Tatra banka

Annual Report 2013

Slovakia

Member of Raiffeisen Bank International

TATRA BANKA

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Tatra banka Group (in EUR thousands)	2013	2012	Change
Consolidated Statement of Comprehensive Income			
Net interest income	295 889	278 196	6.4%
Provisions for impairment losses	(33 991)	(45 147)	(24.7)%
Net fees and commission income	114 824	110 207	4.2%
Net profit (loss) from trading instruments	17 735	21 778	(18.6)%
General administrative expenses	(245 482)	(220 392)	11.4%
Profit before income taxes	128 021	131 416	(2.6)%
Comprehensive consolidated profit after tax	97 170	103 536	(6.1)%
Earnings per ordinary share (nominal value per share: 800 EUR)	1 225	1 297	(5.6)%
Earnings per ordinary share (nominal value per share: 4 000 EUR)	6 125	6 485	(5.6)%
Consolidated Statement of Financial Position			
Loans and advances to banks	151 684	118 469	28.0%
Loans and advances to customers, gross	6 577 648	6 388 106	3.0%
Deposits from banks	356 593	118 001	202.2%
Deposits from customers	7 007 983	6 864 783	2.1%
Equity (including consolidated profit)	1 012 943	1 062 296	(4.6)%
Balance sheet total	9 468 560	9 073 027	4.4%
Performance			
Return on equity (ROE) before tax	12.9%	13.1%	(1.3)%
Cost/income ratio[2)]	55.83%	52.41%	6.5%
Return on assets (ROA) before tax	1.4%	1.4%	0.0%
Tier 1 ratio, total	15.44%	15.23%	1.4%
Own funds ratio	16.60%	15.23%	9.0%
Resources			
Number of staff on balance sheet date	3 455	3 418	1.1%
Branches on balance sheet date [1)]	160	158	1.3%

Ratings	Long-term	Outlook	Short-term	Bank Financial Strength
Moody´s Investors Service	A3	negative	Prime-2	C-

1) Inclusive of Corporate centres, Centrum bývania^{TB} branches, the Investment centre^{TB} and Raiffesen bank branches

2) Excluded special levy of selected financial institutions

Statement by the Chairman of the Board of Directors

Dear Shareholders, Business Partners and Clients,

2013 was another successful year for us and the fifth year since the beginning of the financial crisis in 2008. While, at the time the predicted, symbolic seven years of crisis that would transpire before an economic recovery seemed like a very long period, it appears today that this prediction was quite realistic.

The turning point on the financial markets occurred in July 2012, when ECB President Mario Draghi stated that the central bank was ready to take all actions necessary to save the euro, a policy that still applies today. The stability of the financial markets was gradually reflected in positive development of advance indicators measuring the sentiment of businesses and consumers. The majority of euro area economies broke out of recession in the second quarter of 2013. Economic data on the real economy over recent months confirm a continuing recovery.

The banking sector is a part of the euro area‘s economy where the recovery has not yet been felt. The level of corporate and personal loans is stagnant despite the historically lowest level of interest rates, at almost zero per cent. The weakly performing banking sector is one of the greatest obstacles to continuing economic growth.

2014 could be a turning point for banks. The first important step in building the European banking union will be the transfer of supervision to the ECB. The actual assumption of all competencies will be preceded by an examination of the quality of banking assets during the coming months.

The direct examination of 128 major banks within the European Union by the ECB will also involve the three largest Slovak banks, including Tatra banka. The capital adequacy ratio of the largest Slovak banks significantly exceeds the current capital requirements. The proportion of non-performing loans is among the lowest in the euro area and loans are still fully funded from primary resources. Thus, the outcome of the ECB inspection should bring good news that will increase trust in the domestic banking sector.

In order to be able to meet the ECB requirements by the set deadlines, our preparations started several months ago. In 2014, we will invest an enormous amount of effort, time and expense to prepare comprehensive databases and internal reporting systems. We believe that its positive effect on our day-to-day operation may include potential elimination of the current differences and competitive disadvantages among banks in the euro area. In theory, the new ECB regulations are designed to guarantee uniform oversight criteria for all banks in the euro area. This will, however, depend on how different banking supervisors cooperate with one another. Currently, banks are concerned that they will report to three authorities – the ECB, the National Bank of Slovakia and the EBA. The Slovak banking sector has emerged from the turbulent period of crisis in a relatively sound condition, which is a good sign not only for the banks but also for the current regime of banking supervision. This is one of the reasons why we expect a smooth transition to the new supervisory rules, maintaining a reasonable level of continuity even though we must get ready for changes.

Compared to the banking sector in Western Europe, the Slovak banking sector has developed more positively. Personal loans here are growing at the fastest rate in the euro area. Mortgage loans, as the main growth driver, are being offered at historically low interest rates.

In terms of loans, 2013 was a successful year for Tatra banka, with loans to customers growing 3.0 per cent to a total of € 6.58 billion. The increase in loans to customers was mainly attributed to housing loans and any purpose consumer loans, while loans to the corporate segment decreased slightly. The share of non-performing loans in the total portfolio decreased from 5.2 per cent to 5.0 per cent. This shows that the quality of Tatra banka’s loan portfolio is better than that of the entire Slovak banking sector.

Deposits from customers increased to € 7 billion. The main contributor to this growth were current accounts, while term deposits recorded a slight decrease. The consolidated ratio of loans to deposits was 93.9 per cent at year-end, which gives the Group sufficient space for expansion of its credit portfolio. The consolidated capital adequacy ratio was 16.6 per cent as of 31 December 2013, increasing by 137 basis points year-on-year, substantially more than the value requested by the National Bank of Slovakia.

In 2014, we expect faster growth in real wages due to slower growth in consumer prices. Higher real wages combined with a moderate employment growth will thus enable further growth in personal deposits despite low interest rates. No increase in the ECB rates is expected in 2014. In the event of a positive growth scenario for the European economy, however, a slight increase in market and client interest rates may be expected towards the end of 2014.

In the future, the convergence of macroeconomic variables may also result in converging mortgage rates and vice versa. Nevertheless, at present the comparison seems to indicate differences. In the majority of the euro area countries, including those most developed, banks required substantial financial assistance from governments. In Slovakia, the situation has been the opposite. No other sector contributed to the consolidation of Slovakia's public finance as much as the banking sector. But indisputably, having the highest banking tax within the euro area has been the price for this. So while currently the cost of ECB funds stands at 0.25 per cent, Slovak banks must add an additional 0.4 per cent banking tax. Since the beginning of 2014, a renewed contribution to the Deposit Protection Fund of 0.2 per cent has been added, meaning that the additional charge on the funds of Slovak banks amounts to a 2.4 multiple of the ECB base rate.

For Tatra banka, a special government levy on selected financial institutions totaled € 31.8 million in 2013, an increase of 12.4 per cent (€ 3.5 million) from 2012.

In 2013, the consolidated after-tax profit of Tatra banka Group decreased by 6.1 per cent year-on-year or € 6.4 million, to € 97.2 million. The decrease in profit was affected by the optimization of the organizational structure, with the value of goodwill in subsidiaries reduced by € 29.5 million. This was also the reason for an increase of the cost-income ratio from 52.4 per cent to 55.8 per cent.

In addition, the bank's funds in 2013 were allocated to the SEPA project, the final phase of which was successfully completed in February 2014. I consider the smooth transition to the SEPA payment standards as one of the key milestones of the recent period. As Slovakia's largest corporate bank, we organized a number of seminars for our corporate clients in Bratislava and other Slovak regions in 2013. We have upgraded our internet banking in order to make payment orders and direct debits as convenient as possible for our clients.

Despite allocating numerous capacities to the SEPA project we did not forget about our promise to our clients – to be the first to bring new finance management solutions to the Slovak banking market. At the beginning of 2013, we extended contactless mobile payments to Android telephones, and gradually, thanks to our cooperation with O2 and Orange mobile operators, we made this innovative payment method available to more clients. This was one of the reasons why VISA Europe chose Slovakia as its "hero market" and to where the card company invited foreign media representatives to see a demonstration of the use of contactless mobile payments via Tatra banka.

Mobile banking services were extended with Tatra banka VIAMO, a service offered by only two banks in Slovakia. Thanks to this simple service, clients can send smaller payments via the beneficiary's phone number.

Simplification of services was the reason for introducing online consultation for clients arranging a mortgage loan and for introduction of voice verification when calling the DIALOG contact center. By launching voice biometrics, Tatra banka became one of the few banks in the world using this method of client verification. Thanks to this tool, our DIALOG contact center was successfully transformed to DIALOG Live with further extension of its offered services.

In internet banking, which remains a strong competitive advantage of Tatra banka, we launched the Spending Report service. Clients' financial details have been transformed into colorful interactive graphs and Tatra banka was the first bank to allow its clients to simply track income and expenditures via internet banking.

This feature was one of the reasons why, for the eleventh time, Tatra banka won the prestigious award – Best Internet Bank in Slovakia – presented by Global Finance international magazine, and for the first time ever the Best Internet Bank in Central and Eastern Europe as well. In the categories of mobile banking and website design, we were awarded the title "best worldwide".

In addition to intensive work to improve the features of our products and to extend their range, we took important measures to increase market share, loyalty and active use of our services, particularly in the segments of private clients, premium clients and the developing student segment. Our efforts resulted in higher client satisfaction as regularly measured by the TRI*M index.

After its launch into the Slovak market in 2012, a high client satisfaction index was also recorded by Raiffeisen Bank in 2013. The bank operates as a franchise, which is a very unique model in the banking sector. Thanks to its association with Tatra banka, Raiffeisen Bank is able to ensure maximum cost efficiency in its operations. In the past year, the bank expanded its portfolio of services in order to meet specific needs of its clients. In 2014, the bank plans to further expand its branch network.

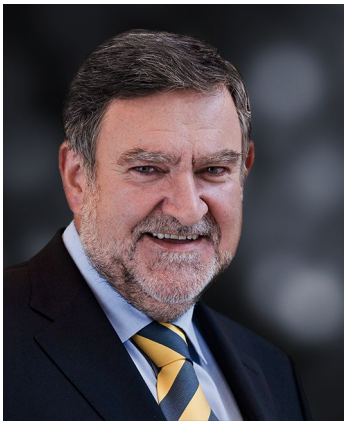
In conclusion, I would like to devote a few lines to the Tatra banka Foundation, which primarily supported projects in the fields of art and education in 2013. In addition to our five established grant programs, we introduced two brand-new programs. At the Foundation's invitation, we welcomed Eric Maskin, Nobel Prize winner for economics, and Abigail Goldman, Pulitzer Prize winner, to speak in Slovakia. For the 18th time, the Tatra banka Foundation Art Award honored Slovak artists. Along with other initiatives, the foundation supported 350 projects with nearly € 630,000 in 2013.

As described, Tatra banka enjoyed another dynamic year in which the bank not only achieved excellent operating results but also was the first bank in Slovakia to introduce many innovative products for its clients.

I would like to thank our clients for their trust in our services. Their enthusiasm for innovation increases our confidence that the course we have chosen is the right one. I would also like to thank our shareholders for their support in these challenging times. And my gratitude also goes to my colleagues and fellow employees of Tatra banka for their bold ideas, which we jointly transfer into innovative products, and for their everyday work through which they contribute to our common goal – to shift the boundaries of the banking business. I believe that our efforts will also translate into positive results in 2014.

Igor Vida
Chairman of the Management Board and CEO

Report of the Supervisory Board



Ladies and Gentlemen,

After years of extremely low or even negative growth, 2013 finally showed the first signs of an economic recovery in the Eurozone and Central and Eastern Europe alike. We also saw an increasing shift of economic growth to Central Europe with Poland, Czech Republic and Slovakia taking on a leading role in the region. In addition, political decisions about the future of the European Banking Union were finally made and provided more clarity for the European banking sector. However, the business environment for banks remained difficult. Especially the short-term raising of equity capital requirements and various complex regulatory requirements, as well as banking levies, have been and continue to be an additional burden on banks leading to restricted lending.

In autumn 2013 RBI Group launched the program “Fit for Future 2016” with the goal to lower costs to the level of 2012 by the year 2016. This means that over the next three years we will more than offset inflation and save around € 450 million in total. We were also very satisfied with the € 2.78 billion result of the recent capital increase. The higher free float makes our shares even more attractive for both private and institutional investors. The proceeds will be used to achieve our goal, for the coming 12 to 18 months, of achieving a fully-phased in Basel III CET 1 ratio of 10.0 per cent by the end of the transition period. Both actions were taken in order to support our successful business model across the region and guarantee a sustainable development of the Group in this still challenging environment. Hence, the RBI Group is proud of posting a profit before tax of € 835 million.

As far as Tatra banka is concerned, its significance on the Slovak market is evidenced by the fact that it has been selected, as one of three Slovak banks, to be subject to the direct supervision of the ECB. Given the long-term approach that allows business growth, conservative liquidity and capital management to remain in balance, Tatra banka is deemed to be in good shape. The bank’s tier 1 capital ratio is above the limit requested by the ECB, as well as the limit recommended by the National Bank of Slovakia. Likewise, the development of non-performing loans, both in corporate and retail business, remained stable at a level below the market average.

In 2013, Tatra banka continued the introduction of innovative products to the Slovak banking market and strengthened its reputation as the innovation leader amongst its peers. Client’s satisfaction and loyality prove that an innovative market approach has had a positive impact on the interest in, and on the continuing use of, banking services. It is important that, in addition to focusing on new products, Tatra banka pays constant attention to increasing the quality of service provided to its premium, private and corporate clients. The active use of the Lean management approach is, without a doubt, a key element of the bank’s success.

I am very pleased about the progress of the Slovak Raiffeisen bank, which has been operating on the Slovak market for over a year under a unique and innovative franchise model. The planned expansion of the branch network in 2014 should contribute to strengthening its market share.

Let me take this opportunity to thank all employees of Tatra banka for their hard work in this continuously challenging environment, as well as for their constant efforts to serve our customers and bring benefits to the entire Raiffeisen Group.

On behalf of the Supervisory Board,

Herbert Stepic
Chairman of the Supervisory Board

2013 – A successful year

In terms of the fundamental financial results, 2013 can be deemed as successful and Tatra banka easily fulfilled all capital adequacy requirements, liquidity limits for prudent management of risks defined by the National Bank of Slovakia (NBS) and the auditor's requirements for an unqualified opinion on the bank's operating results.

This continuing excellent financial, liquidity and risk performance by Tatra banka was the basis for retaining the long-term A3 deposit rating by Moody's Investors Service, which is on par with the best Slovak banks.

Tatra banka successfully took on the key challenge defined in the previous annual report: at a time of steady, low interest rates the bank increased its net interest income, achieving an almost 5 per cent increase in net interest margin, to 3.29 per cent compared to 2012.

An appropriate and flexible definition of internal liquidity and interest expense aided in changing the structure of clients' deposits in favor of current accounts. At the same time, the bank increased its diversification and flexibility of liabilities in order to maintain an optimum level of liabilities in terms of the bank's tax expense and the fulfillment of NBS liquidity limits.

In 2014, we will implement a new measurement system for total liquidity costs, which should significantly contribute to maintaining a positive temporal and cost structure of liabilities while also ensuring higher competitiveness on the retail and corporate loan markets. Our priority for 2014 will involve coping with difficult changes to required reports and their extension in relation to the assumption of banking supervision by the European Central Bank over Slovak banks and also the preparation to fulfill all requirements under IFRS 9.

Miroslav Uličný
Vice-Chairman of the Management Board and Deputy CEO
Head Office III

Keeping the risk under control

As expected 2013 was a challenging year characterized by only limited GDP growth, rising unemployment and low investment activity. Despite that challenging environment we were again able to deliver good results - we were able to keep the risk costs under control, only slightly increase our Non performing loan ratio and achieve outstanding recovery results. Also in 2013 we continued with our conservative risk approach that enables sustainable good results.

In 2013 we further strengthend the Risk Infrastructure, we continued upgrading and centralizing the Collateral Management functionality focusing on Corporate Business, worked on enhancing our fraud detection capabilities and as a result of our ongoing Lean and process streamlining activities we established the Credit Corporate Excellence Center. On the methodological side we got approval from National Bank of Slovakia to implement a new Corporate and a new SMB Rating model as well as to change to LGD (Loss Given Default) account level model in Retail – all these changes we implemented by the end of 2013.

For 2014 we expect higher GDP growth than in 2013 and first time for years also domestic demand should increase a bit. Tatra banka as one of the three largest banks in the country will come under direct supervision of ECB. In preperation for that an Asset Quality Review as well as Stress test will be conducted by the regulator – clearly one of our main priorities for 2014. We will continue with implementation of the Lean Culture, will finetune our Risk Management setup in order to increase effficiency and reduce duplicity and will upgrade the Collateral Management functionality on the Retail side.

Bernhard Henhappel
Member of the Management Board, Head Office VI

Companies kept investing with caution

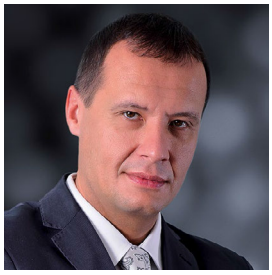
In 2013, companies again very carefully considered their investment plans, which resulted in lower demand for funding. Overall, the amount of loans granted to businesses in Slovakia recorded another year-on-year decrease, nevertheless the amount of newly-granted or increased loans reached € 1.670 million.

In terms of the development of risk loans, there were no major changes in the situation compared to the year before, with their percentage remaining at a comparable level. A new, previously unseen phenomenon was credit frauds, particularly in agri-financing.

The bank launched a number of activities in order to maintain and increase its dominant market position. One of the primary activities included acquisition efforts aimed to win new clients and cross-sell products, as well as attract clients between segments. The bank thoroughly and regularly measures and evaluates client satisfaction with clearly-set targets for the upcoming period. The bank invests much effort in staff training and providing them with cross-functional experience. The bank also intensively continued in the previously started optimization process, the focus of which was specifically trade authorization.

Marcel Kaščák
Member of the Management Board, Head Office VII

It is both a pleasure and honor for me to evaluate a particularly exceptional year



When evaluating the past year, I am pleased to say that in terms of retail business, 2013 was an extremely successful year for Tatra banka. Our internal objectives and various priorities had never been more ambitious. Nevertheless, we managed to achieve them with excellent results. From all points of view it is clear that the chosen course is the right one – it is successful and meaningful.

The energy we invested in pushing the banking boundaries has been noted by the whole world. In November in New York we were presented with the award for the best mobile application and web design worldwide, and the best internet banking in Central and Eastern Europe. Our significance in innovations far exceeds our country's borders. We are the most progressive country in Europe in terms of contactless payments; we were the first EU bank with functionality in mobile phone payments and we remain an absolute leader in the area of mobile payments. VISA has sent all of its member banks a video on the technological progress of Slovakia, namely that of Tatra banka. We are one of a few world banks to use voice biometrics at our call center. We have become a high-profile bank to an extent that we did not even dream of years ago.

All innovations were evaluated, among others, by professionals in technology development and its actual use in banking. This recognition would not have its high added value if our effort was not appreciated by our clients. We took a huge stride in the actual delivery of innovations to our clients. Our colleagues at branches actively communicated and assisted in many installations of mobile applications on clients' devices and showed clients how to manage their daily banking in a fast and convenient way. Our colleagues at the call center, in cooperation with clients, recorded many voice samples making it easier and faster to identify calling clients. There was also massive growth in the use of payments by phone, named Tatra banka VIAMO. Continuously throughout the year, we thus managed to introduce the comfort and simplicity of their daily banking management to a large group of clients, presenting them with specific, tangible benefits from the introduced innovations. The establishment and maintenance of good client relations is the fundamental basis for clients' loyalty and satisfaction. In the measurement of client satisfaction and loyalty, Tatra banka saw a significant positive shift in the measured indicators. This probably gives us the greatest satisfaction.

Michal Liday
Member of the Management Board, Head Office IV

Constant Improvement is Our Objective

Constant improvement was the key topic for 2013 at Head Office VIII. The creation of new ideas, small proposals for innovations and ideas to simplify work in order to increase efficiency and time devoted to activities that bring added value to clients have all been part of the management culture at each division under Head Office VIII.

This year, we have managed to implement the Lean project at the processing centers, which allowed us to tackle another pillar in the Operations strategy and pay attention to revenues. In the summer of 2013, we launched the change project "I Think Like a Businessman". That project's aim in 2013 was for each staff member at Head Office VIII to contribute to client satisfaction by focusing on fast and superior delivery of the services important to clients. 2013 was the initial year of this project and its further results will show in the coming years. This project completes our implementation of the Operations strategy based on three pillars: Costs – addressed by the Lean project; Control - addressed by implementing process management at all processing units; and Revenues - addressed by the aforementioned change project.

In 2013, close attention and many resources were devoted to a successful completion of the SEPA project. In November 2013, we launched SCT SEPA payments without any adverse effect on clients, such as failed systems, and prepared applications for SEPA direct debit testing, which will be launched into the market jointly with the entire Slovak banking sector on 1 February 2014.

Operating expenses and investments were the focus of our attention throughout the year, which was reflected in maintaining a stable level of operating expenses. This success was achieved with the contribution of the Cost Management Department, Central Procurement Division, and to a large extent, by the Project Office as well.

The Security Division and Facility Management and Services Division continued in their course of last year, supporting strategic bank objectives in the area of building the Raiffeisen Bank branch network.

Natália Major
Member of the Management Board, Head Office VIII

Our Priority is More Efficient IT Cost Management

In the past year, we focused on completion of the implementation of mechanisms for more efficient IT cost management, in cooperation with our internal clients. This is also one of our priorities for the coming year, which will ensure not only IT cost optimization but also better cooperation between the internal IT and business units.

Our other priorities include consistent implementation of IT service management processes so as to optimize the quality/cost ratio, proactive innovation support so that Tatra banka can reinforce its position as the innovation leader in the Slovak market, and not least, continuous development of our IT organizational culture focusing on leadership at all management levels.

In 2013, we also developed and approved long-term strategies, e.g. concerning core banking systems and development of data centers.

For our IT unit, the past year was also marked by preparations for the international payments system standards, SEPA, which were successfully implemented on February 1, 2014.

Vladimír Matouš
Member of the Management Board, Head Office V

Mission, Vision, Values

Mission of Tatra banka

We're shifting the boundaries of the banking business.

- We bring exceptional personal and financial comfort to clients that care who manages their money and how
- Each one of us creates an inspiring environment, where we like to work, realise our own personal objectives, and try to be better
- We have long been achieving above-average advancement of the firm's values

Vision of Tatra banka

We are perceived as the strongest and most attractive bank, with services that are noticeably of the highest quality.

Tatra banka is a prestigious employer, the best place to work, and a place we enjoy being.

Values of Tatra banka

Demanding Approach

We do things the best we possibly can, not satisfied with the average.

Fair Play

We act fairly and respectfully to everyone, and we insist on transparency in everything we do.

Enthusiasm

We try to encourage people, and to exceed their expectations.

Creativity

We bring new solutions, and support bold and innovative thinking.

Responsibility

We care about the success of our clients, employees, and the society we live in. We feel responsible for everything we do.

Team work

We realise the power of the team of which we are part. We willingly cooperate and respect each other.

Tatra banka - Strong Member of a Strong Group

Tatra banka is a subsidiary of Raiffeisen Bank International AG (RBI), which regards Central and Eastern Europe (including Austria), as its home market. For more than 25 years, RBI has been operating in the Central and Eastern Europe (CEE) region, where today it maintains a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers in 15 markets. As a universal bank, RBI ranks among the leading banks in the region. The powerful role played by the bank is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. Over time, RBI has positioned itself as a fully integrated corporate and retail banking group in CEE. The bank not only has good access to retail and corporate customers, but also boasts a comprehensive product offering. At the end of 2013 around 55,000 staff served approximately 14.6 million customers in around 3,000 business outlets in CEE.

In Austria, RBI is one of the top corporate and investment banks. It primarily serves Austrian customers, but also international as well as major multinational clients operating in CEE. Moreover, RBI is represented in the world's financial centres and operates branches and representative offices in Asia. All in all, RBI employs about 58,000 staff and has total assets of around € 131 billion.

RBI operates subsidiary banks in the following CEE markets:

- Albania — Raiffeisen Bank Sh.a.
- Belarus — Priorbank JSC
- Bosnia and Herzegovina — Raiffeisen Bank d.d. Bosna i Hercegovina
- Bulgaria — Raiffeisenbank (Bulgaria) EAD
- Croatia — Raiffeisenbank Austria d.d.
- Czech Republic — Raiffeisenbank a.s.
- Hungary — Raiffeisen Bank Zrt.
- Kosovo — Raiffeisen Bank Kosovo J.S.C.
- Poland — Raiffeisen Bank Polska S.A.
- Romania — Raiffeisen Bank S.A.
- Russia — ZAO Raiffeisenbank
- Serbia — Raiffeisen banka a.d.
- Slovakia — Tatra banka, a.s.
- Slovenia — Raiffeisen Banka d.d.
- Ukraine — Raiffeisen Bank Aval JSC

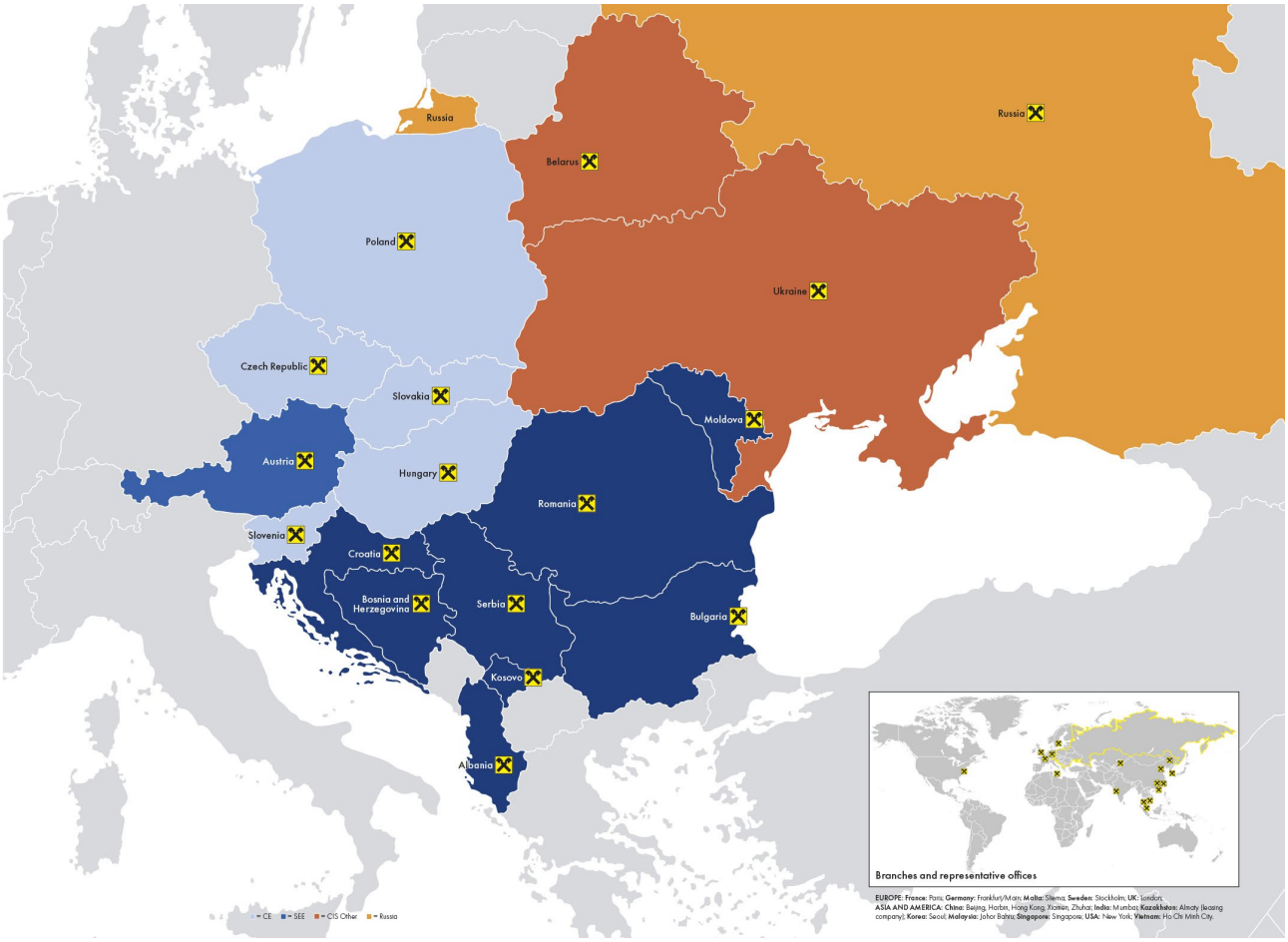
As the parent company of these banks, RBI's shareholding in them is at or near to 100 per cent in most cases.

