand, a net loss on the hedged item attributable to the hedged risk amounted to 12,5 mil. Eur (2018: net loss 2,7 mil. Eur).

17. Trade and other receivables

Gross carrying amounts and credit loss allowances

EUR ths. As of 31.12.2019	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Credit institutions	4 493	-	-	-	4 493	-	-	-	-	-	4 493
Other financial corporations	1 021	-	157	-	1 178	-	-	(8)	-	(8)	1 170
Non-financial corporations	97 504	1 342	5 351	-	104 197	(193)	(3)	(2 972)	-	(3 168)	101 029
Households	1	-	414	-	415	-	-	(414)	-	(414)	1
Total	**103 019**	**1 342**	**5 922**	**-**	**110 283**	**(193)**	**(3)**	**(3 394)**	**-**	**(3 590)**	**106 693**

EUR ths. As of 31.12.2018	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
General governments	-	9	-	-	9	-	-	-	-	-	9
Other financial corporations	100	56	-	-	156	-	-	-	-	-	156
Non-financial corporations	93 520	2 281	3 111	-	98 912	(307)	(8)	(2 855)	-	(3 171)	95 742
Households	105	-	397	-	502	-	-	(397)	-	(397)	105
Total	**93 725**	**2 346**	**3 508**	**-**	**99 579**	**(307)**	**(8)**	**(3 252)**	**-**	**(3 568)**	**96 012**

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

Allowances for trade and other receivables

EUR ths.	1.1.2019	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without dere-cognition	Decrease in allo-wance account due to write-offs	Other adj-ustments	31.12.2019
Stage 1	**(307)**	**(1 357)**	**1**	**1 469**	**-**	**-**	**-**	**-**	**(194)**
Other financial corporations	-	(4)	-	4	-	-	-	-	-
Non-financial corporations	(307)	(1 353)	1	1 465	-	-	-	-	(194)
Stage 2	**(8)**	**-**	**-**	**6**	**-**	**-**	**-**	**-**	**(2)**
Non-financial corporations	(8)	-	-	6	-	-	-	-	(2)
Stage 3	**(3 253)**	**(53)**	**-**	**8**	**(287)**	**-**	**546**	**(355)**	**(3 394)**
Other financial corporations	-	-	-	92	(100)	-	-	-	(8)
Non-financial corporations	(2 856)	(37)	-	(83)	(187)	-	546	(355)	(2 972)
Households	(397)	(16)	-	(1)	-	-	-	-	(414)
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(3 568)**	**(1 410)**	**1**	**1 483**	**(287)**	**-**	**546**	**(355)**	**(3 590)**

The movement table including detail description of columns is described in the Note 14.

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

EUR ths.	1.1.2018	Additions	Derecognitions	Net changes due to change in credit risk	Transfers between stages	Net changes due to modifications without dere-cognition	Decrease in allo-wance account due to write-offs	Other adj-ustments	31.12.2018
Stage 1	**(247)**	**(3 008)**	**2 066**	**882**	**-**	**-**	**-**	**-**	**(307)**
General governments	-	(3)	-	3	-	-	-	-	-
Other financial corporations	-	(4)	-	4	-	-	-	-	-
Non-financial corporations	(247)	(2 969)	2 055	854	-	-	-	-	(307)
Households	-	(32)	11	21	-	-	-	-	-
Stage 2	**-**	**-**	**-**	**(8)**	**-**	**-**	**-**	**-**	**(8)**
Non-financial corporations	-	-	-	(8)	-	-	-	-	(8)
Stage 3	**(3 206)**	**-**	**-**	**(232)**	**(2)**	**-**	**187**	**-**	**(3 253)**
Non-financial corporations	(2 826)	-	-	(215)	(2)	-	187	-	(2 856)
Households	(380)	-	-	(17)	-	-	-	-	(397)
POCI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(3 453)**	**(3 008)**	**2 066**	**642**	**(2)**	**-**	**187**	**-**	**(3 568)**

Transfers of gross carrying amount between impairment stages

EUR ths.	2018	2019
Transfers between Stage 1 and Stage 2	**1 597**	**1 343**
To Stage 2 from Stage 1	1 597	1 342
To Stage 1 from Stage 2	-	1
Transfers between Stage 2 and Stage 3	**-**	**58**
To Stage 3 from Stage 2	-	58
To Stage 2 from Stage 3	-	-
Transfers between Stage 1 and Stage 3	**388**	**2 555**
To Stage 3 from Stage 1	388	2 555
To Stage 1 from Stage 3	-	-

18. Investments in subsidiaries and associates

EUR ths.	31.12.2018	31.12.2019
Investment in subsidiaries	14 906	39 754
Investment in associate	8 142	8 142
Total	**23 048**	**47 896**

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

EUR ths.	Cost		Impairment		Net book value	
	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019
Subsidiaries	**14 906**	**39 754**	**-**	**-**	**14 906**	**39 754**
Procurement Services SK, s.r.o.	3	3	-	-	3	3
Služby SLSP, s. r. o.	14 903	14 903	-	-	14 903	14 903
S Slovensko, spol. s r.o.	-	24 848	-	-	-	24 848
Associates	**8 142**	**8 142**	**-**	**-**	**8 142**	**8 142**
Prvá stavebná sporiteľňa, a.s.	1 093	1 093	-	-	1 093	1 093
Slovak Banking Credit Bureau, s.r.o.	3	3	-	-	3	3
Holding Card Service, spol. s r. o.	7 046	7 046	-	-	7 046	7 046
Total	**23 048**	**47 896**	**-**	**-**	**23 048**	**47 896**

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

Investments in subsidiaries of Slovenská sporiteľňa, a.s.

EUR ths.	Služby SLSP, s.r.o.		Realitná spoločnosť Slovenskej sporiteľne, a.s. (100 % dcérska spoločnosť Služby SLSP, s.r.o.)		LANED, a.s. (100 % dcérska spoločnosť Služby SLSP, s.r.o.)		Procurement Services SK, s.r.o.		S Slovensko, spol. s r.o.	
	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019
Place of business	Tomášikova 48, 832 01 Bratislava Slovenská republika		Tomášikova 48, 832 10 Bratislava Slovenská republika		Tomášikova 48, 832 71 Bratislava Slovenská republika		Tomášikova 48, 832 75 Bratislava Slovenská republika		Tomášikova 48, 831 04 Bratislava Slovenská republika	
Main business activity	Ancillary bank services		Real estate agency		SPE-Real estate company		Procurement		Leasing company	
Ownership held	100%		100%		100%		51%		100%	
Voting rights held	100%		100%		100%		51%		100%	
IFRS Classification	Subsidiary		Subsidiary		Subsidiary		Subsidiary		Subsidiary	
Reporting currency	EURO		EURO		EURO		EURO		EURO	
Dividend income received	-	-	-	-	-	-	25	17	-	-
Investee's key financial information for the reporting year (as at reporting year-end)										
Cash and cash balances	221	211	39	26	3 634	6 265	315	161	-	20 018
Other current assets	-	-	-	-	-	5	3	89	-	513
Non-current assets	22 812	22 812	1	1	57 648	55 221	87	61	-	10 527
Current liabilities	-	-	-	-	35 367	33 738	-	-	-	4 526
Non-current liabilities	-	1	-	2	193	152	347	250	-	-
Operating result	(10)	(12)	(12)	(14)	6 391	6 623	48	44	-	154
Post-tax result from continuing operations	(10)	(12)	(12)	(14)	1 935	1 878	34	38	-	1 684
Total comprehensive income	(10)	(12)	(12)	(14)	1 935	1 878	34	38	-	1 684
Depreciation and amortization	-	-	-	-	(3 624)	(3 646)	-	-	-	(867)
Interest income	-	-	-	-	-	-	-	-	-	1 763
Interest expense	-	-	-	-	(318)	(600)	-	-	-	(285)
Tax expense/income	-	-	-	-	(514)	(499)	(14)	(6)	-	920

Investments in associates of Slovenská sporiteľňa, a.s.

EUR ths.	Prvá stavebná sporiteľňa, a.s.		Slovak Banking Credit Bureau, s.r.o.		Holding Card Service, spol. s r. o.	
	31.12.2018	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**
Main business activity	Bajkalská 30 829 48 Bratislava Slovenská republika		Mlynské nivy 14 821 09 Bratislava Slovenská republika		Olbrachtova 1929/62, 140 00 Praha 4 Česká republika	
Ownership held	Banking		Retail credit register		Equity release company	
Voting rights held	9.98%	9.98%	33.33%	33.33%	24.62%	24.62%
IFRS Classification	35.00%	35.00%	33.33%	33.33%	24.62%	24.62%
Reporting currency	Associate		Associate		Associate	
Dividend income received	EURO		EURO		EURO	
Impairment loss recognized (cumulative basis)	2 038	-	-	-	-	-
Impairment loss recognized (allocation, release, use for the reporting year)	-	-	-	-	-	-
Loan commitments, financial guarantees and other commitments given	-	-	-	-	-	-
Úverové prísľuby, záruky a iné prísľuby	-	-	-	-	-	-
Investee's key financial information for the reporting year (as at reporting year-end)						
Cash and cash balances	163	685	235	267	10	8
Other financial assets	2 954 682	2 908 491	6	3	-	-
Non-financial assets	80 495	85 060	-	-	30 011	30 384
Current liabilities	2 776 229	2 717 299	5	19	-	-
Non-current liabilities	18 199	18 789	-	-	3	-
Operating Income	(28 735)	(33 212)	39	37	(22)	1
Post-tax result from continuing operations	14 091	14 767	37	36	(22)	1
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	14 091	14 767	37	36	(22)	1
Depreciation and amortization	(4 126)	(4 761)	(1)	-	-	-
Interest income	95 183	92 544	-	-	-	-
Interest expense	(43 516)	(35 258)	(1)	(1)	-	-
Tax expense/income	(4 715)	(4 546)	-	-	-	-

Changes during the year 2019

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

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

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

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

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

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 7 046 ths. Eur as at 31 December 2019. 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.

19. Tax assets and liabilities

The structure of tax assets and liabilities was as follows:

EUR ths.	Tax assets		Tax liabilities		Through PL	Through OCI	Total
	31.12.2018	31.12.2019	31.12.2018	31.12.2019	Net variance 2019		
Assets							
Financial assets at fair value through other comprehensive income	-	-	(10 567)	(17 446)	-	(6 879)	(6 879)
Financial assets at amortised cost & trade & other receivables	44 692	51 014	-	-	6 322	-	6 322
Property and equipment & investment property	-	-	(1 676)	(1 068)	607	-	607
Other assets	44	12	-	-	(32)	-	(32)
Tax loss carried forward	336	162	-	-	(175)	-	(175)
Liabilities	-		-		-	-	-
Provisions	2 685	1 454	-	-	(1 231)	-	(1 231)
Provisions Employee benefits Pensions and other post retirement benefit obliga-tions - pension	667	1 249	-	-	514	67	581
Other liabilities	8 513	8 771	-	-	257	-	257
Gross deferred taxes	**56 938**	**62 661**	**(12 243)**	**(18 515)**	**6 263**	**(6 812)**	**(549)**
Net deferred taxes	44 696	44 146	-	-	-	-	-
Total current taxes	4 639	-	91	2 076	-	-	-
Total taxes	**49 335**	**44 146**	**91**	**2 076**	-	-	-

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

Further information on taxes on income are disclosed in the note 9.

20. Other assets

EUR ths.	31.12.2018	31.12.2019
Client settlement	10 956	22 859
Personnel balances	5 256	8 260
State budget, social and health insurance, taxes	1 274	1 855
Sundry assets	623	312
Other assets	**18 109**	**33 286**

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

Cost

EUR ths.	Land and buildings	Office equipment / other fixed assets	IT assets (hardware)	Property and equipment total	Right-of-use assets - Land and buildings	Investment properties
Balance as at 1 January 2018	**171 019**	**56 366**	**47 700**	**275 085**	**-**	**6 260**
Additions	5 083	3 766	6 269	15 118	-	-
Disposals	(10 627)	(4 902)	(715)	(16 244)	-	(371)
Reclassification	(377)	-	-	(377)	-	377
Balance as at 31 December 2018	**165 098**	**55 230**	**53 254**	**273 582**	**-**	**6 266**
Initial application of IFRS 16	-	-	-	-	45 119	-
Additions	5 429	3 547	8 002	16 978	34 684	-
Disposals	(11 520)	(9 432)	(12 201)	(33 153)	(29 021)	(161)
Reclassification	(394)	-	-	(394)	-	394
Balance as at 31 December 2019	**158 613**	**49 345**	**49 055**	**257 013**	**50 782**	**6 499**

Accumulated depreciation

EUR ths.	Land and buildings	Office equipment / other fixed assets	IT assets (hardware)	Property and equipment total	Right-of-use assets - Land and buildings	Investment properties
Balance as at 1 January 2018	**(102 212)**	**(47 175)**	**(35 444)**	**(184 831)**	**-**	**(4 229)**
Depreciation	(7 028)	(3 693)	(4 662)	(15 383)	-	(211)
Disposals	7 461	4 700	715	12 876	-	225
Impairment	(1 531)	-	-	(1 531)	-	(11)
Reversal of impairment	798	-	-	798	-	48
Reclassification	208	-	-	208	-	(208)
Balance as at 31 December 2018	**(102 304)**	**(46 168)**	**(39 391)**	**(187 863)**	**-**	**(4 386)**
Depreciation	(6 838)	(3 668)	(5 341)	(15 847)	(11 604)	(218)
Disposals	8 755	9 279	12 183	30 217	5 169	106
Impairment	(1 861)	-	-	(1 861)	-	(25)
Reversal of impairment	2 099	-	-	2 099	-	90
Reclassification	239	-	-	239	-	(239)
Balance as at 31 December 2019	**(99 910)**	**(40 557)**	**(32 549)**	**(173 016)**	**(6 435)**	**(4 672)**

Carrying amount

EUR ths.	Land and buildings	Office equip-ment / other fixed assets	IT assets (hardware)	Property and equipment total	Right-of-use assets - Land and buildings	Investment properties
Balance as at 31 December 2018	**62 800**	**9 061**	**13 859**	**85 720**	**-**	**1 879**
Balance as at 31 December 2019	**58 708**	**8 788**	**16 502**	**83 998**	**44 347**	**1 828**

Increase in the value of Property and equipment relates to initial application of international accounting standard IFRS 16 Leases, which became effective as at 1 January 2019. As at the date of transition to IFRS 16 the Bank recorded the asset representing the right of use to the property in the amount of 45,1 mil. Eur into the Property and equipment. The value of asset represents the financial valuation of all leasing contracts that establish the right to use an underlying asset to the Bank. On the liabilities side the Bank recorded liabilities from financial leases in the equal amount. The value of asset is depreciated during the lifetime of the asset. As at 31 December 2019 the value of right of use represents 44,3 mil. Eur and the value of liabilities from financial leases is of 44,7 mil. Eur.

Cost of property and equipment, which are fully depreciated but still used by the Bank as at 31 December 2019 amounted 60,3 mil. Eur (2018: 75,7 mil. Eur) and includes various types of tangible fixed assets.

As at 31 December 2019 the Bank owned property and equipment not yet put in use in the amount of 2,7 mil. Eur (2018: 1,0 mil. Eur).

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

Investment properties

As at 31 December 2019 the carrying amount of investment properties was 1,8 mil. Eur (2018: 1,9 mil. Eur). Total rental income earned on this property for the year 2019 amounted 0,3 mil. Eur (2018: 0,3 mil. Eur) and is separately presented in the line item 'Rental income from investment properties and other operating leases'. Depreciation of rented property for the year 2019 amounted 0,2 mil. Eur (2018: 0,2 mil. Eur) and is presented in the line item 'Depreciation'.

22. Intangible assets

Cost

EUR ths.	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as at 1 January 2018	**277 662**	**2 666**	**3 143**	**283 471**
Additions	6 990	-	64	7 054
Reclassification	5	(5)	-	-
Balance as at 31 December 2018	**284 657**	**2 661**	**3 207**	**290 525**
Additions	5 541	-	-	5 541
Disposals	(15 134)	-	(513)	(15 647)
Balance as at 31 December 2019	**275 064**	**2 661**	**2 694**	**280 419**

Accumulated amortisation

EUR ths.	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as at 1 January 2018	**(223 679)**	**(1 295)**	**(3 043)**	**(228 015)**
Amortisation	(22 905)	(488)	(76)	(23 469)
Balance as at 31 December 2018	**(246 584)**	**(1 783)**	**(3 119)**	**(251 484)**
Amortisation	(20 320)	(488)	(32)	(20 840)
Disposals	15 130	-	513	15 643
Balance as at 31 December 2019	**(251 774)**	**(2 271)**	**(2 638)**	**(256 681)**

Carrying amount

EUR ths.	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as at 31 December 2018	**38 075**	**879**	**87**	**39 041**
Balance as at 31 December 2019	**23 292**	**391**	**55**	**23 738**

Cost of intangible assets, which are fully depreciated but still used by the Bank as at 31 December 2019 amounted 172,8 mil. Eur (2018: 139,8 mil. Eur).

As at 31 December 2019 the Bank owned intangible assets not yet put in use in the amount of 2,5 mil. Eur (2018: 2,4 mil. Eur).

During the year 2019 the Bank put in use upgrade of the core banking system, which amounted 4,0 mil. Eur (2018: 8,0 mil. Eur).

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

23. Financial liabilities measured at amortised cost

EUR ths.	31.12.2018	31.12.2019
Overnight deposits	4 710	9 449
Term deposits	195 744	202 982
Repurchase agreements	50 846	50 856
Deposits from banks	**251 300**	**263 287**

Deposits from customers

EUR ths.	31.12.2018	31.12.2019
Overnight deposits	**7 880 091**	**9 160 066**
Non-savings deposits	7 880 091	9 160 066
General governments	73 317	96 438
Other financial corporations	256 347	599 682
Non-financial corporations	1 622 482	1 867 099
Households	5 927 945	6 596 847
Term deposits	**5 777 280**	**5 259 040**
Deposits with agreed maturity	2 560 462	1 605 060
Non-savings deposits	2 560 462	1 605 060
General governments	491 455	749
Other financial corporations	319 321	209 072
Non-financial corporations	217 545	167 816
Households	1 532 141	1 227 423
Deposits redeemable at notice	3 216 818	3 653 980
Households	3 216 818	3 653 980
Deposits from customers	**13 657 372**	**14 419 106**
General governments	564 772	97 187
Other financial corporations	575 668	808 754
Non-financial corporations	1 840 027	2 034 915
Households	10 676 905	11 478 250

As at 31 December 2019, no embedded derivatives were included in deposits from customers (neither at the year-end 2018).

As at 31 December 2019, no deposits from customers were collateralised by securities (neither at the year-end 2018).