RBI's development

RZB was founded in 1927 as "Genossenschaftliche Zentralbank". Raiffeisen established its first subsidiary bank in Central and Eastern Europe already back in 1987. Other own subsidiaries have since been established. From 2000 onward, Raiffeisen's expansion into CEE countries has mainly been achieved by acquiring existing banks and subsequently combining them into a holding company that from 2003 operated under the name Raiffeisen International. In April 2005 Raiffeisen International was listed on the stock exchange in order to finance its future growth efficiently. Today's RBI was established in 2010 through the merger of Raiffeisen International with the principal business areas of Raiffeisen Zentralbank Österreich AG (RZB).

RBI has been listed on the Vienna stock exchange since 25 April 2005 (as Raiffeisen International up until 12 October 2010). RZB, which functions as the central institution of the Austrian Raiffeisen Banking Group (RBG), remained the majority shareholder following the merger, holding approximately 78.5 per cent of the shares as of 31 December 2013. The remaining approximate 21.5 per cent of RBI's shares were in free float. Due to the capital increase at the beginning of 2014, the free float rose significantly to about 39.3 per cent after RZB waived its subscription rights and participated in the amount of just € 750 million. As of the editorial deadline RZB held 60.7 per cent of RBI's shares.

For more information please refer to www.rbinternational.com and www.rzb.at.



Raiffeisen Glossary

Gable Cross

The gable cross is part of the trademark used by almost every company in the Raiffeisen Banking Group and RZB Group in CEE. It represents two stylized horse's heads, crossed and attached to the gable of a house. It is a symbol of protection rooted in old European folk tradition: a gable cross on the roof was believed to protect the house and its occupants from outside dangers and to ward off evil. It symbolizes the protection and security that the members of the Raiffeisen banks enjoy through their self-determined collaboration. Today, the gable cross is one of Austria's best-known trademarks and a well-recognized brand in CEE.

Raiffeisen Bank International

Raiffeisen Bank International AG (RBI) regards Central and Eastern Europe (CEE), including Austria, as its home market. In CEE, RBI operates as a universal bank through a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers in 15 markets. At the end of 2013 around 55,000 staff served approximately 14.6 million customers in around 3,000 business outlets in CEE. In Austria, RBI is one of the top corporate and investment banks. Moreover, RBI is represented in the world's financial centres and operates branches and representative offices in Asia. All in all, RBI employs about 58,000 staff and has total assets of approximately € 131 billion.

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RZB

Founded in 1927, Raiffeisen Zentralbank Österreich AG (RZB) is the central institution of the Austrian Raiffeisen Banking Group (RBG) and acts as group centre for the entire RZB Group, including RBI. RZB functions as the key link between RBG and RBI, with its banking network in Central and Eastern Europe (CEE) and numerous other international operations.

RZB Group

The Group owned and steered by RZB. Raiffeisen Bank International is the Group's largest unit.

Raiffeisen Banking Group

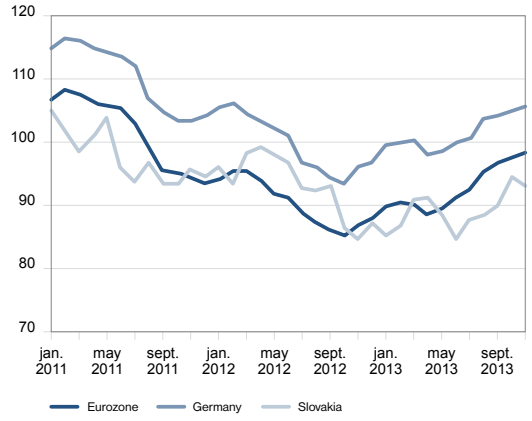
The Raiffeisen Banking Group (RBG) is Austria's largest banking group by total assets. As per year-end 2012, RBG's consolidated balance-sheet total amounted to more than € 291 billion. It represents about a quarter of all banking business in Austria and comprises the country's largest banking network with 2,285 business outlets and more than 29,700 employees. RBG consists of Raiffeisen Banks on the local level, Regional Raiffeisen Banks on the provincial level and RZB as central institution. RZB also acts as the link between the international operations of its group and RBG. Raiffeisen Banks are private cooperative credit institutions, operating as universal banks. Each province's Raiffeisen Banks are owners of the respective Regional Raiffeisen Bank, which in their entirety own approximately 90 per cent of RZB's ordinary shares.

The Raiffeisen Banks go back to an initiative of the German social reformer Friedrich Wilhelm Raiffeisen (1818 – 1888), who, by founding the first cooperative banking association in 1862, has laid the cornerstone of the global organization of Raiffeisen cooperative societies. Only 10 years after the foundation of the first Austrian Raiffeisen banking cooperative in 1886, already 600 savings and loan banks were operating according to the Raiffeisen system throughout the country. According to Raiffeisen's fundamental principle of self-help, the promotion of their members' interests is a key objective of their business policies.

The Slovak Economy in 2013

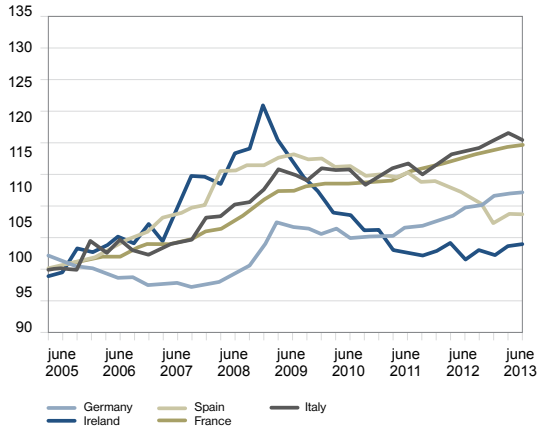
Year 2013 was not marked by significant events that would make history and influence the course of events in the following months or years. Europe depended on the ECB's announcement by Mario Draghi from August 2012 regarding support for the euro and the USA continued with quantitative easing of its balance sheet. The high-profile topic of 2013 was the possibility of change in US monetary policy. Towards year-end this actually took place, which came as a slight surprise. There is still a chance that 2013 will make history, but it will take a couple of months, maybe even years to confirm whether this was the year in which a more stable recovery of the European economy began. There are a number of signals. The first worth mentioning is the Purchasing Managers Index, which was above the value of 50 for the entire second half of the year, reflecting the quarter-over-quarter growth in the euro area. This is equally well documented by the economic sentiment indicator published by Eurostat. In the second quarter, the euro area technically broke out of its long-lasting recession, recording positive quarter-over-quarter growth, which was then also repeated in the third and fourth quarters.

Economic sentiment



Source: Eurostat

Unit labour cost



Source: Eurostat

It needs to be said that this recovery was not only the result of the maximum effort by central banks, which had utilized almost all available tools. Certain credit can also be given to individual countries that slightly improved their competitiveness, in part also due to reforms they had to endure whether they wanted to or not. These efforts bore fruit – with Ireland being the first country to exit the EFSF and place a successful bond issue on the market. Similar success was achieved in Portugal, which is expected to exit the EFSF in mid-2014.

There is very little probability that the efforts made until now will be sufficient for Europe to ensure the beginning of long-term and sustainable growth without the support of the European Central Bank. Nevertheless, with the first signs of recovery in economic growth, individual problematic countries have become less willing to reform and consolidate their public finance.

Politicians in these countries started to direct their energy towards the European Commission, which did not withstand the pressure and permitted slackening in the pace of consolidation. Moreover, in the first year of introducing the "six pack" and "fiscal compact" mechanisms, it emerged that their severity and enforcement had differed from country to country. It appears that again there are ways to postpone the fulfillment of budgetary objectives without punishment, which very quickly blunts these instruments designed to maintain fiscal responsibility.

Probably the biggest stain of 2013 was escalation of the crisis in Cyprus. Now, and then, it may have appeared that this problem would hold back the ECB's efforts, but because of the negligible size of this economy, the worst was averted without major consequences. Meanwhile, European politicians turned Cyprus into a small laboratory in which a trial run of solving a bank crisis took place. The solution to an unconventionally-operating banking sector required unconventional instruments. The last nail in the coffin for the Cyprus banking sector was its investment in Greek bonds at a time when it was as clear as daylight that it was a hazardous step. But it was mostly these investments that enabled Cypriot banks to pay generous interest on deposits to their clients. This is also the reason why it was legitimate to recover the banks' losses from

individuals with deposits over €100,000 as well as from the assets of these banks. In many respects the situation in Cyprus may be unprecedented, but some parts of the solution may serve as a certain inspiration of how to resolve similar situations in the future. It was also surely a good incentive for rapid implementation of joint banking supervision, which was finishing its preparatory phase under the ECB's supervision in 2013.

Throughout the year, the European Central Bank kept sending signals that it was not satisfied with economic developments while deeming the recovery as very fragile. This was partly the reason why the ECB reduced its main refinancing rate to 0.5 per cent in May. However, slow economic recovery combined with very stable or decreasing energy prices caused problems for central bankers in achieving their main objective – price stability. An about 3 per cent year-on-year average decrease in oil prices, as well as drop in electricity and gas prices on commodity exchanges also pushed the rate of inflation lower. The low inflation rate was so surprising that in November the European Central Bank decreased its base rate again to a new historic low of 0.25 per cent. Also, the ECB started to entertain the idea of a negative deposit rate. This would drive out all deposits made by commercial banks into ECB accounts, and ideally, the funds would be used for loans. This effort, however, may be seen as strange, particularly in light of the current low volume of bank funds held in ECB accounts and a steep fall in ECB loans to commercial banks. It is precisely this decrease in loans to commercial banks, i.e. their decreasing dependence on the ECB that can be viewed as evidence of the return of stability in the banking sector.

While throughout the year the ECB spoke at press conferences about easing monetary policy and stimulating growth, its US counterpart on the other hand began to indicate a withdrawal in this area. The Federal Reserve's rhetoric on reducing quantitative easing began to haunt the markets and in mid-year rather massive outflows of capital from emerging markets occurred. However, another effect was an increase in long-term interest rates, which the Fed was not so keen on, and which combined with uncertain growth was the reason that exit from quantitative easing was delayed until the end of 2013. Moreover, it was the penultimate session personally chaired by Ben Bernanke, Chairman of the Board of Governors of the Fed, as his successor, Janet Yellen, was to take office in February 2014.

All central banks are aware of the complexity of the withdrawal from the extraordinarily-eased monetary policies, so they turned to "forward guidance" for assistance in 2013. As indicated by the name itself, this is advance communication of future actions by a central bank before they officially take place. The ECB is currently using this tool to assure the market that it will maintain the extremely low rates for a sufficient period while simultaneously trying to push the long-term side of the curve as low as possible. The Fed is currently using its "forward guidance" to indicate the limit at which the Fed will stop buying bonds. The limit was initially set as achieving an unemployment rate of 6.5 per cent, but the Fed later withdrew from this by stating that there was no magic number.

Another effect of the slow steering of the Fed's monetary policy was a rapid drop in the price of gold. Increased confidence in the markets was manifested by retreat from the purchase of defensive gold, which as a result of this development, dropped 30 per cent in price during the year. On the other hand, equity markets fared relatively well and both the US S&P 500 and the European Eurostoxx 50 recorded double-digit growth since the beginning of 2013. Nevertheless, European stocks again slightly lagged behind and while the US index exceeded its pre-crisis peak, the Eurostoxx remained 30 per cent lower than its historic highs in 2007.

The most traded currency pair, EUR/USD, recorded a rather calm year. From a historical perspective, it oscillated within a relatively narrow fluctuation band. This can be explained mainly by the very low interest rates for two-year government bonds, which are the most decisive in the development of EUR/USD exchange rates.

While economic activity of the euro area in 2013 seemed slightly more successful, this did not apply to Slovakia. Compared to GDP growth of 1.8 per cent in 2012, the growth rate in 2013 was exactly half, at 0.9 per cent. Nevertheless, last year's results better illustrate the reality in Slovakia as growth in 2012 had been embellished by automotive production. In 2013, Slovak car makers increased their production only by a single-digit number and they had nearly reached their maximum production capacity. As a result, the Slovak economy was even more dependent on developments in Germany, which grew 0.4 per cent year-on-year. Similarly to the overall economy, industrial growth in Slovakia slowed down in 2013, but did record a sharp increase in its growth rate towards the year-end. In terms of the growth structure, some sectors other than automotive were also noteworthy. The largest growth was recorded in electrical manufacturing (43.6 per cent year-on-year), with the least successful sector being pharmaceutical manufacturing (-43.9 per cent), which had been suffering from the lack of contracts for a long time.

The most problematic sector – construction – progressed towards stabilization in 2013. At the end of the year, this sector recorded the first positive year-on-year result in 22 months. However, the annual average production of the sector was still far below growth (-5.3 per cent).

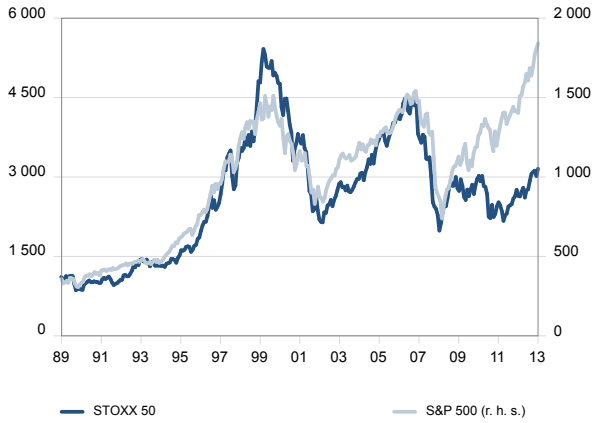
The year seemed better for retail sales. In real terms, after four years with a negative average year-on-year growth, 2013 recorded a slight plus of 0.1%.

The main driver of retail growth was an increase in real wages. After two years of decrease, real wages recorded 1.0 per cent growth in 2013, primarily due to slower price growth, with very similar nominal wage growth as in 2012. This was, however, insufficient to ensure positive development of household consumption. Although its year-on-year decrease was not so substantial, it still recorded a fall of 0.1 per cent year-on-year. A detailed view of the structure of GDP growth is not very flattering either. Economic growth was again driven mainly by exports, but investments – the source of the future growth – were deep in negative figures (-5.1 per cent).

Developments in Slovakia were not significantly different from those in the euro area, with price growth falling to “crisis” levels. The drop in energy prices (electricity and gas) as well fuel and also food prices at the end of the year were the main reasons for repeating the historic low inflation rate (CPI) of 0.4 per cent recorded in 2009-2010.

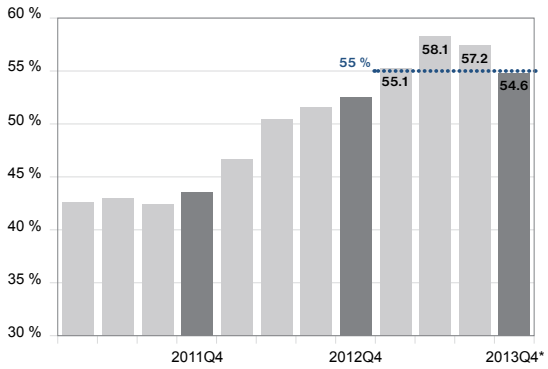
In 2013 Slovakia continued its retreat from previous positions in various charts measuring competitiveness. This was probably caused by the increase in corporate income tax from 19 per cent to 23 per cent, which was effective in 2013. Public finance attracted the most attention. The public finance deficit was reduced even more than originally planned. The main problem, however, was possibly exceeding the public debt target, which could initiate the debt brake limit. The application of this constitutional act was painless in 2013, since the 53 per cent level required only a letter by the finance minister on measures to be taken to correct unfavorable debt. However, exceeding the limit of 55 per cent would mean restricting budgetary spending along with the obligation to submit to parliament a draft budget without nominal expenditure growth.

Stock Markets Development



Source: Eurostat

Public finance SR



Source: Eurostat
* H2 2013 estimate of Tatra banka Research (w/o bond buyback)

Nevertheless, Slovakia in general like the rest of Europe, also faces the efforts of easing the consolidation rate in public finance, which, moreover, remains largely based on selective and one-off measures. One of the few positives is that previous continuous decline in the efficiency of VAT collection was halted through the introduction of a number of actions to fight tax evasion. The coming months will show whether this will be a lasting development.

Risk Management and Basel II-III

Well-organized and consolidated risk management plays a vital role in sustainable, efficient operation of the bank. This responsibility is taken seriously within Tatra banka as well as in the context of its systemic importance for the whole banking sector. The bank has consistently fulfilled the requirements of European directives implementing the regulations known as Basel II, with the actual implementation being subject to the applicable regulations in Slovakia. The bank has also been actively preparing for introduction of the new regulatory rules known as Basel III. During the process of negotiating and approving the respective Slovak legislative standards, the bank has actively worked with the Slovak Banking Association and its various committees and working groups. Tatra banka has also played an equally important role in multilateral meetings with regulatory authorities and other organizations.

The concept, methodology and documentation of activities concerning risk management and Basel II-III are prepared in close cooperation with RBI, while respecting the specifics of Tatra banka and the banking environment in Slovakia. The relevant methodological concepts and procedural techniques then become an integral part of the management process in various areas of the bank, are regularly updated in line with legislative or internal changes, and are thoroughly reviewed by the internal audit.

The foremost aim of activities carried out in the field of risk management and Basel II-III is to ensure the most accurate evaluation, quality management and mitigation or elimination of credit, market, and operational risks as well as other risks the bank is exposed to. Achieving these goals primarily depends on:

- identifying the risks resulting from bank products and processes;
- ensuring the best possible collection and preservation of relevant and potentially-relevant data;
- producing a reliable methodology for measuring individual types of risk;
- ensuring effective and high-quality processes for prudent management of individual risk types and predicting their development;
- using efficient instruments to mitigate risk exposure;
- ensuring high-quality and secure IT systems for process automation, data collection and analysis; and
- making calculations and providing outputs.

These processes, also considering the changes in the economic environment, are becoming a key element for ensuring the long-term stability of the bank's risk profile and its capital requirements, as well as its return on equity.

Likewise, pursuant to legislative requirements, the bank regularly publishes details about its activities, working procedures and results, which ensures transparency in relation to regulators, business partners and clients in the area of risk management.

Credit risk

Since January 1, 2008, the bank had used the standardized approach to quantifying risk-weighted assets and regulatory capital requirements for credit risk, which constitutes the most significant bank risk; the aim of the bank was to switch to using the Internal Rating Based approach (IRB approach) as soon as possible. It is based on the use of internal rating models and internal estimates of risk parameters for the management, quantification and reporting of individual types of credit-related risks in line with its implementation plan.

From January 1, 2009, the bank has calculated capital requirements for a large part of its non-retail portfolio (i.e. for sovereigns, institutions, corporations, project financing, insurance companies, investments in funds and purchased receivables) under the approved IRB approach. In December 2013, the bank was granted authorization to apply the IRB approach also to SME clients. Under this approach, the bank is authorized to quantify capital requirements for these clients through its own estimates of the projected likelihood of a counterparty default, which makes the measurement of credit risk much more sensitive and capital requirements also correspond more closely to the actual risk exposure. Even during these turbulent economic times, this approach has enabled the bank to include in its capital requirements the effects of the period of economic decline on its portfolio. In relation to the application of the IRB approach, the bank and the Raiffeisen Banking Group have continuously worked on rating models with the aim to maximize their predictive strength.

Based on its implementation plan, the bank was granted authorization to use the IRB approach from April 1, 2010 for the retail part of its portfolio as well, which allows the bank to calculate the risk profile of this portfolio based on its own estimates of all significant risk parameters, mainly regarding the likelihood of retail clients' defaults and their exposures, losses in the event of default and credit conversion factors for off-balance sheet exposures, subsequently using these estimates for comprehensive portfolio risk management. In 2011-2013, the bank also intensively and successfully worked on optimizing estimates of these parameters. Along with continuing implementation of comprehensive change management, an essential part of the activities in 2013 consisted of further optimization and standardization of key non-retail risk processes in order to ensure their long-term stability, reliability and processing speed.

The basic principles of managing the credit risk of non-retail clients are set out in the RBI Group Credit Manual, which is obligatory for the whole Group. The direction of the bank in managing non-retail credit risk is elaborated in more detail in the Tatra banka Credit Policy, which is approved by the Supervisory Board on an annual basis. The Credit Policy defines the targeted and restricted sectors for financing, as well as the sectors excluded from financing, the minimum requirements for a client credit transaction (rating, value of collateral, required margin), and the target structure of the loan portfolio together with its key parameters for the forthcoming year. The bank is very conservative in its provisioning process, creating provisions for the whole non-retail credit portfolio as well as individual provisions.

Regarding retail risk, along with managing the quality of the retail credit portfolio, in 2013 the bank focused specifically on achieving more precise parameters of estimated losses on non-performing loans for the portfolio of loans secured by residential property. The process of regularly developing and updating scorecards also greatly helped to achieve reliable and consistent portfolio management. The aim of building the infrastructure is to create a reliable solution that will facilitate flexibility in responding to external changes. A fundamental part of this process is the definition of targets for individual components of credit risk management, as well as their use by employees. This process can be defined as a comprehensive approach that involves consistent preparation and subsequent application of credit risk principles, credit policy and guidelines, as well as effective management tools.

Market risk

During 2013, the market situation continued to gradually stabilize, with increasing trust in the quality of government bonds and reduced uncertainty as to the stability of the banking sector. The bank continued to apply a prudent approach to investments in securities, which was assisted by the implemented limits designed to ensure protection against the risk of securities being downgraded and a conservative approach to the assessment of bank counterparties and limits applicable to those counterparties. The established limits and the stress tests performed by the bank ensured sufficient protection against adverse effects of market fluctuations.

Careful monitoring of all types of market risk remains a high priority. The methods and models used to monitor market risk remain subject to strict supervision, both external and internal, and the parameters affecting the outputs are regularly reassessed and approved by the bank's committees so as to reflect as accurately as possible the current situation in financial and capital markets. The limits protecting the bank against market turbulence are subject to review and are set prudently and conservatively in order to limit losses in the event of negative developments. One of important aspects of market risk management within the bank is the promotion of new, innovative products while remaining highly prudent.

Liquidity risk is thoroughly monitored and is subject to internal limits set by the bank, the limits defined by the RBI Group, and the limits of the National Bank of Slovakia, which the bank adhered to throughout the year. The bank pays attention to and actively comments on new legislation regarding liquidity and is in advance compliance with the Liquidity Coverage Ratio and Net Stable Funding Ratio liquidity requirements under Basel III.

Operational risk

The bank calculates the amount of regulatory capital required to cover operational risk using the standardized approach. As the bank is well aware of the seriousness and possible impact of operational incidents on its profit and goodwill, it uses a set of qualitative and quantitative methods to identify and manage operational risk. In 2013, the bank concentrated on creating an environment for efficient operational risk management by distributing responsibility over a number of management layers. The bank also actively reconciled data on operational incidents as the starting point for mitigation of potential operating losses.

The most significant operational risk involves external credit frauds that entail financial losses. The reputation of the bank in fighting against credit frauds is no less significant, as it is watched very intensively by the external environment. In order to minimize credit fraud risk, the bank uses an automated fraud detection system to which additional features reflecting current needs were implemented in 2013.

Pillar 2 and economic capital

The bank has implemented and has been continuously modifying and supplementing the methodology and procedural techniques for the internal process of determining capital adequacy (Pillar 2). As part of this process, all relevant risks in the bank are regularly evaluated in line with the risk profile, and then quantified and evaluated in the context of the level of risk that the bank is willing to take and the projected capital formation and its subsequent reporting to bank management.

In 2013, the bank covered identified risks with a safe reserve using internal capital, inherently including the capital allocation process as it is closely linked to the budgeting process. As part of this process, by using an approved allocation key, every business unit of the bank is assigned its expected level of performance using the Return on Risk Adjusted Capital (RORAC) indicator. This indicator represents the rate of return in relation to anticipated risk from individual transactions, portfolios and business units in order to meet the envisaged targets set by the shareholder, while maintaining an acceptable level of risk. As the prerequisite for the bank's healthy growth, the risk-adjusted view of the bank's performance will remain the priority in 2014.

Capital adequacy forecasting and stress testing

Due to the transition to more advanced measurement methods for risk and capital adequacy, together with constant changes in the economic environment, consistent prediction and stress testing of capital adequacy is a crucial aspect of risk management in order to eliminate the impact of unforeseeable events and for effective planning of the capital to cover any such events. Data on different risks facing the bank and on its capital are considered in the management of the bank and its business strategies to achieve an optimum balance between reducing individual types of risk and increasing market share, profit and return on capital. The risk-sensitive quantification of regulatory capital requirements and economic capital is the basis for an objective decision-making process.

In 2013, the bank continued to develop its stress testing of capital adequacy for credit risk, based on internal estimates of risk parameters in relation to potential changes to estimated risk parameters, the migration of clients and receivables between rating levels, a drop in collateral values, the state of economic recession, and other changes for all of the bank's material sub-portfolios, using to a great degree the stress scenarios defined by the National Bank of Slovakia. The integrated results of the stress testing were presented to the bank's management and these showed that the bank had sufficient internal capital to cover potential losses arising from the stress scenarios.

Summary of Consolidated Performance

Despite increasing competitive pressure, operating income grew 4.6 per cent year-on-year, from € 420.5 million in 2012 to € 439.7 million. A special government levy on selected financial institutions totaled € 31.8 million, an increase of 12.4 per cent (€ 3.5 million).

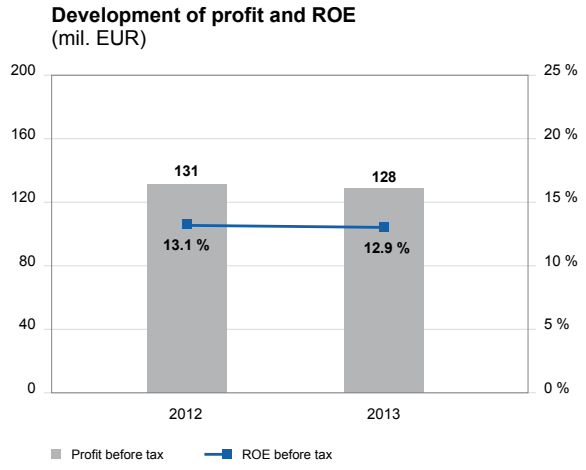
The consolidated after-tax profit of the Tatra banka Group decreased 6.1 per cent year-on-year, by € 6.4 million to € 97.2 million. The decrease in profit was affected by the optimization of organizational structure, with the value of goodwill in subsidiaries reduced by € 29.5 million. This was also the reason for an increase in the cost-income ratio from 52.4 per cent in 2012 to 55.8 per cent in 2013 (calculated without influence of special bank levy, such a calculation better express operating effectiveness). In January 2014, Moody's international ratings agency confirmed Tatra banka's A3 credit rating.

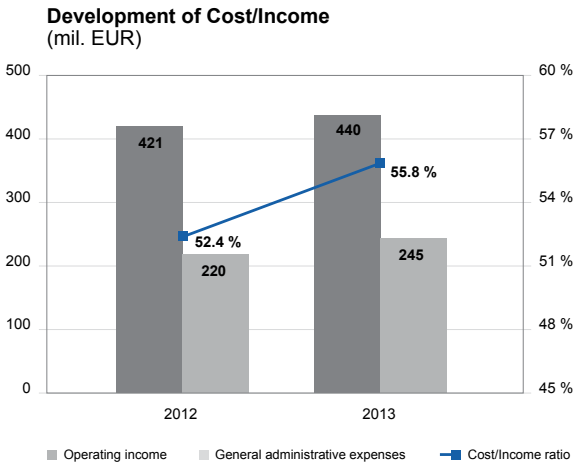
Development of income and expenses

An increase in net interest income was the result of a growing number of client loans and a decrease in interest expense on long-term deposits. Cost reduction was associated with optimization of the liabilities side of the bank's balance sheet and with the decrease in rates on financial markets in 2012, which was reflected in term deposits with some delay. Both these effects contributed to the increase in net interest income by 6.4 per cent to € 295.9 million.

Net commission and fee income was up 4.2 per cent year-on-year to € 114.8 million. The growth in fee income was due to a higher number and amount of cashless transactions via payment terminals, which was assisted by their growing number and even more frequent use of innovative payment methods such as contactless and mobile payments. Trading results decreased 18.6 per cent year-on-year to € 17.7 million. This drop was caused by decreasing proceeds from securities and revaluation of bonds.

Personnel expenses increased 1.4 per cent to € 110.3 million. Other administrative expenses, excluding contributions to the deposit protection fund, decreased from € 85.2 to € 82.7 million as a result of a responsible management policy.





Development of assets

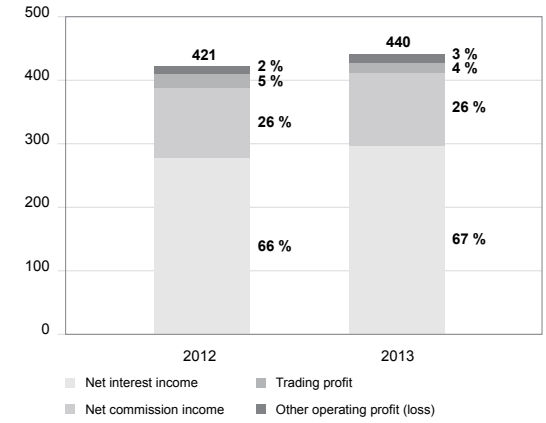
Consolidated assets of the Tatra banka Group increased 4.4 per cent to € 9.47 billion. Loans to customers grew 3.0 per cent to a total of € 6.58 billion. The increase in loans to customers was mainly attributed to housing loans and consumer loans for any purpose. There was a slight decrease in loans provided to the corporate segment. The amount of funds

deposited with the central bank and in financial markets increased. The share of non-performing loans in the total portfolio decreased from 5.2 per cent to 5.0 per cent, which shows a better quality of the bank's loan portfolio than that of the entire banking sector.

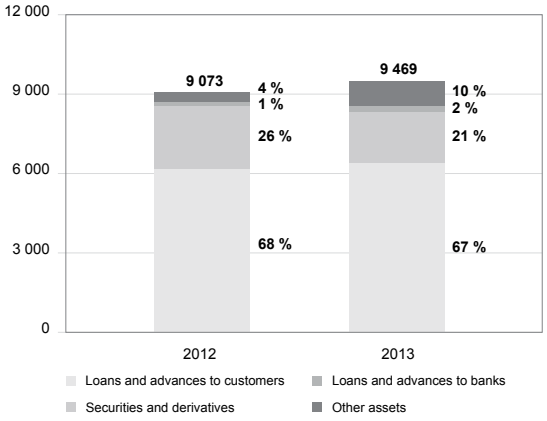
Development of liabilities and equity

Deposits from customers increased to € 7.0 billion. The growth was recorded particularly in current accounts. There was a decrease in term deposits. The growth of the balance sheet total was also aided by loans from banks. The consolidated ratio of loans to deposits was 93.9 per cent as of 31 December 2013, which gives Tatra banka Group sufficient space for expansion of its credit portfolio. The consolidated capital adequacy ratio was 16.6 per cent as of 31 December 2013, increasing by 137 basis points year-on-year, which was substantially more than the value requested by the National Bank of Slovakia.

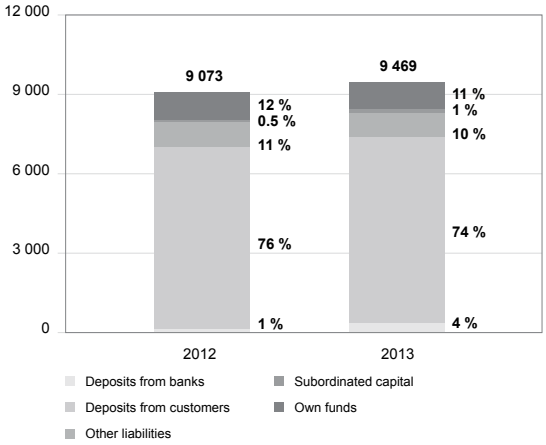
Structure of income
(mil. EUR)



Structure of balance sheet assets
(mil. EUR)



Structure of balance sheet liabilities
(mil. EUR)



Objectives for 2014

2014 will be again characterized by innovations. Clients can look forward to additional features in products and services designed to further simplify their banking life.

Over the long term the bank has strived to minimize activities that have no added value for clients. The next efficiency improvement scheduled for the first quarter of 2014 will involve the process of opening service packages. Added value for clients will be less paperwork and fewer signatures and, not least, less time spent at a branch when opening a service package.

Services that will be under development will also include comprehensive financial planning, which will bring clients attractive product solutions to meet their priorities and needs.

The bank will continue to expand its contactless payment options using mobile phones, with the principal aim to provide this option to a larger group of clients. The bank is also planning additional novelties in the design of payment cards, involving both the traditional limited-edition credit card as well as the designs of debit cards issued with current accounts for various client segments. Moreover, the bank will focus on making various services that are provided with credit cards, such as e-mail statements, more attractive.

In 2014, the bank wishes to continue the trend of dynamic growth in consumer loans and aims to enhance multichannel service for its clients. The goal is to increase client comfort when using these services.

Regarding other client segments, the bank will continue to support students within the student segment, focusing on a wider use of innovations.

In the next twelve months the segment of private clients will be offered a unique Mobile Sign solution that will, among other benefits, greatly simplify the investment process for private clients. The Master Feeder portfolio will be extended with additional investment instruments. The bank would also like to tap the potential of emerging market bonds. In addition, the bank will continue to offer investment certificates with a high yield potential or more simple conservative investments that will offer interesting appreciation.

As part of care for large corporate clients, the bank will continue with its growth strategies through both product and segment cross-selling. Regarding internal processes, another phase of implementing the Lean approach is planned. The bank will assess the outcome of these activities by measuring client satisfaction.

In the field of products for corporate clients, the bank will seek to further optimize processes related to the sale and administration of credit products. The aim is to optimize the current IT systems and simplify work for both relationship managers and product account managers, thus leaving more time for contact with clients.

In 2014, the DIALOG Live telephone contact center will be a fully operational distribution channel to be used by clients to submit their service requests as well as requests related to the purchase of retail products.

In other development activities, the growth of Raiffeisen Bank in the Slovak market will continue after the completion of its pilot phase. The opening of new branches in the first quarter of 2014 and achieving nationwide coverage will enable the bank to offer its services to clients throughout Slovakia.

In 2014, Tatra banka will continue to support art and culture. The bank intends to become the general partner of the newly-established Kunsthalle Bratislava, which is designed to make contemporary art available to a wide audience by combining exhibition activities with a new communication model based on education and explanation of contemporary art.

In 2014, Tatra banka Foundation will celebrate its 10th anniversary, which is an impulse for even more intensive, purposeful development of the current grant programs and partnerships that enhance its position – thus accomplishing its chosen strategy and mission in education, art and design. Regarding the design field, the foundation intends to more vigorously strengthen its positioning, primarily through grants and support of first-class events in this field.

At the end of the year, the foundation will organize presentation of the 19th year of the Tatra banka Foundation Art Awards to both established and young artists.

Statement for Corporate Governance

The corporate governance system of Tatra banka is regulated by the Code of Corporate Governance in Slovakia (hereinafter referred to as the "Code"), which was developed by the Central European Corporate Governance Association (CECGA). The Code is publicly available on the association's website www.cecga.org.

General Meeting

The General Meeting is the supreme body of the bank through which shareholders take part in the bank's management. Each shareholder of the bank has rights that allow the shareholder to exercise influence on the bank, namely:

a. the right to attend the General Meeting
A shareholder may personally attend the General Meeting or do so through a proxy. A shareholder's right of attendance is supported primarily by the obligation of the Management Board to convene the General Meeting at least once a year, to notify each shareholder of the General Meeting by sending an invitation at least thirty days in advance and to ensure that a notice of the General Meeting is published in at least one periodical with nationwide coverage that publishes stock exchange news.

b. the right to vote at the General Meeting
The shareholder's voting right derives from the nominal value of the shares held. One share with a nominal value of € 800 corresponds to one vote and one share with a nominal value of € 4,000 corresponds to five votes. The General Meeting generally decides by a simple majority of votes of the shareholders present, unless otherwise stipulated by law. Preferred shares do not carry the right to vote at the General Meeting, except where stipulated by law.

c. the right to propose motions at the General Meeting
The agenda of each General Meeting is structured so as to leave sufficient room for shareholders to present their motions, comments and suggestions concerning the bank.

d. the right to a share of the bank's profit (dividend)
The distribution of profit and allocation of a portion of profit for dividend payout is decided by the General Meeting based on operating results. Shareholders holding preferred shares carry a preferential right to a dividend. In accordance with the bank's Articles of Association, these shareholders shall receive a dividend of at least € 0.03 per preferred share whenever the net profit of the bank reaches at least the amount corresponding to the number of preferred shares issued.

e. the right to information about the bank
A shareholder has the right to request information and explanations at the General Meeting regarding the agenda of the General Meeting. This right corresponds to the obligation of the Management Board to provide the requested information and explanations directly at the General Meeting or, subject to statutory conditions, in writing within 15 days from the date of the General Meeting. A shareholder is also entitled to inspect documents entered into the collection of documents or the register of financial statements and minutes of general meetings at the bank's head office, and to ask for copies of such documents or to have them sent, and has the right to inspect the minutes of the Supervisory Board meetings.

f. the right to request convening of an extraordinary General Meeting
The motion to convene a General Meeting in order discuss the proposed issues may be filed by a shareholder(s) holding shares with a nominal value corresponding to at least 5 per cent of the share capital of the bank.

g. the right to a secure shareholding registration system
Shares are duly registered with Centrálny depozitár cenných papierov SR, a.s. (Central Securities Depository of the Slovak Republic).

h. the right to transfer shares
Ordinary shares are freely transferable. The transferability of preferred shares is limited, subject to the terms and conditions stipulated in the bank's Articles of Association and pursuant to effective legal regulations.

The authority of the General Meeting includes:

a. amendments to the Articles of Association;
b. decisions to increase or decrease the share capital and to authorize the Management Board to increase the share capital;
c. approval and removal of an auditor;
d. election and removal of the Supervisory Board members, except for members who are elected and removed by bank employees;
e. approval of annual and extraordinary separate financial statements, decision-making on profit distribution or loss settlement and determining of percentage of annual profit, and granting authorization to the members of the Management Board and the Supervisory Board;
f. decisions on other issues stipulated by law or the Articles of Association within the authority of the General Meeting.

In the event of amendment to the Articles of Association, the bank must comply with effective legal regulations and its Articles of Association. When amendment to the Articles of Association is on the agenda of the General Meeting, an invitation to and notice of the General Meeting shall, in addition to obligatory particulars, contain at least the substance of the proposed amendment(s). Any draft amendment to the bank's Articles of Association is available for inspection at the bank's head office or a copy can be sent upon request. The General Meeting decides on amendment to the Articles of Association by a two-thirds majority of the votes of the shareholders present. To be valid, the Articles of Association require approval by the National Bank of Slovakia, to which the bank is required to file a written application along with the wording of the amendment to the Articles of Association and the full wording of the Articles of Association before and after such amendment.

In 2013, the Annual General Meeting was held on May 10, 2013. It was attended by shareholders holding a total of 65,412 votes, which accounted for 81.35 per cent of the share capital and 92.01 per cent of voting rights in the bank. None of the shareholders holding preferred shares were registered. The General Meeting approved the Annual Separate and Consolidated Financial Statements for 2012, the Annual Report for 2012 and the proposed profit distribution and determination of royalties for 2012, decided on the terms of the dividend payout, approved the activities of the bank's Supervisory Board and the Management Board as well as the acquisition of bank shares and the pledging of shares. No amendments were made to the bank's Articles of Association in 2013.

Supervisory Board

The Supervisory Board is the supreme control body of the bank that supervises the financial and business activities of the bank, the execution of powers by the Management Board and the bank's other activities. The Supervisory Board consists of eight members, five elected by the General Meeting and three by bank employees. Their term of office is five years.

The Supervisory Board meets at least four times a year. A simple majority of all members is required to adopt a resolution.

The authority of the Supervisory Board includes:

a. checking adherence to the bank's Articles of Association and generally binding legal regulations;
b. monitoring that business targets set by the bank are achieved;
c. checking that the accounting records correspond to reality;
d. reviewing the bank's financial statements and proposed profit distribution or loss settlement and submitting the respective opinion to the General Meeting;
e. convening the General Meeting where required by the bank's interests;
f. electing and removing members of the Management Board, approving service contracts of members of the Management Board, approving conditions of compensation and other benefits of the Management Board members;
g. granting approval or filing a motion for granting or withdrawing a power of attorney;
h. approving remuneration rules for members of the bank's bodies;
i. granting approval or filing a motion for appointment of the head of internal control and internal audit of the bank and determining their salary;
j. approving the nominated auditor;
k. granting approval to the Management Board to perform specific activities; and
l. other activities in accordance with effective legal regulations and the bank's Articles of Association.

In 2013, the Supervisory Board operated without any changes. The list of the Supervisory Board members is in the chapter Management.

Management Board

The Management Board is the statutory body that manages and acts on behalf of the bank. The Management Board decides on all affairs of the bank, unless effective legal regulations or the Articles of Association stipulate that they fall within the authority of the General Meeting or the Supervisory Board. All members of the Management Board are authorized to act on behalf of the bank. Always two members of the Management Board or one member of the Management Board together with a Confidential Clerk must act and sign on behalf of the bank. The Management Board consists of seven members, with office terms up to five years.

The Management Board holds meetings as necessary, generally once a week. The Management Board has a quorum when the majority of members are present. The consent of all members present is required to adopt a resolution.

Under the Articles of Association, the election and removal of members of the Management Board falls under the authority of the Supervisory Board. The number of nominees for an election corresponds to the number of offices of the Management Board members to be filled. A simple majority of the votes of all members of the Supervisory Board is required for appointment. When more than one member of the Management Board are to be elected the first vote will be conducted en bloc for all nominated candidates If members of the Management Board are not elected en bloc, each candidate is voted on individually. When any one of the nominated candidates is not elected, a new election with the same rules shall take place to fill the vacant office of a member of the Management Board. The Supervisory Board also decides which member of the Management Board shall act as Chairman and which as Vice-Chairman of the Management Board.

To remove a member of the Management Board, a majority of votes of the Supervisory Board members is required. Removal is effective on the action date of the removal decision, unless otherwise stipulated in the decision. A change in members and the election of new members of the Management Board is valid only with the prior consent of the National Bank of Slovakia.

The following is within the authority of the Management Board:

a. convening the General Meeting;
b. ensuring the development, approval of and compliance with the organizational structure of the bank;
c. ensuring the implementation of and compliance with the bank governance system;
d. managing and inspection of the performance of authorized banking activities;
e. ensuring the safety and health of the bank;
f. adopting and regular review of the general remuneration principles;
g. ensuring proper bookkeeping by the bank;
h. ensuring the preparation and publishing of the annual report and its submission to the General Meeting for discussion;
i. ensuring the preparation and publication of the financial statements, and their submission to the General Meeting for authorization;
j. Submission of the proposed profit distribution or loss settlement to the General Meeting for authorization;
k. deciding on share issuance or repurchase under an authorization granted by the General Meeting;
l. providing information concerning principal business management objectives of the bank for the future period, and the projected development of the bank's assets, funds and revenues to the Supervisory Board;
m. submitting a written report of the bank business activities and assets compared with the anticipated development at the request of the Supervisory Board;
n. notifying the Supervisory Board immediately of all facts that could have a material effect on the development of business and the balance of the bank's assets, particularly on the bank's liquidity; and
o. other activities in accordance with effective legal regulations and the bank's Articles of Association.

In 2013, the Management Board operated without any changes. The list of the Management Board members is in the chapter Management.

Committees

The following committees have been established in the bank and operate in accordance with their respective statutes:

Audit Committee – performs oversight activities concerning external and internal bank audits. Its members include the members of the Supervisory Board, with the exception of the Supervisory Board Chairman.

Assets and Liabilities Committee (ALCO) – defines the bank's strategy and policy concerning management of the bank's assets and liabilities and the associated risks. Its members include the members of the Management Board and designated employees.

Credit Committee – decides on credit limits. Its members include designated members of the Management Board and designated employees.

Problem Loan Committee (PLC) – decides on strategy for handling problem loans. Its members include designated members of the Management Board and designated employees.

Operational Risk Committee (OPRICO) – decides on measures aimed to mitigate operational risk in the bank and ensures alignment of the approved measures and tasks with the bank's strategic interests. Its members include the designated member of the Management Board and designated employees.

Fraud Risk Management Committee – focuses on managing fraud risk as part of operational risk, in line with the bank's strategic objectives. Its members include designated employees.

Security Council – controls the bank's security policy so as to ensure the maximum level of security and eliminate operational risk associated with the operation of the bank and proposes the bank's strategic objectives. Its members include designated members of the Management Board and designated employees.

Management Methods

The bank's management methods include, in particular, direct management methods, methods combining direct and technical (indirect) management and project management methods.

Direct management generally is done through the setting of objectives, tasks and rules and through operational guidance of activities of the managed organizational unit or employee.

Technical (indirect) management is performed by using internal control mechanisms, leaving space for independent management and organization by an organizational unit or employee of its scope of work and by employing progressive economic incentives in line with efficient risk management.

Project management requires temporary allocation of specific organizational units or employees and their temporary reporting to the project manager to the defined extent, in order to achieve the project objective.

Information on management methods is published in the bank's Articles of Association and internal regulations.

Internal Control System

Internal controls applied in the bank constitute a system covering all levels of the organizational structure, including process control, both direct and indirect, as well as out-of-process control.

The internal control system of the bank is currently based on the guidelines of the parent RBI Group, which together with internal manuals and procedures constitute one of the basic pillars of this system. In line with the policy of the parent RBI Group in this area, in 2013 the bank continued its implementation of a standardized process of analyzing risks that will lead to improvements in processes and monitoring of the effectiveness of the set process controls. Monitoring results will be presented on a regular basis to the appropriate authorities as well as to the Supervisory Board operating as the Audit Committee. An Internal Control System Officer responsible for implementing the process of analysis, setting the control system and reporting, is a position within the Integrated Risk Management department. As part of the internal control system, the bank will continue to implement risk analysis in additional processes.

Internal controls are designed to ensure the safety and protection of assets and individuals, to guarantee the reliability and accuracy of bookkeeping, to support compliance with and communication of the strategy and goals, to enhance effectiveness and compliance with applicable regulations, and to eliminate risks in order to prevent the origination of losses or other damage.

Direct control represents all forms of ongoing control measures, procedures and mechanisms in individual units of the bank, which are a direct and ongoing part of business processes on a daily basis. The working process is not complete without these controls. Direct process control is conducted by employees or the organizational units that are directly involved in the specific processes.

Indirect control includes all forms of ongoing control measures, procedures and mechanisms in individual units of the bank, which are an indirect part of processes. Indirect process control is carried out by managers of individual bank units responsible for controlled processes and for control results, or by their authorized employees.

Out-of-process control is independent of operational and business procedures. It is conducted by a separate and independent internal control and internal audit unit, as a regular review of the functionality of the internal control system and the evaluation of its efficiency.

Risk Management System

As part of risk management, the bank monitors, evaluates and manages primarily the following types of risks: credit, market and operational risk.

Credit risks, the risk that a counter party will not be able to repay full amounts owed upon maturity, is monitored on a regular basis and the financial position of each client is reviewed and assessed at least once a year. Exposure to any single debtor is restricted by capital exposure limits, which are evaluated daily and reported to the NBS on a monthly basis. Retail debtors are assessed using scoring models developed for individual products; SME and corporate clients are assessed using rating models.

The bank is exposed to **market risks** in connection with its activity from open positions, chiefly from transactions with interest-rate, cross-currency and equity products. To determine the level of market risk of its positions, the bank applies internal procedures and models for individual types of risks to which the bank is exposed. These limits are monitored daily.

By managing **liquidity risk**, the bank secures its solvency, the ability to duly fulfill its financial obligations on time and to manage assets and liabilities to assure constant liquidity. Liquidity risk is thoroughly monitored and is subject to internal limits set by the bank and to the limits defined by the RBI Group and the National Bank of Slovakia, all of which the bank adhered to throughout 2013. The bank pays attention to and actively comments on new legislation regarding liquidity and is already in advance compliance with the Liquidity Coverage Ratio and Net Stable Funding Ratio liquidity requirements under Basel III.

The bank calculates the amount of regulatory capital to cover **operational risk** using the standardized approach. As the bank is well aware of the seriousness and possible impact of operational incidents on its profit and goodwill, it uses a set of qualitative and quantitative methods to identify and manage operational risk. In 2013, the bank concentrated on creating an environment for efficient operating risk management by distributing responsibility over a number of management layers. The bank also actively reconciled data on operational incidents as the starting point of the mitigation of potential operating losses.

Bank's share capital and shares

The bank's share capital amounts to € 64,326,228, with the following structure:

ISIN: SK1110001502
Nominal value: € 800
Number: 60,616 shares
Class: ordinary share
Form: registered share
Type: book-entry security
Description of rights and obligations: the right of attendance, voting and presenting motions at the General Meeting, the right to the share of profit and liquidation balance, the right to preferential subscription of shares, the right to request convening of the General Meeting, the right to inspect documents and minutes of the bank, the obligation to pay the issue price of shares, the obligation to refund to the bank any settlements unlawfully provided, the obligation to pay late payment interest in the event of breach of duty to repay the share issue price.
Transferability: no restrictions
Percentage of share capital: 75.386 per cent
Held for trading: 60,616 shares

ISIN: SK1110015510
Nominal value: € 4,000
Number: 2,095 shares
Class: ordinary share
Form: registered share
Type: book-entry security
Description of rights and obligations: the right of attendance, voting and presenting motions at the General Meeting, the right to the share of profit and liquidation balance, the right to preferential subscription of shares, the right to request convening of the General Meeting, the right to inspect documents and minutes of the bank, the obligation to pay the issue price of shares, the obligation to refund to the bank any settlements unlawfully provided, the obligation to pay late payment interest in the event of breach of duty to repay the share issue price.
Transferability: no restrictions
Percentage of share capital: 13.027 per cent
Held for trading: 2,095 shares

ISIN: SK1110007186, SK1110008424, SK1110010131, SK1110012103, SK1110013937, SK1110014901, SK1110016237, SK1110016591
Nominal value: € 4
Number: 1,863,357 shares
Class: preferred share
Form: registered share
Type: book-entry security
Description of rights and obligations: the right of attendance and presenting motions at the General Meeting, the priority right to the share of profit and liquidation balance, the right to vote at the General Meeting subject to statutory conditions, the right to preferential subscription of shares, the right to request convening of the General Meeting, the right to inspect documents and minutes of the bank, the obligation to pay the issue price of shares, the obligation to refund to the bank any settlements unlawfully provided, the obligation to pay late payment interest in the event of breach of duty to repay the share issue price.
Transferability: restricted
Percentage of share capital: 11.587 per cent
Held for trading: 0 shares

Pursuant to Act No. 566/2001 Coll. on securities and investment services and on amendment to certain acts as amended, the qualified participation in the bank's share capital is held by the shareholder Raiffeisen CEE Region Holding GmbH, with its registered office at Am Stadtpark 9, 1030 Vienna, Austria, with a 78.782 per cent share and an 89.107 per cent share in the bank's share capital and voting rights, respectively.

The share capital of the bank comprises no shares whose holders would have special control rights. The bank is aware of no agreements between securities holders that could lead to any restrictions with respect to transferability of securities or voting rights.

The bank has entered into no agreements that would take effect, be subject to change or termination as a result of a change in control in relation to a takeover bid.

The bank has not entered into any agreements with members of its bodies or employees under which they are entitled to compensation should their office or employment terminate by resignation, notice given by an employee, dismissal, notice given by the employer without stating the reason or if their employment terminates as a result of a takeover bid.

Management

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Dr. Herbert Stepic
Chairman of the Supervisory Board
Senior Advisor to the Management Board,
Raiffeisen Bank International AG, Vienna

Dr. Karl Sevelda
Vice-Chairman of the Supervisory Board
CEO, Raiffeisen Bank International AG, Vienna

Ing. prof. Peter Baláž, PhD.
Member of the Supervisory Board
Professor, University of Economics in Bratislava,
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Aris Bogdaneris
Member of the Supervisory Board
Member of the Management Board,
Raiffeisen Bank International AG, Vienna

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Member of the Supervisory Board
Strategic Projects Manager, Tatra banka, a. s., Bratislava

Mag. Renate Kattinger
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Mag. Dr. Hannes Mösenbacher
Member of the Supervisory Board
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Ing. Ján Neubauer, CSc.
Member of the Supervisory Board
Financial Director of FIT PLUS, s. r. o., Bratislava

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Ing. Igor Vida
Chairman of the Management Board and CEO

Ing. Miroslav Uličný
Vice-Chairman of the Management Board
and Deputy CEO

Mag. Bernhard Henhappel
Member of the Management Board

Ing. Marcel Kaščák
Member of the Management Board

Mgr. Michal Liday
Member of the Management Board

Mgr. Natália Major
Member of the Management Board

Ing. Vladimír Matouš
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Segment reports

Corporate Clients

(in EUR thousands)	12/2013	12/2012[1]	12/2011[2]	12/2010[3]	12/2009	12/2008	12/2007	12/2006
Net interest income	88 541	97 070	96 870	72 636	68 141	60 180	48 111	38 991
Net provisioning	(24 300)	(24 683)	(11 152)	(33 318)	(23 186)	(19 990)	(7 428)	(10 046)
Net interest income after provisioning	64 241	72 387	85 718	39 318	44 955	40 190	40 683	28 945
Net income from commission and trading	21 775	21 710	24 645	19 252	17 636	35 601	33 565	28 375
Other operating profit (loss)	(8 395)	(8 158)						
Operating expenses	(38 333)	(40 069)	(45 545)	(32 542)	(33 774)	(37 073)	(32 883)	(29 606)
Profit before tax	**39 288**	**45 870**	**64 818**	**26 028**	**28 817**	**38 719**	**41 365**	**27 714**
Cost/Income ratio	34.75%	33.73%	37.48%	35.41%	39.37%	38.71%	40.26%	43.95%

Note: Large & Mid Market corporates

(1) Other operating profit (loss) for Y2012 includes Special Bank levy expenditure.

(2) Due to a change in the administration of small enterprises with a yearly turnover up to 3,3 mil € a change in the reporting had been made since 2011 - a part of small enterprises has been moved from the segment retail customers to the segment corporate customers. In a year-on-year comparison (2011 vs. 2010) this caused a decrease in retail and a growth in the corporate segment.

(3) In the results of the year 2010 a retroactive change has been made in the volume of operating expenses, in line with the methodology valid since 2011 (shift of VAT from other operating result to operating expenses). This change has affected also profit before tax and Cost/Income ratio. Figures of older periods are shown according to the original methodology.

Over the long term, Tatra banka puts great emphasis on its care of corporate clients. Great Corporate and Incorporated Banking are two of our concepts for the care for corporate clients, aiming to increase their satisfaction through improved service quality, fostering excellent client relations and tailoring products to clients' financial needs. Approximately 8,300 corporate clients are served by more than 200 corporate staff at the bank's head office and in the regions.

In order to even better satisfy the needs of corporate clients, Tatra banka divides its care for such clients into two groups. The needs of large corporate clients are addressed by a team of professionals at the bank's head office in Bratislava. The middle client segment is served by eight corporate centers and eight outlets nationwide. Clients' specific product requirements are the responsibility of product specialists in Bratislava, in cooperation with certified relationship managers. Tatra banka has built a team of specialists for international clients who are able to handle clients' needs in a number of world languages.

Large Corporate Clients

2013 was an extremely challenging year for the Large Corporate Clients Division. Given the overall economic environment and the prevailing limited number of new business opportunities, it was one of the most difficult years for the corporate banking business.

Despite increasing regulation and implementation of new banking legislation, Tatra banka again managed to achieve solid results and confirm its long-term leading position in corporate banking.

During the year, the investment appetite of businesses was relatively limited and as a result the growth of assets also lacked dynamics. In the first half-year, however, a number of opportunities arose and the bank participated in significant credit trades and succeeded in the tough competitive struggle.