As at 31 December 2019 liabilities related to settlement of securities transactions and clearing of payment transactions in the amount of 44,2 mil. Eur are disclosed in the line item 'Other finacial liabilities' (2018: 35,2 mil. Eur).

Debt securities issued

EUR ths.	31.12.2018	31.12.2019
Subordinated issues	72 792	75 366
Other debt securities issued	1 730 495	1 995 609
Bonds	248 580	152 259
Mortgage covered bonds	1 481 915	1 843 350
Debt securities issued	**1 803 287**	**2 070 975**

Net debt reconciliation

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

EUR ths.	31.12.2018	31.12.2019
Debt securities issued		
Opening balance as at 1 January	1 567 216	1 803 287
Cash-flows reported within financing activities	231 527	260 460
Non-cash adjustments	4 544	7 228
Closing balance as at 31 December	1 803 287	2 070 975
Lease liability		
Opening balance as at 1 January	-	-
Initial application of IFRS 16	-	45 119
Cash-flows reported within financing activities	-	(14 504)
Non-cash adjustments	-	14 088
Closing balance as at 31 December	-	44 703

Subordinated debt securities issued

The subordinated debt securities issued listed in the following table do not include embedded derivatives, which were separated and disclosed on the balance sheet line item 'Financial liabilities – held for trading'. As at 31 December 2019 fair value of these derivatives amounted 0,0 mil. Eur (2018: 0,0 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	2018	2019
Subordinated Bonds	August 2010	August 2020	4.30%	10 000	1 000	EUR	13 453	13 981
Subordinated Bonds	August 2011	August 2021	4.30%	10 000	1 000	EUR	12 918	13 436
Subordinated Bonds	November 2011	November 2023	4.58%	4 250	1 000	EUR	5 341	5 577
Subordinated Bonds	June 2012	June 2022	5.80%	11 000	1 000	EUR	14 475	15 271
Subordinated Bonds	November 2012	November 2022	4.30%	9 000	1 000	EUR	10 844	11 339
Subordinated Bonds	September 2018	September 2028	2.88%	33	100 000	EUR	3 326	3 326
Subordinated Bonds	September 2018	September 2028	1.63%	33	100 000	EUR	3 316	3 315
Subordinated Bonds	November 2018	November 2028	2.45%	91	100 000	EUR	9 119	9 120
Total							**72 792**	**75 366**

Other debt securities issued

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

As at 31 December 2019 other debt securities issued included embedded derivatives (equity and commodities) in the amount of 0,3 mil. Eur (2018: -0,7 mil. Eur), which were separated and disclosed in the line items 'Financial assets – held for trading' and 'Financial liabilities – held for trading'.

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

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2018	2019
Covered Bonds	July 2007	July 2027	4.95%	250	66 388	EUR	22 928	23 100
Covered Bonds	April 2008	April 2021	5.00%	250	66 388	EUR	17 183	17 182
Covered Bonds	December 2012	December 2019	-	-	50 000	EUR	3 305	-
Covered Bonds	January 2013	January 2025	3.10%	87	50 000	EUR	4 412	4 411
Covered Bonds	February 2013	February 2019	-	-	1 000	EUR	4 954	-
Covered Bonds	March 2013	March 2019	-	-	1 000	EUR	4 857	-
Covered Bonds	April 2013	April 2019	-	-	1 000	EUR	4 867	-
Covered Bonds	June 2013	June 2028	3.00%	132	50 000	EUR	6 615	6 615
Covered Bonds	June 2013	December 2019	-	-	1 000	EUR	4 156	-
Covered Bonds	July 2013	January 2020	2.00%	2 197	1 000	EUR	2 244	2 218
Covered Bonds	August 2013	August 2019	-	-	1 000	EUR	2 559	-
Covered Bonds	August 2013	August 2019	-	-	1 000	EUR	4 267	-
Covered Bonds	September 2013	September 2019	-	-	1 000	EUR	6 422	-
Covered Bonds	October 2013	October 2019	-	-	1 000	EUR	5 851	-
Covered Bonds	November 2013	November 2019	-	-	1 000	EUR	6 666	-
Senior Unsecured Bonds	December 2013	December 2019	-	-	1 000	EUR	624	-
Covered Bonds	December 2013	December 2019	-	-	50 000	EUR	3 504	-
Covered Bonds	December 2013	December 2019	-	-	1 000	EUR	9 585	-
Covered Bonds	February 2014	August 2020	2.00%	9 828	1 000	EUR	9 955	9 907
Covered Bonds	February 2014	February 2029	2.80%	97	50 000	EUR	4 899	4 899
Investment Certificates	March 2014	March 2019	-	-	5 000	PLN	609	-
Investment Certificates	March 2014	March 2019	-	-	1 000	EUR	798	-
Covered Bonds	March 2014	March 2021	2.00%	8 235	1 000	EUR	8 411	8 280
Covered Bonds	March 2014	March 2022	2.00%	220	50 000	EUR	11 124	11 138
Covered Bonds	May 2014	May 2021	1.90%	4 844	1 000	EUR	4 938	4 857
Covered Bonds	June 2014	June 2021	1.75%	9 378	1 000	EUR	9 420	9 387
Covered Bonds	July 2014	July 2021	1.55%	3 473	1 000	EUR	3 534	3 498
Senior Unsecured Bonds	September 2014	September 2019	-	-	100 000	EUR	100 295	-
Senior Unsecured Bonds	September 2014	September 2019	-	-	1 000	EUR	13 925	-
Covered Bonds	November 2014	November 2020	0.88%	150	100 000	EUR	15 017	15 017
Covered Bonds	February 2015	February 2022	0.88%	350	100 000	EUR	35 261	35 267
Covered Bonds	February 2015	February 2019	-	-	100 000	EUR	50 023	-
Covered Bonds	March 2015	March 2020	1.25%	4 181	1 000	EUR	4 222	4 198
Covered Bonds	June 2015	June 2020	1.20%	4 833	1 000	EUR	4 894	4 835
Covered Bonds	July 2015	July 2020	1.20%	4 820	1 000	EUR	4 882	4 845
Covered Bonds	July 2015	July 2020	0.88%	500	100 000	EUR	50 142	50 169
Covered Bonds	August 2015	August 2025	1.38%	100	100 000	EUR	10 004	10 012
Covered Bonds	August 2015	August 2022	1.00%	100	100 000	EUR	10 018	10 024
Covered Bonds	August 2015	August 2020	1.20%	4 895	1 000	EUR	4 996	4 915
Covered Bonds	September 2015	September 2020	1.20%	4 278	1 000	EUR	4 308	4 292

The table continues on the following page.

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2018	2019
Covered Bonds	October 2015	October 2020	1.20%	3 529	1 000	EUR	3 549	3 536
Covered Bonds	November 2015	November 2020	0.63%	400	100 000	EUR	40 031	40 035
Covered Bonds	November 2015	November 2020	1.20%	2 959	1 000	EUR	2 994	2 962
Covered Bonds	December 2015	December 2021	0.63%	170	100 000	EUR	17 001	17 003
Investment Certificates	February 2016	February 2020	4.10%	121	5 000	EUR	644	618
Covered Bonds	February 2016	February 2021	0.50%	500	100 000	EUR	50 218	50 220
Investment Certificates	February 2016	February 2020	4.20%	210	1 000	EUR	224	215
Covered Bonds	March 2016	March 2021	1.05%	6 926	1 000	EUR	6 990	6 948
Covered Bonds	March 2016	March 2019	-	-	100 000	EUR	6 002	-
Covered Bonds	March 2016	March 2026	1.00%	90	100 000	EUR	8 996	9 006
Investment Certificates	April 2016	April 2019	-	-	1 000	EUR	650	-
Covered Bonds	April 2016	April 2021	1.05%	4 946	1 000	EUR	4 961	4 958
Covered Bonds	May 2016	May 2021	1.00%	4 939	1 000	EUR	4 984	4 947
Covered Bonds	May 2016	November 2020	0.07%	500	100 000	EUR	50 008	50 004
Covered Bonds	June 2016	June 2021	0.00%	3 902	1 000	EUR	3 853	3 850
Investment Certificates	June 2016	June 2020	3.70%	400	1 000	EUR	423	408
Investment Certificates	July 2016	July 2019	-	-	1 000	EUR	350	-
Covered Bonds	July 2016	July 2021	0.90%	4 860	1 000	EUR	4 936	4 881
Covered Bonds	August 2016	August 2021	0.80%	4 918	1 000	EUR	4 975	4 934
Covered Bonds	August 2016	August 2021	0.75%	4 860	1 000	EUR	4 919	4 873
Investment Certificates	August 2016	August 2020	3.00%	339	1 000	EUR	361	350
Covered Bonds	September 2016	September 2021	0.70%	4 896	1 000	EUR	4 952	4 905
Covered Bonds	October 2016	October 2021	0.65%	4 935	1 000	EUR	4 971	4 941
Covered Bonds	November 2016	November 2021	0.25%	1 000	100 000	EUR	100 005	100 011
Covered Bonds	December 2016	December 2021	0.65%	9 789	1 000	EUR	9 831	9 791
Senior Unsecured Bonds	December 2016	December 2021	0.65%	4 244	1 000	EUR	4 915	4 245
Covered Bonds	March 2017	March 2025	0.75%	1 000	100 000	EUR	100 347	100 390
Senior Unsecured Bonds	March 2017	March 2022	0.60%	4 647	1 000	EUR	4 695	4 668
Senior Unsecured Bonds	April 2017	April 2022	0.60%	30	100 000	EUR	3 013	3 013
Senior Unsecured Bonds	April 2017	April 2022	0.60%	4 668	1 000	EUR	4 877	4 687
Covered Bonds	May 2017	May 2019	-	-	100 000	EUR	29 994	-
Senior Unsecured Bonds	May 2017	May 2022	0.60%	4 577	1 000	EUR	4 827	4 594
Covered Bonds	June 2017	June 2022	0.38%	50	100 000	EUR	4 999	5 002
Senior Unsecured Bonds	July 2017	July 2022	0.60%	4 619	1 000	EUR	4 865	4 631
Senior Unsecured Bonds	August 2017	August 2022	0.63%	4 556	1 000	EUR	4 826	4 567
Senior Unsecured Bonds	September 2017	September 2022	0.63%	4 789	1 000	EUR	4 981	4 797
Senior Unsecured Bonds	September 2017	September 2022	0.63%	9 451	1 000	EUR	9 813	9 466
Covered Bonds	October 2017	October 2022	0.50%	1 500	100 000	EUR	149 974	150 025
Senior Unsecured Bonds	November 2017	November 2027	1.38%	44	100 000	EUR	4 399	4 400
Senior Unsecured Bonds	November 2017	November 2022	2.00%	4 923	1 000	USD	4 376	4 393
Senior Unsecured Bonds	February 2018	February 2023	2.15%	3 650	1 000	USD	3 274	3 311
Senior Unsecured Bonds	February 2018	February 2023	0.65%	9 649	1 000	EUR	10 038	9 705
Senior Unsecured Bonds	March 2018	March 2021	0.25%	142	100 000	EUR	14 216	14 222
Senior Unsecured Bonds	March 2018	March 2023	0.65%	9 770	1 000	EUR	10 013	9 818
Senior Unsecured Bonds	April 2018	April 2021	2.30%	3 628	1 000	USD	3 260	3 280
Investment Certificates	May 2018	May 2019	-	-	5 000	EUR	1 086	-
Investment Certificates	May 2018	May 2019	-	-	5 000	EUR	743	-
Investment Certificates	June 2018	June 2019	-	-	5 000	EUR	1 747	-
Senior Unsecured Bonds	June 2018	June 2020	2.00%	1 884	1 000	USD	1 675	1 695
Senior Unsecured Bonds	June 2018	June 2024	0.75%	5 018	1 000	EUR	5 100	5 037
Investment Certificates	July 2018	July 2019	-	-	5 000	EUR	909	-
Investment Certificates	July 2018	July 2019	-	-	5 000	EUR	439	-

The table continues on the following page.

EUR ths.	Issue Date	Maturity Date	Interest Rate	Number of securities	Nominal	Currency	2018	2019
Investment Certificates	August 2018	August 2019	-	-	5 000	EUR	474	-
Covered Bonds	August 2018	August 2025	0.63%	2 500	100 000	EUR	252 153	258 815
Senior Unsecured Bonds	August 2018	August 2024	0.70%	4 934	1 000	EUR	4 992	4 946
Senior Unsecured Bonds	September 2018	September 2024	0.70%	4 800	1 000	EUR	4 994	4 810
Investment Certificates	September 2018	September 2019	-	-	5 000	EUR	489	-
Investment Certificates	October 2018	January 2019	-	-	50 000	NOK	634	-
Senior Unsecured Bonds	November 2018	November 2024	0.75%	4 893	1 000	EUR	5 003	4 896
Covered Bonds	December 2018	December 2024	0.50%	2 500	100 000	EUR	249 846	255 352
Senior Unsecured Bonds	December 2018	December 2024	0.75%	4 947	1 000	EUR	5 003	4 950
Senior Unsecured Bonds	February 2019	February 2025	0.70%	9 947	1 000	EUR	-	10 007
Senior Unsecured Bonds	March 2019	March 2025	0.00%	100	50 000	EUR	-	4 823
Investment Certificates	March 2019	March 2020	8.00%	168	5 000	EUR	-	909
Covered Bonds	June 2019	June 2026	0.13%	5 000	100 000	EUR	-	496 896
Senior Unsecured Bonds	June 2019	December 2025	0.60%	5 938	1 000	EUR	-	5 940
Senior Unsecured Bonds	June 2019	June 2022	2.00%	3 706	1 000	USD	-	3 335
Investment Certificates	July 2019	July 2020	12.50%	97	5 000	EUR	-	550
Investment Certificates	August 2019	August 2020	6.80%	1 578	25 000	CZK	-	1 674
Investment Certificates	August 2019	August 2020	8.00%	224	5 000	EUR	-	1 224
Investment Certificates	September 2019	September 2020	8.00%	1 112	1 000	EUR	-	1 219
Investment Certificates	December 2019	December 2020	8.00%	785	1 000	EUR	-	859
Total							**1 730 495**	**1 995 609**

24. Provisions

EUR ths.	31.12.2018	31.12.2019
Commitments and guarantees given	12 065	6 208
Long-term employee benefits provisions	3 178	5 946
Pending legal issues	5 353	5 281
Other provisions	81	79
Restructuring	77	77
Other	4	2
Provisions	**20 677**	**17 514**

Commitments and financial guarantees given

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

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

EUR ths.	1.1.2019	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between stages	31.12.2019
Provisions for commitments and guarantees given						
Stage 1	3 143	36 992	(7 864)	(28 908)	51	(3 363)
Stage 2	723	-	(1 019)	2 014	1 014	(1 718)
Stage 3	601	-	(299)	655	270	(957)
POCI	7 598	-	(7 833)	405	-	(170)
Total	**12 065**	**36 992**	**(17 015)**	**(25 834)**	**1 335**	**6 208**

EUR ths.	1.1.2018	Increases due to origination and acquisition	Decreases due to derecognition	Net changes due to change in credit risk	Transfers between stages	31.12.2018
Provisions for contingent credit risk liabilities						
Stage 1	4 488	35 271	(10 578)	(26 038)	(2 041)	3 143
Stage 2	1 201	-	(1 239)	761	434	723
Stage 3	444	-	(1 024)	1 182	382	601
POCI	8 236	-	(502)	(137)	-	7 598
Total	**14 369**	**35 271**	**(13 343)**	**(24 232)**	**(1 225)**	**12 065**

Long-term employee pension provisions

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

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

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

EUR ths.	Pension provision	Working anniversaries provision	Total
As at 1 January 2018	**2 618**	**364**	**2 982**
Service cost	180	35	215
Interest cost	38	5	43
Payments	(248)	(49)	(297)
Actuarial (gains)/losses	199	36	235
from changes in financial assumptions	199	36	235
As at 31 December 2018	**2 787**	**391**	**3 178**
Service cost	193	240	433
Interest cost	40	6	46
Payments	(117)	(18)	(135)
Actuarial (gains)/losses	320	2 104	2 424
from changes in financial assumptions	320	2 104	2 424
As at 31 December 2019	**3 223**	**2 723**	**5 946**

The actuarial calculation of pension provision used the following assumptions:

Pension provision	2018	2019
Annual discount rate	1.45%	0.01%
Annual rate of salary increase in future	0.00%	0.00%
Annual employee turnover	6.47 % - 13.79 %	5.43 % - 13.32 %
Retirement age	62 years	64 years

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

Working anniversary provision	2018	2019
Annual discount rate	1.45%	0.01%
Annual rate of salary increase in future	0.00%	0.00%
Annual employee turnover	6.47 % - 13.79 %	5.43 % - 13.32 %
Retirement age	62 rokov	64 rokov

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

Provisions for pending legal issues

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

The folowing table presents development of provision:

EUR ths.	01.01.2019	Additions	Use	Release	31.12.2019
Restructuring provision	77	-	-	-	77
Pending legal issues	5 353	986	-	(1 058)	5 281
Other provisions	4	17	-	(19)	2
Total	**5 434**	**1 003**	**-**	**(1 077)**	**5 360**

EUR ths.	01.01.2018	Additions	Use	Release	31.12.2018
Restructuring provision	1 341	77	(472)	(869)	77
Pending legal issues	5 653	466	(181)	(585)	5 353
Other provisions	-	4	-	-	4
Total	**6 994**	**547**	**(653)**	**(1 454)**	**5 434**

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

Other provisions

The item 'Other provisions' includes provision on contribution to Resolution fund and provision on contribution to Deposit protection fund during the year. When the actual amount of contributions is announced, the payment is accounted for as utilisation of particular provision. Both contributions for the year 2019 were paid in full amount, therefore the Bank does not disclose these items as other provisions.

25. Other liabilities

EUR ths.	31.12.2018	31.12.2019
Client settlement	4 841	11 649
Trade payables	35 333	51 259
Personnel balances and social fund	38 257	32 907
State budget, social and health insurance, taxes	4 563	4 789
Sundry liabilities	-	586
Other liabilities	**82 994**	**101 190**

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

EUR ths.	2018	2019
As at 1 January	**1 264**	**2 019**
Additions	2 801	2 152
Withdrawals	(2 046)	(1 930)
As at 31 December	**2 019**	**2 242**

26. Equity

Share capital

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

	31.12.2018	31.12.2019
Nominal value of share (in EUR)	1 000	1 000
Number of shares (in pcs.)	212 000	212 000
Share capital (in EUR)	**212 000 000**	**212 000 000**

The following table presents distribution of individual profits of the bank for the years 2018 (approved) and 2019 (proposed):

Profit distribution	31.12.2018	31.12.2019
Profit for the year (in EUR ths.)	180 176	174 436
Distribution for Investment certificate 2015 SLSP AT1 PNC5	11 700	11 700
Dividends paid to shareholder from profit for the year	87 608	78 276
Transfer to retained earnings	80 868	84 460
Number of shares with nominal value of EUR 1 000 (in pcs.)	212 000	212 000
Dividend per share (in EUR)	**413**	**369**

Dividends for the year 2018 were paid in March 2019 following the resolution of General Assembly of the Bank dated 27 March 2019. The first portion of dividend from investment certificate 2015 SLSP AT1 PNC5 was paid in amount of 5,9 mil. Eur as at 23 May 2019. The second portion of amount as at 25 November 2019 5,9 mil. Eur.