New loans were granted primarily to long-standing corporate customers to finance their new investment plans as well as for major acquisitions, for example in the energy sector.

During the year, the bank intensively concentrated on increasing clients' satisfaction and selling new products in banking services. The bank invested much effort in increasing cross-selling activities. The aim was particularly to increase product penetration for targeted clients.

Liquidity costs remained stable, long-term liquidity was again relatively limited as in the previous year, which was also reflected in the cost of long-term funds.

The bank managed to increase liabilities compared to the previous year, although the segment was marked by increased competition. The bank recorded a significant increase in assets, particularly in the fourth quarter of 2013 when the bank executed a number of larger transactions. Tatra banka, among others, arranged a syndicated loan for Vodohospodárska výstavba in the total amount of € 235 million.

The bank also continued its successful sale of treasury products; interest risk hedging alternatives remained popular given the development of interest rates. FX transaction revenues continued to comprise a substantial portion of trading income.

In 2013, even closer attention than before was focused on improving internal processes. Tatra banka was one of the few financial institutions to implement Lean in areas of corporate banking. This activity not only aims to constantly improve internal processes but particularly to increase the satisfaction and comfort of the bank's clients.

As part of the Multiplying Success concept, Tatra banka continued its series of presented discussions with distinguished figures who have contributed to the innovations that represent one of the characteristics of the bank. These events are intended to acquaint clients with persons who are so exceptional and successful that they inspire people around them.

Naturally, the overall performance of the Large Corporate Clients Division was also affected by the development of risk and non-performing loans. In 2013, the bank managed to maintain the health of its loan portfolio and even though non-performing loans did appear, the development of risk in this segment is viewed as stable.

SME segment

2013 was a tough challenge for the bank's segment of Corporate Center Management Division, which put to test its ability to take on low interest rates, limited demand for funding, a deteriorating credit quality of clients, in particular from the construction industry, agriculture and commodity trade, as well as the fierce competitive struggle among banks, particularly in granting loans and the system of payments. Tatra banka also faced a difficult task of adapting its banking systems and particularly educating its clients about SEPA implementation.

The stagnating volume of our loan portfolio and decreasing amount of deposits, accompanied by a drop in average net interest margin, were the main contributors to the € 3.1 million decrease in revenues compared to the previous year. Nevertheless, net profit of the segment remained unchanged, particularly due to direct cost savings of € 1 million and lower additions to provisions for non-performing loans. Positive signals in the number of non-performing loans started to appear in the second half of 2013, with the decreasing trend also anticipated in 2014.

The 41 per cent increase in new loans (to € 423 million) compared to 2012 is a huge success. This, together with excellent sales results from other corporate segments, contributed to increasing the bank's market share in corporate loans to almost 21 per cent. An exceptional sale of loans also contributed to a notable increase in proceeds from the sale of interest-rate hedging. On the other hand, the bank did not manage to maintain its level of liabilities, which was primarily the result of a lower amount of available, disposable client funds.

The bank achieved excellent results in attracting new clients, which was triggered by the summer and fall campaigns that targeted companies without previous direct contact with Tatra banka. Almost 80 clients were added to the client portfolio which is considered a great success given the existing market share and overall high loyalty to one's traditional bank.

The bank's staff constantly focused on clients, so the bank's leading position in the Slovak banking market in terms of client satisfaction is a great success and was achieved due to visible internal improvements. This was definitely not a matter of chance – the bank systematically works on optimizing processes, delivering innovations, increasing the professional skills of relationship managers and on providing a distinctly better level of service compared to its competition. The bank strives to offer clients unique experiences, whether in the form of specialist lectures, workshops or informal meetings.

The bank views 2014 with optimism, trusting that the indications of economic recovery will open up more opportunities for healthy growth. The priorities remain unchanged. The focus of our attention is client satisfaction, concentration on leadership in innovation, providing distinctly better service and the position of the bank as corporate clients' first choice.

Corporate Client Products

With regards to corporate products, following major organizational and personnel changes in 2012, the bank focused mainly on the stabilization of individual departments in order to foster their growth. Particular attention continued to be focused primarily on the satisfaction of external and internal clients.

The Corporate Products Division of Tatra banka covers areas such as factoring and trade financing, trade in bills, project financing of property and energy engineering projects, letters of credit and bank guarantees, as well as agri-financing and co-financing of EU funded projects. In addition, the department's role is to support other business units particularly in the areas of training, streamlining of processes, development of IT applications and delivery of innovative products and services to clients.

In terms of business results, 2013 was affected by the low economic growth in the Slovak economy and the ensuing reduced demand for loans and other business and project financing products from corporate entities. Weaker economic growth had an adverse effect on the development of risk costs, although they recorded year-on-year improvement.

Due to the low client demand, there was a moderate 4 per cent year-on-year decrease in the amount of loans recorded in 2013. Issued letters of credit and guarantees recorded a 7 per cent year-on-year decrease, which was closely related to further reduction of corporate performance in the building industry. Revenues experienced a moderate 5 per cent year-on-year decrease. The decrease in revenues was mostly due to lower interest income, with the main reason for this being the sector-wide decrease in loans, which resulted in intensified competition and increased price pressure.

The trend in the last quarter of 2013 indicates a slow recovery in all areas of corporate banking products. The most notable growth was recorded in bank guarantees, but all credit products were characterized by positive development. The end of the year and positive expectations of better economic growth are an indication of improvement in corporate banking in 2014.

Capital Markets Products

The use of Capital Markets Products by Tatra banka's corporate clients in 2013 was approximately at the same level as in the previous year.

Corporate clients continued their trend of securing their interest expense and hedging their foreign exchange risk arising from business or production activities. Increased activity in securities trading, primarily with institutional clients, was reflected in the mandate by ARDAL, the state debt and liquidity management agency, to procure the subscription for five-year government bonds worth € 1 billion on international markets. The bank managed to win its third mandate in five years.

Last year, the bank successfully placed among institutional investors six mortgage bonds issues totaling € 310 million, a 45 per cent increase compared to 2012.

The use of capital market products generally appears as a suitable tool for clients who wish to appreciate their funds as well as to fund corporate investment needs instead of commonly-used bank loans.

In these areas, Tatra banka closely cooperates with its parent RBI, the largest manager of corporate securities issues on the Austrian market.

Among innovations offered by Tatra banka to its clients, voice biometrics has become particularly popular and widely-used in a relatively short time. Towards the end of 2013, it had been used for telephone communication with the bank by more than 55 per cent of the total number of clients trading in Capital Markets products during the year.

Retail Clients

(in EUR thousands)	12/2013	12/2012[1]	12/2011[2]	12/2010[3]	12/2009	12/2008	12/2007	12/2006
Net interest income	189 360	178 961	168 977	187 436	176 312	166 295	140 503	117 218
Net provisioning	(21 781)	(13 699)	(3 118)	(11 096)	(28 626)	(23 356)	(10 981)	(6 371)
Net interest income after provisioning	167 579	165 262	165 859	176 340	147 686	142 940	129 521	110 847
Net income from commission and trading	87 295	82 202	80 837	85 540	73 961	112 464	100 020	84 062
Other operating profit (loss)	(16 899)	(9 967)						
Operating expenses	(155 064)	(152 345)	(157 505)	(166 304)	(153 977)	(171 446)	(153 331)	(127 801)
Profit before tax	**82 910**	**85 152**	**89 190**	**95 576**	**67 670**	**83 958**	**76 211**	**67 108**
Cost/Income ratio	56,05%	58,33%	63,05%	60,92%	61,52%	61,50%	63,75%	63,49%

Note: Private Individuals, Small Enterprises, Micro companies, Private banking, and Special customers

(1) Other operating profit (loss) for Y2012 includes Special Bank levy expenditure.

(2) Due to a change in the administration of small enterprises with a yearly turnover up to 3,3 mil € a change in the reporting had been made since 2011 - a part of small enterprises has been moved from the segment retail customers to the segment corporate customers. In a year-on-year comparison (2011 vs. 2010) this caused a decrease in retail and a growth in the corporate segment.

(3) In the results of the year 2010 a retroactive change has been made in the volume of operating expenses, in line with the methodology valid since 2011 (shift of VAT from other operating result to operating expenses). This change has affected also profit before tax and Cost/Income ratio. Figures of older periods are shown according to the original methodology.

2013 was yet another exceptional year not only in terms of global recognition, but also in terms of the perception of Tatra banka by its clients and the bank's staff.

In the past year, the bank maintained its established branch network as in previous years. Nevertheless, personal contact with clients has also been transferred to a virtual level via the **DIALOG** Live call center and video consultations with mortgage specialists. In this way, clients can address their financial needs and manage their financial life face to face from any place, even from abroad. They are not limited by the opening hours or geographic availability.

For those clients who still appreciate and prefer a branch, personal contact along with a warm hand-shake remains available at 129 branches nationwide.

The term "innovations" was very frequently reiterated within Tatra banka throughout 2013. In recent years, its teams engaged in technological development, creation of ideas, and execution of specific tasks (which, naturally, still continues), but during the past year they faced an extremely important task – to deliver these innovations to clients through the branch network, arouse their enthusiasm for new products, and show them how as Tatra banka clients they can gain personal comfort and simplicity, keep track of their money and keep their finances under control and, of course, quickly manage their money. Particular effort was devoted to this area in 2013, which was reflected in increased satisfaction and more loyalty from clients.

Tatra banka's innovations met with great interest also in the premium client segment, which was confirmed by a more than 20 per cent increase in penetration of new products. The primary objective, in addition to simplifying and speeding-up interaction with the bank, was to increase clients' comfort in addressing their requests. For this reason, Tatra banka was the first in Slovakia to introduce a dedicated personal banker service at the **DIALOG** Live contact center, through which clients can make their requests directly from the comfort of their home. From the beginning of 2013, thanks to close cooperation by relationship managers, premium clients can use the services of a personal banker for their personal private funds, as well as the comprehensive services of a business advisor for corporate banking for their company.

In addition, the substantial increase in the satisfaction of Premium Banking clients was triggered by successful introduction of special price and product benefits in the form of a Premium package allowing attractive appreciation of funds during the time of low interest rates in the money market.

Visualization of a client's personal banker directly via internet banking contributed to better management of relationships and increased client trust, which was reflected in an 18 per cent increase in the number of premium clients.

In 2013, Tatra banka made a very bold break-through in the student market segment by targeting teenagers aged 15 to 19. In the spring, the bank launched its concept of the Rytmus Finance Academy (named after a Slovak rapper) that offered financial education and far exceeded first expectations. In the online environment, the campaign was based on the "gamification" principle. A student - an academy player – who passed certain game levels could win awards and earn € 30 in a free Tatra banka student account after correctly answering all finance-related questions.

This campaign became the most successful online campaign in the history of Tatra banka with increasing its market share by 2%. This campaign once again confirmed that Tatra banka has the courage to seek unconventional, creative solutions and shift banking boundaries hand in hand with educating young people in financial matters. The Rytmus Finance Academy campaign won two silvers at the EFFIE Slovakia 2013.

Private Banking

2013 was again characterized by innovative banking products. The segment of private banking maintained its leading position thanks to a number of innovations, among others, in the area of investments. In addition to the commonly-used BestEntry Certificates, which apply the mechanism of the “best entry” into the market, in cooperation with Tatra Asset Management, Tatra banka launched the **PrivateExclusive** Fund[TB]. The aim was to accommodate a group of conservative investors discouraged by the current market environment. This innovation introduced by Tatra banka has the potential to generate an attractive rate of return even with a conservative investment approach.

Another investment innovation keenly received by private clients was a unique solution in cooperation with Raiffeisen Capital Management and Tatra Asset Management. The main advantage of this unique solution, the TAM-Raiffeisen European High Yield Fund[TB] was the mitigation of the risk associated with bonds, while clients receive a regular annual return in the form of a coupon, which considerably outperforms the current standard market rates.

Innovations also dominated non-investment products. Voice biometrics has greatly simplified not only trading in investment instruments, but has also provided general service for private clients.

The fact that superior service, high expertise and constant innovations improving the quality of services have been appreciated by 3,300 clients is also shown by currently-managed funds totaling more than € 1.72 billion. Clients also took advantage of a drop in the price of gold and purchased more than 360 kg of this precious metal over the past twelve months.

Deposit products, payment cards, loans

Current and term deposit accounts

The launch of the Finance Academy in the spring of 2013 was a significant project for Tatra banka last year. The Finance Academy campaign aimed to raise interest in the Tatra PersonalTB service package for students, acquainting them with the world of finances and showing them how to care for their finances. An unusual, entertaining and educational concept was chosen to reach this difficult target group. The main character of the campaign was Patrik Vrbovský alias Rytmus, a Slovak rapper, who is an unusual teacher but one with a unique potential to address teenagers. It did not take long to see reactions from the target group. More than 50,000 students participated in the Finance Academy. The interest in both the Finance Academy and its creative execution was demonstrated by hundreds of thousands of unique visitors to www.tatraacademy.sk. Sales results were excellent, with the number of accounts opened far exceeding the expectations of the campaign. This became Tatra banka's most successful online campaign ever.

In 2013, the deposit market was characterized by low interest rates. Clients were expecting interest rates to increase and they avoided investments in products with long-term fixed periods, still favoring products with shorter maturity periods of up to one year. Flexible saving options without fixed periods and with a simple way of making deposits and withdrawals remained attractive. This was demonstrated by the strong development of deposits in the "saving system", which is part of the **Tatra Personal**TB service package. The amount of funds in the saving system almost doubled during the year.

Given the gradual decrease of interest rates on current term deposits, Tatra banka prepared an alternative for its clients seeking longer-term appreciation of their savings in the form of "dual deposits". This combination of an investment in a one-year term deposit and in investment funds allowed clients to earn up to 2 per cent extra interest on a term deposit.

In 2013, as in previous years, Tatra banka introduced significant innovations and superior service for its clients' financial accounts. With the Voice Biometrics (**Hlasová biometria**TB) service, clients received more comfort and easier access to their finances with the level of security corresponding to use of the Card and Reader (**Karta** a čítačkaTB). Thanks to this unique innovation and **DIALOG**Live contact center, clients can easily manage all their needs. They can manage their current account, draw an any purpose loan, open a term deposit or increase a card limit. Clients no longer need passwords, the Card and Reader (**Karta** a čítačkaTB), or even internet access.

Payment cards

In 2013, the bank continued to adopt and expand innovations related to payment cards. Due to the tireless initiative of Tatra banka, Slovakia became the European leader in contactless payments, winning the title of "a VISA hero market" by journalists. All Tatra banka card holders can now use fast and simple contactless payment technology, a purchase method which is becoming increasingly more popular. Over 1 million contactless purchases were paid with Tatra banka credit cards, worth almost € 10 million, representing six-fold growth compared to 2012. Contactless payments by debit cards amounted to four times the previous year's number, with a total transaction volume of € 62 million.

The bank was also active in the development of mobile payments. After the first "swallow" – iPhone with an added iCarte feature – the bank is extending the options to pay by mobile phone without the need to buy any phone accessories. At the beginning of 2013, customers of both Tatra banka and mobile operator O2 who were using android smartphones with NFC technology could start paying for purchases over € 20 with their mobile phones. In August 2013, this payment option became available to customers of mobile operator Orange, securing a huge potential in the Slovak market thanks to an increasing number of smartphone models with the necessary features, which brings along a growing number of fans of mobile payments. This was demonstrated by tripling of year-on-year growth in the volume of mobile purchases.

Even though penetration of the number of credit cards in the Slovak market was relatively stagnant in 2013, their use is still marked by an increasing trend. Tatra banka retains the leading position with a stable market share of over 40 per cent in the use of credit cards and also manages to hold at least a 20 per cent market share in debit cards. Credit card holders made transactions worth € 361.3 million, along with a 12 per cent increase in the number of purchases. Purchases represented three-quarters of the total number of transactions made with debit cards, with more than € 3 billion withdrawn by debit cards.

This year's limited edition credit card definitely aroused clients' interest as it significantly underlined the link between the bank and culture, featuring the world-renown Hamlet as portrayed by Slovak actor Robert Roth.

Insurance

The portfolio of bank insurance products was extended with Life Insurance (**Životné** poistenie™) in 2013. In cooperation with Uniqa, Tatra banka introduced a new product providing assurance to clients that in unfavorable life circumstance they will not be left without finances. The product offers protection against the most common and most serious risks while also providing a guarantee – clients will be paid an agreed amount upon expiration of the policy.

The portfolio of the bank's insurance products also includes loan repayment insurance. With this product clients can insure their liability to the bank in case of unexpected circumstances. In addition to insuring mortgage loans and any purpose loans, the ability to repay loans can also be insured by business owners, who can insure themselves or other key persons in their company. The bank's offer of insurance products is completed with travel insurance connected to payment cards.

Loans

The Slovak retail loan market continued to grow in 2013, to which Tatra banka made a significant contribution. With a year-on-year increase in the number and amount of new loans, the bank achieved 10 per cent growth in its total retail loan portfolio.

Loans secured by property continued to be the biggest share of the portfolio, accounting for 83 per cent of the total amount of the bank's retail loans. Any purpose loans without security represented 11 per cent in the overall portfolio of retail loans, followed by a 5 per cent share of optional loans on overdrafts and credit cards. The bank's loan portfolio also includes any purpose loans secured by funds; these account for less than a 1 per cent share.

Each year the bank introduces innovations that increase accessibility and comfort when clients apply for loans. In 2013 Tatra banka was the first on the market with the option of an online housing loan consultation, which enables clients to obtain all the necessary information about loan options from the comfort of their home.

The Any Purpose Classic Loan (**Bezúčelový** úver™ Classic) has become even more accessible. It is available 24 hours a day, 7 days a week thanks to a fully automated arrangement process. Clients can apply for a loan not only at bank branches, via their **Internet** banking™ or mobile application, but also through the **DIALOG** Live contact center.

The bank strives to increase its clients' comfort not only in relation to the granting of a loan, but also in relation to loan management, introducing an option in 2013 for clients to make some kinds of changes to their loan agreements without needing to visit a branch, only by calling the **DIALOG**Live contact center.

In 2013, the bank granted 2,585 home equity loans in a total amount of € 87.58 million and an additional 8,611 housing loans of € 520.17 million, of which 2,418 loans for € 92.73 million were loans to young people qualifying for a state bonus. Compared to the previous year, Tatra banka's loan portfolio secured by property granted to private individuals increased by more than 10 per cent.

The bank's Any Purpose Classic Loan (**Bezúčelový** úver™ Classic) portfolio grew by more than 16 per cent in 2013, outperforming year-on-year market growth. In 2013 the bank granted 49,356 of loans with a total amount of € 179 million, representing a 31 per cent increase compared to the previous year.

Small Corporate Clients

2013 was a very successful year in the segment of small business clients at Tatra banka. While the market-wide growth of loans for legal entities stagnated, both loans and deposits grew in the segment of small business. The bank introduced a number of new features for its clients, for example the concept of cooperation between the client's business advisor and the designated personal banker for the client as a natural person. The aim is to consider a small business client as both a legal entity and a natural person, thus providing comprehensive care. The response of clients to this concept was very positive.

The greatest innovation in the segment of small businesses in 2013 was the introduction of a new type of personal care for selected clients via the **DIALOG** Live contact center. It brings clients a higher degree of personal care and consulting via the phone – clients no longer need to visit a branch office in person. Corporate clients can address their issues directly to their business advisor via a dedicated special business line. Tatra banka has also introduced Voice biometrics (**Hlasová** biometria™), which identifies clients simply by their voice, considerably simplifying clients' communication with the bank, in particular clients' contacts with their business advisors.

In terms of loans 2013 was a growth year, with 13.7 per cent year-on-year growth in the number of loans granted to small business clients with sales up as well, particularly through pre-approved financing. Following stagnation in deposits over recent years, the bank enjoyed 9.5 per cent growth in 2013, partly as a result of positive continuous growth in the number of small business clients.

In 2014, Tatra banka expects to continue the positive trend begun in the previous year and satisfy clients with comprehensive care for both their personal and business finances while also focusing on actively engaging clients through the pre-approved form of financing.

	2010	2011	2012	2013	abs. diff. 2013/2012	% diff.
Number of clients	103 999	106 159	109 940	111 508	1 568	1.4%
Number of clients with loans	8 117	8 944	9 343	10 330	987	10.6%
Loan volume in € ths.	166 626	224 121	276 541	314 385	37 844	13.7%
Deposits volume in € ths.	974 798	994 657	986 222	1 079 563	93 341	9.5%
Revenues in € ths.	52 683	56 136	56 641	58 571	1 930	3.4%

Internet Banking, Mobile Applications, Acceptance of Payment Cards

Tatra banka pays close attention to electronic distribution channels. As a result, the bank has won a number of awards and first-place recognition in this area. The bank was given three prominent awards by Global Finance magazine in 2013: Best Consumer Internet Bank in Central and Eastern Europe; Best Web Site Design Worldwide in the Best Consumer Internet Banks category; and also Best in Mobile Banking Worldwide in the Best Consumer Internet Banks category.

Additionally, the bank again confirmed its position as the market leader in payment card acceptance, which is documented by its over 42 per cent share in the total turnover generated by payment cards, and 51 per cent share in the number of contactless payment terminals in the Slovak market. This is also demonstrated by the award presented by MasterCard: Acquirer of 2013.

Internet banking[TB]

A number of major changes took place in **Internet** banking[TB] in 2013. In April 2013, the features of corporate **Internet** banking[TB] were implemented in the new version of **Internet** banking[TB] and clients could start using them without the need to buy the i:key package and install special software. A new "active without limit" service for an **Internet** banking[TB] account was introduced, which is used together with the standard authorization tools, Reader (**Čítačka**[TB]) or Card and Reader (**Karta** a čítačka[TB]), and allows entering unlimited payments with account authorization control, signing payments by two signatures or importing bulk payments. Also, an option to generate statements in formats that can be directly imported in accounting records, and an option to download monthly statements in PDF format were implemented in **Internet** banking[TB]. A new feature is the Document Box in **Internet** banking[TB], which primarily serves for authorization of transactions made via **DIALOG** Live, with a great future potential.

On November 1, 2013 the bank terminated the provision of the SIM Toolkit Mobile Banking and Daily Statements to E-mail Address services because more modern alternatives to these services are being offered by the bank. The bank also closed the operation of the former version of **Internet** banking[TB], which had been available since 2000. The new **Internet** banking[TB] has thus become the main internet application for electronic banking and the bank continues to supplement it with new features and attractive services which further increases the comfort of clients when working with their funds. An example is an upgraded **Spending** Report[TB], which has been available in the new **Internet** banking[TB] since November 2013.

The **Spending** Report[TB] is a unique feature, which sorts clients' monthly expenditures into clear categories. Clients can edit and change individual categories, or otherwise set them according to their needs. The **Spending** Report[TB] also allows clients to view their monthly income and expenditures, which provides a better overview of their finances. Also a number of minor modifications were made to the application in order to simplify working with **Internet** banking[TB], such as highlighting the color of fonts, improving the zooming feature, color-coding payment results and enlarging the fonts for codes entered in the Card and Reader (**Karta** a čítačka[TB]).

Several changes were made to **Internet** banking[TB] in November 2013 in relation to the transition to SEPA, including a client's current account displayed in IBAN format, new attributes in a payment order such as the payer's and beneficiary's accounts in IBAN format, payment identification in the form of a payer's reference, and similar improvements. The purpose of the implementation was to allow clients to make euro payments within the SEPA area as easily, quickly and cheaply as domestic payments. Clients can also view a fully functional interactive **Internet** banking[TB] demo to see all the aforementioned changes implemented by the bank for their benefit.

Internet banking[TB] continuously reaffirms its position as the key service distribution channel. With 19.7 million domestic transactions, it is the most-used bank channel with an increasingly growing share. **Internet** banking[TB] is currently also an important sales channel. Approximately **20 per cent** of pre-approved Any Purpose Loans (**Bezúčelový** úver[TB]) offered in campaigns are provided via **Internet** banking[TB].

In e-commerce services, **Tatra**Pay and **Card**Pay both recorded an average 30 per cent year-on-year growth in transaction volume.

Mobile Applications

In 2013, Tatra banka also introduced to its clients innovations in mobile applications, for which the bank received prominent international and domestic awards.

The prestigious Global Finance magazine named the Tatra banka application as the best in mobile banking in Slovakia, as well as in Central and Eastern Europe and worldwide. In 2013, thanks to a constant extension of the application's functionality with the growing penetration of smartphones in Slovakia, the number of those using the Tatra banka mobile application grew more than threefold, with the number of activated applications crossing the threshold of 100,000. Also, the number of transactions made via the Tatra banka mobile application more than tripled compared to the previous year. Use of the application is clearly dominated by Android users (67 per cent) followed by iOS users (33 per cent).

The Tatra banka application introduced a number of new features in 2013. Only Tatra banka clients can use a mobile application to arrange a pre-approved Any Purpose Loan (**Bezúčelový** úverTB) that is available 24 hours a day, 7 days a week. Almost 4 per cent of pre-approved Any Purpose Loans (**Bezúčelový** úverTB), totaling € 5.5 million, were provided via the Tatra banka mobile application in 2013.

Significant changes were made to the application login process to enhance user comfort while maintaining the same level of security. The original eight-digit security key was replaced with a four-digit PIN code valid for an unlimited time.

From mid 2013, a user demo was included in the application, which enables viewing all the features of the entire application. The application screen was also optimized for iPhone 5 devices. Tatra banka was the first bank in Slovakia to introduce the Tatra banka application using the BlackBerry 10 operating system.

In addition to an option to make a payment order faster from a postal money order via an integrated scanner, an option to pay by QR code-reading on a payment order in accordance with the Slovak Banking Association standard was added to the application.

Both **Internet** bankingTB and the Tatra banka mobile application offer an option to enter euro payments to all SEPA countries since fall 2013.

The application also provides a useful overview of credit products with detailed information about Any Purpose Classic Loan (**Bezúčelový** úverTB Classic), Mortgage Loan (**Hypotéka**TB) and Home Equity Loan (**Americká** hypotékaTB).

The application offers a possibility to send a form to **DIALOG** Live if a client is interested in any products or services, which can also be applied for before or after login to the Tatra banka application.

Clients can use the Tatra banka application on four different devices simultaneously.

Since March 2013, a software alternative of the Card and Reader (**Karta** a čítačkaTB) authentication tool - the Reader (**Čítačka**TB) can also be used by clients with Windows Phone devices. Tatra banka was the first on the Slovak banking market to introduce to its clients a native application designed for smartphones with this operation system. Another new feature of the Reader (**Čítačka**TB) application is an evaluation of password strength, which means that when a more complicated password is chosen by a client, the client can use it for a longer time without changing the password.

In June 2013, in cooperation with VÚB bank and VIAMO company, Tatra banka introduced unique peer-to-peer payments which greatly simplify cashless money transfers between bank accounts. The **Tatra banka VIAMO** application facilitates money transfers directly to a telephone number without the need to know the beneficiary's account number. Only the clients of Tatra banka and VÚB can send money, but it can be received also by clients of other banks. VIAMO is a free service for clients using the **Tatra Personal**TB package. Money transfers via the **Tatra banka VIAMO** application quickly became very popular and in just a couple of weeks from service launch had been used by more than 20,000 Tatra banka clients. Other evidence of the success of the **Tatra banka VIAMO** application is its 1st place in the Android Code 2013 competition in the Corporate Applications category.

After the launch of contactless technology and an unprecedented innovation in the Slovak market – an instant issuance of debit cards – Tatra banka also intensively worked on the development of unique mobile payments in 2013. This is a new and very convenient form of contactless payments accomplished by a payment card in a client's mobile phone. In May 2012, iPhone with an added iCarte feature was the first device to facilitate such payments. This made Tatra banka the first bank in Slovakia as well as in the entire European Union to do so.

Collaboration between mobile operator O2 and Tatra banka made possible, from the beginning of 2013 for the first time ever, payment for a purchase by mobile without any additional devices. Through the O2 Card in Mobile service and its connection to a current account at Tatra banka, an NFC smartphone became a payment card. Contactless mobile payments became even more accessible from mid 2013 when the service was launched as well for clients of the mobile operator Orange. The penetration of supported NFC devices, on which the service is based, keeps growing. In the area of contactless payments, which has spread very quickly, Visa hailed the Slovak market and Tatra banka as a "hero market".

Tatra banka provides its Private Banking clients with a special **Art** consulting™ application, which presents a catalogue of art works by Slovak painters designed for iOS mobile devices – iPads and iPhones. An interesting feature of the application is the "Live View" function (only for iPad), which allows art collectors to virtually hang a painting on the wall at home or at work.

Acceptance of Payment Cards

2013 was another year in which Tatra banka dominated the Slovak market for payment card acceptance, particularly in the implementation of contactless technology. Tatra banka's business clients generated turnover of € 1.95 billion with payment cards, which represents a share of more than 42 percent of the total turnover by payment cards in the Slovak Republic. The volume of transactions recorded 13 per cent annual growth. The number of transactions increased to 65.1 million, representing almost 22 per cent growth. 1.6 million transactions totaling € 70 million were made via **Card**Pay, an e-commerce internet payment gateway. The number and volume of transactions grew by 48 per cent and 36 per cent, respectively.

In line with our innovation leadership strategy, Tatra banka continued to promote the growth of contactless transactions. One of the promotion methods is expansion of the coverage of the payment terminal network with technology that allows the acceptance of contactless payments. At the end of 2013, over 10,100 (i.e. more than 88 per cent of the total) Tatra banka payment terminals were ready for contactless payments, which is 51 per cent of all contactless terminals in Slovakia. As of December 31, 2013, Tatra banka had 11,622 active payment terminals, ranking first among Slovak banks (28 per cent share).

The trend in the use of payment cards in 2013 followed in the footsteps of previous years. The average transaction amount paid by a payment card gradually decreased to € 29.98 in 2013. The decreased average payment amount reflects the growing popularity of payment card use. Thanks to the contactless technology, among other innovations, buyers are using their payment cards even for smaller purchases. The bank's total turnover generated on contactless payment terminals located in the commercial premises of the bank's clients exceeded € 97 million, with 10 million transactions in 2013.

The total number of Tatra banka's ATMs was 310; Tatra banka thus maintained its long-term third place in the Slovak market with a 12 per cent share in ATM volume.

In 2013, in order to increase the efficiency of the ATM network, the bank removed eleven ATMs (mainly due to low profitability of operation) and installed eight ATMs in new locations selected based on Tatra banka's pro-client orientation.

More than 13 million cash withdrawals were made at Tatra banka's ATMs, which is comparable to the number of transactions in the previous year. The total volume of transactions of € 1.94 billion represents almost 4 per cent year-on-year growth. In order to deserve the long-term trust of its clients and bring them the benefits of exceptional products, Tatra banka continued to modernize its ATM network, replacing 24 outdated ATMs with the latest models.

DIALOG Live

DIALOG contact center transformed into **DIALOG** Live contact center in 2013, completing the extension of its services with direct sales of retail products to clients, without the need to visit a branch, in addition to providing comprehensive client services.

In 2013, **DIALOG** Live started the sale of a number of Tatra banka products through a process which enables clients to arrange directly by phone an Any Purpose Loan (**Bezúčelový** úverTB), a credit card, a Savings Program (**Program** sporeniaTB), supplementary pension saving, a Gift Card (**Darčeková** kartaTB), an Express Business Loan (**Business** ÚverTBExpres), a credit card for a legal entity or a payment terminal, with the respective product sent directly to clients by a **DIALOG** Live staff member via their internet banking for their approval or with the contracts delivered by courier to the address specified by clients.

In 2013, **DIALOG** Live was the first and only in Slovakia to introduce Remote Business Advisor and Remote Personal Banker services. It is a relationship management service for selected Tatra banka clients, with a Business Advisor for legal entities and a Personal Banker for natural persons. With Remote care, clients no longer need to solve their banking-related issues at a branch. They can communicate all their needs to their relationship manager by phone.

In addition, Tatra banka was the first and only bank in Slovakia and one of the first banks in Europe and globally to launch Voice Biometrics (**Hlasová** biometriaTB) in 2013. It is a unique service providing clients with a telephone connection with the bank without the need for identification using the Card and Reader tool (**Karta** a čítačkaTB). **DIALOG** Live identifies the client solely based on the client's voice. Since its launch in June 2013, the service has seen a huge response from clients. By the end of the year, **DIALOG** Live had created more than 110,000 voice samples required for client identification for subsequent calls to **DIALOG** Live.

In November 2013, **DIALOG** Live opened its online consultation service to clients. It is an option to contact the bank in order to consult about a mortgage loan from the comfort of one's home via online video conferencing. Clients can not only hear the mortgage specialist but can also see the specialist via their computer or tablet and discuss their housing needs comfortably, without the necessity to visit a branch in person.

The Tatra **Chat**TB service introduced by **DIALOG** Live in 2011 experienced further growth in client use compared to previous years.

In August 2013, **DIALOG** Live moved to new premises and additional staff members were recruited. The contact center continued to perform active telemarketing for products such as credit cards, any purpose loans, savings plans and supplementary pension saving.

Payment Transactions

In terms of the payments system, 2013 was the year of preparations for implementation of SEPA – the Single Euro Payments Area. The fundamental objective of this project is to eliminate differences in the execution of domestic payments (payments in euro currency within SR) and cross-border payments in euro within EU and EEA countries. Within this area (28 EU member states, three EEA countries – Iceland, Lichtenstein, Norway – as well as Switzerland and Monaco), Tatra banka's clients will be able to make euro cross-border payments and direct debits that are as simple, quick and cheap as domestic payments.

The direct effect of SEPA implementation in Slovakia is the replacement of existing domestic payments and direct debits with the uniform SEPA tools – SEPA payments and SEPA direct debits. The first implementation phase – transition to SEPA payments – has been successfully completed by Tatra banka. From November 2013, clients have had the option to make payment orders in a universal format according to the ISO20022 standard. Another significant milestone the transition to SEPA direct debits scheduled to take place in Slovakia on February 1, 2014. From this date, all payments and direct debits denominated in euro and sent within the SEPA area (both domestic and cross-border) will be made in accordance with the uniform European standards.

Also in 2013 Tatra banka maintained its growing trend in the number of processed payment orders. The definite contributing factor for this upward trend was the electronic distribution channels, the development of which occupies much of Tatra banka's effort to provide its clients with convenient and innovative solutions that simplify their contact with the Bank. The share of the payment orders made through electronic distribution channels exceeded 95 percent of the total number of processed payment orders.

Tatra Asset Management

TAM (in EUR mil.)	2011	2012	2013
Total revenues	15.1	14.9	17.3
Profit after tax	4.3	3.8	1
ROE	15.30 %	15.80 %	5.30 %

A positive mood continued in the collective investment funds market in 2013. Low interest rates on deposit products made clients seek alternatives with a higher-yield potential, one of these being mutual funds. The amount of assets managed by mutual funds in Slovakia in 2013 increased by 20 per cent compared to the previous year, from € 4.4 billion to € 5.3 billion. The total amount of assets managed by asset management companies, including assets in managed portfolios and assets in funds for institutional investors, increased to € 6.9 billion at the end of the year. Net annual sales totaled € 1 billion, an increase of 138 per cent compared to net sales in 2012.

The biggest factors that affected collective investment funds in the past year included continued falling of interest rates to extremely low levels, huge monetary easing by central banks, US equity markets reaching historic highs and easing of the debt crisis in the Eurozone. The growth in financial markets particularly favored US and also European equity funds, as well as mixed funds investing in equities from these regions. On the other hand, funds investing in equities of emerging markets or commodities were not as successful and low interest rates also affected cash bond funds.

In 2013, similarly to the previous year, net sales of mutual funds were dominated by special funds, which generated net sales volume of € 504 million, mixed funds with net sales of € 295 million, bond funds with € 119 million, other funds with € 61 million and equity funds with € 46 million. Net sales of other categories of mutual funds (short-term money market funds, money market funds, short-term investment funds), fell by € 18 million.

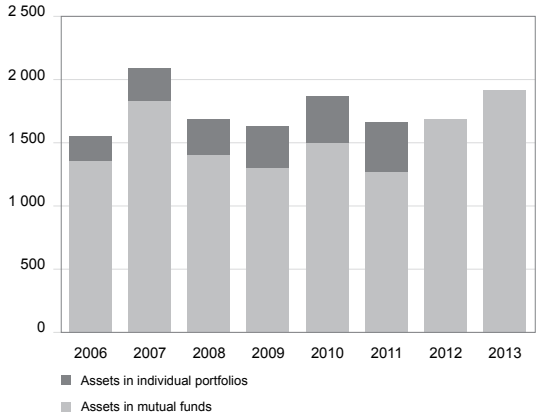
In 2013 Tatra Asset Management (TAM) reaffirmed its position as the leader in the collective investments market, closing the year with a 36.4 per cent share of the total amount of assets managed in mutual funds in Slovakia. The product range in the past year was extended, incorporating unique funds with adaptive investment strategies and the first Slovak fund investing within the Master/Feeder structure.

In 2013, TAM recorded increased net sales of € 186 million, benefiting from the composition of its fund portfolio, in which in addition to new successful funds from recent years, investors were particularly attracted by a fund investing in real estate projects, as well as by innovative solutions introduced during the year.

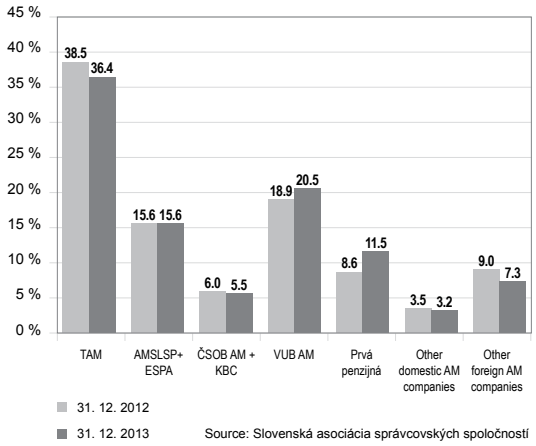
Total gross sales of TAM mutual funds amounted to € 777 million in 2013. Positive contributing factors to gross sales of TAM mutual funds included, in particular, client interest in the fund investing in real estate projects, new funds offered by TAM, and continuing low interest rates that motivated clients to seek alternatives with higher yield potential. The highest gross sales were achieved by deposit funds (44 per cent), **Realitný** fond™ (Real Estate Fund) (13 per cent), **PrivateExclusive**Fund™ (6 per cent) and **TAM-Raiffeisen European High Yield** Fund™ (6 per cent).

In 2013, the total amount of assets in TAM open mutual funds was up 14 per cent to € 1.9 billion from € 1.7 billion in the previous year.

Development of assets administered by TAM
(mil. EUR)



Market shares
(in %)



Source: Slovenská asociácia správcovských spoločností

TAM's revenues totaled € 17.3 million in 2013, with the decisive share originating from the management of mutual funds and managed portfolios (91.2 per cent). TAM's costs totaled € 15.3 million in 2013, with the biggest portion of costs spent, like the year before, on the brokerage of mutual fund sale (66.3 per cent). In 2013, TAM generated an after-tax profit of € 1 million.

Supplementary pension company DDS Tatra banky

DDS Tatra banky (in EUR mil.)	2011	2012	2013
Total revenues	7.3	9.2	9.9
Profit after tax	1.1	2.5	3.3
ROE	21.5 %	49.5 %	49.8 %

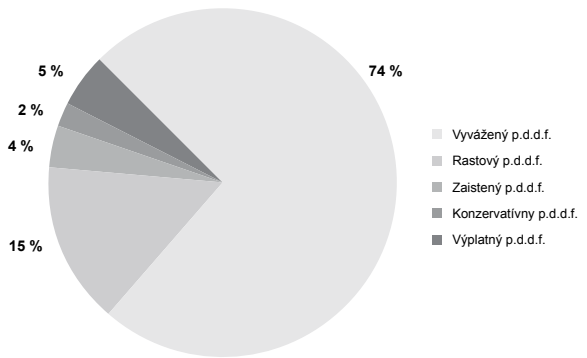
The total number of participants in the supplementary pension saving program among all supplementary pension asset management companies in Slovakia reached 681,000 at the end of 2013. The total amount of assets managed by all supplementary pension funds increased to € 1.35 billion, representing 3.8 per cent year-on-year growth.

As one of the market leaders, DDS Tatra banky retained its 31 per cent share of the total managed by all supplementary pension asset management companies in Slovakia.

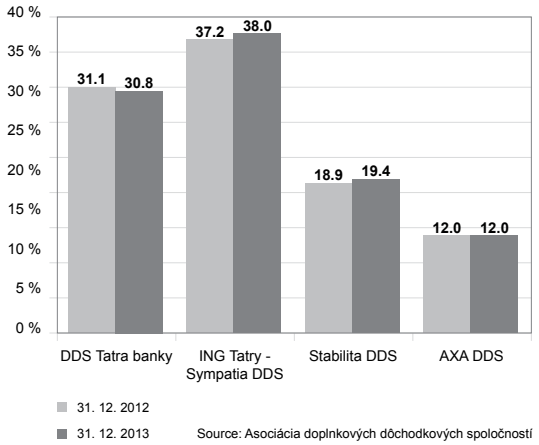
The total amount of assets managed by DDS Tatra banky increased 4 per cent year-on-year, totaling € 416.7 million. The highest volume of assets was held in Vyvážený príspevkový d. d. f. (Balanced fund) (74 per cent of total assets), followed by Rastový príspevkový d. d. f. (Growth fund) (15 per cent). In terms of evaluation of the DDS Tatra banky's supplementary pension funds, 2013 was a positive year. Rastový príspevkový d. d. f. (Growth fund) and Zaistený príspevkový d. d. f. (Guaranteed fund) were the most successful, achieving year-on-year appreciation of 4.9 and 4.2 per cent, respectively.

In the balanced funds category, with the highest number of savers of all companies, DDS Tatra banky delivered the best market performance (Vyvážený príspevkový d. d. f. – 2.5 per cent). Given the current low interest rates, Konzervatívny príspevkový d. d. f. (Conservative fund) also recorded decent appreciation of 1.9 per cent. The basis for this positive performance was the growth in US and European equity markets. Active management of investments contributed to the neutralization of adverse developments in emerging markets, in the sector of real estate equities, as well as in commodities, bonds and gold, as these were the less successful asset classes last year.

Net value of assets in funds
as of 31.12.2013



Market shares
(in %)



The total number of client contracts in DDS Tatra banky reached 199,000 in 2013. This slight increase against the previous calendar year was mainly due to new personal policies taken out following the repeated increase in the number of requests for payment of supplementary pension saving benefit (in particular supplementary pension insurance compensation), particularly in the final months of 2013, which was partially influenced by forthcoming changes in legislation. The total number of employer contracts amounted to 8,439 at the end of 2013, a cumulative increase of 282 contracts.

	2011	2012	2013
Contracts with employers	7 696	8 157	8 439
Contracts with individuals	195 583	196 295	198 751
DDS contributions (in EUR ths.)	57 572	57 909	57 116
Paid out DDS pensions (in EUR ths.)	29 123	38 849	47 535

In 2013, the revenues of DDS Tatra banky totaled € 9.9 million, representing 7.6 per cent year-on-year growth. The highest share of revenue was generated from revenues for management of supplementary pension funds (84.9 per cent). This year-on-year growth was generated by the increase in assets managed by DDS Tatra banky and the related increase in revenues for the management of supplementary pension funds, as well as growth in compensation payments due to a higher number of client requests for supplementary pension insurance compensation. DDS Tatra banky's total costs amounted to € 5.6 million, which was an 8.2 per cent drop compared to the previous year. The structure of total costs in 2013 was very similar to 2012, with 79.7 per cent of total costs attributed to brokerage sales within the supplementary pension saving program, and 20.3 per cent of total costs represented by operating costs. In 2013, DDS Tatra banky generated after-tax profit of € 3.3 million, a 32 per cent increase against the previous calendar year.

During the year, the supplementary pension saving program was not subject to any legislative changes that would affect the activity of the supplementary pension asset management companies. The newest legal regulation of the supplementary pension saving program was only approved at the end of 2013.

The company anticipates very positive changes in the upcoming period brought about by an amendment to the Supplementary Pension Saving Act effective from January 1, 2014. Due to the reintroduction of tax relief for both participants and employers, supplementary pension saving is the only financial market product supported by the Slovak state in the form of tax relief.

Tatra Leasing

Leasing was marked by the prevailing trend of the “applied brake”, which continued into 2013 from 2012. This was reflected in the results, with a slight drop in the amount of acquisition cost on the market.

Passenger vehicles represented the largest commodity in the leasing market in 2013. The funding of machinery and equipment as well as the leasing of real estate recorded a substantial year-on-year decrease in the amount of financed items. The segment of freight vehicles and transport equipment almost repeated their past years’ figures.

With more than a twenty-year history in the Slovak leasing market, even in the environment of lower business demand for leasing funding, Tatra Leasing was able to defend its position among the top five companies grouped in the Slovak Association of Leasing Companies (ALSSR).

The growth of 37.55 per cent in the total acquisition cost of items financed by Tatra Leasing was the highest among ALSSR leasing companies. In 2013, Tatra Leasing’s market share increased 2.17 per cent year-on-year, with the acquisition cost of items financed totaling € 137.1 million, excluding VAT.

Compared to the results of the whole leasing market, Tatra Leasing achieved the highest growth in the aforementioned real estate commodity. The company was also successful in the segment of transport equipment and financing of machinery and equipment.

The market position of Tatra Leasing was achieved thanks to its conservative strategy and the team of relationship managers (dealers) who maintain long-term good relations with clients and suppliers.

Financed items portfolio structure in 2013 (by acquisition cost excluding VAT):

- passenger vehicles – 33 per cent;
- machinery and industrial equipment – 25 per cent;
- freight vehicles, trailers, buses, transport equipment – 23 per cent;
- real estate – 8 per cent;
- medical equipment – 6 per cent;
- and utility vehicles – 5 per cent.

Product structure (also expressed in acquisition cost of items excluding VAT):

- finance lease – 61 per cent;
- credit financing – 32 per cent;
- operating lease – 6 per cent;
- installment plan – 1 per cent.

Raiffeisen Bank

Raiffeisen Bank welcomed its first clients to its branches more than a year ago – on November 5, 2012. To enter a saturated banking market with the ambition to succeed means coming up with a better offer and constantly striving to draw the attention of new clients. Consequently, this was mirrored by the diversity and intensity of its marketing activities throughout 2013. Given our target group, presentation of the Raiffeisen brand has been based on the principles of simplicity, warmth, comprehensibility and human contact. During 2013, the bank organized over 100 localized and marketing events, which contributed to the establishment of Raiffeisen Bank branches in twelve towns in Slovakia. Brand awareness in these locations already corresponds to that of competitors which have been communicating for a long time in mass media like television or nationwide publications.

Improved services

The product portfolio of Raiffeisen Bank is very simple and includes three products: current accounts, loans and term deposits. During the year, the bank responded sensitively to the needs of its clients and to the suggestions of franchising partners who work at branches in everyday contact with clients. In May, the bank introduced the option to pay regular household expenses at its branches. Regarding the technical aspects, these are deposits with a third-party bank, but for clients this is an option to arrange for simple and convenient regular payments, such as for electricity, telephone bills or insurance premiums. During the summer, the bank also made loans available to pensioners, extending the number of prospective clients who will be able to arrange loans for current needs. For the first time in November, the bank started to offer pre-approved loans, offering a specific credit limit directly to targeted clients. The opening of new accounts was improved thanks to a simple, but very useful client service. After opening an account, a client is offered the option to have his or her regular income transferred to Raiffeisen Bank, with all the paperwork handled for the client by the bank. With just one signature, a person's salary is automatically credited to the newly-opened account with Raiffeisen Bank beginning the next month.

Help for towns and the community

Thanks to the "Branch Management Board" activity, where branch managers decide which projects in their towns to support, the bank assisted a number of noteworthy local activities. In 2013, the bank supported 64 projects with a total of € 95,416. These projects included the reconstruction of an amphitheater in Krupina, the repair of a fountain in Malacky and support for handball juniors in Šaľa, among many others.

NAY credit card, the first instant credit card in Slovakia

In cooperation with the largest electronics retailer in Slovakia, NAY Elektrodom, Raiffeisen Bank launched a unique credit card on the market at the end of 2013. Customers can get the credit card instantly at any NAY Elektrodom store. As an alternative to installment purchase, the card is primarily intended for simple financing of purchased goods, with customers determining the amount of the monthly installment themselves. But in addition, the card serves as a standard credit card that can be used to withdraw money from an ATM or make purchases in stores worldwide.

Expansion continues

After completion of the pilot phase, the growth of Raiffeisen Bank in the Slovak market is continuing. Thanks to the opening of new branches in the first quarter of 2014 and achieving nationwide coverage, the bank is offering its services to clients throughout all of Slovakia. The opinion of very satisfied clients gives further "wind to sails". This means that the efforts of Raiffeisen Bank to stand out from its competitors is recognized by its clients and an increasing number of people will visit its branches based on positive references from acquaintances.

Human Resources

In 2013, Tatra banka experienced the declining attractiveness of the banking sector within the labor market. Although the number of job applicants at Tatra banka remained high (the bank received 35,000 job applications), it was perceived, more than previously, that job candidates when considering relatively identical offers from several employers, ultimately opted for sectors other than banking.

In 2013, Tatra banka responded to this trend in two ways: the bank focused on strengthening the employer brand and ensuring even more intensive development of prospective internal candidates.

In terms of making the employer brand more attractive, attention was paid to several areas. The first was active participation in selected student events and other activities related to the promotion of the bank as an employer. In the presentation of Tatra banka, the emphasis was on promoting innovations and brand promise of the bank. The outcome of these activities, among others, is that in the survey by the Manageria civic association, the bank ranked the 3rd most attractive employer among the surveyed students. At the same time, the bank has become a partner of Challengest, a new social network, where the Human Resources Division regularly prepares practical tasks, originating in the banking environment, for talented students to solve. Those who are most successful in solving the tasks are then contacted with an employment offer.

Another area of focus regarding the employer brand was to strengthen awareness among internal staff. As a result, the bank reviewed its policy of offering banking products to employees. Today, 97 per cent of employees are also clients of Tatra banka actively using its products.

Students were one of the main focus areas in cultivation of talent. The bank extended its offer of trainee programs and launched the Corporate trainee program. The bank also reopened its Retail trainee program as well as initiated the seventh year of its one-year Banking trainee program.

Job rotations within the bank continued as part of its work with internal talents in 2013. Consequently, 35 employees gained new career opportunities during the year. The Talent Academy continued to develop its mentoring program where the bank's top managers act as talent mentors, and new individuals were again added to the mentoring group. Another activity supporting the development of talented employees within the bank is in certification of Change Management Facilitators. In 2013, the number of certified Change Facilitators increased to 25. During 2013, as in the preceding years, there were several rotations and short-term attachments between Tatra banka and other banks within the group.

The overall employee structure has remained unchanged. Of Tatra banka's total employees, 70 per cent are women and 30 per cent are men. The bank is a young organization with an average age of approximately 33 years; over 60 per cent of employees have a university degree. 52 per cent of managers are women.

Further recognition of Tatra banka's activities in the field of human resources was the presentation of the HR Gold Award to the CEO of Tatra banka for his contribution in the field of human resources management, an annual award presented by the Slovak Association for Human Resources Management and Development.

Promotion of Art and Education

Tatra banka is a longstanding and systematic supporter of the arts and education, not only through the grant programs of its foundation, but also through partnerships established in these fields.

In 2013, the goal of the bank was to extend its support to include the field of design, previously missing in its comprehensive portfolio of promotion of the arts. The theme of design is characteristic of Tatra banka because this field is highly topical, with a great potential for innovation. In this regard, a new visual image of Tatra banka was created, sending a signal towards promotion of Slovak design. Its central motif is derived again from the logo, continuing the existing communication visual vehicles of a “Bank that loves education” and a “Bank that loves art”.

This goal was realized in particular through partnerships of Nadácia Tatra banky (Tatra banka Foundation) and a new grant program for promotion of young design. The bank’s partnership with the Days of Architecture and Design project was another of strategic importance – the bank became the main partner of an unconventional fashion show offered by British fashion designers.

Another of the main themes of our promotion of the arts is the promotion of theatrical works. Besides our long-term cooperation with regional theatres (via Tatra banka Foundation), Tatra banka became the general partner of the Slovak National Theatre for the seventh time.

In this area, the bank also renewed its partnership with Aréna theater, jointly participating as the theater’s main partner in offering exceptional live transmissions from the Metropolitan Opera in New York.

In fine arts, Tatra banka was again the general partner of a leading exhibition at the Bratislava City Gallery entitled Artistic Treasures: Secession, which attracted a record number of visitors. The bank supported a representative exhibition by a prominent Slovak artist, Viera Kaicová, entitled A Star in the Eye at Aukčná spoločnosť SOGA auction house.

The bank’s financial support in 2013 was also directed to film through a series of documentaries called The First, presenting a memory of alternative female historical figures who had changed our social and cultural space in the past century. The first episode of the series shown in 2013 featured the first woman stage director, Magdaléna Husáková-Lokvencová).

Tatra banka also regularly contributes to the improvement of education by supporting established conferences for top specialists and industries. In 2013, the bank continued its exclusive partnership of TREND conferences and participated in selected conferences organized by the Hospodárske noviny daily newspaper as its main partner.

The bank reaffirmed its support of innovative approaches in science and education by its partnership in producing the Science column in the Týždeň weekly.

Investments in art and education are part of a long-term process that must be stable and continuous. Results may not be instantly visible, but our support has indisputable importance in the development of society – bringing real values, opening up opportunities and helping to refine society. Tatra banka values every partnership in this area because the added value is brought by stimuli from both sides; the bank intends to continue in this direction.

Nadácia Tatra banky (Tatra banka Foundation)

The ultimate ambition of the Tatra banka Foundation is to increase educational standards and provide opportunities for the best to excel. Through its programs and grants, the foundation brings new, inspirational meetings with world scientists, supports outstanding students, the work of artists, and opens up attractive opportunities for NGOs and universities.

In 2013, the Tatra banka Foundation again focused primarily on education, art, and design. The Foundation supported a total of 350 projects with nearly € 630,000.

Once again, the foundation organized meetings with a Pulitzer Prize winner as well as Nobel Prize winner; for the eighteenth time, the foundation presented established Slovak artists and young authors with the Tatra banka Foundation Art Award. The foundation's support was extended to include two new grant programs: More Design and High School Students to the World, along with the employee program called More for Regions.

Grant programs

The aim of the foundation's grants is to support active groups of professors and students in universities who surpass the official syllabus in the educational process – those who try to extend it, enrich the specific subject, or link the educational process to practical needs, and similar efforts. In addition to five established grant programs, the foundation introduced the above-noted brand-new grants named More Design and High School Students to the World.

Programmes	Total amount in EUR	Number of projects
Education:		
Personalities in Person	76 767	5 projects
GRANT: Students to the World	62 060	23 projects
GRANT: Knowing More	37 700	15 projects
GRANT: Business Idea	20 000	4 projects
GRANT: Quality of Education	31 756	11 projects
GRANT: E-Talent	29 770	9 projects
GRANT: High School Students to the World	15 000	13 projects
Art and design:		
GRANT: More Art	40 000	33 projects
GRANT: More Design	23 000	20 projects
Employee grant programs (3)	127 010	171 projects
Tatra banka Foundation Art Award	62 679.58	11 projects
Regional Theatre Support	53 488	10 projects
Best Diploma Thesis Award	2 050	2 projects
Other grants	46 811	20 projects
Total	**628 091.58**	**350 projects**

Students to the World Grant Program

This program supports the best university students by giving them the opportunity to study at foreign schools and gain experience that they can apply in Slovakia. As part of the program, the foundation provides financial grants to cover part of the costs linked to the study stays abroad, summer schools, work experience and research assignments at various renowned universities abroad.

High School Students to the World

The program supports outstanding high school students who have decided to develop their knowledge and skills by participating in a foreign education program or event. The program aims to support not only language skills, but in particular learning of one of the subjects relevant to the students' further specialization, for instance at university.

Knowing More Grant Program

A program to support activities, projects and programs of non-governmental organizations established with the aim of advancing education at Slovak universities. The purpose of the program is to support active groups at universities that "want to know more" and are involved in the educational process beyond the compulsory syllabus which strive to utilize and extend the educational process to the maximum degree, to facilitate the professional growth of teachers and students, to link the educational process to workplace needs, or to enhance the social status of universities, their teachers, scientific and management employees, and students.

Business Idea Grant Program

The aim of the program is to support the best and most feasible student business plans, thus assisting students in fulfilling their business dreams. The program is designed to support the education and integration of future university graduates into the labor market by supporting business as a tool for social change. In this way, the foundation gives students and recent graduates the opportunity to start their own businesses so that once they finish university they do not become unemployed or have to seek employment below their educational level. This grant is open to all colleges and universities regardless of their field.