Other capital instruments

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

Legal reserve fund

According to Commercial Code all companies are required to create a legal reserve fund to cover adverse financial conditions in the future. The Bank is obliged to contribute to the fund the amount, which is not less than 10 % of its annual net profit until the cumulative amount of annual contributions reaches 20 % of its share capital. As at 31 December 2019 Legal reserve fund amounted to 79,8 mil. Eur (2018: 79,8 mil. Eur) and in both years exceeded the required 20 % of the share capital. Legal reserve fund is not available for distribution to the shareholder.

Other funds

Other funds include only Statutory fund created from distributable profits to strengthen the Bank's capital base. This fund is not available for distribution to the shareholder. Once the Bank's share capital or legal reserve fund is increased, Statutory fund may be terminated and transferred back to the distributable profits with the approval of the Supervisory Board and of the General Assembly. As at 31 December 2019 Statutory fund amounted 39,1 mil. Eur (2018: 39,1 mil. Eur).

Fair value reserve

Fair value reserve represents the unrealised revaluation of financial assets measured at fair value through other comprehensive income. This reserve is not available for distribution to the sharefolder. As at 31 December 2019 the revaluation of financial assets measures at fair value through other comprehensive income amounted to 66,0 mil. Eur (2018: 40,1 mil. Eur), net of deferred tax.

Remeasurement of net liability of defined pension plans

This equity component reflects the results of actuarial calculations related to the pension provision. As at 31 December 2019 the remeasurement of the pension provision amounted 0,8 mil. Eur (2018: 0,6 mil. Eur), net of deferred tax.

27. Related party transactions

Related parties

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

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

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

EUR ths.	Erste Group Bank AG		Companies of Erste Group		Subsidiaries		Associates	
	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019
Assets								
Derivatives	4 248	4 153	130	5 576	-	-	-	-
Derivatives – Hedge accounting	1 948	4 962	380	-	-	-	-	-
Securities	3 657	16 501	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	5 255	5 255
Loans and advances to customers	388	4 354	8 724	147	-	-	1	-
Property and equipment	-	-	73 003	16 244	35 430	33 740	-	-
Other assets	-	-	-	-	-	26 319	-	-
Total	3 288	-	-	-	-	-	-	-
Spolu	**13 529**	**29 970**	**82 237**	**21 967**	**35 430**	**60 059**	**5 256**	**5 255**
Liabilities								
Derivatives held for trading	39 500	31 617	-	-	-	-	-	-
Deposits from banks	53 289	58 199	1 695	705	-	-	-	15 472
Deposits from customers	-	-	3 151	2 669	3 988	26 310	-	-
Debt securities issued	875 977	758 859	-	2 981	-	-	-	-
Derivatives – hedge accounting	41 348	48 041	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	26 319	-	-
Other liabilities	62	297	1 067	2 989	-	-	-	-
Total	**1 010 176**	**897 013**	**5 913**	**9 344**	**3 988**	**52 629**	**-**	**15 472**

Reported property and equipment and related depreciation represents right of use to asset, which is recognised in compliance with international accounting standard IFRS 16 Leases. Right of use to asset relates to rental of premises from subsidiary LANED a.s.

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

EUR ths.	Erste Group Bank AG		Companies of Erste Group		Subsidiaries		Associates	
	2018	2019	2018	2019	2018	2019	2018	2019
Interest income	(9 057)	(8 247)	1 682	594	318	605	73	119
Interest expense	(4 150)	(1 564)	(13)	(4)	-	(1 382)	(3)	(11)
Dividend income	-	-	566	475	20	-	-	-
Net fee and commisssion income	(230)	36	6 470	6 410	1	-	3	1
Net trading and fair value result	165	20 733	380	-	-	-	-	-
General administrative expenses	(4 370)	(4 923)	(10 374)	(13 171)	(7 709)	(2)	-	-
Depreciation and amortisation	-	-	-	-	-	(6 236)	-	-
Other operating result	352	1 170	1 165	598	(28)	717	-	-
Total	**(17 290)**	**7 205**	**(124)**	**(5 098)**	**(7 398)**	**(6 298)**	**73**	**109**

The subsidiary S Slovensko, spol. s r.o. which was acquired as at 1 March 2019 is included within the column ´Subsidiaries´ in the table above. All transactions executed in connection with the acquisition are described in note 18.

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 Group Bank AG (see note 26).

As at 31 December 2019 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 (2018: 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 (2018: 2,2 mil. Eur).

The Bank has received guarantee from its sister company Česká spořitelna, a.s. covering credit exposures towards s_Autoleasing SK, s.r.o. as at 31 December 2019 in the maximum amount of the guarantee was 9,0 mil. Eur (2018: 17,0 mil. Eur).

The Bank received guarantees from its sister company Česká spořitelna, a.s. covering clients' exposures in the amount of 0,2 mil. Eur as at the reporting date (2018: 0,8 mil. Eur).

The Bank did not record any received guarantee from its sister company Erste Bank AD Podgorica to cover client's exposure as at the reporting date (2018: 0,1 mil. Eur).

As at 31 December 2019 the Bank owned a share in real estate fund Sporo realitný fond SPF of Asset Management Slovenskej sporiteľne, a.s. in the amount of 3,2 mil. Eur (2018: 3,4 mil. Eur).

Transactions with key management personnel

The remuneration of the Board of Directors members and the Supervisory Board members paid during the year 2019 in form of short-term employee benefits amounted to 2,6 mil. Eur (2018: 2,0 mil. Eur). The remuneration policy of the Board of Directors members is in compliance with CRD directive as adopted in the national legislation.

28. Off-balance sheet items

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

Loan comitments, guarantees and letters of credit

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

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

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

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

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

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

EUR ths.	31.12.2018	31.12.2019
Guarantees provided	368 083	399 866
Guarantees from letter of credit	10 168	4 502
Loan commitments and undrawn loans	1 223 703	1 420 923
Total	**1 601 954**	**1 825 291**

As at 31 December 2019 the value of payment guarantees represented 73,89 mil. Eur (2018: 83,03 mil. Eur), the value of non-payment guarantees represented 311,87 mil. Eur (2018: 276,78 mil. Eur) and the value of other guarantees represented 14,10 mil. Eur (2018: 8,27 mil. Eur).

29. Collaterals

The Bank holds collaterals against loans and advances to customers in form of real estates, securities, received bank guaranties and other credit enhancements. The fair values of collaterals are estimated based on their value at the time of borrowings and are regularly updated. In general, collaterals are not held against loans and advances to banks, except for securities held as a part of reverse repurchase agreements commented in the note 14.

Collaterals received

As at 31 December 2019 the Bank had collateralized loans in the amount of 10 192,4 mil. Eur (2018: 9 524,4 mil. Eur). The uncollateralized loans amounted 4 298,4 mil. Eur (2018: 3 920,5 mil. Eur).

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

31.12.2019 EUR ths.	Credit risk exposure	Collateral: thereof attributable to credit impaired exposure	Collateralised by			Collateral total	Credit risk exposure net of collateral
			Guarantees	Real estate	Other		
Cash and cash balances - other demand deposits	10 224	-	-	-	-	-	10 224
Financial assets at amortised cost	17 699 624	163 119	35 774	8 249 903	267 742	8 553 419	9 146 204
Loans and advances to banks	54	-	46	-	-	46	9
Loans and advances to customers	14 162 721	163 119	17 715	8 249 903	267 742	8 535 360	5 627 359
of which: Lending for house purchase	8 071 862	145 104	-	7 298 979	37	7 299 016	772 844
'of which: Credit for consumption	1 786 766	28	-	45	106	151	1 786 615
'of which: Corporate loans and others	4 304 093	17 987	17 715	950 879	267 599	1 236 193	3 067 900
Debt securities	3 536 849	-	18 013	-	-	18 013	3 518 836
Finance lease receivables	217 757	6 036	-	119	153 185	153 305	64 452
Trade and other receivables	110 282	-	-	-	-	-	110 282
Non-trading financial assets at fair value through profit or loss - 'Debt securities	3 175	-	-	-	-	-	3 175
Financial assets - held for trading	41 423	-	-	-	-	-	41 423
Positive fair value of derivatives	23 020	-	-	-	-	-	23 020
Total credit risk exposure on-balance	**18 105 505**	**169 155**	**35 774**	**8 250 022**	**420 927**	**8 706 724**	**9 398 780**
Off-balance	1 825 290	267	44 707	126 831	42 307	213 845	1 611 445
Total credit risk exposure	**19 930 795**	**169 422**	**80 481**	**8 376 853**	**463 234**	**8 920 569**	**11 010 225**

31.12.2018 EUR ths.	Credit risk exposure	Collateral: thereof attributable to credit impaired exposure	Collateralised by			Collateral total	Credit risk exposure net of collateral
			Guarantees	Real estate	Other		
Cash and cash balances - other demand deposits	7 196	-	-	-	-	-	7 196
Financial assets at amortised cost	16 766 596	186 053	37 958	7 590 703	238 890	7 867 551	8 899 045
Loans and advances to banks	47 820	-	48	-	-	48	47 772
Loans and advances to customers	13 167 763	186 053	19 892	7 590 703	238 890	7 849 485	5 318 278
of which: Lending for house purchase	7 519 839	131 789	-	6 648 973	39	6 649 012	870 827
'of which: Credit for consumption	1 807 046	17	-	51	312	363	1 806 683
'of which: Corporate loans and others	3 840 878	54 246	19 892	941 679	238 539	1 200 110	2 640 767
Debt securities	3 551 013	-	18 018	-	-	18 018	3 532 995
Finance lease receivables	129 707	229	-	-	91 705	91 705	38 001
Trade and other receivables	99 581	-	-	-	-	-	99 581
Non-trading financial assets at fair value through profit or loss - 'Debt securities	23 622	-	-	-	-	-	23 622
Financial assets - held for trading	42 941	-	-	-	-	-	42 941
Positive fair value of derivatives	9 905	-	-	-	-	-	9 905
Total credit risk exposure on-balance	**17 079 548**	**186 282**	**37 958**	**7 590 703**	**330 595**	**7 959 256**	**9 120 291**
Off-balance	1 601 954	35 140	54 903	95 638	42 772	193 313	1 408 641
Total credit risk exposure	**18 681 502**	**221 422**	**92 861**	**7 686 341**	**373 367**	**8 152 569**	**10 528 932**

Assets pledged as collaterals

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

EUR ths. As of 31.12.2019	Carrying amount of transferred assets					Carrying amount of associated liabilities		
	Total	Repurchase agreements	Assets pledged for derivatives	Assets pledged for covered bonds	Other transferred assets	Total	Repurchase agreements	Other associated liabilities
Financial assets at amortised cost								
Debt securities	204 946	45 596	40 252	113 699	5 399	230 836	50 856	179 980
Loans and advances to customers	2 071 353	-	-	2 071 353	-	1 747 431	-	1 747 431
Assets pledged as collateral	**2 276 299**	**45 596**	**40 252**	**2 185 052**	**5 399**	**1 978 267**	**50 856**	**1 927 411**

EUR ths. As of 31.12.2018	Carrying amount of transferred assets					Carrying amount of associated liabilities		
	Total	Repurchase agreements	Assets pledged for derivatives	Assets pledged for covered bonds	Other transferred assets	Total	Repurchase agreements	Other associated liabilities
Financial assets at amortised cost								
Debt securities	208 946	45 657	51 098	112 191	-	225 156	50 846	174 310
Loans and advances to customers	1 696 924	-	-	1 696 924	-	1 390 015	-	1 390 015
Assets pledged as collateral	**1 905 870**	**45 657**	**51 098**	**1 809 115**	**-**	**1 615 171**	**50 846**	**1 564 325**

30. Offsetting of financial assets and financial liabilities

31.12.2019 EUR ths.	Gross amounts of recognised financial instruments	Net amounts of financial instruments in the balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting Non-cash financial collateral pledged	Net amount after potential offsetting
Assets				
Derivatives	41 423	41 423	-	41 423
Derivatives - hedge accounting	23 020	23 020		23 020
Total assets	**64 443**	**64 443**	**-**	**64 443**
Liabilities				
Derivatives	36 020	36 020	29 683	6 337
Derivatives - hedge accounting	48 041	48 041	27 941	20 100
Repurchase agreements	50 856	50 856	50 856	-
Total liabilities	**134 917**	**134 917**	**108 480**	**26 437**

31.12.2018 EUR ths.	Gross amounts of recognised financial instruments	Net amounts of financial instruments in the balance sheet	Potential effects of netting agreements not qualifying for balance sheet offsetting Non-cash financial collateral pledged	Net amount after potential offsetting
Assets				
Derivatives	42 941	42 941	-	42 941
Derivatives - hedge accounting	9 905	9 905	-	9 905
Total assets	**52 846**	**52 846**	**-**	**52 846**
Liabilities				
Derivatives	41 062	41 062	35 780	5 282
Derivatives - hedge accounting	41 348	41 348	21 196	20 152
Repurchase agreements	50 846	50 846	50 846	-
Total liabilities	**133 256**	**133 256**	**107 822**	**25 434**

31. 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 separate financial statements.

As at 31 December 2019 the Bank held assets for collective investment undertakings in the amount of 3 918,7 mil. Eur (2018: 1 211,2 mil. Eur).

As at 31 December 2019 the Bank also held assets for customers other than collective investment undertakings in the amount of 7 509,0 mil. Eur (2018: 6 384,8 mil. Eur).

32. 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 1 January 2016 changes are introduced in the segment reporting of the Bank accordingly and aligned with the Group governance. Consequently the segment structure in force is used for internal and external reporting from 1 January 2016. The overarching principles of internal regular reporting of the segments´ performance to the Board of directors of the Bank is described in the Bank Segment reporting policy.

The Bank's Segment report represents the single source of truth for reporting of the Bank's segments' financial performance and serves as the basis for business steering of all individual segments as well as total Bank's result. All the areas of the Bank, 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 the Bank . It is the responsibility of the respective area to assure that the alignment is achieved. Segment reporting in the Bank has to be aligned with the Erste 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 Bank's segment structure in force serves as a basis for budgeting, forecasting, strategic discussions, setting and tracking of key performance indicators (KPIs).

Business segments

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

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

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

Retail segment comprises the entire business activities with private individuals, free professionals and micros, which are in the responsibility of account managers in the Retail network. Retail products and services, including current accounts and savings, loans pledged by real estate, mortgage and consumer loans, credit cards, investment and cross selling products (e.g. insurance, asset management products and building society products) are offered via various distribution channels, such as branch network and digital banking. The Retail segment is divided into 8 regions, 42 areas and 233 branches (status as at 31 December 2019).

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 small, medium and local companies with an annual turnover from 1 mil. Eur to 75 mil. Eur.
- Local Large Corporates (LLC) are clients with a consolidated annual turnover threshold above 75 mil. Eur 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 500 mil. Eur. 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 500 mil. Eur, selected customers with an

annual turnover below 500 mil. Eur 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), Local Corporate Center (LCC) segment and Free Capital Segment comprises on the one side the management of Bank's assets and liabilities in the light of uncertainty of cash flows, cost of funds and return on investments in order to determine the optimal trade-off between risk, return and liquidity. Furthermore it comprises funding transactions, hedging activities, investments into securities other than held for trading purpose, management of own issues and FX positions. On the other side it also includes the local corporate center which comprises all non-core banking business activities such as non-profit servicing participations, intragroup eliminations within the respective partial group, dividends, refinancing costs of participations, all non-banking balance sheet positions (e.g. fixed assets) which cannot be allocated to other business segments. Apart from that the Local Corporate Center includes received dividends and reconciliations to the accounting result. The segment comprises also free capital which is defined as the difference of the total average IFRS equity and the average economical equity allocated to all operating segments.

Group Markets (GM) segment comprises trading and markets services, as well as business with financial institutions. This segment is divided into Treasury trading a market services (GMT) and financial institutions (GMFI)

- Trading and Market services (GMT) comprises all activities related to active risk taking and managing in regulatory trading books of the Bank, additional to that the execution of trades against the market using the trading books of the Bank group for market making, short-term liquidity management and warehousing purposes. Specifically revenues and fair value results not directly attributable to client transactions (which can be valid also for ALM deals) and generally risk premiums and execution fees are taken into account. It also includes 20% compensation fee from Retail for the treasury sales services.

- Financial institutions (GMFI) are companies that provide financial services for their clients or members and act as professional and active participant on financial markets for the purpose of proprietary trading or on behalf of their clients (banks, central banks, development banks, investment banks, investment funds, brokerages, insurance companies, pension funds, credit unions, building societies, asset management companies, government debt agencies, sovereign wealth funds, exchanges).

Measurement and reporting

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

The profit and loss statement presented in the Bank's segment report is based on the measures reported to the Bank's Board of Directors for the purpose of resource allocation and segments' performance assessment. In line with the regular internal reporting prepared for the Board of Directors, total assets, total liabilities, as well as risk weighted assets and allocated equity are disclosed per segment.