Quality of Education Grant Program

The purpose of this grant program is to bring the educational process at Slovak universities up to the standard of modern education at world-renowned educational institutions, and more in line with real practical needs.

E-Talent Grant Program

The grant can be applied for by students, teachers and researchers who are involved in research in the field of applied and industrial information science, with the aim of supporting their creativity and innovativeness.

More Art Grant Program

This is the first grant program to support creative work of artists in areas in which the Tatra banka Foundation also presents its Tatra banka Foundation Art Award. The program aims to support active student groups at all three school levels, teachers and independent artists who create artistic works. It aims to introduce the creative process from the perspective of prominent artists and experienced teachers to students striving to be future artists.

More Design Grant Program

The grant is designed for young designers and civic associations engaged in the creation, presentation or education in young Slovak design. It aims to support designers' creative process and facilitate their establishment in the market.

Personalities in Person

Among the guests who accepted an invitation as part of the foundation's open program called "Personalities in Person", were distinguished professors and scientists from foreign universities, as well as a Nobel Prize winner and a Pulitzer Prize winner. These individuals gave lectures to students of Slovak universities and the professional community. The foundation supported five projects as part of the open program with a total of € 76,767.

Bratislava Open Lectures
Richard M. Ebeling (professor of economics at Northwood University, USA)
George Selgin (professor of economics at the University of Georgia, USA)
Anthony de Jasay (independent economist and philosopher, France).

The invitation by the Tatra banka Foundation was accepted by Eric Maskin (professor at Harvard University), **the winner of the Nobel Prize in Economic Science** for laying the foundations of mechanism design theory; **and by** Abigail Goldman (lecturer in journalism at the University of California), **the Pulitzer Prize winner for her series of articles about the Wal-Mart effect.**

Tatra banka Foundation Art Award

For the eighteenth time, the foundation awarded established artists and young authors up to 35 years old, whose work in the past year contributed towards the development of Slovak art in five main categories: Literature; Music; Theater; Fine Art; and Audio-Visual Work Film, TV and Radio. The Foundation aims to support the most outstanding and talented Slovak artists and has been achieving this goal especially thanks to the Academy and its more than 60 members who intensively monitor developments in the Slovak art scene. Artists are nominated on the basis of their works and artistic output created in the past year. The foundation has two principal priorities: to award the best and to present the awards in a transparent manner. The objective is to motivate artists and young authors to continue in their work and provide a stimulus for new projects in all artistic genres. The Tatra banka Foundation awarded 11 authors with total support of € 62,679.58.

The laureates of the 18th Tatra banka Foundation Art Award:

Main Award:
Audio-Visual Work, Film, TV and Radio: Zuzana Piussi for the screenplay, direction and camera work in her documentaries Od Fica do Fica (From Fico to Fico) and Krehká identita (Fragile Identity)
Theater: Roman Polák for directing and co-staging The Brothers Karamazov
Music: Ľubica Malachovská-Čekovská for composing Four Movements – a piece for solo piano
Literature: Milan Hamada for his book Kritické komentáre (Critical Comments)
Fine art: Jana Želibská for the exhibition Zákaz dotyku (The Ban of Touch)

Young Artist (artists up to 35 years of age):
Audio-Visual Work, Film, TV and Radio: Adam Oľha for the original idea, direction and camera work in the film Nový život (New Life)
Theater: Sláva Daubnerová for the concept, direction and acting of the theater solo Untitled
Music: Eva Šušková for singing the Christmas carol Infant Holy, Infant Lowly
Literature: Ján Púček for the book Kameň v kameni (A Stone in a Stone)
Fine Art: Štefan Papčo for the exhibition Lucy of the Rocks

Young Fashion Designer:
Since 2010, the foundation has been awarding young fashion designers for their work. Following Mária Štraneková (2010), Marcel Holubec (2011), and Martin Hrča (2012), in 2013 the **unique dress for the Muse of the evening**, Adela Banášová, was designed by **Maja Božović**.

Charity Projects

Good Heart (Dobré srdce[TB]) Employee Program

The program supports the activities of Tatra banka employees that lead to a higher quality of life in their families, various human societies and communities, and the quality of the environment in which they live. In this way the foundation creates the opportunities and provides support to employees who want to actively change their environment by their voluntary work or financial donations, or by donating 2 per cent of their income tax. 143 projects totaling € 61,250 were supported in this way.

Partnerships in Regions

More for Regions (Viac pre regióny[TB]) Employee Program

This new employee program is designed for the support of major NGOs active in one of the community areas in each region. In addition to financial support, any suggestions for further cooperation with staff of Tatra banka Group that will contribute to the region's development are welcome. The foundation supported 8 projects with a total of € 40,000.

Moreover, thanks to the regional partnerships, 10 theaters received € 53,488 in support.

Consolidated Statement

Auditor's Report

Deloitte.

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VAT Id. Nr.: SK2020325516

Tatra banka, a.s.

INDEPENDENT AUDITOR'S REPORT

Shareholders and Board of Directors of Tatra banka, a.s.:

We have audited the accompanying consolidated financial statements of Tatra banka, a.s. and subsidiaries (the "Bank"), which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Statutory Body's Responsibility for the Financial Statements

The Bank's statutory body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the statutory body, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tatra banka, a.s. and subsidiaries as of 31 December 2013, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Bratislava, 18 March 2014

Deloitte Audit s.r.o.
Licence SKAu No. 014

Ing. Zuzana Letková, FCCA
Responsible Auditor
Licence SKAu No. 865

Consolidated Statement of Comprehensive Income for the year ended 31 December 2013

prepared in accordance with International Financial Reporting Standards as adopted by the European Union

(in EUR thousands)	Note	2013	2012
Interest and similar income		346 770	356 693
Interest and similar expenses		(50 881)	(78 497)
Net interest income	**(1)**	**295 889**	**278 196**
Provisions for impairment losses	(2)	(33 991)	(45 147)
Net interest after provisioning		**261 898**	**233 049**
Fees and commissions income		141 231	133 825
Fees and commissions expense		(26 407)	(23 618)
Net fees and commission income	**(3)**	**114 824**	**110 207**
Net profit (loss) from trading instruments	(4)	17 735	21 778
Net profit (loss) from financial instruments at fair value through profit or loss	(5)	(400)	4 063
Net profit (loss) from investments in associated undertakings	(6)	28	684
General administrative expenses	(7)	(245 482)	(220 392)
Special levy of selected financial institutions	(8)	(31 833)	(28 330)
Other operating profit (loss)	(9)	11 251	10 357
Profit before income taxes		**128 021**	**131 416**
Income taxes	(10)	(30 851)	(27 880)
Consolidated profit after tax		**97 170**	**103 536**
Other components of comprehensive income, after income tax		**-**	**-**
Comprehensive consolidated profit after tax		**97 170**	**103 536**
Basic and diluted earnings per ordinary share (face value EUR 800) in EUR	**(11)**	**1 225**	**1 297**
Basic and diluted earnings per ordinary share (face value EUR 4 000) in EUR	**(11)**	**6 125**	**6 485**
Basic and diluted earnings per preference share (face value EUR 4) in EUR	**(11)**	**6.1**	**6.5**

Consolidated Statement of Financial Position for the year ended 31 December 2013

prepared in accordance with International Financial Reporting Standards as adopted by the European Union

(in EUR thousands)	Note	2013	2012
Assets			
Cash and deposits in central banks	(12)	688 595	174 693
Loans and advances to banks	(13)	151 684	118 469
Loans and advances to customers, gross	(14)	6 577 648	6 388 106
Impairment losses for loans and advances	(15)	(194 858)	(207 407)
Derivative financial assets	(16)	71 342	101 336
Held-for-trading financial assets	(17)	163 650	368 875
Financial assets at fair value through profit or loss	(18)	160 975	138 854
Held-to-maturity financial investments	(19)	1 591 573	1 782 413
Available-for-sale financial assets	(20)	623	623
Investments in associated undertakings	(21)	20 168	19 661
Non-current intangible assets	(22)	46 678	42 913
Non-current tangible assets	(22)	75 194	77 922
Investment property	(22)	47 427	11 298
Current income tax asset	(23)	5 313	3 184
Deferred income tax asset	(10, 24)	24 969	21 207
Other assets	(25)	37 579	30 880
Total assets		**9 468 560**	**9 073 027**
Equity and liabilities			
Deposits from banks	(26)	356 593	118 001
Deposits from customers	(27)	7 007 983	6 864 783
Derivative financial liabilities	(28)	84 862	118 750
Liabilities from debt securities	(29)	821 908	794 120
Provisions for liabilities and charges	(30)	38 882	37 182
Other liabilities	(31)	44 890	32 583
Subordinated debt	(32)	100 499	45 312
Total liabilities		**8 455 617**	**8 010 731**
Equity (excluding current year profit)	(33)	915 773	958 760
Comprehensive consolidated profit after tax		97 170	103 536
Total equity		**1 012 943**	**1 062 296**
Total equity and liabilities		**9 468 560**	**9 073 027**

Consolidated Statement of Changes in Equity for the year ended 31 December 2013

prepared in accordance with International Financial Reporting Standards as adopted by the European Union

(in EUR thousands)	Share capital	Share capital - own shares	Share premium	Share premium - own shares	Reserve fund and other funds	Retained earnings	Compre-hensive consolidated profit after tax	Total
Equity as at 1 January 2013	**64 326**	**(932)**	**293 806**	**(11 056)**	**15 068**	**597 548**	**103 536**	**1 062 296**
Transfer to retained earnings	-	-	-	-	-	(3 586)	3 586	-
Increase of the legal reserve fund	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(44 147)	(107 122)	(151 269)
Sale of preference shares	-	599	-	7 112	-	-	-	7 711
Amortisation of discount on preference shares	-	-	1 992	-	-	-	-	1 992
Loss from the sale of ordinary and preference shares	-	-	559	-	-	-	-	559
Repurchase of preference shares	-	(427)	-	(5 089)	-	-	-	(5 516)
Comprehensive consolidated profit after tax	-	-	-	-	-	-	97 170	97 170
Equity as at 31 December 2013	**64 326**	**(760)**	**296 357**	**(9 033)**	**15 068**	**549 815**	**97 170**	**1 012 943**

(in EUR thousands)	Share capital	Share capital - own shares	Share premium	Share premium - own shares	Reserve fund and other funds	Retained earnings	Compre-hensive consolidated profit after tax	Total
Equity as at 1 January 2012	**64 326**	**(116)**	**291 052**	**(1 234)**	**13 335**	**545 080**	**139 084**	**1 051 527**
Transfer to retained earnings	-	-	-	-	-	52 407	(52 407)	-
Increase of the legal reserve fund	-	-	-	-	1 733	61	(1 794)	-
Dividends paid	-	-	-	-	-	-	(84 883)	(84 883)
Sale of own preference shares	-	-	-	-	-	-	-	-
Amortisation of discount on preference shares	-	-	2 754	-	-	-	-	2 754
Repurchase of preference shares	-	(816)	-	(9 822)	-	-	-	(10 638)
Comprehensive consolidated profit after tax	-	-	-	-	-	-	103 536	103 536
Equity as at 31 December 2012	**64 326**	**(932)**	**293 806**	**(11 056)**	**15 068**	**597 548**	**103 536**	**1 062 296**

Consolidated Cash Flow Statement for the year ended 31 December 2013

prepared in accordance with International Financial Reporting Standards as adopted by the European Union

(in EUR thousands)	2013	2012
Cash flows from operating activities		
Profit before tax	128 021	131 416
Adjustments (Note 35):	(206 039)	(212 883)
Cash flow used in operating activities before changes in working capital, interest received and paid and income taxes paid (Note 35)	**(78 018)**	**(81 467)**
(Increase)/decrease in operating assets:		
Obligatory reserve with National Bank of Slovakia	(513 965)	(54 637)
Loans and advances to banks	(45 213)	22 480
Loans and advances to customers	(231 609)	(54 950)
Derivative financial assets and liabilities	(3 709)	3 488
Held-for-trading financial assets	194 805	(93 720)
Financial assets at fair value through profit and loss	(25 768)	(3 170)
Available-for-sale financial assets	-	21
Other assets	(6 519)	4 513
Increase/(decrease) in operating liabilities:		
Deposits from banks	238 516	16 636
Deposits from customers	154 614	(71 499)
Liabilities from debt securities	31 999	40 174
Other liabilities	11 440	(12 961)
Cash (used in) earned from operations before interest paid and received and income taxes paid	**(273 427)**	**(285 092)**
Interest paid	(63 930)	(76 735)
Interest received	303 618	299 618
Income taxes paid	(35 875)	(36 219)
Net cash flows from operating activities	**(69 614)**	**(98 428)**

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Cash flows from investing activities		
Net (increase) in held-to-maturity financial investments	(490 173)	(377 764)
Net decrease in held-to-maturity financial investments	672 276	282 994
Interest received from held-to-maturity financial investments	59 097	66 817
Proceeds from the sale or disposal of non-current tangible and intangible assets	227	1 860
Proceeds from the sale or disposal of investment property	2 802	-
Purchase of non-current tangible and intangible assets	(21 467)	(23 202)
Acquisition of goodwill	(31 768)	-
Acquisition of investment property	(40 199)	(6 991)
Establishment of or an increase of investment in an associated undertaking	(478)	(5 903)
Sale of a subsidiary	-	6 551
Dividends received	29	13
Net cash flows from investing activities	**150 346**	**(55 625)**
Cash flows from financing activities		
(Redemption) or sale of preference shares	2 754	(10 638)
Subordinated debt	55 000	(75 000)
Dividends paid	(151 269)	(84 883)
Net cash flows used in financing activities	**(93 515)**	**(170 521)**
Effects of exchange rate changes on cash and cash equivalents and other effects	(1 771)	48
Change in cash and cash equivalents	**(14 554)**	**(324 526)**
Cash and cash equivalents, beginning of the year (Note 35)	173 261	497 787
Cash and cash equivalents, end of the year (Note 35)	**158 707**	**173 261**

I. GENERAL INFORMATION

Scope of activities

The Tatra banka consolidated group (hereinafter also the "Group") includes the parent company – Tatra banka, akciová spoločnosť (hereinafter also the "Bank" or the "Parent Company"), whose registered seat is at Hodžovo námestie 3, Bratislava, and 19 subsidiaries and associated undertakings. The Bank was established on 17 September 1990 and incorporated with the Commercial Register on 1 November 1990. The Parent Company's identification number is 00 686 930; the tax identification number is 202 040 8522.

The Group offers a wide range of banking and financial services. Its core activities include receipt of deposits, provision of loans, domestic and cross-border money transfers, provision of investment services, investment activities, and supplementary services under Act No. 566/2001 Coll. on Securities and Investment Services and on Amendments to and Supplementation of Certain Acts etc. The valid list of all the Group's activities is disclosed in the Commercial Register of the Parent Company, its subsidiaries and associated undertakings.

The Parent Company's shareholders as a percentage of voting rights:

	31 December 2013	31 December 2012
Raiffeisen CEE Region Holding GmbH, Wien	89.11%	89.11%
Other	10.89%	10.89%
Total	**100.00%**	**100.00%**

The Parent Company's shareholders as a percentage of subscribed share capital:

	31 December 2013	31 December 2012
Raiffeisen CEE Region Holding GmbH, Wien	78.78%	78.78%
Other	21.22%	21.22%
Total	**100.00%**	**100.00%**

The Parent Company's shareholders as absolute shares of subscribed share capital:

(in EUR thousands)	31 December 2013	31 December 2012
Raiffeisen CEE Region Holding GmbH, Wien	50 678	50 678
Other	13 648	13 648
Total	**64 326**	**64 326**

The Parent Company performs its activities in the Slovak Republic through its 148 branches, corporate centres and corporate centre sub-agencies, Centrum bývania[TB] and Centrum investovania[TB], and 12 branches of the Organisational Unit of Raiffeisen Bank.

The Parent Company's ordinary shares are publicly traded on the Bratislava Stock Exchange.

The members of the statutory and supervisory bodies of the Parent Company (Group) as at 31 December 2013:

Supervisory Board	
Chairman:	Herbert STEPIC
Vice-Chairman:	Karl SEVELDA
Members:	Peter BALÁŽ
	Ján NEUBAUER
	Pavol FEITSCHER
	Aris BOGDANERIS
	Renate KATTINGER
	Hannes MOSENBACHER

Board of Directors	
Chairman:	Igor VIDA
Vice-Chairman:	Miroslav ULIČNÝ
Members:	Marcel KAŠČÁK
	Michal LIDAY
	Vladimír MATOUŠ
	Natália MAJOR
	Bernhard HENHAPPEL

Changes in the Parent Company's (Group's) Supervisory Board in 2013:
There were no changes in the composition of the Parent Company's (Group's) Supervisory Board in 2013.

Changes in the Parent Company's (Group's) Board of Directors in 2013:
There were no changes in the composition of the Parent Company's (Group's) Board of Directors in 2013.

Business name of the ultimate parent company:
Raiffeisen-Landesbanken Holding GmbH, Vienna, Austria

Business name of the ultimate parent company preparing the consolidated financial statements:
Raiffeisen Zentralbank Österreich AG, Vienna, Austria

Business name of the immediate parent company:
Raiffeisen CEE Region Holding GmbH, Vienna

Business name of the immediate parent company preparing the consolidated financial statements:
Raiffeisen Bank International AG, Vienna, Austria

The consolidated financial statements of the Raiffeisen Zentralbank Group ("RZB Group") are maintained with the Handelsgericht Vienna Register Court at Marxergasse 1a, 1030 Vienna, Austria.

The RZB Group represents the parent company (Raiffeisen Zentralbank) and its subsidiaries and associates owned directly or indirectly through its subsidiaries.

Raiffeisen Bank International AG also prepares consolidated financial statements. The consolidated financial statements of the Raiffeisen Bank International AG Group (the "RBI Group") are deposited with the register court (Handelsgericht Wien) at Marxergasse 1a, 1030 Vienna, Austria. The shares of Raiffeisen Bank International AG are listed on the Vienna Stock Exchange.

1. Definition of the consolidated group:

As at 31 December 2013, the Group comprised the Parent Company and the following companies (the “consolidated entities”):

Tatra Asset Management, správ. spol., a. s.	100 %	100 %	n/a	35742968	Asset management	Full consolidation method	Bratislava
Doplnková dôchodková spoločnosť Tatra banky, a. s.	100 %	100 %	n/a	36291111	Supplementary retirement savings	Full consolidation method	Bratislava
Tatra Office, s. r. o.	-	100 %	ELIOT, a.s.	35780860	IT support	Full consolidation method	Bratislava
CENTRUM BÝVANIA, s. r. o.*	-	100 %	ELIOT, a.s.	35707682	Asset leasing and management	Full consolidation method	Bratislava
Tatra Residence, s. r. o.*	-	100 %	ELIOT, a.s.	35805498	Asset leasing and management	Full consolidation method	Bratislava
BA Development, s.r.o.	-	100 %	ELIOT, a.s.	36658545	Asset leasing and management	Full consolidation method	Bratislava
BA Development II., s.r.o.	-	100 %	ELIOT, a.s.	44330961	Asset leasing and management	Full consolidation method	Bratislava
PRODEAL, a.s.	-	100 %	ELIOT, a.s.	36702196	Asset leasing and management	Full consolidation method	Bratislava
Dúbravčice, s.r.o.	-	100 %	ELIOT, a.s.	45945080	Asset leasing and management	Full consolidation method	Bratislava
TL leasing, s. r. o.	-	100 %	ELIOT, a.s.	31398456	Leasing	Full consolidation method	Bratislava
Tatra-Leasing, s.r.o.	48 %	48 %	n/a	31326552	Leasing	Equity method	Bratislava
Eurolease RE Leasing, s.r.o.	-	48 %	Tatra-Leasing, s.r.o.	45985812	Mediation activities	Equity method	Bratislava
Rent CC, s.r.o.	-	48 %	Tatra-Leasing, s.r.o.	35824999	Leasing	Equity method	Bratislava
Rent GI, s.r.o.	-	48 %	Tatra-Leasing, s.r.o.	35786680	Leasing	Equity method	Bratislava

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Rent GRJ, s.r.o.	-	48 %	Tatra-Leasing, s.r.o.	36804738	Leasing	Equity method	Bratislava
Rent PO, s.r.o.	-	48 %	Tatra-Leasing, s.r.o.	35823267	Leasing	Equity method	Bratislava
Slovak Banking Credit Bureau, s.r.o.	33.33 %	33.33 %	n/a	35869810	Services	Unconsolidated due to immateriality	Bratislava
Raiffeisen penzijní společnost, a.s.	-	49 %	Tatra Asset Management, správ. spol., a.s.	n/a	Pension insurance	Equity method	Prague, Czech Republic

*As at 31 October 2013 (effective date), Tatra Residence,s.r.o. merged with CENTRUM BÝVANIA,s.r.o. and CENTRUM BÝVANIA, s.r.o. became the successor company. The original entity, Tatra Residence,s.r.o., was deleted from the Commercial Register, including all data recorded in the Commercial Register, as at 1 January 2014. As at the same date, ie 1 January 2014, the successor company, CENTRUM BÝVANIA,s.r.o., was renamed Tatra Residence,s.r.o.. Therefore, as at 31 December 2013, both entities are recognised as the Bank's subsidiaries.

Changes in the Group during 2013

In July 2013, Tatra-Leasing, s. r. o. (associated undertaking) acquired a 99.99% share in Eurolease RE Leasing, s.r.o. from Eurolease, s.r.o. Eurolease RE Leasing, s.r.o. is the parent holding company that owns the following subsidiaries: Rent CC, s.r.o., Rent GI, s.r.o., Rent GRJ, s.r.o. and Rent PO, s.r.o.

As at 1 January 2014 (effective date), Rent GI, s.r.o. merged with Rent PO, s.r.o. Rent PO, s.r.o. became the entity's successor company. The original entity, Rent GI, s.r.o., was deleted from the Commercial Register, including all data recorded in the Commercial Register as at 12 February 2014.

In September 2013, the Bank's subsidiary, ELIOT, a.s., acquired a 100% share in TC Byty, s.r.o. from Eurolease RE Development, s.r.o. As at 31 October 2013 (effective date), TC Byty, s.r.o. merged with CENTRUM BÝVANIA, s.r.o. and CENTRUM BÝVANIA, s.r.o. became the entity's successor company. The original entity, TC Byty, s.r.o., was deleted from the Commercial Register, including all data recorded in the Commercial Register as at 29 October 2013.

In October 2013, ELIOT, a.s. acquired a 16% share in Eurolease, s.r.o. and at the same time, Tatra Residence, s.r.o. acquired the remaining 84% share in Eurolease, s.r.o. Eurolease, s.r.o. was a parent holding company and as at the acquisition date it owned the following subsidiaries (according to the Commercial Register): Eurolease RE Development,s.r.o. and Eurolease RE International, s.r.o. Eurolease RE Development,s.r.o. was a parent holding company and as at the acquisition date it owned the following subsidiaries (according to the Commercial Register): BA Development, s.r.o., BA Development II., s.r.o., PRODEAL, a.s. and Dúbravčice, s.r.o.

As at 16 September 2013 (effective date), Eurolease RE Development, s.r.o. merged with Eurolease, s.r.o. Eurolease, s.r.o. became the successor company The original entity, Eurolease RE Development, s.r.o., was deleted from the Commercial Register, including all data recorded in the Commercial Register as at 31 October 2013.

As at 4 October 2013 (effective date), Eurolease RE International, s.r.o. merged with Eurolease, s.r.o. The original entity, Eurolease RE International, s.r.o., was deleted from the Commercial Register, including all data recorded in the Commercial Register as at 15 November 2013.

As at 16 October 2013 (effective date), Eurolease, s.r.o. merged with Tatra Residence, s.r.o. and Tatra Residence, s.r.o. became the entity's successor company. The original entity, Eurolease, s.r.o., was deleted from the Commercial Register, including all data recorded in the Commercial Register as at 29 November 2013.

Subsequently, as at 1 November 2013 (effective date), Tatra Residence, s.r.o. merged with CENTRUM BÝVANIA, s.r.o. and CENTRUM BÝVANIA, s.r.o. became the entity's successor company. The original entity, Tatra Residence, s.r.o., was deleted from the Commercial Register, including all data recorded in the Commercial Register as at 1 January 2014. As at the same date, ie 1 January 2014, the successor company, CENTRUM BÝVANIA, s.r.o., was renamed Tatra Residence, s.r.o.

Distribution of the Parent Company's profit for 2012

Dividends – ordinary shares	96 257
Dividends – preference shares	12 615
Contribution to retained earnings from previous years	55
Total	**108 927**

Payment of dividends from retained earnings for 2011

Dividends – ordinary shares	39 669
Dividends – preference shares	5 199
Total	**44 868**

A dividend per ordinary share with a face value of EUR 800 was paid in the total amount of EUR 1 912, comprising a share of the 2012 profit amounting to EUR 1 354 and a share of the 2011 retained earnings amounting to EUR 558.

A dividend per ordinary share with a face value of EUR 4 000 was paid in the total amount of EUR 9 560 comprising a share of the 2012 profit amounting to EUR 6 770 and a share of the 2011 retained earnings amounting to EUR 2 790.

A dividend per preference share with the face value of EUR 4 was paid in the total amount of EUR 9.56, comprising a share of the 2012 profit amounting to EUR 6.77 and a share of the 2011 retained earnings amounting to EUR 2.79.

The annual separate and consolidated financial statements for 2012, the Annual Report for 2012, the profit distribution, retained earnings and the determination of royalties to the Supervisory Board members for 2012 were approved by the Bank's General Meeting held on 10 May 2013. Dividends to which no title arose as at the date of the General Meeting in the amount of EUR 2 526 thousand were recognised in the retained earnings from previous years as at 31 December 2013.

Regulatory requirements

The Group is subject to the regulatory requirements of the National Bank of Slovakia, which include limits and other restrictions pertaining to minimum capital adequacy requirements, provisioning to cover credit risk, liquidity, interest rate, and foreign currency position. In 2013, the Group fulfilled all such regulatory requirements.

II. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Statement of compliance

The consolidated financial statements of the Group (hereinafter also the "financial statements") for 2013 and comparatives for 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") in Commission Regulation (EC) 1126/2008, and in accordance with the current interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Commission Regulation (EC) 1126/2008 of 3 November 2008 was issued to combine in a single document all standards presented by the International Accounting Standards Board (IASB) and all interpretations presented by the International Financial Reporting Interpretations Committee (IFRIC), which were fully endorsed in the Community as at 15 October 2008, except for IAS 39 (relating to recognition and measurement of financial instruments). Commission Regulation (EC) 1126/2008 of 3 November 2008 replaces Commission Regulation (EC) 1725/2003 of 29 September 2003.

IFRS as adopted by the EU do not currently differ from IFRS as issued by the IASB, except for certain requirements for portfolio hedge accounting under IAS 39, which has not been approved by the EU. The Group has determined that portfolio hedge accounting under IAS 39 would not have significant impact on the financial statements had it eventually been approved by the EU at the balance sheet date.

Standards and Interpretations effective in the current period

The Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been endorsed for use in the EU and that are relevant to its operations and are effective for accounting periods beginning on 1 January 2013. The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current accounting period:

- **IFRS 13 "Fair Value Measurement"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 1 "First–time Adoption of IFRS"** – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 1 "First–time Adoption of IFRS"** – Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012);
- **Amendments to IAS 12 "Income Taxes"** – Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IAS 19 "Employee Benefits"** – Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to various standards "Improvements to IFRS (cycle 2009 – 2011)"** resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013); and
- **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The adoption of the new standards and interpretations has not led to any changes in the Group's accounting policies that would have an impact on the amounts recognised for the current and preceding reporting periods. At the date of authorisation of these financial statements, the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- **IFRS 10 "Consolidated Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 11 "Joint Arrangements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IFRS 12 "Disclosures of Interests in Other Entities"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IAS 27 (revised in 2011) "Separate Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities"** – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised in 2011) "Separate Financial Statements"**– Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 32 "Financial Instruments: Presentation"** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to IAS 36 "Impairment of Assets"** – Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014); and
- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"** – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Bank anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application. The International Accounting Standards Board (IASB) also endorsed the following standards, amendments to the existing standards and interpretations that were not endorsed for use by the EU at 31 December 2013:

- **IFRS 9 "Financial Instruments" and subsequent amendments** (effective date was not yet determined);
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 19 "Employee Benefits"** – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014);
- **Amendments to various standards "Improvements to IFRS (cycle 2010 – 2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014);
- **Amendments to various standards "Improvements to IFRS (cycle 2011 – 2013)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014); and
- **IFRIC 21 "Levies"** (effective for annual periods beginning on or after 1 January 2014).