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

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

Business Segments	Retail		Corporates		Group markets		Asset Liability Management, Local Corporate Center and Free Capital		Total	
EUR ths.	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019
Net interest income	373 126	344 740	71 269	77 652	3 989	5 524	(10 238)	1 462	438 146	429 378
Net fee and commission income	108 209	125 450	16 532	18 471	6 959	7 417	(2 876)	(6 169)	128 823	145 169
Dividend income	-	-	-	17	-	-	1 064	951	1 064	968
Net trading result	3 646	3 764	2 332	7 451	3 372	4 147	318	(271)	9 669	15 090
Gains/losses from financial instruments measured at FVPL	-	-	-	-	-	-	2 145	1 900	2 145	1 900
Rental income from investment properties & other operating leases	-	-	-	-	-	-	310	293	310	293
General administrative expenses	(241 247)	(246 662)	(34 614)	(36 442)	(5 075)	(5 151)	(2 698)	(653)	(283 633)	(288 908)
Gains/losses from derecognition of financial assets at AC	-	-	-	-	-	-	-	71	-	71
Other gains/losses from derecognition of financial instruments not at FVPL	-	-	-	-	-	-	(93)	(475)	(93)	(475)
Impairment result from financial instruments	(32 768)	(23 273)	9 106	(19 553)	(13)	77	154	26	(23 522)	(42 723)
Other operating result	(21 440)	(23 277)	(3 937)	(3 910)	(1 608)	(1 859)	(13 336)	(10 196)	(40 321)	(39 242)
Levies on banking activities	(21 440)	(23 277)	(3 937)	(3 912)	(1 608)	(1 859)	(6 045)	(6 540)	(33 031)	(35 588)
Pre-tax profit from continuing operations	**189 526**	**180 742**	**60 688**	**43 686**	**7 624**	**10 155**	**(25 250)**	**(13 061)**	**232 588**	**221 521**
Taxes on income	(39 800)	(37 963)	(12 744)	(9 174)	(1 601)	(2 132)	1 734	2 185	(52 412)	(47 085)
Net result for the period	**149 726**	**142 779**	**47 944**	**34 512**	**6 023**	**8 023**	**(23 516)**	**(10 876)**	**180 176**	**174 436**
Net result attributable to owners of the parent	**149 726**	**142 779**	**47 944**	**34 512**	**6 023**	**8 023**	**(23 516)**	**(10 876)**	**180 176**	**174 436**
Operating income	484 981	473 954	90 133	103 592	14 320	17 087	(9 277)	(1 833)	580 157	592 799
Operating expenses	(241 247)	(246 662)	(34 614)	(36 442)	(5 075)	(5 151)	(2 698)	(653)	(283 633)	(288 908)
Operating result	**243 734**	**227 292**	**55 519**	**67 150**	**9 245**	**11 936**	**(11 975)**	**(2 486)**	**296 524**	**303 891**
Risk-weighted assets (credit risk, eop)*	2 863 273	2 795 578	2 900 738	3 450 373	37 922	51 746	528 413	572 400	6 330 346	6 870 097
Average allocated capital**	414 716	404 865	260 123	307 965	7 917	8 889	224 977	330 014	907 733	1 051 733
Cost/income ratio	49.74%	52.04%	38.40%	35.18%	35.44%	30.15%	-29.08%	-35.61%	48.89%	48.74%
Return on allocated capital	36.10%	35.27%	18.43%	11.21%	76.07%	90.24%	-10.45%	-3.30%	19.85%	16.59%
Total assets (eop)	9 737 402	10 384 225	3 441 390	3 891 768	59 728	16 106	4 174 581	4 335 655	17 413 100	18 627 753
Total liabilities excluding equity (eop)	11 200 595	12 086 728	1 430 259	1 619 206	639 127	812 033	2 663 247	2 529 159	15 933 228	17 047 126
Impairments										
Net impairment loss on financial instruments AC	(33 136)	(20 864)	6 878	(24 068)	(10)	62	251	(13)	(26 017)	(44 883)
Net impairment loss on financial instruments Leasing	-	(1 949)	-	(1 879)	-	-	72	27	72	(3 801)
Impairments and provisions for commitments and guarantees given	368	(460)	2 228	6 394	(3)	15	(168)	12	2 424	5 961
Net impairment on other non-financial assets	-	-	-	-	-	-	436	96	436	96

* Credit RWA (eop) after inter company transactions according to Pillar 1, calculated by Erste group for the purpose of segment report and management purposes (without subsidiaries Credit RWA)

** Average allocated capital is calculated based on Erste group controlling methodology.

33. Risk management

Risk strategy and policy

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

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

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

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

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

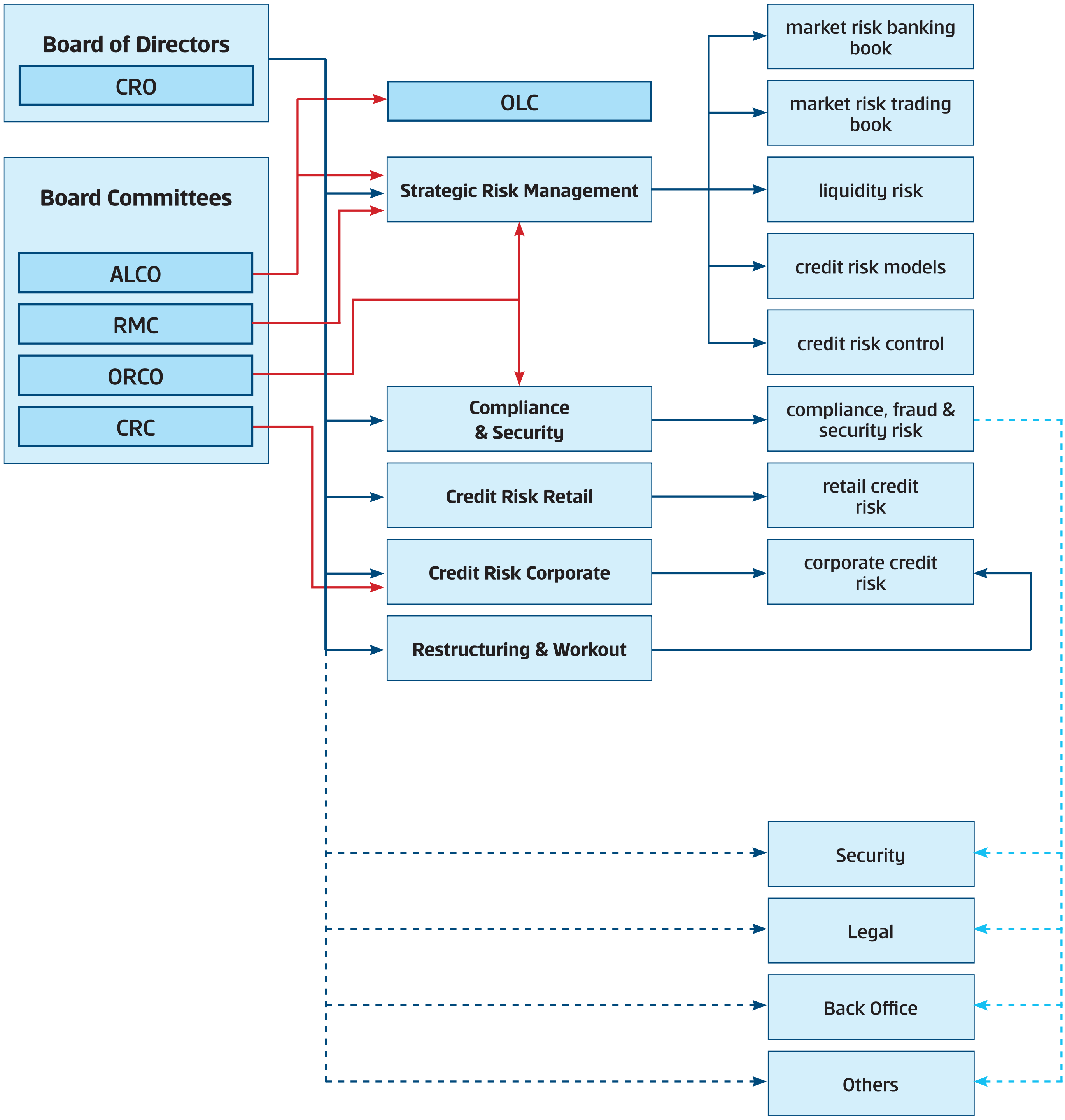
Risk taking is an inseparable part of the Bank's operations and Bank business operations inevitably carry a certain degree of risk. Proper risk management should allow for better exploitation of business opportunities. Therefore, risk management strategy must be clearly linked to the business strategies.

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

The Bank is also committed to follow the risk management provisions defined by both local, as well as international laws and regulators.

Risk management organization

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



Risk management structure

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

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

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

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

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

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

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

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

· Corporate Credit Risk Management Division carries out all activities concerning operative credit risk of corporate clients.

· Retail Credit Risk Management Division is responsible for management of credit risk for retail lending, specifically credit policy, organization of lending process, early collection process, collateral management and portfolio management of the retail segment.

· Strategic Risk Management ('SRM') is responsible for integrated risk management ('ICAAP'), liquidity risk, market risk (overall, as well as particular trading and banking books), credit risk control, provisioning, credit risk statistical and rating models.

· Compliance & Security is responsible for compliance risk management (e.g. code of ethics, full compliance with legal requirements, anti-money laundering program, MiFID rules), for fraud risk management (prevention, detection, investigation, deterrence and recovery of financial fraud) and operational risk. Within operational risk, it coordinates activities of global scope of other relevant departments (blue / dashed lines in the chart).

· Restructuring & Work out is responsible for effective debt recovery and write-off management of corporate clients. It is also responsible for monitoring, restructuring of receivables over-due, specific provisions and collateral management.

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

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

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

Comprehensive risk and capital management

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

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

· Risk materiality assessment
- – identification of the most important risk types which are to be the major focus and which will be included into economic capital calculation

· Risk-bearing capacity calculation
- – calculation of the risk exposure for each particular material risk
  – aggregation of the individual risks into a single economic capital figure
- – calculation of internal capital (coverage potential)
- – relating economic to internal capital

· Stress testing
- – verification of economic capital figures via severe, yet plausible stress scenarios

· Capital management
- – management of consistency between economic and internal capital including forecasting

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

Risk materiality assessment

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

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

Risk-bearing capacity calculation

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

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

Besides the Pillar 1 risk types (credit, market and operational risks) and in the context of Pillar 2, interest rate risks in the banking book, business and strategic risk, liquidity risk, residual credit risk and credit risk for sovereign counterparties are explicitly considered within the required economic capital via internal models. The economic capital requirement for unexpected losses is computed on a one-year time horizon with a 99.9 % confidence level. During the year 2019 the utilization of the economic capital was in the range 52 - 57 %.

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

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

Stress testing

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

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

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

Capital management

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

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

Risk planning and forecasting

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

Capital allocation

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

Credit risk

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

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

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

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

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

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

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

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

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

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

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

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

Default definition
SLSP applies the definition of default on client level. If a client defaults on any of its credit risk exposure then the client rating must be set to "R" and all on- and off balance exposure including equity products is considered as defaulted.
Default is recognized when one or both of the following incidents occur:

- the obligor is past due 90 consecutive days with any material credit obligation to the bank, the parent undertaking or any of its subsidiaries in full; or
- the obligor is considered unlikely to pay (UTP) its credit obligation to the bank, the parent undertaking or any of its subsidiaries in full l, in full without realisation of the collateral.

In the Bank the default status triggers the credit-impairment and the Stage 3 classification under IFRS9. In addition EG considers all non-performing exposures as defaulted.

Client is classified as defaulted due following 5 reasons, which are linked either to unlikely to pay (UTP) or days past due:

- E1 – unlikely to pay
- E2 – 90 days overdue
- E3 –forbearance
- E4 – Credit loss
- E5 – bankruptcy

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

Credit risk classification

For the disclosure of asset quality SLSP assigns each customer to one of the following four risk categories:

Low risk. Typically regional customers with well-established and rather long-standing relationships with SLSP or large internationally recognised customers. Very good to satisfactory financial position and low likelihood of financial difficulties relative to the respective market in which the customers operate. Retail clients having long relationships with the bank, or clients with a wide product pool use. No relevant late payments currently or in the most recent 12 months. New business is generally with clients in this risk category.

Management attention. Vulnerable non-retail clients, which may have overdue payments or defaults in their credit history or may en-counter debt repayment difficulties in the medium term to the Bank. Retail clients with possible payment problems in the past triggering early collection reminders from the Bank side. These clients typically have a good recent payment history.

Substandard. The borrower is vulnerable to short term negative financial and economic developments and shows an elevated probability of failure. In some cases, restructuring measures are possible or already in place. As a rule, such loans are managed in specialised risk management departments.

Non-performing. There are exposure meet criteria according default definition mentioned above. The Bank applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well. Furthermore, non-performing exposures also comprise non-performing forborne transactions even in cases where the client has not defaulted.

In order to enhance the comparability of the Group's asset quality, in 2018 Erste Group developed and implemented a new model for the assignment of exposures to risk categories. Based on the calibration of internal PDs (probabilities of default) for regulatory purposes to the default rates published by rating agencies, the equivalent external customer rating was used for the assignment to risk categories. For the agency ratings, average one-year default rates resulting from long-term time series were applied.

Credit risk under IFRS9

SLSP applies IFRS9 from 01.01.2018 for classification and measurement of financial instruments. Due to new methodology raised by IFRS9 we apply staging with relevant credit risk parameters.

IFRS 9 sets out guidance to assist entities in identifying information to be used to determine when a provision for lifetime expected credit losses is required. The application guidance sets out a wide range of potential sources of such information which includes:
- Significant change in internal price
- Other changes in the rates or terms of an existing financial instrument
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same term
- An actual or expected significant change in the financial instrument's external credit rating
- An actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally
- Significant changes in operating results of the borrower
- A significant increase in credit risk on other financial instruments of the same borrower
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations
- Significant changes in the value of the collateral
- Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument
- Significant changes in the expected performance and behaviour of the borrower
- Changes in the entity's credit management approach in relation to the financial instrument

The IFRS 9 standard contains a rebuttable presumption that credit risk has increased significantly when contractual payments are more than predefined threshold days past due. This means that when payments are more than predefined threshold days past due, the financial asset is considered to have moved from Stage 1 to Stage 2, and lifetime expected credit losses are recognised. Past due is defined as failure to make a payment when that payment was contractually due.

IFRS 9 sets out a new 'expected loss' impairment model for financial assets and replaced the existing 'incurred loss' model in IAS 39 Financial Instruments: Recognition and Measurement. Under IFRS 9, the impairment model is more forward looking in that a credit event (or impairment 'trigger') no longer has to occur before credit losses are recognised.

For financial assets that are measured at amortised cost or FVOCI and other instruments in scope of IFRS 9 impairment requirements, the Bank will always recognise (at a minimum) 12 months expected losses in profit or loss. Lifetime expected losses will be recognised on instruments for which there is a significant increase in credit risk after initial recognition.
The following financial assets and other instruments are included within the scope of the impairment requirements:
- Originated, purchased, reclassified or modified debt instruments (including trade recievables) that are measured at amortised cost in accordance with IFRS 9
- Debt instrument assets that are required to be measured at fair value through other comprehensive income (FVOCI) in accordance with IFRS 9
- Other debt instruments in the scope of IFRS9 impairment requirements (finance/operating lease,...)
- Loan commitments given (including loan commitments which would result in non-trading loans measured mandatorily at FVPL)
- Financial guarantees contracts to which IFRS 9 applied (except those measured at FVPL)

IFRS 9 establishes a three stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognised (as well as the amount of interest revenue):

- STAGE 1: If credit risk for a financial instrument has not increased significantly since initial recognition an entity shall measure the loss allowance for instrument at an amount equal to 12-month expected credit losses (ECLs)
- STAGE 2: For non-defaulted financial instruments whose credit risk has significantly increased since initial recognition, lifetime ECLs shall be recognised, i.e. estimated lifetime losses from default events that are possible over the entire residual life of the instruments. In this stage, interest revenues are recognised based on the gross carrying amount of the financial assets.
- STAGE 3: A financial asset reaches stage 3 if it is specifically identified as credit-impaired. As for Stage 2, the loss allowance equals full lifetime ECLs. In this stage, recognition of interest revenue is based on the net carrying amount. In general SLSP classifies defaulted exposures as being in Stage 3. From this perspective also defaulted off-balance exposures - loan commitments and financial guarantees – can belong to Stage 3 even when they generate no interest revenue.

12-month expected credit loss is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. From risk management perspective 12-month probabilities of default are relvant for the calculation.

Lifetime expected credit loss is defined as the expected credit losses that result from all possible default events over the expected life of a financial instrument. i.e. from credit risk management perspective it reflects the probabilities of default throughout the expected maturity of the instrument.

In case of product without contractual maturity (typically revolving product such as credit card and overdraft) the expected lifetime credit losses is defined (based on expected maturity).

IFRS 9 guideline indicates that an entity should measure expected credit losses with all reasonable and supportable information that is available without undue cost or effort at the reporting date. This includes information about past events, current conditions and forecasts of future economic conditions. Forecasts of future economic conditions are available at Erste Group and are therefore included in the IFRS 9 ECL calculation.

In addition to that, the IFRS Transition Resource Group for Impairment of Financial Instruments (ITG) noted in 2015 that, if there is a nonlinear relationship between the different forward-looking scenarios and their associated credit losses, using a single forward-looking scenario would not result in an unbiased estimator of the ECL. Instead, more than one forward-looking scenario would need to be incorporated into the measurement of expected credit losses.

Credit risk exposure

Credit risk exposure relates to the following balance sheet items:

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

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

The gross carrying amount of the credit risk exposure increased by 6,69% to 19,931 bil. Eur (2018: EUR 18,682 bil. Eur).

ECL measurement

Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios.

The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. The Group used supportable forward looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. The most significant forward looking assumptions that correlate with ECL level and their assigned weights were as follows at 31 December 2019.

Parameter	Scenario		2019	2020	2021	2022
GDP - real growth (in %)	Macro down	38%	3.4	0.1	(0.3)	(0.4)
	Macro base	50%	3.4	3.3	2.9	2.8
	Macro up	12%	3.4	5.7	5.3	5.2
GDP - Nominal growth (in %)	Macro down	38%	5.9	2.2	1.4	1.3
	Macro base	50%	5.9	5.7	4.9	4.8
	Macro up	12%	5.9	7.9	7.1	7.0
Unemployment rate (in %)	Macro down	38%	5.8	7.4	7.2	7.2
	Macro base	50%	5.8	5.7	5.5	5.5
	Macro up	12%	5.8	4.1	3.9	3.9
Inflation - CPI (in %)	Macro down	38%	2.5	0.8	0.3	0.3
	Macro base	50%	2.5	2.5	2.0	2.0
	Macro up	12%	2.5	3.7	3.2	3.2
Unemployment rate - shift 12 months (in %)	Macro down	38%	6.5	5.8	7.4	7.2
	Macro base	50%	6.5	5.8	5.7	5.5
	Macro up	12%	6.5	5.8	4.1	3.9
GDP - YtY (in %)	Macro down	38%	(0.7)	(3.3)	(0.4)	(0.1)
	Macro base	50%	(0.7)	(0.1)	(0.4)	(0.1)
	Macro up	12%	(0.7)	2.3	(0.4)	(0.1)

There are volumes for each attribute with relevant scenarios entering the calculation of changes in credit loss allowances in the table above. There is impact of increasing 1,4 mil. Eur of CLA due to mentioned scenarios – we recognize unemployment and GDP Growth rate.

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

31.12.2019 EUR ths.	Gross carrying amount	Credit loss allowances				Net carrying amount
		Stage 1	Stage 2	Stage 3	POCI	
Cash and cash balances - other demand deposits	10 224	-	-	-	-	10 224
Financial assets at amortised cost	17 699 622	34 706	36 177	212 655	53 150	17 362 934
Loans and advances to banks	54	-	-	-	-	54
Loans and advances to customers	14 162 719	34 321	36 177	212 655	53 150	13 826 416
of which: Lending for house purchase	8 071 860	12 229	10 343	80 259	308	7 968 721
of which: Credit for consumption	1 786 766	11 990	12 355	98 251	172	1 663 998
of which: Corporate loans and others	4 304 093	10 102	13 479	34 145	52 670	4 193 697
Debt securities	3 536 849	385	-	-	-	3 536 464
Finance lease receivables	217 757	253	6	4 307	-	213 191
Trade and other receivables	110 283	193	3	3 394	-	106 693
Non-trading financial assets at fair value through profit or loss - 'Debt securities	3 175	-	-	-	-	3 175
Financial assets - held for trading	41 423	-	-	-	-	41 423
Positive fair value of derivatives	23 020	-	-	-	-	23 020
Total credit risk exposure on-balance	**18 105 504**	**35 152**	**36 186**	**220 356**	**53 150**	**17 760 660**
Off-balance	1 825 291	3 365	1 718	957	170	1 819 081
Total credit risk exposure	**19 930 795**	**38 517**	**37 904**	**221 313**	**53 320**	**19 579 741**

31.12.2018 EUR ths.	Gross carrying amount	Credit loss allowances				Net carrying amount
		Stage 1	Stage 2	Stage 3	POCI	
Cash and cash balances - other demand deposits	7 196	-	-	-	-	7 196
Financial assets at amortised cost	16 766 596	35 806	33 865	229 722	51 337	16 415 865
Loans and advances to banks	47 820	23	-	-	-	47 797
Loans and advances to customers	13 167 763	35 401	33 865	229 722	51 337	12 817 438
of which: Lending for house purchase	7 519 839	12 431	12 886	85 026	280	7 409 216
of which: Credit for consumption	1 807 046	14 456	15 062	120 330	199	1 657 001
of which: Corporate loans and others	3 840 878	8 514	5 918	24 367	50 858	3 751 221
Debt securities	3 551 013	382	-	-	-	3 550 630
Finance lease receivables	129 707	81	-	110	-	129 516
Trade and other receivables	99 581	307	8	3 252	-	96 012
Non-trading financial assets at fair value through profit or loss - 'Debt securities	23 622	-	-	-	-	23 622
Financial assets - held for trading	42 941	-	-	-	-	42 941
Positive fair value of derivatives	9 905	-	-	-	-	9 905
Total credit risk exposure on-balance	**17 079 548**	**36 194**	**33 873**	**233 084**	**51 337**	**16 725 057**
Off-balance	1 601 954	3 147	723	601	7 598	1 589 885
Total credit risk exposure	**18 681 502**	**39 341**	**34 596**	**233 685**	**58 935**	**18 314 942**

Stage 1 and Stage 2 comprise not impaired credit risks while Stage 3 includes impaired credit risks. POCI (purchased or originated credit impaired) consists of credit risks already impaired when purchased or originated as at the date when the loan was provided,

The defaulted part of POCI amounted to EUR 113.566 millions, the non-defaulted part to EUR 21.049 millions.

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. 31.12.2019	Low Risk	Management attention	Substandard	Non-performing loans	Total
Agriculture and forestry	108 677	63 972	23 712	26 106	222 467
Mining	73 608	281	2 243	21	76 153
Manufacturing	1 045 941	74 788	42 721	6 940	1 170 390
Energy and water supply	396 537	2 933	64 584	420	464 474
Construction	288 749	30 616	100 395	3 246	423 006
Development of building projects	375	45	34 007	8	34 435
Trade	578 972	125 205	27 004	23 068	754 249
Transport and communication	643 065	31 487	91 769	3 519	769 840
Hotels and restaurants	29 587	9 181	51 510	1 487	91 765
Financial and insurance services	460 090	1 868	10 129	286	472 373
Holding companies	99 683	4	24	157	99 868
Real estate and housing	608 993	18 603	601 778	106 145	1 335 519
Services	125 927	31 790	38 488	6 525	202 730
Public administration	3 488 389	7 023	57	-	3 495 469
Education, health and art	98 200	5 708	16 770	286	120 964
Private households	8 666 854	887 378	481 132	295 350	10 330 714
Other	208	32	442	-	682
Total	**16 613 797**	**1 290 865**	**1 552 734**	**473 399**	**19 930 795**

EUR ths. 31.12.2018	Low Risk	Management attention	Substandard	Non-performing loans	Total
Agriculture and forestry	76 282	44 627	2 505	1 783	125 197
Mining	42 444	152	3 366	-	45 962
Manufacturing	946 944	68 038	38 981	15 452	1 069 415
Energy and water supply	351 169	3 103	64 286	84	418 642
Construction	218 788	22 822	43 264	7 869	292 743
Development of building projects	16 368	62	16 295	16	32 741
Trade	566 991	81 527	30 066	14 557	693 141
Transport and communication	619 712	44 431	4 450	3 126	671 719
Hotels and restaurants	31 633	7 854	33 323	4 506	77 316
Financial and insurance services	474 240	2 342	35 595	47	512 224
Holding companies	107 979	697	5 099	-	113 775
Real estate and housing	757 564	8 632	365 279	112 103	1 243 578
Services	100 230	25 988	30 541	5 377	162 136
Public administration	3 414 055	18	125 540	18	3 539 631
Education, health and art	71 371	4 318	7 375	155	83 219
Private households	6 493 547	2 430 222	499 781	321 975	9 745 525
Other	22	84	946	-	1 052
Total	**14 164 992**	**2 744 158**	**1 285 298**	**487 052**	**18 681 500**

The following table presents credit risk exposure by risk category:

EUR ths. 31.12.2019	Credit risk exposure				Gross carrying amount
	Low Risk	Management attention	Substandard	Non-performing	
Cash and cash balances - other demand deposits	10 224	-	-	-	10 224
Financial assets at amortised cost	14 772 625	1 149 292	1 367 554	410 153	17 699 624
Loans and advances to banks	52	3	-	-	55
Loans and advances to customers	11 319 493	1 149 289	1 283 785	410 153	14 162 720
of which: Lending for house purchase	7 006 258	593 559	302 275	169 768	8 071 860
of which: Credit for consumption	1 275 683	236 391	154 810	119 882	1 786 766
of which: Corporate loans and others	3 037 552	319 339	826 700	120 503	4 304 094
Debt securities	3 453 080	-	83 769	-	3 536 849
Finance lease receivables	181 283	20 649	5 710	10 115	217 757
Trade and other receivables	81 856	4 563	17 941	5 922	110 282
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	3 175	-	3 175
Derrivatives - held for trading	35 590	261	5 572	1	41 424
Positive fair value of derivatives - hedge accounting	23 020	-	-	-	23 020
Total credit risk exposure on-balance	15 104 598	1 174 765	1 399 952	426 191	18 105 506
Off-balance	1 509 200	116 100	152 782	47 207	1 825 289
Total credit risk exposure	**16 613 798**	**1 290 865**	**1 552 734**	**473 398**	**19 930 795**

EUR ths. 31.12.2018	Credit risk exposure				Gross carrying amount
	Low Risk	Management attention	Substandard	Non-performing	
Cash and cash balances - other demand deposits	7 196	-	-	-	7 196
Financial assets at amortised cost	12 649 482	2 589 430	1 093 975	433 707	16 766 594
Loans and advances to banks	47 819	1	-	-	47 820
Loans and advances to customers	9 050 650	2 589 429	1 093 975	433 707	13 167 761
of which: Lending for house purchase	5 418 868	1 630 158	301 170	169 640	7 519 839
of which: Credit for consumption	792 007	693 867	175 637	145 536	1 807 046
of which: Corporate loans and others	2 839 775	265 404	617 168	118 531	3 840 878
Debt securities	3 551 013	-	-	-	3 551 013
Finance lease receivables	122 465	6 196	753	292	129 707
Trade and other receivables	55 457	5 104	35 511	3 508	99 581
Non-trading financial assets at fair value through profit or loss - 'Debt securities	23 570	-	52	-	23 622
Derrivatives - held for trading	39 074	195	3 668	5	42 941
Positive fair value of derivatives - hedge accounting	9 753	-	152	-	9 905
Total credit risk exposure on-balance	12 906 997	2 600 925	1 134 111	437 512	17 079 546
Off-balance	1 257 992	143 235	151 188	49 539	1 601 954
Total credit risk exposure	**14 164 989**	**2 744 160**	**1 285 299**	**487 051**	**18 681 500**

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

EUR ths. 31.12.2019	Stage 1	Stage 2	Stage 3	POCI	Not subject to stage assessment	Total credit risk exposure
Agriculture and forestry	174 888	21 231	26 051	242	54	222 466
Mining	76 056	47	21	-	29	76 153
Manufacturing	1 123 003	39 500	5 338	1 649	900	1 170 390
Energy and water supply	325 024	110 982	420	-	28 049	464 475
Construction	408 993	6 704	2 924	4 075	307	423 003
Development of building projects	34 180	31	7	-	216	34 434
Trade	687 043	40 320	19 050	4 429	3 409	754 251
Transport and communication	753 455	11 211	3 208	311	1 655	769 840
Hotels and restaurants	72 797	2 414	1 477	14 325	753	91 766
Financial and insurance services	437 514	1 301	286	-	33 271	472 372
Holding companies	99 708	4	157	-	-	99 869
Real estate and housing	1 185 271	40 988	727	105 417	3 116	1 335 519
Services	187 952	7 439	6 419	750	172	202 732
Public administration	3 494 856	613	-	-	-	3 495 469
Education, health and art	118 975	1 628	285	23	52	120 963
Private households	9 806 828	226 825	293 625	3 392	44	10 330 714
Other	344	27	-	-	311	682
Total	**18 852 999**	**511 230**	**359 831**	**134 613**	**72 122**	**19 930 795**

EUR ths. 31.12.2018	Stage 1	Stage 2	Stage 3	POCI	Not subject to stage assessment	Total credit risk exposure
Agriculture and forestry	115 921	7 393	1 355	447	81	125 197
Mining	45 891	20	-	-	50	45 961
Manufacturing	1 023 914	27 268	10 418	5 077	2 739	1 069 416
Energy and water supply	370 983	13 290	84	-	34 285	418 642
Construction	277 355	3 134	2 755	8 812	686	292 742
Development of building projects	32 285	14	12	4	425	32 740
Trade	659 882	11 111	9 900	4 679	7 568	693 140
Transport and communication	662 141	5 615	2 154	993	816	671 719
Hotels and restaurants	55 684	1 223	3 989	15 788	632	77 316
Financial and insurance services	474 664	705	46	-	36 808	512 223
Holding companies	113 775	-	-	-	-	113 775
Real estate and housing	1 111 524	17 950	460	111 643	2 002	1 243 579
Services	151 224	5 597	4 378	825	113	162 137
Public administration	3 539 493	120	18	-	-	3 539 631
Education, health and art	81 672	1 349	155	23	21	83 220
Private households	9 178 441	252 218	310 811	4 028	27	9 745 525
Other	211	33	-	-	808	1 052
Total	**17 749 000**	**347 026**	**346 523**	**152 315**	**86 636**	**18 681 500**

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

31.12.2019 EUR ths.	Cash and cash balances - other demand deposits	Financial assets at amortised cost					Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - ,Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
		Loans and advances to banks	Loans and advances to customers			Debt securities						
			of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others							
Slovakia	-	29	8 066 677	1 785 642	4 229 165	3 215 229	217 757	74 071	3 163	35 861	1 766 177	19 393 771
Central and Eastern Europe	9 729	13	2 073	454	25 453	36 301	-	13 309	-	22 062	49 816	159 210
Austria	4 153	9	262	56	2	-	-	5 679	-	21 965	12 505	44 631
Czech Republic	254	1	1 243	263	25 446	36 301	-	5 084	-	97	34 344	103 033
Hungary	5 304	3	56	19	2	-	-	1 839	-	-	2 957	10 180
Croatia	13	-	109	36	-	-	-	159	-	-	2	319
Romania	5	-	226	46	1	-	-	497	-	-	6	781
Serbia	-	-	177	34	2	-	-	51	-	-	2	266
Other EU	318	10	1 200	246	44 550	280 242	-	19 867	13	6 520	8 231	361 197
Other industrialised countries	177	-	286	72	4 888	5 077	-	1 251	-	-	5	11 756
Emerging markets	-	3	1 625	354	38	-	-	1 778	-	-	1 063	4 861
Total	**10 224**	**55**	**8 071 861**	**1 786 768**	**4 304 094**	**3 536 849**	**217 757**	**110 276**	**3 176**	**64 443**	**1 825 292**	**19 930 795**

31.12.2018 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						
			of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others							
Slovakia	-	31	7 514 773	1 805 884	3 754 302	3 250 396	129 707	71 898	3 400	40 485	1 546 917	18 117 793
Central and Eastern Europe	4 378	9 036	1 993	424	37 905	23 138	-	7 295	-	6 275	36 282	126 726
Austria	4 248	311	142	15	2	-	-	456	-	6 235	5 094	16 503
Czech Republic	54	1	1 244	270	37 898	23 138	-	4 509	-	40	28 911	96 065
Hungary	56	8 724	61	23	2	-	-	1 595	-	-	2 229	12 690
Croatia	19	-	112	32	1	-	-	391	-	-	2	557
Romania	1	-	252	47	1	-	-	337	-	-	43	681
Serbia	-	-	182	37	1	-	-	7	-	-	3	230
Other EU	2 726	38 752	1 294	194	48 617	272 403	-	17 257	20 222	6 085	18 200	425 750
Other industrialised countries	92	-	331	79	9	5 076	-	1 828	-	-	5	7 420
Emerging markets	-	1	1 447	466	45	-	-	1 302	-	-	550	3 811
Total	**7 196**	**47 820**	**7 519 838**	**1 807 047**	**3 840 878**	**3 551 013**	**129 707**	**99 580**	**23 622**	**52 845**	**1 601 954**	**18 681 500**

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

31.12.2019 EUR ths.	Non-impaired loans							Impaired loans	Total Credit risk exposure
	Total past due non Impaired	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due	Neither past due nor Impaired		
K 31.12.2019									
Cash and cash balances - other demand deposits	-	-	-	-	-	-	10 224	-	10 224
Financial assets at amortised cost	375 374	344 675	18 120	8 155	4 389	34	16 914 098	410 153	17 699 624
Loans and advances to banks	54	54	-	-	-	-	1	-	54
Loans and advances to customers	375 320	344 621	18 120	8 155	4 389	34	13 377 248	410 153	14 162 721
of which: Lending for house purchase	133 458	118 686	8 516	3 277	2 978	-	7 768 635	169 768	8 071 862
of which: Credit for consump-tion	75 734	66 022	5 242	3 479	991	-	1 591 150	119 882	1 786 766
of which: Corporate loans and others	166 128	159 913	4 362	1 399	420	34	4 017 463	120 503	4 304 093
Debt securities	-	-	-	-	-	-	3 536 849	-	3 536 849
Finance lease receivables	5 693	4 397	958	242	92	4	201 950	10 115	217 757
Trade and other receivables	11 719	9 589	1 423	236	470	-	92 641	5 922	110 282
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	-	-	-	3 175	-	3 175
Financial assets - held for trading	-	-	-	-	-	-	41 423	-	41 423
Positive fair value of derivatives	-	-	-	-	-	-	23 020	-	23 020
Total credit risk exposure on-ba-lance	**392 786**	**358 661**	**20 501**	**8 633**	**4 951**	**38**	**17 286 531**	**426 190**	**18 105 505**
Off-balance	-	-	-	-	-	-	1 778 083	47 207	1 825 290
Total credit risk exposure	**392 786**	**358 661**	**20 501**	**8 633**	**4 951**	**38**	**19 064 614**	**473 397**	**19 930 795**

31.12.2018 EUR ths.	Non-impaired loans								
	Total past due non Impaired	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due	Neither past due nor Impaired	Impaired loans	Total Credit risk exposure
Cash and cash balances - other demand deposits	-	-	-	-	-	-	7 196	-	7 196
Financial assets at amortised cost	327 630	298 488	17 607	10 681	82	774	16 014 598	424 366	16 766 594
Loans and advances to banks	50	50	-	-	-	-	47 770	-	47 820
Loans and advances to customers	327 580	298 438	17 607	10 681	82	774	12 415 815	424 366	13 167 761
of which: Lending for house purchase	139 961	123 887	10 663	5 061	15	337	7 217 250	162 626	7 519 837
of which: Credit for consump-tion	84 490	73 627	6 063	4 553	7	240	1 579 113	143 443	1 807 046
of which: Corporate loans and others	103 129	100 924	881	1 067	60	197	3 619 452	118 297	3 840 878
Debt securities	-	-	-	-	-	-	3 551 013	-	3 551 013
Finance lease receivables	30 343	30 119	178	45	-	-	99 072	292	129 707
Trade and other receivables	14 060	12 398	1 562	98	-	1	82 012	3 508	99 581
Non-trading financial assets at fair value through profit or loss - 'Debt securities	-	-	-	-	-	-	23 622	-	23 622
Financial assets - held for trading	-	-	-	-	-	-	42 941	-	42 941
Positive fair value of derivatives	-	-	-	-	-	-	9 905	-	9 905
Total credit risk exposure on-ba-lance	**372 033**	**341 005**	**19 347**	**10 824**	**82**	**775**	**16 279 346**	**428 166**	**17 079 546**
Off-balance	-	-	-	-	-	-	1 552 422	49 532	1 601 954
Total credit risk exposure	**372 033**	**341 005**	**19 347**	**10 824**	**82**	**775**	**17 831 768**	**477 698**	**18 681 500**

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

31.12.2019 EUR ths.	Cash and cash balances - other demand deposits	Financial assets at amortised cost					Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - ,Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
		Loans and advances to banks	Loans and advances to customers			Debt secur						
			of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others							
Low risk	10 224	1	6 989 817	1 271 003	2 943 346	3 453 080	179 137	73 319	-	58 610	1 509 201	16 487 738
Management attention	-	-	571 392	225 504	296 950	-	17 960	2 211	-	261	116 100	1 230 378
Substandard	-	-	207 427	94 642	777 167	83 769	4 852	17 111	3 175	5 572	152 782	1 346 497
Non-performing loans (NPE)	-	-	-	-	-	-	-	-	-	1	-	1
Total	**10 224**	**1**	**7 768 636**	**1 591 149**	**4 017 463**	**3 536 849**	**201 949**	**92 641**	**3 175**	**64 444**	**1 778 083**	**19 064 614**

31.12.2018 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 secur						
			of which: Lending for house purchase	of which: Credit for consumption	of which: Corporate loans and others							
Low risk	7 196	47 770	5 413 349	791 102	2 799 029	3 551 013	94 825	48 023	23 570	48 827	1 257 992	14 082 696
Management attention	-	-	1 597 361	676 973	241 437	-	3 793	3 143	-	195	143 235	2 666 137
Substandard	-	-	202 891	110 332	578 968	-	454	30 847	52	3 819	151 188	1 078 550
Non-performing loans (NPE)	-	-	3 650	706	17	-	-	-	-	5	7	4 385
Total	**7 196**	**47 770**	**7 217 251**	**1 579 113**	**3 619 451**	**3 551 013**	**99 072**	**82 013**	**23 622**	**52 846**	**1 552 422**	**17 831 768**