The Group's management anticipates that the adopting of IFRS 9 in its current wording will have a significant impact on the financial statements, mostly in connection with the classification of financial instruments. The Group's management also anticipates that adopting the other standards, revisions and interpretations will have no significant impact on the financial statements in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. According to the Group's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

Purpose of preparation

The purpose of preparing these annual consolidated financial statements in the Slovak Republic is to comply with Act on Accounting No. 431/2002 Coll. The Group prepares its separate and consolidated financial statements and annual report under special regulations – Regulation (EC) 1606/2002 of the European Parliament and of the Council on the Application of International Accounting Standards (IFRS). The separate and consolidated financial statements prepared in compliance with IFRS as at 31 December 2013, dated 18 March 2014, will be available in the Financial Statements Register in accordance with Act No. 431/2002 Coll. on Accounting, as amended. The financial statements are intended for general use and information; they are not intended for the purposes of any specific user or consideration of any specific transactions. Accordingly, users should not rely exclusively on these financial statements when making decisions.

Basis of preparation

The financial statements are prepared on the accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur and reported in the financial statements of the periods to which they relate and on the going concern assumption.

The financial statements are prepared under the historical cost convention; certain financial instruments were revalued to fair value.

The reporting currency used in the financial statements is the euro ("EUR") with accuracy to EUR thousand, unless otherwise indicated.

Significant accounting judgements

The presentation of financial statements in conformity with IFRS requires the preparation of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and future changes in the economic conditions, business strategies, regulatory requirements, accounting rules, and/or other factors could subsequently result in a change in estimates or other adjustments that could have a material impact on the reported financial position and results of operations.

The effect of a change in an accounting estimate shall be recognised prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or the period of the change and future periods, if the change affects both.

Significant areas of judgement include the following:

- Provisioning for incurred loan losses and identified contingent liabilities involves many uncertainties concerning the outcomes of the risks mentioned above and requires the Group's management to make many subjective assessments when estimating the amount of losses. As described in Section f) paragraph 1 below and disclosed in detail in Note 2 and 15, the Group creates provisions for the impairment of loans and receivables where there is objective evidence that, as a result of past events, the estimated future cash-flows are impacted negatively. These provisions are based on the Group's historical and current experience concerning default rates, recovery rates of loans, or time needed from a loss event to crystallise in loan default, as well as subjective judgments of the Parent Company's management about estimated future cash-flows. Given the current economic conditions, the result of such estimates may differ from the impairment provisions recognised as at 31 December 2013.

  Amounts recognised as provisions for liabilities are based on the management's judgement and represent the best estimate of expenses needed to settle a liability with uncertain timing or an uncertain amount payable.

- The income taxes rules and regulations have recently experienced significant changes; there is limited historical precedent and/or interpretation judgement with respect to the extensive and complex issues affecting the banking sector. Furthermore, tax authorities have broad powers as regards the interpretation of tax laws and regulations during the tax audit of a taxpayer. As a result, there is a higher degree of uncertainty as to the final outcome of any potential review conducted by the tax authorities.

b) Consolidation principles

Subsidiary undertakings are companies in which the Parent Company, directly or indirectly, has an interest of more than 50% of the voting rights or otherwise has power to exercise control over their operations; these were included in consolidation using the full consolidation method except for those where the influence was insignificant. Subsidiaries were consolidated as of the date when the Parent Company gained control over them, and deconsolidated on the date of their disposal or loss of the controlling interest. All receivables and payables, disposals and purchases, as well as expenses, revenues, profits, and losses on transactions within the Group were eliminated.

Investments in associated undertakings represent entities in which the Parent Company has a share in the share capital and voting rights of more than 20% but less than 50%, and in which the Parent Company has significant influence. Investments in associated undertakings are valued using the equity method in the consolidated financial statements. Under the equity method, investments are initially measured at cost and subsequently adjusted for post-acquisition changes in the Parent Company's share of the net assets of an entity wherein the investment was made. The profit or loss of investors includes their share in the profit or loss of the entity wherein the investment was made. Gains/(losses) resulting from the revaluation of associates using the equity method are disclosed as "Net gains/(losses) from investments in associated undertakings" in the income statement.

All acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Parent Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. If the cost of the business combination exceeds the Parent Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised, the difference is disclosed as goodwill in note k) in Section II. – Principal Accounting Policies.

c) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into euros and reported in the financial statements as at the exchange rate declared by the European Central Bank (ECB) valid as at the balance sheet date. Income and expenses denominated in foreign currencies are recorded in euros in the underlying accounting system of the Group and are reported in the financial statements at the actual exchange rate of the European Central Bank valid as at the date of the transaction.

Exchange rate gains (losses) from all foreign exchange transactions are included in the Statement of Comprehensive Income item “Net profit (loss) from trading instruments”.

Off-balance sheet transactions denominated in foreign currency are translated into euros in the Group’s off-balance sheet using the ECB spot exchange rate valid as at the balance sheet date.

The unrealised gain or loss from fixed term transactions is calculated using the anticipated forward rate based on a standard mathematical formula, which takes into account the European Central Bank spot rate and interest rates effective as at the balance sheet date and is reported in the item“Derivative financial assets” or in the item “Derivative financial liabilities” in the statement of financial position, and “Net profit (loss) from trading instruments” in the statement of comprehensive income.

d) Cash and deposits in central banks

Cash and deposits in central banks comprise cash held, and cash balances with the National Bank of Slovakia, including the compulsory minimum reserve with the National Bank of Slovakia.

The compulsory minimum reserve with the National Bank of Slovakia is a required deposit with restricted drawing to be held by all commercial banks licensed in the Slovak Republic. The interest rate is determined by the European Central Bank on a regular basis after the end of each period.

e) Government and other treasury bills

Government and other treasury bills are debt securities with maturity of up to 12 months issued by the National Bank of Slovakia or the Ministry of Finance of the Slovak Republic. Accounting principles stated in paragraph f) 2a) are applied to measure and recognise government and other treasury bills from the portfolio of securities held for trading. Treasury bills from the portfolio of securities held for trading are recognised as “Held-for-trading financial assets”.

The accounting principles stated in paragraph f) 2c) are applied to measure and recognise government and other treasury bills from the portfolio of securities at fair value through profit or loss. Treasury bills from the portfolio of securities at fair value through profit or loss are recognised as “Financial assets at fair value through profit or loss”. Accounting principles stated in paragraph f) 3) are applied to measure and recognise government and other treasury bills from the portfolio of securities held to maturity. Treasury bills from the portfolio of securities held to maturity are recognised as “Held-to-maturity financial investments”.

f) Financial instruments

A financial instrument is any contract that results in a financial asset in one entity and a financial liability in another.

The Group classifies financial instruments in six categories, in accordance with the Group’s intention to acquire the instruments and pursuant to the Group’s investment strategy, as follows:

1. Loans and receivables
2. Financial assets at fair value through profit or loss
   a. Financial assets held for trading
   b. Derivative financial instruments
   c. Financial assets at fair value through profit or loss
2. Held-to-maturity financial investments
3. Available-for-sale financial assets
4. Hedging derivatives
5. Financial liabilities

1. Loans and receivables

Loans and other receivables represent non-derivative financial assets with fixed or determinable payments unlisted in an active market. Loans are measured at amortised costs using the effective interest rate method less impairment provisions.

When signing a loan agreement, the Parent Company records the issued loan commitment on the off-balance sheet. A loan is recognised in the statement of financial position when the funds are provided to debtor. During the performance of their activities, the Parent Company records contingent liabilities with inherent credit risk. The Parent Company accounts for these contingent liabilities in off-balance sheet accounts, and records a provision for such liabilities that reflects the level of risk of issued guarantees, letters of credit, and unused credit limits as at the balance sheet date. For unused retail credit lines no provisions are recorded.

Provisions for loan impairment

Provisions are recorded to cover estimated losses from receivables for which objective evidence of impairment exists. The provision for possible loan losses is calculated to reduce loans to their recoverable amount representing expected future cash flows discounted to the present value using the original effective interest rate implicit in the loan at inception or the fair value of the related collateral.

Provisions for losses from loans to customers are charged as “Provisions for impairment losses”in the statement of comprehensive income. If there is no reason to record a provision or the amount of provisions is not adequate, excessive provisions are released using the same line of the statement of comprehensive income.

The Parent Company records two types of provision: specific and portfolio provisions. Specific provisions for identified potential losses on loans are assessed with reference to the credit standing and financial performance of the borrower and collateral (a portfolio model is used for retail provisions). Portfolio provisions cover losses that have not been individually identified, but based on historical experience it is clear that they are inherent in the portfolio at the reporting date.

Loans and advances to corporate clients are individually significant and are analysed on an individual basis. The Group adjusts the value of a corporate receivable if there is reason to believe that the receivable demonstrates characteristics that would cause the receivable to be impaired. These characteristics mainly include: overdue receivables, information that a large-scope foreclosure procedure is pending against the debtor, that the debtor is in bankruptcy, liquidation or statutory restructuring, if an identified fraud is associated with the receivable, if the receivable was restructured due to the fact that the debtor did not have sufficient funds to repay the receivable in line with the original repayment schedule, or if the Group concludes - based on the regular monitoring of the client’s financial position - that the client will be unable to fully repay the amount outstanding.

The calculation of specific provisions is based on an estimate of expected cash flows reflecting estimated delinquency in loan repayments, as well as income from loan collateral. The impairment amount is determined by the difference between the loan’s carrying amount and the net present value (“NPV”) of the estimated cash flows and income from loan collateral discounted by the loan’s original effective interest rate. Specific provisions are recorded when there is objective evidence of a loss event that occurred after initial recognition.

For loans and advances to corporate clients where no impairment was identified on an individual basis, loans and advances are divided into groups with similar credit risk characteristics and portfolio-based provisions are calculated. Portfolio-based provisions cover losses that have not yet been individually identified, but based on historical experience, are deemed to be inherent in the portfolios of the balance sheet date. The provision depends on the client rating, historical default rate for the given client rating, collateral value, and recovery rate.

For groups where the Parent Company does not have a sufficiently long time period to calculate a historical default rate, the Group uses default probabilities derived from other similar groups or from RBI Group data.

For retail receivables where no impairment was identified, individually portfolio-based provisions are created using a flow rate model. Portfolio provisions cover losses that were not identified individually, but, based on historical experience, they were inherent to the portfolios as at the balance sheet date. A flow rate model (also known as a roll rate model) is the model for calculating provisions based on the principle of a percentage flow of overdue receivables into saturation status (180 days overdue). For receivables that are not in saturation status, the Parent Company applies the so-called vintage-based recovery rate with the horizon capped at 36 months. For receivables in saturation status, the Parent Company creates

100% provisions, except for collateralised loans where the collateral value less a coefficient adjusting the property value to “adjusted market value” is deducted in respect of such receivables.

For both the flow rate model and the vintage based recovery, the Parent Company uses portfolio segmentation by product and type (according to their risk characteristics), and 12-month flow rate averages are used to calculate the final flow rate (if a significant change is seen in the population’s behaviour, 6- or 3-month averages can be used).

The Parent Company adjusts the measurement of retail receivables on a monthly basis or when the receivable demonstrates indicators of its impairment. If the Parent Company identifies such indicators (fraud, debtor’s death, foreclosure in the specific amount), the Parent Company creates a specific provision.

In line with the internal policy, according to a valid decision on ceasing the recovery of claims issued by the competent court, the Board of Directors, or other Parent Company bodies (Problem Loan Committee, Executive Committee), the Parent Company writes off its loans to customers against the recorded provision. Should the amount of the receivable written-off exceed the amount of recorded provisions, the difference is recognised through the statement of comprehensive income. Receivables written off that are still in the collection process under law are recorded in off-balance sheet accounts.

If, after the write off, the Parent Company collects additional amounts from the client or obtains control of collateral worth more than initially estimated, a recovery is recognised through the statement of comprehensive income in the caption “Provisions for impairment losses”.

Loan collateral

In terms of handling collateral, the Parent Company places great emphasis mainly on valuing and revaluing individual items of collateral, determining the value of pledged collateral for secured loans, determining collateral acceptability to mitigate credit risk, and collateral enforcement, should the client be in default.

The Parent Company mainly accepts the following types of collateral:

- Financial collateral
- Guarantees
- Real estate
- Chattel
- Receivables
- Life insurance

In terms of legal instruments, the Parent Company uses:

- Pledges
- Assignments of receivable intended to serve as security
- Transfers of title intended to serve as security
- Blockages of cash
- Contracts for purchase of securities
- Agreements on liability replacement

The methodology of collateral valuation and the frequency of such revaluation depend on the type of collateral and the minimum requirements pursuant to the effective legislative standards implemented in the Parent Company’s internal regulations. The method of determining the value of collateral is specific for each type of collateral, and the Parent Company respects an adequate degree of prudence.

The value of pledged collateral is determined on a case-by-case basis for each type of collateral depending on the type of collateral and transaction, and individual risk characteristics. The value of pledged collateral is obtained by discounting the initial value of collateral obtained in valuation and revaluation. Factors based on which discounting factors are determined relate mainly to the enforceability of collateral if the counterparty defaults (eg type, location and condition of real estate), potential default of the security provider (eg credit quality and maturity of financial collateral), and other factors (business strategy and Parent Company orientation). The discounting factors applied are subject to regular revaluation.

The claim value of collateral is derived from the value of pledged collateral up to the amount of the current amount receivable. If the value of pledged collateral is lower than the balance of the receivable, the Parent Company will determine the claim value of collateral up to the amount of the value of pledged collateral.

The claim value of collateral contains a number of uncertainties and risks. The amounts that may be recovered in the course of liquidating the collateral for bad debts could differ from the estimated amounts, and the difference could be material.

The Parent Company's decisions on the enforcement of collateral is individual and depends on factors such as the current condition and value of the collateral, the current amount receivable, the promptness of the satisfaction of the receivable, collection-related costs etc. The relevant competent body of the Parent Company decides which security instrument will be used in the specific case.

The Parent Company mainly uses the following forms of enforcement of collateral:

- Voluntary auction
- Foreclosure procedure
- Realisation of the collateral for the receivable in a bankruptcy procedure
- Sale of receivables

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

a. Held-for-trading financial assets

The Group has acquired held-for-trading financial assets to utilise short-term price fluctuations in order to generate profits. In this category, the Group recognises securities - equity investments, debt securities, treasury bills and shares. Equity and debt securities, treasury bills and shares are recognised by the Group in the statement of financial position line "Held-for-trading financial assets".

All purchases and sales of trading securities are recognised as at the settlement date.

Held-for-trading financial assets are initially recognised at cost net of transaction costs and are subsequently remeasured to fair value through the statement of comprehensive income.

The Group discloses unrealised gains and losses on revaluing such assets to fair value and net interest income in the statement of comprehensive income line "Net profit (loss) from trading instruments".

Refinancing costs of trading securities is disclosed in the statement of comprehensive income line "Net profit (loss) from trading instruments". Refinancing costs represent costs of refinancing positions contracted in trading activity.

Dividend income from held-for-trading securities is disclosed in the statement of comprehensive income line "Net profit (loss) from trading instruments".

b. Derivative financial instruments

In this category, the Group discloses derivative financial instruments - interest rate swaps, currency swaps, index swaps, currency forwards, interest rate options, currency options, share index options, currency, interest rate and index futures and commodity derivatives.

All purchases and sales that require delivery within the time frame established by regulation or market convention ("standard way") are recognised as spot transactions. Transactions that do not meet the "standard way" settlement criteria are treated as financial derivatives.

Derivatives are recognised as “Derivative financial assets” or “Derivative financial liabilities”. Certain financial derivative transactions, while providing effective economic hedges under the Parent Company’s risk management policy, do not qualify for hedge accounting under the specific rules stipulated by IAS 39.

Derivatives embedded in other financial instruments or other host contracts are treated, in terms of accounting, as separate derivatives if no close linkage exists between their risks and attributes, and risks and attributes of the host contract, and if the host contract is not recognised at fair value and changes in fair value are recognised in the statement of comprehensive income.

The Group records unrealised gains and losses from the revaluation of derivative instruments to their fair values and net interest income in the statement of comprehensive income line “Net profit (loss) from trading instruments”. The fair value of held-for-trading financial derivatives is disclosed in Note 45 “Financial derivatives“.

c. Financial assets at fair value through profit or loss (“FVTPL”)

Based on the Group’s documented risk management strategy and in accordance with its investment strategy, the Group mainly recognises debt securities in the given portfolio. The performance of these securities is evaluated on a fair value basis. The aforementioned debt securities are treated by the Group at initial recognition as financial assets at fair value through profit or loss (FVTPL) and they are recognised in the statement of financial position as “Financial assets at fair value through profit or loss”.

Financial assets at fair value through profit or loss are initially recognised at cost, excluding costs of transaction, and are subsequently re-valued to fair value through the statement of comprehensive income.

The Group recognises unrealised gains and losses from the revaluation of these assets to their fair values in the statement of comprehensive income line “Net profit (loss) from financial instruments at fair value through profit or loss”.

Net interest income is accrued on a daily basis and recorded in the statement of comprehensive income line “Interest and similar income”.

3. Held-to-maturity financial investments

This portfolio is a non-derivative financial asset with fixed or floating payments and fixed maturity that the Parent Company intends and is able to hold to maturity. The held-to-maturity portfolio includes debt securities in line with the approved strategy for the creation of a strategic securities portfolio. It mainly includes securities issued by the government and other creditworthy securities.

Held-to-maturity financial investments are measured at amortised cost using the effective interest rate method less impairment. Interest income and discounts and premiums on held-to-maturity securities are recognised as “Interest and similar income” in the statement of comprehensive income.

4. Available-for-sale financial assets (AFS)

The AFS portfolio includes the Group’s investments in other entities, with a share of less than 20% of share capital and voting rights. The portfolio is measured at cost less impairment provisions, which are recognised as “Other operating profit (loss)” in “Other revenues/(expenses) from available-for-sale financial instruments” in the statement of comprehensive income, as their market price in an active market cannot be reliably measured.

The portfolio mainly includes shares in privately-held companies for which no market exists or companies in which participation is mandatory (Burza cenných papierov v Bratislave a. s., S.W.I.F.T. s. c., VISA INC., USA). As a result, in respect of these shares the Group applies the level 3 for fair value measurements (see Note g). In 2013, there were no changes in one or more input data that would have an impact on the fair value change. Therefore, and also due to the insignificance of the given portfolio, the Group does not disclose any detailed requirements for reconciling opening and closing balances with separately-described changes during the period. The Group has no intention to sell or otherwise dispose of the given participation shares in the near future. For companies against which bankruptcy proceedings are underway, 100% provisions are created and the participation shares will be written off after the completion of the bankruptcy proceedings.

Dividend income from available-for-sale financial assets is reported as “Interest and similar income”in the statement of comprehensive income. Profit or loss from the sale of financial assets available-for-sale is recognised in the statement of comprehensive income as “Other revenues/(expenses) from available-for-sale financial instruments”.

5. Hedging Derivatives

Hedging derivatives are derivatives designed in the Parent Company's strategy to hedge certain risks and which meet all classification criteria for hedging derivatives under international accounting standards. The relationship between the hedging instrument and the hedged item is documented at the origin of the hedging transaction. At the origin and during the existence of the hedging relationship the hedging effectiveness is tested so that the changes in fair values or cash flows from hedged or hedging items are set off with the final results within the range from 80% to 125%.

Fair-Value Hedges

Changes in the fair value of hedging derivatives which are regarded as fair-value hedges are recognised in the statement of comprehensive income together with any changes in the fair value of hedged assets or liabilities to which a hedge risk can be attributed. Hedge accounting is discontinued if the Group cancels the hedging relationship, the derivative instrument expires or is sold, terminated, or exercised, or when the hedging relationship no longer meets the criteria for fair-value hedge accounting.

The positive fair value of a hedging derivative is recognised in the statement of financial position line"Derivative financial assets". The negative fair value of a hedging derivative is recognised in the statement of financial position line "Derivative financial liabilities".

Any change in the fair value of a hedging derivative and a hedged instrument relating to the hedged risk is recognised in the statement of comprehensive income line "Net profit (loss) from trading instruments". Interest income and expenses related to the hedging derivative are recognised together with interest expenses related to the hedged instruments in the statement of comprehensive income as "Interest and similar expenses".

6. Financial Liabilities

All of the Group's liabilities, except for derivative financial liabilities and issued debt securities hedged by interest rate swaps (hedging under IAS 39), are stated at amortised cost.

Derecognition of financial instruments

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor substantially retains all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group substantially retains all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities only when the Group's obligations are discharged or cancelled, or when they expire.

Inland securities in the Group's portfolio are mainly listed and traded on the Bratislava Stock Exchange; foreign securities are listed on the foreign stock exchange, where they are traded. Foreign securities are traded in an inter-bank market.

g) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally-accepted pricing models based on discounted cash flow analysis.
- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Insofar as market prices are available (which was mainly the case for securities traded on the stock exchange and active markets), the Group groups the respective financial instrument based on an observable market price into Level 1. If the security is not traded on the stock exchange or the NBS benchmark for the security is not disclosed, the Group measures the security at fair value derived from other inputs than quoted prices.

An analysis of financial instruments recognised at fair value divided according to their fair value measurement levels is stated in Note 46 “Fair value of financial instruments“.

With respect to the definition of the fair value of financial instruments not revalued to fair value, the Group applies the net present value method using the prime interest rates of individual currencies disclosed by central banks, which approximate market rates adjusted for an average mark-up for systematic risk. More-detailed information on the methods of calculating the fair values of financial instruments not revalued to fair value is provided in Note 46 “Fair value of financial instruments“.

Transfers between valuation levels

If the security is measured at fair value derived from quoted prices – Level 1 and the security is removed from trading on the stock exchange as well as from the NBS benchmark, the Group transfers such security to Level 2.

If at the initial recognition, the security was measured primarily at a notional price – Level 1, the Group changes the security’s grouping from Level 2 to Level 1 by making the first deal on the stock exchange and disclosing its price. If the security is not traded in the following days and the security’s price is not disclosed, such security will be transferred back to Level 2.

h) Sale and repurchase agreements - repo transactions

Securities sold under sale and repurchase agreements (“repo transactions”) are recorded as assets in the statement of financial position lines “Held-for-trading financial assets”, “Financial assets at fair value through profit or loss” or “Held-to-maturity financial investments”, and the counterparty liabilities are included in “Deposits from banks” or “Deposits from customers”.

Securities purchased under agreements to purchase and resell (“reverse repos”) are recorded as assets in the statement of financial position line “Loans and advances to banks” or “Loans and advances to customers, gross” as appropriate.

The difference between the sale and repurchase price is treated as interest and accrued evenly over the life of the repo agreement using the effective interest rate.

i) Non-current tangible and intangible assets

Non-current tangible and intangible assets are stated at historical cost less accumulated depreciation/amortisation together with accumulated impairment losses. Non-current assets are depreciated using the straight–line method based on the estimated useful life. Tangibles in progress, land, and artwork are not depreciated.

The estimated useful economic lives (in years) are set out below:

Machinery and equipment, computers, vehicles	2 – 8
Software	Up to 10
Fixtures, fittings and equipment	6 – 10
Energy machinery and equipment	10 – 15
Optical network	25
Buildings and structures	10 – 40

j) Investment property

Investment property represents assets held by the Group in order to earn rentals or for further capital appreciation. Investment property is recognised at cost less accumulated depreciation and provisions for impairment. The net book value of investment property, depreciation charges and rentals are described in Note 22 “Development of non-current tangible and intangible assets”. The creation and release of provisions due to the impairment of investment property is recognised in Note 8 “Other operating profit (loss)” as “Creation of provisions for investment property” or “Release of provisions for investment property”.

The Group uses a proprietary model to determine the fair value of investment property, which is based on discounted future income from rentals less direct operating expenses. The fair value of investment property that is not leased but held for appreciation is determined using an independent appraiser’s calculation.

The estimated useful life of buildings classified as investment property is 20 to 40 years.

k) Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company as at the acquisition date. Goodwill is initially recognised at cost and subsequently its value is adjusted for accumulated losses by its impairment. Goodwill is tested once or several times a year provided that the events or changes in circumstances indicate that the impairment of value is in compliance with IAS 36 – Impairment of assets. Impairment of goodwill cannot be reversed in the following reporting periods.

l) Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of the fair value less costs to sell and the present value of future cash flows expected to derive from the asset. If any of the amounts above exceeds the carrying amount, there is no need to estimate the other amount. If the estimated recoverable amount of an asset is lower than its carrying amount, the carrying amount of the asset shall be reduced to equal the recoverable amount. The impairment loss shall be recognised directly through the statement of comprehensive income.

m) Assets held for development and construction

The Group applies the principles of IAS 2 to assets held for development and construction that are designated for subsequent sale. The aforementioned assets are measured at the lower of the cost and the net realisable value. The Group recognises assets held for development and construction in Note 25 “Other assets” as “Assets held for development and construction”.

n) Leases

A lease is classified as a finance lease when the terms of the lease provide for transferring all the risks and rewards of ownership of the leased asset to the lessee. All other leases are classified as operating leases.

1. The Group as lessor

Amounts due from leases under finance lease are recognised as receivables at the amount of the Group’s net lease investment. Finance lease income is allocated to reporting periods so as to express a constant periodic rate of return on the Group’s net investment in respect of the lease.

The present value of future lease payments is recognised in the statement of financial position as “Loans and advances to customers, gross”, line “Finance lease receivables”.

2. The Group as lessee

Assets under finance lease are recognised as the Group’s assets at fair value as at the acquisition date, or if the fair value is lower, at the present value of minimum lease payments. The relevant payable to a lessor is recognised in the statement of financial position as a finance lease payable. Finance lease payments are apportioned between financial charges and reduction of outstanding lease payable (to produce a constant periodic rate of interest on the outstanding balance). Financial charges are recognised directly in the statement of comprehensive income, unless they are allocated directly to the relevant asset. In this case, financial charges are capitalised.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of the rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased asset are consumed.

o) Liabilities from debt securities

Debt securities issued by the Group are stated at amortised cost using the effective interest rate method. The Group issues mortgage bonds and other debt securities. Interest expense arising on the issue of securities is included in the statement of comprehensive income line “Interest and similar expenses”.

p) Subordinated debt

Subordinated debt refers to the Parent Company’s external funds and, in the event of bankruptcy, composition or Parent Company’s liquidation, the entitlement to its repayment is subordinated to liabilities to other creditors. The Parent Company’s subordinated debt is recognised in the separate statement of financial position as “Subordinated debt”. Interest expense paid on the received subordinated debt is recognised through the statement of comprehensive income in “Interest and similar expenses”.

Subordinated debt is a financial liability initially measured at fair value, net of transaction costs. It is subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

q) Cash and cash equivalents in the cash flow statement

Cash and cash equivalents for the purpose of cash flow statement preparation comprise cash held and cash balances with the National Bank of Slovakia, except for the statutory minimum reserve. Cash equivalents include treasury bills with a residual maturity of up to three months, demand deposits with other banks, and short-term government bonds.

r) Provisions for liabilities

The amount of provisions for liabilities and charges is recognised as an expense and a liability when the Group has legal or constructive obligations as a result of past events. It is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and a reasonable estimate of the amount of the resulting loss can be made. Any loss resulting from the recognition of provision for liability is recognised in the statement of comprehensive income for the period.

s) Provision for employee benefits

The Parent Company has a long-term employee benefit program comprising a lump-sum retirement benefit. As at 31 December 2013, the Parent Company had 3 455 employees (full-time equivalent) who were included in the program (31 December 2012: 3 418 employees).

The method of calculating the liability applies actuarial calculations, based on employee's age, number of years worked, employee turnover, mortality tables, and discount rates.

The employee benefit costs are assessed using the projected unit credit method with actuarial valuation at the balance sheet date, measured as the present value of the estimated future cash outflows discounted by interest approximating yield on investment grade fixed income securities. Actuarial gains and losses from the post-employment defined benefit obligation are charged to the statement of comprehensive income in the current year in "General administrative expenses". The provision for employee benefits is recognised in the statement of financial position as "Provision for liabilities".