The following table credit risk exposure by industry:

31.12.2019 EUR ths.	Cash and cash balances - other demand deposits	Financial assets at amortised cost			Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - ,Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
		Loans and advances to banks	Loans and advances to customers	Debt securities						
Agriculture and forestry	-	-	170 964	-	30 779	303	-	54	20 367	222 467
Mining	-	-	54 027	-	335	225	-	29	21 536	76 152
Manufacturing	-	-	787 770	9 355	43 597	57 423	-	696	271 549	1 170 390
Energy and water supply	-	-	365 100	-	4 992	2 043	-	28 049	64 291	464 475
Construction	-	-	149 075	-	4 674	1 438	-	307	267 513	423 007
Development of building projects	-	-	31 144	-	-	20	-	216	3 054	34 434
Trade	-	-	504 453	-	16 552	34 538	-	393	198 313	754 249
Transport and communication	-	-	411 382	83 769	102 335	5 628	-	1 655	165 070	769 839
Hotels and restaurants	-	-	72 917	-	220	3	-	753	17 874	91 767
Financial and insurance services	10 224	54	88 562	220 133	82	5 670	3 175	28 813	115 658	472 371
Holding companies	-	-	32 423	15 153	-	446	-	-	51 846	99 868
Real estate and housing	-	-	1 147 703	-	896	385	-	3 116	183 419	1 335 519
Services	-	-	137 241	-	9 013	1 807	-	172	54 498	202 731
Public administration	-	-	243 811	3 223 591	521	-	-	-	27 545	3 495 468
Education, health and art	-	-	98 375	-	3 614	821	-	52	18 102	120 964
Private households	-	-	9 931 029	-	146	-	-	44	399 495	10 330 714
Other	-	-	313	-	-	-	-	311	58	682
Total Credit risk exposure	**10 224**	**54**	**14 162 722**	**3 536 848**	**217 756**	**110 284**	**3 175**	**64 444**	**1 825 288**	**19 930 795**

31.12.2018 EUR ths.	Cash and cash balances - other demand deposits	Financial assets at amortised cost			Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - ,Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
		Loans and advances to banks	Loans and advances to customers	Debt securities						
Agriculture and forestry	-	-	97 778	-	1 693	110	-	81	25 536	125 198
Mining	-	-	41 236	-	290	238	-	50	4 147	45 961
Manufacturing	-	-	705 607	9 356	32 271	54 512	-	563	267 107	1 069 416
Energy and water supply	-	-	302 942	-	4 733	2 211	-	34 285	74 471	418 642
Construction	-	-	117 205	-	3 880	621	-	686	170 351	292 743
Development of building projects	-	-	27 794	-	-	6	-	425	4 515	32 740
Trade	-	-	460 600	-	9 392	34 792	-	215	188 140	693 139
Transport and communication	-	-	409 010	86 656	68 492	1 237	-	816	105 508	671 719
Hotels and restaurants	-	-	71 184	-	417	3	-	632	5 081	77 317
Financial and insurance services	7 196	47 820	158 473	171 072	56	987	23 622	12 547	90 452	512 225
Holding companies	-	-	67 687	25 378	-	-	-	-	20 710	113 775
Real estate and housing	-	-	1 005 499	-	697	178	-	2 002	235 202	1 243 578
Services	-	-	97 120	-	5 887	3 762	-	113	55 254	162 136
Public administration	-	-	235 185	3 283 930	13	9	-	-	20 494	3 539 631
Education, health and art	-	-	66 110	-	1 768	919	-	21	14 401	83 219
Private households	-	-	9 399 585	-	117	-	-	27	345 795	9 745 524
Other	-	-	228	-	-	-	-	808	16	1 052
Total Credit risk exposure	**7 196**	**47 820**	**13 167 762**	**3 551 014**	**129 706**	**99 579**	**23 622**	**52 846**	**1 601 955**	**18 681 500**

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

31.12.2019 EUR ths.	Cash and cash balances - other demand deposits	Financial assets at amortised cost			Finance lease receivables	Trade and other receivables	Non-trading financial assets at fair value through profit or loss - ,Debt securities	Positive fair value of derivatives	Off-balance	Total credit risk exposure
		Loans and advances to banks	Loans and advances to customers	Debt securities						
Sovereigns	-	-	245 084	3 223 591	541	391	-	-	27 513	3 497 120
Institutions	10 224	54	-	194 849	-	4 492	-	28 485	58 725	296 829
Corporates	-	-	3 298 556	118 408	194 067	104 494	3 175	35 914	1 218 337	4 972 951
Retail	-	-	10 619 080	-	23 149	905	-	44	520 717	11 163 895
Total	**10 224**	**54**	**14 162 720**	**3 536 848**	**217 757**	**110 282**	**3 175**	**64 443**	**1 825 292**	**19 930 795**

31.12.2018 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	-	-	230 133	3 301 947	57	9	-	-	20 478	3 552 625
Institutions	7 196	47 820	-	127 676	-	188	20 170	12 472	60 872	276 394
Corporates	-	-	2 918 467	121 390	125 790	97 795	3 452	40 346	1 051 592	4 358 832
Retail	-	-	10 019 162	-	3 859	1 588	-	27	469 012	10 493 649
Total	**7 196**	**47 820**	**13 167 762**	**3 551 013**	**129 706**	**99 580**	**23 622**	**52 845**	**1 601 954**	**18 681 500**

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.

Forbearance

In September 2014 the Bank has implemented a forbearance definition based on the EBA definition. The forborne exposure can be identified in both, performing and non-performing portfolios:

- Performing forbearance – forborn loans for customers without financial difficulties
- Non-performing forbearance – forborn loans for customers, which defaulted after forbearance
- Defaulted forbearance – forborn loans for customers in default

The following table presents carrying amounts of renegotiated loans, which are exposures with performing forbearance status:

EUR ths.	31.12.2018	31.12.2019
Renegotiated loans	81 515	120 922
Total	**81 515**	**120 922**

The following table presents a summary of the Bank's credit risk to the Slovak Republic, companies controlled by the Slovak government, self-governing regions, guarantees issued by the Slovak government and similar exposures:

EUR ths.	Amount		Portion of total assets %	
	31.12.2018	31.12.2019	31.12.2018	31.12.2019
Cash and cash balances	1 704	93 129	0.01%	0.50%
Loans and receivables to customers	450 735	446 101	2.59%	2.39%
Securities portfolio	3 006 180	2 924 842	17.26%	15.70%
Deferred tax asset	44 696	44 146	0.26%	0.24%
Total	**3 503 315**	**3 508 218**	**20.12%**	**18.83%**

The following table presents a breakdown of state debt securities held by the Bank per portfolio and type of security:

EUR ths.	31.12.2018	31.12.2019
Financial assets at amortised cost	3 006 180	2 924 842
State bonds denominated in EUR	2 975 833	2 894 007
State bonds denominated in USD	30 347	30 835
Total	**3 006 180**	**2 924 842**

The sovereign issuer rating of the Slovak Republic according to the international rating agency Moody's is A2 with stable outlook (since september 2019).

Market risk

Market risk is the risk of losses in balance sheet and off-balance sheet positions arising from movements in market factors, i.e. prices, interest rates, foreign exchange rates, volatilities, etc. The risk management process comprises of the four key elements:

- risk identification – identify all risks inherent in the trading operations and in new products (new products check) and ensure these are subject to adequate procedures and controls before being introduced or undertaken
- risk measurement – calculation of risk exposure using sensitivities and value-at-risk
- limits management – comprehensive limit system and limit allocation in order to restrict the maximum risk exposure
- risk monitoring and reporting

The entire market risk management is independent from the business lines and is carried out by Strategic Risk Management (SRM). Trading and investment operations are subject to strict rules defined by SRM and approved by ALCO committee.

Methods and instruments employed

All positions of the Bank, both in banking and trading books, that are subject to market risk are re-valued daily (including positions held-to-maturity), either to market or to model prices, and respective profit or loss is calculated.

The main tool to measure market risk exposure in the Bank is sensitivity analysis and value-at-risk (VAR) which is complemented by back testing and stress testing programme.

VAR for trading book and investment portfolios of banking book estimates the maximum potential loss over 1-day holding period with 99 % confidence interval and is based on historical simulation (2-years history window, equally weighted) while all positions are treated via full valuation in the calculation (i.e. no simplification of positions for the purpose of VAR). VAR is measured consistently across all portfolios (both banking and trading book) and considers relevant market factors.

In order to validate the value-at-risk model, daily back testing routines are applied. In the procedure the real value of closing position of the previous trading day is computed first using relevant market rates of that day. The same closing position is then revalued using the closing market rates of the current day. The difference between the two values is the so-called hypothetical profit and loss, i.e. profit and loss that would have been obtained if the position remained unchanged during the last trading day. If this profit or loss figure exceeds the value-at-risk figure, an exception is recorded and documented. Back testing is conducted not only for the whole trading book, but also for each trading desk and additionally for each applicable risk factor (interest rate, FX rate, stock price, volatility, etc.).

VAR is subject to some model assumptions (e.g. historical simulation), hence stress testing is established in order to partially tackle these shortcomings by estimating losses due to extreme changes in market factors, the probabilities of which are very small. Position or portfolios are tested under a number of potential extreme scenarios and their impact on value and hence profit and loss is computed.

VAR for the overall banking employs Monte Carlo simulation to generate potential future yield curves (99.9 or 0.01 percentiles of the simulated short rate paths) that are then used to calculate change in value caused by that shifts in yield curves.

Overall market risk of the entire balance sheet is also measured using economic value of equity measure based on EBA guidelines. It is a change in present value of bank's interest rate sensitive assets and liabilities as a result of prescribed set of severe scenarios (both parallel and non-parallel, specified by EBA). The resulting sensitivity is related to the available capital.

Risk mitigation and reporting

In order to manage the maximum risk exposure, a comprehensive system of limits is established, including VAR, sensitivity, and stop-loss limits. Limits are structured according to individual portfolios (separate limits are defined for derivative trades). Limits are reviewed/proposed usually at year-end by SRM in cooperation with Treasury/BSM for the upcoming business year. Reallocations are also possible during the current year. The new limits proposal or change in approved limits is subject to approval by ALCO committee. Monitoring is performed daily by SRM. Each limit violation must be reported and explained with ALCO being the supreme decision maker on further action.

Risk reporting is done daily for relevant management and monthly for ALCO.

Market risk measures

The following tables summarize the risk measures – Value at Risk of banking book and trading book:

EUR mil.	2018	2019
Trading book VAR	0.0	0.0
Banking book VAR - ALM portfolio	10.0	7.5
Banking book VAR - Corporate portfolio	0.8	0.87
Banking book VAR – ALCO portfolio	0.2	0.13
Overall Banking book VAR	138.0	61.1
Overall Banking book sensitivity (the market value of equity - 200bp shock)	98.6	29.2

VAR figure is almost fully driven by interest rate risk, whilst foreign exchange and other risks are negligible.

FX risk

Basis principle behind managing FX risk is to transfer positions stemming from banking book activities to Erste Holding. However, in reasonable cases, banking book is permitted to hold strategic FX positions. This would typically be opened in order to hedge existing FX positions that are not explicitly seen on the balance sheet.

Strategic positions are subject to ALCO approval and shall be managed on a daily basis by Balance Sheet Management. They are covered by sufficient limit structure and reporting on VAR, stop-loss limit and and are disclosed as the gain or loss (responsibility of Strategic Risk Management).

Liquidity risk

The liquidity risk is defined in the Bank as the inability to meet the Bank's cash obligations as they come due because of an inability to liquidate assets or obtain adequate funding. Accordingly, a distinction is made between market liquidity risk, which is the risk that the Bank cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the Banks will not be able to meet efficiently both expected and unexpected current and future cash flows and collateral needs without affecting either daily operations or the financial condition of Bank.

Liquidity risk is within the authority of ALCO. The Local Operating Liquidity Committee ('L-OLC') is responsible for operational managing and analysing of the liquidity situation of the Bank.

Actual management of liquidity risk is done by Strategic Risk Management. Structural liquidity management is performed by Balance Sheet Management and daily liquidity managing and the fulfilment of minimum required reserves is performed by the Treasury department.

Liquidity strategy

The primary goal of the Funding Strategy in the year 2019 was to cover the planned funding gap coming from the core business efficiently in terms of structure and costs vs. risk tolerance. This has been successfully achieved as the Bank comfortably fulfills all regulatory and internal liquidity limits and keeps sufficient liquidity buffer composed mainly of government securities.

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period (SPA) on weekly basis. This analysis determines the maximum period during which the Bank can survive different crisis scenarios (severe market, idiosyncratic, or combined crisis) while relying on its pool of liquid assets. The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflow.

Liquidity ratios defined by the regulator (LCR – Liquidity Coverage Ratio, NSFR – Net Stable Funding Ration and local LCR) are periodically monitored and are all at very satisfactory levels. All limits defined by the regulator are observed with large buffer.

Additionally, the static liquidity gap is monitored regularly on weekly basis and reported monthly to ALCO. Funding concentration risk is continuously analysed in respect to counterparties and is also reported to ALCO monthly.

Strategic Risk Management provides the reverse stress testing of liquidity where several assumptions (withdrawal, rollover, reserve haircuts) are modelled in order for the Bank to survive exactly one month. This is done on a monthly basis and is reported to ALCO.

Methods and instruments of risk mitigation

General standards of liquidity risk controlling and management (standards, limits and analysis) have been defined withing the Bank and are continuously reviewed and improved by L-OLC and ALCO.

The short-term liquidity risk is managed by limits resulting from the survival period analysis where horizon limits are defined for each scenario as follows:

- ordinary course of business – over 3 months
- severe name crisis – over 1 months
- severe market crisis – over 6 months
- sever combined name and market crisis – over 3 months
- mild name crisis – over 3 months
- mild market crisis – over 12 months
- mild combined name and market crisis – over 6 months

For each scenario also the limit for liquidity surplus over given horizon limit is applied. The limit is set at 0 Eur with warning level in range between 0 and 200 mil. Eur.

The minimum volume of the ECB eligible securities in liquidity buffer (counter-balancing capacity) is limited by 1.5 bn Eur. The Bank daily monitors its counter-balancing capacity, which consists of cash, excess minimum reserve at the central banks, as well as unencumbered central bank eligible assets. These assets can be mobilized in the short term to offset potential cash outflows in a crisis situation.

Further, short-term risk is managed by regulatory and internal (more severe) limits on LCR, NFSR, and local LCR ratios.

Funding Concentrations management - sum of top 10 biggest clients of each monitored group of wholesale funding providers (public, financial, credit institutions and corporates) may not account for more than 500 mil. Eur. Should this amount be exceeded, the minimum liquidity reserve must be increased by the amount of excess.

Based on analysis and measurement, and based on liquidity strategy, medium and long-term (structural) management of liquidity is carried out by BSM while major decisions have to be approved by ALCO. Strategic Risk Management must ensure that the execution is in line with the approved Liquidity Strategy and that the approved limits are being followed. ALCO must be informed on the status of structural liquidity within the regular ALCO liquidity reports.

The Contingency Plan ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis.

Analysis of liquidity risk

All regulatory ratios were well above the defined regulatory limits during the year 2019.

Internal analysis

Counter-balancing capacity – the minimum amount of highly-liquid ECB eligible securities to cover unexpected cash outflow was around 3,9 bn Eur throughout 2019 (well above the 1,5 bn Eur limit).

2019 EUR mil.	< 1 week	1 week - 1 month	1-3 months	3-6 months	6-12 months
Cash, excess reserve	384	-	-	-	-
Liquid assets	3 516	(5)	-	(359)	(11)
Retained covered bonds	-	799	-	-	-
Counterbalancing capacity	**3 900**	**794**	**-**	**(359)**	**(11)**

2018 EUR mil.	< 1 week	1 week - 1 month	1-3 months	3-6 months	6-12 months
Cash, excess reserve	394	-	-	-	-
Liquid assets	3 527	-	-	(142)	-
Counterbalancing capacity	**3 921**	**-**	**-**	**(142)**	**-**

Survival period analysis

During the year 2019 all SPA limits were fulfilled. The most severe scenario (combined crisis) had a value about 12 month during the whole year.

Funding concentrations

During the year 2019 the funding concentrations limits was violated a few times (on average by 42,2 mil. Eur). All of these limit violations were caused by short-dated deposits and all of them were covered by temporary increase of minimum liquidity reserve by the amount of exceeding.

Operational risk

Main objectives of effective system of operational risk management are:

- set up a bank-wide framework for operational risk management and to translate this framework into specific policies, procedures or processes that can be implemented and verified within different business units
- properly identify major drivers of operational risk
- develop model for quantification of risk exposure profile and for calculation of both economic and regulatory capital
- prevent or minimize losses due to operational risk by adaptation of suitable processes, preventive measures or by selecting suitable insurance
- implement and update of insurance program
- define outsourcing and internal control system principles
- prepare ORCO meetings
- continuously improve the operational risk management process (described in subsequent chapters on risk identification, measurement and management)
- provide quality reporting and documentation

Risk identification

Comprehensive risk identification is imperative for each subsequent stages of the operational risk management life cycle. Its primary objective is to provide information needed for correct decision making within operational risk management. Prompt risk identification may lead to quick detection and correction of deficiencies in policies or processes, and may substantially reduce the potential frequency and / or severity of loss events.

Risk identification is generally forward-looking. While it is inevitable to use historical loss data, they are supported by forward-looking approaches in order to obtain better quality assessment. Whenever possible, identification factors are translatable into quantitative measures.

The most significant sources of operational risk in the Bank are:

- theft and fraud (both external and internal)
- legal risks
- human processing error
- data, infrastructure, and system related risks
- cyber crime
- improper practices (including incomplete or ambiguous internal guidelines)
- natural disaster and wilful damage

These sources of risk must be consistently assessed and re-evaluated using a variety of risk identification techniques, described in the following sub-sections. The results of the risk identification are regularly reported to high-level decision bodies (ORCO, Board of Directors).

Internal data

The Bank maintains a central database of operational risk events and losses. This is as comprehensive as possible in that it captures all material activities throughout the Bank. Data collection is conducted via a web-based application EMUS which was upgraded in 2016. This application now provides more user friendly platform to deal with operational risk losses.

Operational risk event is defined as an event due to inadequate or failed processes, human factors or systems, or external events, which lead (or have the potential to lead) to losses, or have other negative impact on the Bank. All organizational units and their employees are obligated to report operational risk events, encountered or potential loss (both direct and indirect) of which is higher than defined threshold, or is not quantifiable yet relevant. Reporting is done via EMUS, where every employee of the Bank has an access right. Information on loss amounts, recoveries, date of event and other relevant descriptive information must be provided.

Every event reported in the EMUS application follows the acceptance procedure by expert departments. Events have two-stage acceptance procedure. Depending on the type of event, first stage is conducted by either IT Security, Physical Security, Fraud Prevention, Card Services, Internal Services or Legal Unit. Second stage is a data consistency check and is performed by Operational Risk Management. Events are categorized according to business lines. Special attention must be paid to events that span more than one business line, or events that arise in centralized function that cannot be directly mapped to a business line. Internal data collection process is covered by Operational Risk Management in an associated guideline. This guideline covers definitions, principles for event and loss classification, minimum loss threshold, event acceptance procedure, required data for each event, etc.

External data

As severe operational risk events are scarce, and may not have been captured in internal data collection, the Bank also includes adequate external event data in its risk identification system. These cover infrequent severe events with relevance to the Bank or financial industry. The Bank systematically incorporate external data into its risk measurement methodology. External data collection is coordinated with the Erste group efforts on this matter and will be locally conducted by Operational Risk Management.

Scenario analysis

Contrary to internal and external data collection, scenario analysis is a forward-looking tool of risk identification. The Bank includes such analysis in order to evaluate its exposure to high-severity events and to derive reasonable estimates of potential severe losses. The results will in turn serve as input factors to the risk measurement process. Scenarios must be periodically reassessed for meaningfulness and should consider breakdown of assumed correlation patterns (i.e. the possibility of two or more severe events happening simultaneously). Scenario analysis is conducted by Compliance and Operational Risk Management departmenst.

Risk mapping and key risk indicators

The objective of this risk identification technique is to map the level of different operational risks across the Bank and to set up a measurable framework known as key risk indicators ('KRI') that tracks the most important drivers of operational risk and that could subsequently be used in risk measurement. Risk mapping is a top-down approach. Compliance and Operational Risk Management, with the help of respective senior or third level manager, will conduct an analysis and grading of operational risks inherent in each unit's activities, in order to come with overall risk map of the Bank. The resulting map will have three dimensions, namely:

- risk category
- business line / product
- functional process level – where applicable, this provides depth for the business line / product dimension (e.g. stages of particular process or lifecycle phases of product)

The outcome of risk mapping will provide the basis for defining KRI, which will in turn be periodically monitored. It will serve as input for risk measurement and operational risk management decision making. Reporting on KRI is the responsibility of business units.

KRI has the following properties:

- it is easy to use, i.e. available for reliable periodical measurement, cost effective to measure, and easy to understand and communicate;
- it is effective, i.e. apply to high risk points, reflect objective measurement rather than subjective judgment, and provide useful management information.

Risk measurement

The Bank measures its operational risk exposure using the loss distribution approach. In this, the probability distribution of both, frequency of loss and amount of loss, is modelled and is recombined (typically using Monte Carlo simulation) into a compound distribution of yearly losses. Out of this distribution, both expected and unexpected losses could be calculated. In accordance with Basel II, the confidence interval for unexpected loss should be at least 99.9 % and the holding period should be one year.

In modelling the distribution, all outcomes of risk identification process is used, i.e. both internal and external data, scenario analysis, risk mapping, and factors reflecting the business environment and internal control systems is used. In calculating the exposure, mitigation techniques (specifically insurance) may be included. This is done via decreasing of the gross loss for individual loss events by probable insurance coverage.

The Bank is able, given both adequate data and sound models are available, to arrive at sufficiently granular profile of the risk exposures, i.e. to calculate the exposures for all major drivers of operational risk (along business lines and risk types). Over time, the model is validated through comparison to actual experience and appropriate corrections are made. Design of the risk measurement model is within the responsibility of Erste Holding (for more details see the group AMA documentation). Modelling inputs are provided by Operational Risk Management.

Managing operational risk

Management of operational risk is primarily the responsibility of each individual business unit in its daily course of operations. In addition, Operational Risk Management has a harmonization role and performs activities of global scope.

In general, operational risk can be managed via any (or a combination) of the following:

- risk mitigation, including insurance
- system of internal controls
- outsourcing
- risk acceptance
- decrease of the extent or disposal of the risky activity

Selection of the approach is by definition the responsibility of senior managers or of the Board of Directors for the activities and risks of global scope. For risks identified as significant, senior managers are required to present the selected risk management tactics to a high-level decision body (ORCO, the Board of Directors) for approval.

The following sub-sections give an overview of the main activities regarding operational risk management within the Bank.

Operational Risk and Compliance Committee is the ultimate decision-making body for operational risk issues. It is defined as a high-level management committee that deals with operational risk strategies and procedures, decides on risk appetite and tolerance levels, and decides on mitigation measures for, or risk acceptance of operational risk, compliance, financial crime, IT security and operations, anti-money laundering, etc.

Operational Risk Management or any other unit may present results of risk identification and risk measurement processes or other operational risk issues to ORCO for a risk acceptance/disapproval decision. It will typically happen in case high risk was identified during risk mapping or larger loss event was recorded or any substantial activity carrying possible high operational risk is planned. In case ORCO does not accept the identified risk, it assigns tasks to senior management to come up with mitigation measures. ORCO consists of selected board members, senior managers and other representatives.

System of internal controls

Each unit manager implements a system of internal controls ('ICS') within his area of competence, with the objective of identification and mitigation of operational risks. Within the system, a set of operative controls is created, in order to systematically check selected product, service, process, etc. Each unit manager is responsible for effectiveness and quality of the system. It is also his responsibility to identify problematic or risky areas that will be covered by operative controls.

Internal control system shall consist of:
- risk assessment – in order to determine what are the most important processes and what controls are needed
- written policies and procedures – all important operations must be covered by operation manuals
- control activities – control procedures itself
- review – in order to assess the appropriateness of controls
- accounting, information, and communication systems – a proper combination of such systems in order to provide detailed, accurate, and timely information

Principles to be followed when implementing ICS include, but are not limited to:
- four-eye principle
- thorough task assignment and monitoring
- substitutability of staff
- required vacation or absence from duties (for relevant units only)
- segregation of duties
- avoidance of conflict of interest

Internal Audit shall regularly conduct an audit of the Bank's ICS in order to determine whether the Bank is following enacted policies and procedures. Operational Risk Management issues associated Internal Control System Policy giving detailed information on the system. However, Operational Risk Management does not assume any coordination role in the implementation and execution of ICS by individual managers.

Insurance

In order to mitigate operational risk, the Bank engages in a comprehensive insurance program. This covers direct or indirect losses due to all major sources of operational risk, i.e. improper use or failure of internal processes, human factor failures, system failures or external factors, and that in both the Bank and its subsidiaries. The primary objective of the insurance program is to safeguard the Bank against catastrophic events. Insurance does not serve for protection against common, expected losses. Responsibility for the insurance program is given to Operational Risk Management. It shall design suitable and cost-effective insurance program with the objective of minimizing losses due to operational risk. Overall insurance program is designed on Erste Holding level. The program is to be documented in an associated guideline which, inter alia, covers procedures in case of insurance incident.

Outsourcing

Outsourcing is defined as long-term delegation of internal operation to external entity that specializes in that operation. In context of operational risk management, the primary focus is on outsourcing of banking operations.

Outsourcing is governed by the following high-level principles:
- outsourcing of any banking operation must be approved by respective decision making body
- the Bank wills to bear risks brought along by this activity and to undertake the responsibility for
- special attention is to be paid to legal and regulatory issues

General outsourcing policy is defined on Erste Holding level. Operational Risk Management is responsible for local implementation of this policy, giving detailed definition of principles and procedures for outsourcing. These are documented in associated internal policy. All outsourced activities must strictly follow this policy.

Each outsourcing must have an outsourcing sponsor and an outsourcing manager (both coming from the Bank) who are responsible for governance, correct functioning, operational risk, and other issues related to the outsourced activity.

Operational risk management related to outsourcing is within the responsibility of respective outsourcing sponsor and outsourcing manager. Operational Risk Management shall periodically conduct overall risk assessment of outsourcing.

Outsourcing shall be periodically checked by Internal audit.

34. Fair values of financial assets and liabilities

The best indication of a fair value of financial instrument is quoted market prices in an active market. Where such prices are available, they are used to measure the fair value (Level 1 of the fair value hierarchy).

In case a quoted market price is used for a valuation, but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators), the instrument is classified as Level 2 of the fair value hierarchy. In case no market prices are available, the fair value is determined by using valuation models, which are based on observable market data. If all the significant inputs in a valuation model are observable, the instrument is classified as Level 2 of the fair value hierarchy. For Level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters.

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor using valuation models that rely entirely on observable market data. In these cases individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently, the instrument is classified as Level 3 of the fair value hierarchy. For Level 3 valuations, typically credit spreads derived from both external sources (similar securities or issuers) and internal sources (risk parameters such as rating, PD or LGD) are used besides observable parameters.

Financial instruments measured at fair value

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

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

Description of the valuation models and inputs

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

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

OTC-derivative financial instruments
Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps, commodity swaps) are valued by standard valuation models. These models include discounting cash flow models, option models of Black-Scholes-type and Hull-White-type. Models are calibrated on quoted market data (including implied volatilities). Valuation model for more complex instruments also use Monte-Carlo-techniques. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used. The Bank values derivatives at mid-market levels.

Credit value adjustments (CVA) for counterparty risk and debt value adjustments (DVA) for the own default credit risk are applied to OTC-derivatives. For CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and the Banks's credit quality. The Bank has implemented an approach, where the modelling of the expected exposure is based on option replication strategies. This modelling approach is considered for the most relevant products and portfolios. The methodology for the remaining entities and products is determined by market value plus add-on considerations. The probability of default of counterparties, which are not traded in an active market, is determined from internal PDs mapped to a basket of liquid titles being present in the central European market. Thereby market based valuation concepts have been incorporated.

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

As at 31 December 2019 the cumulative CVA adjustment amounted 1,8 mil. Eur (2018: 0,9 mil. Eur) and the cumulative DVA adjustment amounted 0,1 mil. Eur (2018: 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).

In case of change in the measurement of financial instrument, its level in fair value hierarchy is also considered to 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	Marked to model based on observable market data	Marked to model based on non-observable inputs	Total	Quoted market prices in active markets	Marked to model based on observable market data	Marked to model based on non-observable inputs	Total
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
	31.12.2018				31.12.2019			
Assets								
Financial assets - held for trading	-	42 941	-	42 941	-	41 423	-	41 423
Derivatives	-	42 941	-	42 941	-	41 423	-	41 423
Non-trading financial assets at fair value through profit or loss	-	-	29 242	29 242	-	-	10 550	10 550
Equity instruments	-	-	5 620	5 620	-	-	7 375	7 375
Debt securities	-	-	23 622	23 622	-	-	3 175	3 175
Financial assets at fair value through other comprehensive income	-	-	56 395	56 395	-	-	89 262	89 262
Equity instruments	-	-	56 395	56 395	-	-	89 262	89 262
Hedge accounting derivatives	-	9 905	-	9 905	-	23 020	-	23 020
Total assets	**-**	**52 846**	**85 637**	**138 483**	**-**	**64 443**	**99 812**	**164 255**
Liabilities								
Financial liabilities - held for trading	-	41 062	-	41 062	-	36 020	-	36 020
Derivatives	-	41 062	-	41 062	-	36 020	-	36 020
Hedge accounting derivatives	-	41 348	-	41 348	-	48 041	-	48 041
Total liabilities	**-**	**82 410**	**-**	**82 410**	**-**	**84 061**	**-**	**84 061**

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

Description of the valuation process within Level 3

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

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

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

Movements in Level 3 of financial Instruments measured at fair value
The development of fair value of the securities for which valuation models are based on non-observable inputs was as follows:

EUR ths.	1.1.2019	Gain/loss in profit or loss	Gain/loss in other compre-hensive income	Purchases	Sales	Settlements	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	31.12.2019
Non-trading financial assets at fair value through profit or loss	29 242	1 987	-	-	(500)	(10 090)	-	-	1	(10 089)	-	10 550
Equity instruments	5 620	1 755	-	-	-	-	-	-	1	-	-	7 375
Debt securities	23 622	232	-	-	(500)	(10 090)	-	-	-	(10 089)	-	3 175
Financial assets at fair value through other comprehensive income	56 395	-	32 758	-	-	-	-	-	-	-	109	89 262
Equity instruments	56 395	-	32 758	-	-	-	-	-	-	-	109	89 262
Total assets	**85 637**	**1 987**	**32 758**	**-**	**(500)**	**(10 090)**	**-**	**-**	**1**	**(10 089)**	**109**	**99 812**

EUR ths.	1.1.2018	Gain/loss in profit or loss	Gain/loss in other compre-hensive income	Purchases	Sales	Settlements	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	31.12.2018
Non-trading financial assets at fair value through profit or loss	18 859	2 373	-	-	(1 999)	(72)	-	-	10 082	(1)	-	29 242
Equity instruments	3 059	2 541	-	-	-	-	-	-	21	(1)	-	5 620
Debt securities	15 800	(168)	-	-	(1 999)	(72)	-	-	10 061	-	-	23 622
Financial assets at fair value through other comprehensive income	-	-	(11 330)	-	-	-	-	-	67 725	-	-	56 395
Equity instruments	-	-	(11 330)	-	-	-	-	-	67 725	-	-	56 395
Total assets	**18 859**	**2 373**	**(11 330)**	**-**	**(1 999)**	**(72)**	**-**	**-**	**77 807**	**(1)**	**-**	**85 637**

Gains or losses on Level 3 financial instruments held at the end of the reporting period, which are included in the income statement were as follows:

EUR ths.	31.12.2018	31.12.2019
Assets		
Non-trading financial assets at fair value through profit or loss	(563)	1 917
Equity instruments	-	1 755
Debt securities	(563)	162
Total assets	**(563)**	**1 917**

The volume of Level 3 financial assets consists solely of a few positions in illiquid securities and can be allocated to the following three categories:
- Market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).
- Illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.
- Non-SPPI compliant loans.

Unobservable inputs and sensitivity analysis for Level 3 measurements

In case the fair value measurement of a financial asset or liabilities is retrieved from inputs parameters which are not observable in the market, those parameters can be derived from similar market observable parameters or set on an expert opinion.

Range of unobservable valuation parameters used in Level 3 measurements

Financial assets 31.12.2019	Type of instrument	Fair value in Eur mil.	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Financial assets at FVTOCI / at FVTPL	Non-trading equity instruments (participations)	3.2	Published NAV adjusted by assessed impairment value	Repayment dates for the worst and for the current scenario	2020-2028
				risk spreads	50-220bp

Investments in real estate funds with fair value of 3,2 mil. Eur are assessed by adjusting of their NAV (the latest NAV published by the Assets Management company) by the impairment value. The assessment of the impairment value is based on the estimated time of redemption and estimated decline in value under negative scenario.

Sensitivity analysis using reasonably possible alternatives per product type

EUR mil.	31.12.2019	
	Fair value changes	
	Positive	Negative
Equity instruments	0.04	-0.03
Income statement	0.04	-0.03
Total	0.04	-0.03
Other comprehensive income	**0.04**	**-0.03**

The following ranges of reasonably possible alternatives of the unobservable inputs were considered in the sensitivity analysis of Equity Instruments (investments in real estate funds):
- Change in estimated risk spread by 30bp.
- Prolongation or shortening of estimated redemption time by two years in the worst scenario.

Fair value of financial instruments disclosed in the notes

The following table shows fair values of the financial instruments disclosed in the notes as at 31 December 2019 and 31 December 2018:

EUR ths.	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets			**31.12.2018**					**31.12.2019**		
Cash and cash balances	416 093	416 093	416 093	-	-	501 441	501 441	501 441	-	-
Financial assets at amortised cost	16 415 865	17 197 544	3 730 527	262 620	13 204 397	17 362 934	17 830 779	2 848 142	1 128 346	13 854 290
Loans and advances to banks	47 796	47 974	-	-	47 974	54	54	-	-	54
Loans and advances to customers	12 817 438	13 141 115	-	-	13 141 115	13 826 416	13 821 101	-	-	13 821 101
of which: Lending for house purchase	7 409 216	7 747 920	-	-	7 747 920	7 968 721	7 966 527	-	-	7 966 527
of which: Credit for consumption	1 657 001	1 842 128	-	-	1 842 128	1 663 998	1 662 093	-	-	1 662 093
of which: Corporate loans and others	3 751 221	3 551 067	-	-	3 551 067	4 193 697	4 192 481	-	-	4 192 481
Debt securities	3 550 631	4 008 455	3 730 527	262 620	15 308	3 536 464	4 009 624	2 848 142	1 128 346	33 135
Finance lease receivables	129 516	130 644	-	-	130 644	213 191	210 555	-	-	210 555
Trade and other receivables	96 012	96 012	-	-	96 012	106 693	106 693	-	-	106 693
Liabilities										
Financial liabilities measured at amortised cost	15 747 148	15 704 873	-	1 744 312	13 960 561	16 797 583	17 050 387	501 678	1 516 307	15 032 402
Deposits from banks	251 300	255 483	-	-	255 483	263 287	260 981	-	-	260 981
Deposits from customers	13 657 372	13 588 877	-	-	13 588 877	14 419 106	14 638 095	-	-	14 638 095
Debt securities in issue	1 803 287	1 825 324	-	1 744 312	81 012	2 070 975	2 107 096	501 678	1 516 307	89 111
Other financial liabilities	35 189	35 189	-	-	35 189	44 215	44 215	-	-	44 215

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 aggregated 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 amortised cost is based on market prices or on observable market parameters, where available. Otherwise it is estimated by taking into consideration the actual interest rate environment and they are transferred to Level 3.

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

The fair value of off-balance sheet liabilities (i.e. financial guarantees and unused loan commitments) is estimated with the help of regulatory credit conversion factors. The difference between the calculated market value and the notional amount of the hypothetical loan equivalents represents the fair value of these contingent liabilities. In case, when the total market value is higher than the notional amount of the hypothetical loan equivalent, the fair value of contingent liability is reported in negative value.

Fair value of non-financial assets

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

Property, equipment and other assets

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

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

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

Investment property

Investment property is measured at fair value on recurring basis.

As at 31 December 2019 the estimated fair value of investment property was in amount of 1,8 mil. Eur (2018: 1,9 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.

35. Current and non-current assets and liabilities

The classification of assets, liabilities and equity to current (due within 1 year) and non-current (due over 1 year) based on their expected maturity is shown in the following table:

EUR ths.	< 1 year	> 1 year	< 1 year	> 1 year
	31.12.2018		31.12.2019	
Assets				
Cash and cash balances	416 093	-	501 441	-
Financial assets held for trading	910	42 031	1 603	39 820
Derivatives	910	42 031	1 603	39 820
Non-trading financial assets at fair value through profit or loss	20 170	9 072	-	10 550
Equity instruments	-	5 620	-	7 375
Debt securities	20 170	3 452	-	3 175
Financial assets at fair value through other comprehensive income	-	56 395	-	89 262
Equity instruments	-	56 395	-	89 262
Financial assets at amortised cost	1 705 664	14 710 201	2 165 306	15 197 628
Debt securities	140 299	3 410 332	373 424	3 163 040
Loans and advances to banks	47 796	-	54	-
Loans and advances to customers	1 517 569	11 299 869	1 791 828	12 034 588
Finance lease receivables	30 505	99 011	55 506	157 685
Hedge accounting derivatives	-	9 905	-	23 020
Property, plant, equipment	-	85 720	-	128 344
Investment properties	-	1 879	-	1 828
Intangible assets	-	39 041	-	23 739
Investments in subsidiaries and associates	-	23 048	-	47 896
Current tax assets	4 639	-	-	-
Deferred tax assets	-	44 696	-	44 146
Trade and other receivables	-	96 012	106 693	-
Other assets	-	18 109	-	33 286
Total	**2 177 981**	**15 235 120**	**2 830 549**	**15 797 204**
Liabilities				
Financial liabilities held for trading	1 435	39 627	1 838	34 182
Derivatives	1 435	39 627	1 838	34 182
Financial liabilities at amortised costs	5 998 786	9 748 362	14 704 386	2 093 197
Deposits from banks	88 090	163 210	77 458	185 829
Deposits from customers	5 604 721	8 052 651	14 362 080	57 026
Debt securities in issue	270 786	1 532 501	220 633	1 850 342
Other financial liabilities	35 189	-	44 215	-
Lease liabilities	-	-	12 503	32 200
Hedge accounting derivatives	-	41 348	-	48 041
Provisions	20 677	-	11 568	5 946
Current tax liabilities	-	-	2 076	-
Other Liabilities	82 994	-	101 190	-
Total	**6 103 892**	**9 829 337**	**14 833 561**	**2 213 566**

The following table details the Bank's non-derivative financial liabilities based on their remaining contractual maturity (calculated as undiscounted cash flows):

31.12.2019 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Financial liabilities measured at amortised costs	13 475 333	399 830	835 216	1 091 892	1 063 286	16 865 557
Deposits from banks	40 071	18 148	19 270	135 257	52 461	265 207
Deposits from customers	13 388 696	373 812	600 357	56 820	69	14 419 754
Debt securities issued	2 351	7 870	215 589	899 815	1 010 756	2 136 381
Other financial liabilities	44 215	-	-	-	-	44 215
Lease liabilities	773	1 954	9 776	30 928	1 272	44 703
Guarantees provided	6 726	36 775	171 299	168 478	16 588	399 866
Guarantees from letter of credit	956	3 085	461	-	-	4 502
Loan commitments and undrawn loans	1 420 923	-	-	-	-	1 420 923
Total	**14 904 711**	**441 644**	**1 016 752**	**1 291 298**	**1 081 146**	**18 735 551**

31.12.2018 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Financial liabilities measured at amortised costs	12 112 349	426 143	1 464 563	967 964	871 193	15 842 212
Deposits from banks	51 273	13 091	23 798	66 619	101 453	256 234
Deposits from customers	12 025 094	343 680	1 234 413	55 295	37	13 658 519
Debt securities issued	793	69 372	206 352	846 050	769 703	1 892 270
Other financial liabilities	35 189	-	-	-	-	35 189
Guarantees provided	368 083	-	-	-	-	368 083
Guarantees from letter of credit	819	1 054	8 295	-	-	10 168
Loan commitments and undrawn loans	1 223 703	-	-	-	-	1 223 703
Total	**13 704 954**	**427 197**	**1 472 858**	**967 964**	**871 193**	**17 444 166**

The following table details the Bank's derivative financial liabilities based on their remaining contractual maturity (calculated as undiscounted cash flows):

31.12.2019 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Derivatives held for tradeing	110 642	13 778	12 616	43 516	51 100	231 652
Hedge accounting derivatives	2 625	3 494	7 508	46 305	21 070	81 002
Total	**113 267**	**17 272**	**20 124**	**89 821**	**72 170**	**312 654**

31.12.2018 EUR ths.	On demand and less then 1M	1 to 3M	3M to 1Y	1 to 5Y	Over 5Y	Total
Derivatives held for tradeing	73 948	10 283	8 913	90 295	765	184 204
Hedge accounting derivatives	2 625	3 467	7 503	49 710	31 198	94 503
Total	**76 573**	**13 750**	**16 416**	**140 005**	**31 963**	**278 707**

36. Own funds and capital requirements

Regulatory scope of application

Hereby Slovenská sporiteľňa, a.s. fulfills the disclosure requirements according to the Capital Requirements Regulation issued by European Parliament and Council (EU) no.575/2013 (CRR) and Articles 437 (1) (a), (d), (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 no. 575/2013 (CRR) and the Capital Requirement Directive no. 36/2013 (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 2019 and 2018 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.

Own funds

Own funds 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	31.12.2018	31.12.2019
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)	898 250	979 119
Interim profit	26 (2)	-	-
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	39 446	65 072
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)	153	116
Value adjustments due to the requirements for prudent valuation	34, 105	(4 554)	(3 105)
Goodwill	4 (1) (113), 36 (1) (b), 37	-	-
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	(39 041)	(23 739)
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	36 (1) (c), 38	(336)	(175)
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-	(20 598)
Development of unaudited risk provisions during the year (EU No 183/2014)		(23 522)	(42 723)
Excess of deduction from AT1 items over AT1	36 (1) (j)	-	-
Common equity tier 1 capital (CET1)	**50**	**1 082 396**	**1 165 968**
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**	**1 232 396**	**1 315 968**

Table continues on the next page.

EUR ths.	Article pursuant to CRR	31.12.2018	31.12.2019
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**1 232 396**	**1 315 968**
Tier 2 capital (T2)			
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	43 485	33 741
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)	36 870	42 996
Standardised approach general credit risk adjustments	62 (c)	-	-
Other transitional adjustments to T2	476, 477, 478, 481	-	-
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	(5 255)	(5 255)
Tier 2 capital (T2)	**71**	**75 100**	**71 482**
Total own funds	**4 (1) (118) and 72**	**1 307 497**	**1 387 450**
Capital requirement	**92 (3), 95, 96, 98**	**586 235**	**662 878**
CET1 capital ratio	**92 (2) (a)**	**14.77%**	**14.07%**
Tier 1 capital ratio	**92 (2) (b)**	**16.82%**	**15.88%**
Total capital ratio	**92 (2) (c)**	**17.84%**	**16.74%**

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

EUR ths.	Article pursuant to CRR	31.12.2018		31.12.2019	
		Total risk	Capital requirement	Total risk	Capital requirement
Total Risk Exposure Amount	**92 (3), 95, 96, 98**	**7 327 936**	**586 235**	**8 285 977**	**662 878**
Risk weighted assets (credit risk)	92 (3) (a) (f)	6 378 693	510 296	7 379 595	590 367
Standardised approach		233 671	18 694	213 659	17 093
IRB approach		6 145 022	491 602	7 165 936	573 274
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)	2 750	220	983	79
Operational Risk	92 (3) (e), 92 (4) (b)	909 105	72 728	879 878	70 390
Exposure for CVA	92 (3) (d)	37 388	2 991	25 521	2 042
Other exposure amounts incl. Basel 1 floor	3, 458, 459, 500	-	-	-	-

Total equity

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

Total equity as at 31 December 2019:

EUR ths. 31.12.2019	Own funds disclosure table - reference	Equity	Regulatory adjustments	Own funds
Subscribed capital		212 000	-	212 000
Capital reserve		118 899	-	118 899
AT1 capital instruments and the related share premium accounts	a	150 000	-	150 000
Retained earnings	b	860 219	-	860 220
Other comprehensive income (OCI)	c	65 072	-	65 072
Cash flow hedge reserve	g	-	-	-
Financial assets at fair value through other comprehensive income		83 498	-	83 498
unrealized gains according to Art. 35 CRR	h	83 498	-	83 498
unrealized losses according to Art. 35 CRR		-	-	-
other		-	-	-
Currency translation		-	-	-
Remeasurement of net liability of defined pension plans		(1 128)	-	(1 128)
Deferred tax		(17 298)	-	(17 298)
Profit or loss attributable to equity holders of the parent		174 436	(174 436)	-
Other		-	-	-
Equity attributable to the owners of the parent		1 580 626	(174 436)	1 406 191
Equity attributable to non-controlling interests	d	-	-	-
Total equity		**1 580 626**	**(174 436)**	**1 406 191**

Total equity as at 31 December 2018:

EUR ths. 31.12.2018	Own funds disclosure table - reference	Equity	Regulatory adjustments	Own funds
Subscribed capital		212 000	-	212 000
Capital reserve		118 899	-	118 899
AT1 capital instruments and the related share premium accounts	a	150 000	-	150 000
Retained earnings	b	779 351	-	779 351
Other comprehensive income (OCI)	c	39 446	-	39 446
Cash flow hedge reserve	g	-	-	-
Financial assets at fair value through other comprehensive income		50 740	-	50 740
unrealized gains according to Art. 35 CRR	h	50 740	-	50 740
unrealized losses according to Art. 35 CRR		-	-	-
other		-	-	-
Currency translation		-	-	-
Remeasurement of net liability of defined pension plans		(808)	-	(808)
Deferred tax		(10 486)	-	(10 486)
Profit or loss attributable to equity holders of the parent		180 176	(180 176)	-
Other		-	-	-
Equity attributable to the owners of the parent		1 479 872	(180 176)	1 299 696
Equity attributable to non-controlling interests	d	-	-	-
Total equity		**1 479 872**	**(180 176)**	**1 299 696**

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

Intangible assets

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

EUR ths. 31.12.2019	Own funds disclosure table - reference	Balance sheet	Regulatory adjustments	Own funds
Intangible assets	e	23 739	-	23 739
deductible from CET1 acc. to transitional provisions	-	-	-	-
deductible from AT1 acc. to transitional provisions	-	-	-	-
Intangible assets	**e**	**23 739**	**-**	**23 739**

EUR ths. 31.12.2018	Own funds disclosure table - reference	Balance sheet	Regulatory adjustments	Own funds
Intangible assets	e	39 041	-	39 041
deductible from CET1 acc. to transitional provisions	-	-	-	-
deductible from AT1 acc. to transitional provisions	-	-	-	-
Intangible assets	**e**	**39 041**	**-**	**39 041**

Deferred taxes

The following tables show deferred taxes:

EUR ths. 31.12.2019	Own funds disclosure table - reference	Balance sheet	Regulatory adjustments	Own funds
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities		175	-	175
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		43 972	-	43 972
Deferred tax assets		**44 146**	**-**	**44 146**

EUR ths. 31.12.2018	Own funds disclosure table - reference	Balance sheet	Regulatory adjustments	Own funds
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities		336	-	336
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		44 359	-	44 359
Deferred tax assets		**44 696**	**-**	**44 696**

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 2019. In accordance with Article 48 (4) CRR the non-deductible amount is risk weighted with 250 % and considered within the credit risk.

Subordinated liabilities

The following tables show subordinated liabilities:

EUR ths. 31.12.2019	Own funds disclosure table - reference	Balance sheet	Regulatory adjustments	Own funds
Subordinated issues and deposits and supplementary capital		75 366	(41 625)	33 741
Tier 2 capital instruments (including related share premium) issued by the parent company	k	75 366	(41 625)	33 741
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		**75 366**	**(41 625)**	**33 741**

EUR ths. 31.12.2018	Own funds disclosure table - reference	Balance sheet	Regulatory adjustments	Own funds
Subordinated issues and deposits and supplementary capital		72 792	(29 307)	43 485
Tier 2 capital instruments (including related share premium) issued by the parent company	k	72 792	(29 307)	43 485
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		**72 792**	**(29 307)**	**43 485**

Own funds development

The following table shows own funds development for the reporting period:

EUR ths.	31.12.2018	31.12.2019
CET1 at the beginning of the period	1 102 809	1 082 396
Changes in retained earnings	12 236	80 868
Changes in accumulated other comprehensive income	(54 808)	25 626
Changes in minority interest	-	-
Changes in prudential filters	(1 248)	1 413
Changes in regulatory deductions	16 856	(5 134)
IRB shortfall of credit risk adjustments to expected losses	-	(20 598)
other intangibles	16 415	15 303
Other	6 551	(19 201)
CET1 at the end of the period	1 082 396	1 165 968
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	70 266	75 100
Net increase / (decrease) in T2	5 609	(9 743)
Changes in regulatory deduction	(5 255)	-
IRB Excess and SA credit risk adjustments	4 481	6 125
T2 at the end of the period	75 101	71 482
Total own funds	**1 307 497**	**1 387 450**

Transitional provisions

The transitional Provisions are not applied by the Bank.

Own funds statement

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 European Bank Authority (EBA). 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	31.12.2018	31.12.2019
Common equity tier 1 (CET1) capital: instruments and reserves			
Common equity tier 1 (CET1) capital: instruments and reserves	a	212 000	212 000
thereof ordinary shares	a	212 000	212 000
Retained earnings	b	898 250	979 119
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)		39 446	65 072
Fund for general banking risk	c	-	-
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		-	-
Minority interests (amount allowed in consolidated CET1)	d	-	-
Independently reviewed interim profits net of any foreseeable charge or dividend		-	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments		**1 149 696**	**1 256 191**

Table continues on the following page.

EUR ths.	Reference to reconciliaton tables	31.12.2018	31.12.2019
Common Equity Tier 1 (CET1) capital before regulatory adjustments			
Additional value adjustments (negative amount)		(4 554)	(3 105)
Intangible assets (net of related tax liability) (negative amount)	e	(39 041)	(23 739)
Empty Set in the EU		-	-
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	(336)	(175)
Fair value reserves related to gains or losses on cash flow hedges	g	-	-
Negative amounts resulting from the calculation of expected loss amounts		-	(20 598)
Any increase in equity that results from securitised assets (negative amount)		-	-
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		153	116
Defined-benefit pension fund assets (negative amount)		-	-
Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		-	-
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)		-	-
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)		-	-
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)		-	-
Empty Set in the EU		-	-
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		-	-
of which: qualifying holdings outside the financial sector (negative amount)		-	-
of which: securitisation positions (negative amount)		-	-
of which: free deliveries (negative amount)		-	-
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)		-	-
Amount exceeding the 15% threshold (negative amount)		-	-
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		-	-
Empty Set in the EU		-	-
of which: deferred tax assets arising from temporary differences		-	-
Losses for the current financial year (negative amount)		-	-
Foreseeable tax charges relating to CET1 items (negative amount)		-	-
Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment		-	-
Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468		-	-
unrealised loss		-	-
unrealised gain	h	-	-
Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		-	-
Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		-	-
CET1 other deductions		(23 522)	(42 723)
Total regulatory adjustments to Common equity Tier 1 (CET1)		**(67 300)**	**(90 223)**
Common Equity Tier 1 (CET1) capital		**1 082 396**	**1 165 968**

Table continues on the following page.

EUR ths.	Reference to reconciliaton tables	31.12.2018	31.12.2019
Additional Tier 1 (AT1) capital: instruments			
Capital instruments and the related share premium accounts		150 000	150 000
of which: classified as equity under applicable accounting standards		150 000	150 000
of which: classified as liabilities under applicable accounting standards		-	-
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		-	-
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		-	-
of which: instruments issued by subsidiaries subject to phase out		-	-
Additional Tier 1 (AT1) capital before regulatory adjustments		**150 000**	**150 000**
Additional Tier 1 (AT1) capital: regulatory adjustments			
Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)		-	-
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)		-	-
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)		-	-
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)		-	-
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)		-	-
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		-	-
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		-	-
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: …		-	-
Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		-	-
Total regulatory adjustments to Additional Tier 1 (AT1) capital		**-**	**-**
Additional Tier 1 (AT1) capital		**150 000**	**150 000**
Tier 1 capital (T1 = CET1 + AT1)		**1 232 396**	**1 315 968**

Table continues on the following page.

EUR ths.	Reference to reconciliaton tables	31.12.2018	31.12.2019
Tier 2 (T2) capital: Instruments and provisions			
Capital instruments and the related share premium accounts	k	43 485	33 741
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		-	-
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	-	-
of which: instruments issued by subsidiaries subject to phase out	m	-	-
Credit risk adjustments		36 870	42 996
Tier 2 (T2) capital before regulatory adjustments		**80 355**	**76 737**
Tier 2 (T2) capital: regulatory adjustments			
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		-	-
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)		-	-
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)		-	-
Of which new holdings not subject to transitional arrangements		-	-
OF which holdings existing before 1 January 2013 and subject to transitional arrangements		-	-
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)	(5 255)
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)		-	-
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		-	-
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		-	-
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: …		-	-
Total regulatory adjustments to Tier 2 (T2) capital		**(5 255)**	**(5 255)**
Tier 2 (T2) capital		**75 100**	**71 482**
Total capital (TC = T1 + T2)		**1 307 497**	**1 387 450**

Table continues on the following page.

EUR ths.	Reference to reconciliaton tables	31.12.2018	31.12.2019
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.)		-	-
Total risk-weighted assets		**7 327 936**	**8 285 977**
Capital ratios and buffers			
Common Equity Tier 1 (as a percentage of risk exposure amount)		14.77%	14.07%
Tier 1 (as a percentage of total risk exposure amount)		16.82%	15.88%
Total capital (as a percentage of total risk exposure amount)		17.84%	16.74%
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)		344 313	408 178
of which: capital conservation buffer requirement		183 198	207 149
of which: countercyclical buffer requirement		87 836	118 169
of which: systemic risk buffer requirement		73 279	82 860
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		73 279	82 860
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)		10.27%	9.57%
[non-relevant in EU regulation]		-	-
[non-relevant in EU regulation]		-	-
[non-relevant in EU regulation]		-	-
Capital ratios and buffers			
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)		5 620	7 375
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)		23 044	47 892
Empty Set in the EU		-	-
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)		44 359	43 972

Table continues on the following page.

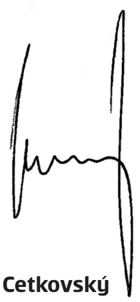
EUR ths.	Reference to reconciliaton tables	31.12.2018	31.12.2019
Applicable caps on the inclusion of provisions in Tier 2			
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		-	-
Cap on inclusion of credit risk adjustments in T2 under standardised approach		-	-
Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		91 871	45 940
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		36 870	42 996
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
Current cap on CET1 instruments subject to phase-out arrangements		-	-
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		-	-
Current cap on AT1 instruments subject to phase out arrangements		-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		-	-
Current cap on T2 instruments subject to phase out arrangements		-	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		-	-

37. Events after the reporting period

Since 31 December 2019 up to the date of issue of these separate financial statements there were no other events identified that would require adjustments or disclosure.

These separate financial statements were signed and authorised for issue by the Board of Directors of the Bank on 11 February 2020.

Ing. Peter Krutil
Chairman of the Board of Directors
and Chief Executive Officer



Ing. Pavel Cetkovský
Member of the Board of Directors
and Deputy of Chief Executive Officer

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