Key assumptions used in actuarial valuation

Long-term employee provisions were calculated in accordance with the currently-valid mortality tables issued by the Statistical Office of the Slovak Republic.

Real annual discount rate	4%
Annual future real rate of salary increases	2%
Annual employee turnover	5.7% – 10%
Retirement age	Based on valid law

The Group also has a defined contribution plan for employees. All company contributions are included in personnel expenses in Note 7 "General administrative expenses".

t) Accrued interest

Accrued interest income and expenses related to financial assets and liabilities are presented together with the corresponding assets and liabilities in the statement of financial position.

u) Recognition of income and expense

1) Interest income and expense, and interest related charges

Interest income and expenses, and interest related charges arising on all interest-bearing instruments except for "Held-for-trading financial assets" are accrued in the statement of comprehensive income using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period.

Interest income from "Held-for-trading financial assets" is recognised in the statement of comprehensive income as "Net profit (loss) from trading instruments".

Interest income (expense) from securities includes revenues from coupons with fixed and floating rates, and amortised discount or premium.

2) Fees and commissions income/expense

Fees and commissions that do not form part of the effective interest rate are recognised as expenses and income in the statement of comprehensive income in "Net fees and commission income" from financial assets and liabilities not restated to fair value on an accrual basis as earned.

3) Dividend income

Dividend income is recognised when the dividend is approved to the Group in the statement of comprehensive income line "Interest and similar income".

v) Basic and diluted earnings per share

The Group reports earnings per share attributable to the holders of each class of share. The Group calculated earnings per share as profits attributable to each class of shares divided by the weighted average number of each class of shares outstanding during the reporting period.

The profit attributable to each class of share is determined based on the face value of each class of share in relation to the percentage of the total face value of all shares.

The Group does not report diluted earnings per share as there were no dilutive potential ordinary shares in issue as at 31 December 2013 nor 31 December 2012.

w) Taxation and deferred taxation

The Group calculated income tax in accordance with the provisions of the relevant legislation of the Slovak Republic, based on taxable profit. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the reporting date.

Deferred income tax is provided, using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The tax rate anticipated for future periods was used to determine deferred income tax, ie 22%. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. The effect of a decrease in the corporate income tax rate from 23% to 22% on deferred tax is stated in Note 10 "Income tax" as "Effect of a decrease of corporate income tax from 23% to 22% on deferred tax".

Deferred tax assets and liabilities are offset when there is a legally-enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group recognises the due corporate income tax in the statement of financial position line“Current tax asset” or “Current tax liability” and the deferred tax in “Deferred tax asset” or “Deferred tax liability”.

The Group is a payer of various local taxes and value added tax (VAT). Various local taxes are recognised in the statement of comprehensive income line “Other operating profit (loss)”. VAT that is non-deductible for the Group is recognised as “General administrative expenses” and VAT on the acquisition of non-current tangible and intangible assets is included in the cost of non-current tangible and intangible assets.

III. SEGMENT REPORTING

When reporting by segment, the Group applies IFRS 8 – "Operating Segments". The accounting principles related to the reported segments are consistent with the Group's accounting principles.

The basis for classifying by segment is an internal principle for the Parent Company management that is customer oriented. It also reflects the segmentation principle of the majority shareholder (Raiffeisen Bank International AG). The segmentation applied by the Parent Company is as follows:

- Corporate clients
- Financial institutions and public sector
- Retail customers
- Investment Banking and Treasury
- Equity investments and others

Corporate companies include all resident and non-resident companies, including state-owned companies. In terms of products, corporate clients were mainly provided with investment and operating loans in the form of instalment credits or overdraft facilities, factoring and documentary financing, project financing of commercial real estate projects, office premises, construction of shopping centres etc.

Financial institutions and the public sector consist of:

Banks/Supra-Nationals, which include all local and international banks and their majority-owned subsidiaries in the country and all institutions such as the World Bank, EBRD, EIB, IMF, and KfW. In terms of products on the side of assets, exposures to banks mainly included nostro accounts and term placements made. On the side of liabilities, they included mainly loro accounts, term placements received and loans received from banks.

Brokers & Asset Management Companies, which include foundations, all broker houses, mutual fund companies, leasing companies, investment banks, and other banks like these entities. Insurance companies include, for example, pension funds. These entities were mainly provided with investment and operating loans.

Public sector, which includes all government entities, ministries, municipalities, and similar institutions. Corporations that are owned by the public sector (state-owned) are shown under the corporate clients segment. Banks that belong to the government are defined as financial institutions. Securities of the Slovak Republic are disclosed in the Investment Banking and Treasury segment. Embassies and trade representatives are shown in this segment.

Retail Customers consist of Individuals (Consumers), which include all consumer customers, from low-income to high-income. The retail customers segment also includes micro businesses. For private banking, individuals are defined locally, with special treatment to individually manage their assets. In terms of products, retail customers – micro businesses and sole traders – were mainly provided with operating loans called BusinessÚver™ Expres, BusinessÚver™ Hypo and BusinessÚver™ Variant, company credit cards (VISA Standard/Gold/) and other products.

Retail customers – households were mainly provided with mortgage loans, equity home loans, hypotéka™, Bezúčelový úver™ Classic, Bezúčelový úver™ Garant, private credit cards (Visa Standard/Visa Gold/Visa Platinum and MercedesCard) and other products. Retail customers placed their financial funds mainly in current accounts and term deposits.

Treasury and Investment Banking consist of business transactions conducted on the Parent Company's own account and risk originated from managing market risk positions like FX-dealing, securities and derivatives trading, money market trading, liquidity management and funding, strategic placement positioning (investment portfolio), interest rate gapping (maturity transformation).

Segment reporting is based on the schemes of contribution margins that are calculated as a basis for the management of the Parent Company. In the schemes, revenues and expenses are allocated under the principles of causality, ie revenues and expenses are allocated to individual segments based on their place of origin.

General administrative expenses consist of direct and indirect expenses. Direct expenses (personnel expenses and other administrative expenses) are allocated per individual segment and indirect expenses are allocated in line with the approved ratios.

Special levy of selected financial institutions was allocated to individual segments according to the daily balances of all liabilities and to all segments.

The structure of items presented in Note III “Segment Reporting” is consistent with similar items of the statement of comprehensive income.

Geographically, operating profit was primarily generated by the provision of banking services in the Slovak Republic. Some assets and liabilities are placed outside the Slovak Republic. The summary of the most significant exposures of total assets and liabilities to customers in foreign countries is included in Note 38 “Foreign assets and liabilities”. The Group decided not to report the total amount of revenues from foreign entities owing to their immateriality.

The Parent Company’s management monitors the interest income of individual segments on a net basis.

The consolidated statement of comprehensive income and other indicators by segment as at 31 December 2013:

(in EUR thousands)	Corporate customers	Financial institutions and public sector	Retail customers	Investment and treasury banking	Equity investments and other	Total
Net interest income	81 828	6 988	189 360	4 566	13 147	295 889
Provisions and provisions for losses	(14 841)	2 761	(21 781)	-	(130)	(33 991)
Net interest income after provisioning	**66 987**	**9 749**	**167 579**	**4 566**	**13 017**	**261 898**
Net fees and commissions income	15 575	3 052	92 704	-	3 493	114 824
Net profit (loss) from financial trading instruments	5 446	247	6 889	1 063	4 090	17 735
Net profit (loss) from financial instruments at fair value through profit or loss	-	-	-	(400)	-	(400)
Net profit (loss) from investments in subsidiaries and associated undertakings	-	-	-	-	28	28
General administrative expenses	(40 293)	(4 310)	(158 625)	(8 905)	(33 349)	(245 482)
Special levy of selected financial institutions	(8 395)	(3 548)	(16 899)	(2 378)	(613)	(31 833)
Other operating profit (loss)	-	-	-	-	11 251	11 251
Profit before income taxes	**39 320**	**5 190**	**91 648**	**(6 054)**	**(2 083)**	**128 021**
Total assets	**3 004 944**	**273 110**	**3 361 253**	**2 663 461**	**165 792**	**9 468 560**

The consolidated statement of comprehensive income and other indicators by segment as at 31 December 2012:

(in EUR thousands)	Corporate customers	Financial institutions and public sector	Retail customers	Investment and treasury banking	Equity investments and other	Total
Net interest income	83 437	8 369	178 961	(15 064)	22 493	278 196
Provisions and provisions for losses	(31 066)	(382)	(13 699)	-	-	(45 147)
Net interest income after provisioning	**52 371**	**7 987**	**165 262**	**(15 064)**	**22 493**	**233 049**
Net fees and commissions income	14 356	4 358	86 690	-	4 803	110 207
Net profit (loss) from financial trading instruments	7 354	419	6 806	7 199	-	21 778
Net profit (loss) from financial instruments at fair value through profit or loss	-	-	-	4 063	-	4 063
Net profit (loss) from investments in subsidiaries and associated undertakings	-	-	-	-	684	684
General administrative expenses	(40 069)	(4 107)	(160 493)	(10 412)	(5 311)	(220 392)
Special levy of selected financial institutions	(8 158)	(3 555)	(9 967)	(2 249)	(4 401)	(28 330)
Other operating profit (loss)	-	-	-	-	10 357	10 357
Profit before income taxes	**25 854**	**5 102**	**88 298**	**(16 463)**	**28 625**	**131 416**
Total assets	**3 087 848**	**325 132**	**3 078 982**	**2 513 879**	**67 186**	**9 073 027**

IV. OTHER NOTES

1. Net interest income

(in EUR thousands)	2013	2012
Interest and similar income:	**346 770**	**356 693**
From loans and advances to banks	769	2 174
Of which: from loans and advances to central banks	*380*	*1 004*
From loans and advances to customers	293 952	292 836
From finance lease receivables	326	559
From held-to-maturity financial investments	50 360	56 980
From financial assets at fair value through profit or loss	1 334	4 131
From received dividends from available-for-sale financial assets	29	13
Interest and similar expenses:	**(50 881)**	**(78 497)**
On deposits from banks	(2 054)	(2 134)
On deposits from customers	(28 175)	(49 513)
On subordinated debts	(3 204)	(3 009)
On liabilities from debt securities issued by the Group	(17 448)	(23 841)
Net interest income	**295 889**	**278 196**

2. Provisions for impairment losses

Movement in provisions for impairment losses for loans disclosed in the statement of financial position and provisions for off-balance sheet liabilities are as follows:

(in EUR thousands)	2013	2012
Specific provisions for loan receivables:	**(39 551)**	**(44 755)**
Additions to provisions	(59 401)	(60 098)
Released provisions	27 304	21 097
Written-off loans	(7 570)	(5 842)
Recovery from written-off loans	116	88
Portfolio provisions for loan receivables:	**6 135**	**(410)**
Additions to provisions	(3 283)	(3 703)
Released provisions	9 418	3 293
Specific provisions for off-balance sheet items:	**130**	**(3 383)**
Additions to provisions	(4 481)	(4 637)
Released provisions	4 611	1 254
Portfolio provisions for off-balance sheet items:	**(705)**	**3 401**
Additions to provisions	(705)	-
Released provisions	-	3 401
Total	**(33 991)**	**(45 147)**

More information on provisions for loan losses is stated in Note 15 “Impairment losses for loans and advances”; information on provisions for off-balance sheet items is stated in Note 30 “Provisions for liabilities and charges“.

3. Net fees and commission income

(in EUR thousands)	2013	2012
Fees and commission income:	**141 231**	**133 825**
From payment transfers business	84 119	78 257
From credit processing and guarantee business	16 058	18 350
From securities business	9 225	8 233
From activities regarding management of investment and pension funds	26 554	22 897
From activities regarding mediation for third parties	3 439	3 398
For other banking services	1 836	2 690
Fees and commission expense:	**(26 407)**	**(23 618)**
From payment transfers business	(22 830)	(21 171)
From credit processing and guarantee business	(663)	(847)
From securities business	(1 288)	(269)
From activities regarding management of investment and pension funds	(725)	(635)
From activities regarding mediation for third parties	(501)	(64)
For other banking services	(400)	(632)
Net fees and commission income	**114 824**	**110 207**

4. Net profit (loss) from trading instruments

(in EUR thousands)	2013	2012
Interest-rate contracts – Securities:	**2 503**	**6 653**
Interest income, net	1 933	6 613
Revaluation to fair value	(859)	711
Profit (loss) from securities sold	1 994	577
Refinancing costs	(565)	(1 248)
Interest-rate contracts – Liabilities from hedged debt securities:	**(66)**	**(2 127)**
Revaluation to fair value	(66)	(2 127)
Interest-rate contracts – Derivatives:	**(320)**	**(109)**
Interest income (expense)	(3 902)	(5 607)
Realised profit (loss) from derivatives	(35)	(136)
Revaluation to fair value	3 863	3 443
Revaluation to fair value – derivatives to hedge fair value	(246)	2 191
Currency contracts:	**10 059**	**1 493**
Realised profit (loss) from derivatives	11 828	6 589
Revaluation to fair value of derivatives	(1 769)	(5 096)
Index-related contracts:	**73**	**89**
Interest income (expense)	-	(1)
Profit (loss) from securities sold	-	(2)
Realised profit (loss) from derivatives	(323)	97
Revaluation to fair value – derivatives	396	(5)
Commodity contracts:	**16**	**16**
Realised profit (loss) from derivatives	13	48
Revaluation to fair value – derivatives	3	(32)
Foreign exchange gains (losses)	**5 470**	**15 763**
Total	**17 735**	**21 778**

5. Net profit (loss) from financial instruments at fair value through profit or loss ("FVTPL")

(in EUR thousands)	2013	2012
Interest-rate contracts – Securities:		
Revaluation to fair value	(553)	3 472
Profit (loss) from securities sold	153	591
Total	**(400)**	**4 063**

6. Net profit (loss) from investments in associated undertakings

(in EUR thousands)	2013	2012
Share of profits of associated undertakings after taxes	521	743
Foreign exchange differences from associated undertakings denominated in a foreign currency	(493)	(59)
Total	**28**	**684**

7. General administrative expenses

The Group's general administrative expenses comprise staff expenses, other administrative expenses, depreciation, amortisation, and write-downs of non-current tangible and intangible assets. Such expenses break down as follows:

(in EUR thousands)	2013	2012
Staff expenses:	**(110 326)**	**(108 832)**
Wages and salaries	(82 510)	(83 192)
Social security costs	(24 731)	(23 592)
Other social expenses	(2 633)	(1 957)
(Creation) release of provisions for anniversaries and other loyalty benefits	(452)	(91)
Other general expenses:	**(82 688)**	**(89 110)**
Costs on premises	(16 880)	(16 798)
Costs on information technology	(19 115)	(19 810)
Communication costs	(4 922)	(6 588)
Legal and consultancy costs	(4 956)	(5 793)
Of which: Costs of audit firm's services in respect of an audit of the financial statements	*(308)*	*(312)*
Of which: Costs of audit firm's services in respect of other assurance services	*(64)*	*(95)*
Advertising and entertainment expenses	(13 113)	(10 214)
Deposits guarantee fund	-	(3 955)
Consumption of stationeries	(1 303)	(2 689)
Transport and processing of cash	(558)	(653)
Travelling expenses	(1 377)	(1 257)
Education of employees	(790)	(880)
VAT	(11 952)	(12 357)
Sundry administrative expenses	(7 722)	(8 116)
Depreciation and amortisation of non-current tangible and intangible assets:	**(52 468)**	**(22 450)**
Non-current tangible assets	(14 175)	(13 366)
Investment property	(547)	(85)
Non-current intangible assets*	(37 746)	(8 999)
Total	**(245 482)**	**(220 392)**

* including a write-down of goodwill in the amount of EUR 29 510 thousand as a result of changes in the Group. See Note I. General Information – Changes in the Group during 2013 and Note 22 "Development of non-current tangible and intangible assets"

The Group does not have pension arrangements separate from the state pension system of the Slovak Republic. Pursuant to Slovak legal regulations, an employer is obliged to pay contributions to social security, health insurance, medical insurance, accident insurance, unemployment insurance, and contributions to a guarantee fund set as a percentage of gross salary. These expenses are charged to the statement of comprehensive income in the period in which the employee was entitled to a salary.

8. Special levy of selected financial institutions

(in EUR thousands)	2013	2012
Special levy of selected financial institutions:		
Special levy of selected financial institutions	(31 833)	(28 330)
Total	**(31 833)**	**(28 330)**

As of 1 January 2012, banks and branches of foreign banks in Slovakia are obliged to pay a special levy (the so-called bank tax) pursuant to Act No. 384/2011 Coll. on a Special Levy of Selected Financial Institutions and on the Amendment to and Supplementation of Certain Acts (hereinafter the “Special Levy Act”). Banks and branches of foreign banks are obliged to pay the special levy in four quarterly instalments in the amount of one fourth of the annual rate (annual rate: 0.4%) of the amount of the liabilities defined in line with the Special Levy Act.

9. Other operating profit (loss)

Other operating profit (loss) comprises revenues and expenses from non-banking activities, disposal of non-current tangible and intangible assets, creation and release of litigation provisions, other taxes and charges and other revenues and expenses from non-banking activities:

(in EUR thousands)	2013	2012
Other revenues/(expenses) from available-for-sale financial instruments	**-**	**8**
Profit from the sale of a share in a subsidiary	**-**	**5 808**
Revenues from non-banking activities	**6 652**	**22 825**
Revenues from release of litigation provisions	*141*	*9 733*
Revenues from disposals of tangible and intangible assets	*3 028*	*1 860*
Other revenues from non-banking activities	*3 483*	*11 232*
Expenses arising from non-banking activities	**(4 576)**	**(18 345)**
Other taxes and charges	*(341)*	*(323)*
Creation of litigation provisions	*(1 145)*	*(13 578)*
Creation of provisions for investment property	*(199)*	*(1 381)*
Disposals of tangible and intangible assets and investment property	*(2 891)*	*(3 063)*
Other operating income	**11 502**	**2 408**
Other operating expenses	**(2 327)**	**(2 347)**
Total	**11 251**	**10 357**

10. Income taxes

(in EUR thousands)	2013	2012
Current tax expense	(33 774)	(32 263)
Deferred tax (expense)/benefit	2 923	4 383
Total	**(30 851)**	**(27 880)**

Slovak legal entities must individually report taxable income and remit corporate income taxes thereon to the appropriate authorities. In 2013, the corporate income tax rate amounted to 23% (2012: 19%).

Act No. 463/2013 Coll. amending and supplementing Act No. 595/2003 Coll. on Income Tax, as amended, was approved on 10 October 2013 with effect from 1 January 2014. The act changes the corporate income tax rate valid in 2014 to 22%. The tax rate of 22% was applied to calculate deferred taxes.

The tax on pre-tax profit differs from the theoretical tax that would arise if the valid income tax rate were applied as follows:

(in EUR thousands)	2013	2012
Income before tax	**128 022**	**131 416**
Theoretical tax calculated at the tax rate of 23% (2012: 19%)	29 445	24 969
Tax effects of:		
Non-taxable income	(5 554)	(3 838)
Non-deductible expenses	5 117	3 019
Provisions for assets and provisions for liabilities, net	4 613	5 279
Additional taxation from previous periods	(17)	148
Effect of an decrease in the corporate income tax rate from 23% to 22% on deferred tax	1 197	(3 577)
Effect of an decrease in the corporate income tax rate from 23% to 22% on the uncertain utilisation of deferred tax assets	1 061	(4 853)
Creation/(release) of provisions for uncertain utilisation of deferred tax assets	(4 564)	5 712
Tax losses carried forward	(1 512)	-
Effect of non-tax losses	1 450	(22)
Effect of consolidation	(385)	1 043
Income tax expense	**30 851**	**27 880**
Effective tax for the reporting period	**24.10%**	**21.21%**

Deferred tax assets and liabilities as at 31 December 2013 and as at 31 December 2012 relate to the following items:

	Book value	Tax value	Temporary difference (gross)	2013	2012
Deferred tax assets					
Loans and advances to customers (net of impairment provisions)	6 382 790	6 577 648	193 605	42 593	45 842
Other assets	37 579	37 004	575	127	11
Provisions for liabilities and charges	38 882	-	7 064	1 554	1 629
Other liabilities	44 890	25 974	18 916	4 161	1 742
Total				**48 435**	**49 224**
Deferred tax liabilities					
Non-current tangible assets and investment property	122 621	129 102	7 299	(1 606)	(740)
Total				**(1 606)**	**(740)**
Net deferred tax asset/(liability)				**46 829**	**48 484**
Allowance for uncertain realisation of deferred tax asset				(23 341)	(27 905)
Net deferred tax asset/(liability)				**23 488**	**20 579**

As at 31 December 2013, the Group did not recognise deferred tax assets of EUR 23 341 thousand (2012: EUR 27 905 thousand), which mainly related to tax-deductible temporary differences resulting from provisions, due to their uncertain timing and realisation in future reporting periods.

11. Earnings per share

2013 (in EUR thousands)	Ordinary shares Face value EUR 800	Ordinary shares Face value EUR 4 000	Preference shares Face value EUR 4
Profit after tax in the accounting period attributable to	74 279	12 836	10 055
Weighted average number of shares outstanding during the period	60 616	2 095	1 641 143
Earnings per share in EUR	**1 225**	**6 125**	**6.1**

2012 (in EUR thousands)	Ordinary shares Face value EUR 800	Ordinary shares Face value EUR 4 000	Preference shares Face value EUR 4
Profit after tax in the accounting period attributable to	78 627	13 587	11 322
Weighted average number of shares outstanding during the period	60 616	2 095	1 745 655
Earnings per share in EUR	**1 297**	**6 485**	**6.5**

Information on method of calculation of earnings per share is stated in Section II – Principal accounting policies v).

12. Cash and deposits in central banks

(in EUR thousands)	2013	2012
Cash in hand	86 130	86 193
Balances at central banks:	602 465	88 500
Obligatory minimum reserves	*602 465*	*88 500*
Short-term deposits with the NBS	-	-
Total	**688 595**	**174 693**

The minimum obligatory reserve is maintained as an interest-bearing deposit under the regulations of the National Bank of Slovakia. The amount of the reserve depends on the level of deposits accepted by the Parent Company. The Parent Company's ability to withdraw the reserve is restricted by the applicable legislation, and therefore it is not included in "Balances at central banks - Short-term deposits with the NBS" for the purposes of cash flow statement preparation (see Note 35"Information for Cash Flow Statement").

13. Loans and advances to banks

(in EUR thousands)	2013	2012
Giro and interbank clearing business	72 577	84 568
Money-market business	73 384	27 604
Other loans to banks	5 723	6 297
Total	**151 684**	**118 469**

Loans and advances to banks broken down along geographical lines:

(in EUR thousands)	2013	2012
Slovak Republic	1 179	1 547
Other countries*	150 505	116 922
Total	**151 684**	**118 469**

* For further information on the Group's exposure to other states, see Note 38 "Foreign assets and liabilities".

An overview of the quality of loans extended to banks is stated in Note 47 "Risk report".

14. Loans and advances to customers, gross

Analysis of loans and advances to customers:

(in EUR thousands)	2013	2012
Overdraft loans and current account overdrafts	869 180	971 609
Receivables from credit cards	92 430	95 067
Factoring and loans backed by bills of exchange	82 510	52 736
Housing loans	1 305 137	1 042 951
Mortgage loans	723 399	753 534
American mortgages	427 257	425 463
Consumer loans	319 487	274 618
Finance lease receivables	11 264	14 276
Investment, operating and other loans	2 746 984	2 757 852
Total	**6 577 648**	**6 388 106**

As of 31 December 2013, the total amount of syndicated loans sponsored by the Parent Company represented EUR 690 572 thousand (31 December 2012: EUR 534 590 thousand). The Parent Company's contribution represented EUR 283 854 thousand (31 December 2012: EUR 207 360 thousand). Syndicated loans are included in "Investment, operating and other loans".

Analysis of loans by customer group:

(in EUR thousands)	2013	2012
Public sector	19 109	16 913
Corporate clients	3 361 076	3 463 756
Retail clients	3 197 463	2 907 437
Total	**6 577 648**	**6 388 106**

Analysis of loans by contractual maturity period:

(in EUR thousands)	2013	2012
Short-term loans (up to 1 year)	1 482 553	1 663 877
Medium-term loans (1 year to 5 years)	974 003	982 304
Long-term loans (over 5 years)	4 121 092	3 741 925
Total	**6 577 648**	**6 388 106**

Analysis of loans and advances to customers by geographical segment:

(in EUR thousands)	2013	2012
Slovak Republic	6 387 528	6 285 824
Other countries	190 120	102 282
Total	**6 577 648**	**6 388 106**

An overview of the quality of loans extended to customers is stated in Note 47 "Risk report".

15. Impairment losses for loans and advances

The movement in provisions for loan losses during 2013 is as follows:

(in EUR thousands)	As at 1 January 2013	Allocated	Released	Used	Transfers, exchange differences	As at 31 December 2013
Specific provision	**176 570**	**59 401**	**(27 304)**	**(41 104)**	**2 592**	**170 155**
Public sector	172	-	(172)	-	-	-
Corporate clients	110 096	32 942	(17 195)	(22 339)	(404)	103 100
Retail clients	66 302	26 459	(9 937)	(18 765)	2 996	67 055
Portfolio provision	**30 837**	**3 283**	**(9 417)**	**-**	**-**	**24 703**
Corporate clients	24 064	1 365	(9 417)	-	-	16 012
Retail clients	6 773	1 918	-	-	-	8 691
Total	**207 407**	**62 684**	**(36 721)**	**(41 104)**	**2 592**	**194 858**

The movement in provisions for loan losses during 2012 is as follows:

(in EUR thousands)	As at 1 January 2012	Allocated	Released	Used	Transfers, exchange differences	As at 31 December 2012
Specific provision	**157 486**	**60 098**	**(21 097)**	**(19 917)**	**-**	**176 570**
Public sector	225	-	(53)	-	-	172
Corporate clients	98 437	37 945	(11 376)	(14 928)	18	110 096
Retail clients	58 824	22 153	(9 668)	(4 989)	(18)	66 302
Portfolio provision	**30 427**	**3 703**	**(3 293)**	**-**	**-**	**30 837**
Corporate clients	23 574	3 494	(3 004)	-	-	24 064
Retail clients	6 853	209	(289)	-	-	6 773
Total	**187 913**	**63 801**	**(24 390)**	**(19 917)**	**-**	**207 407**

16. Derivative financial assets

(in EUR thousands)	2013	2012
Positive fair value of financial derivatives for trading	**70 800**	**97 110**
Interest–rate contracts	50 801	83 470
Currency contracts	13 276	10 015
Index-related contracts	3 839	3 623
Commodity contracts	2 884	2
Positive fair value of financial derivatives for fair value hedging	**542**	**4 226**
Interest-rate contracts	542	4 226
Total	**71 342**	**101 336**

Fair value hedges relating to interest rate risk

The Parent Company uses interest rate swaps to hedge the interest rate risk related to issued debt securities – mortgage bonds and debentures from the debt securities portfolio. Changes in the fair values of these interest rate swaps as a result of interest rate changes set off, to a large extent, changes in the fair values of issued mortgage bonds and debentures caused by changes in risk-free interest rates. Hedging was effective during the reporting period.

With respect to the aforementioned hedging instruments, as at 31 December 2013 the Parent Company recognised a net loss in the amount of EUR 246 thousand. With respect to the hedging instruments, as at 31 December 2012 the Parent Company recognised a net profit in the amount of EUR 2 191 thousand. Net loss from hedged items that related to hedged risk represented EUR 66 thousand. As at 31 December 2012, the Parent Company recognised a net loss in the amount of EUR 2 127 thousand. Both items are recognised in Note 4 “Net profit (loss) from trading instruments”.

17. Held-for-trading financial assets

(in EUR thousands)	2013	2012
Debt securities and other fixed-interest securities	**142 247**	**272 275**
Slovak government treasury bills	-	37 245
Slovak government bonds	142 247	235 030
Shares, debt and other floating-rate securities	**21 403**	**96 600**
Slovak government bonds	19 419	96 600
Unit trust certificates	1 984	-
Total	**163 650**	**368 875**

18. Financial assets at fair value through profit or loss (FVTPL)

(in EUR thousands)	2013	2012
Debt securities and other fixed income securities	**160 975**	**138 854**
Slovak government treasury bills	-	24 988
Slovak government bonds	160 975	113 222
Bonds issued by the banking sector	-	644
Total	**160 975**	**138 854**

19. Held-to-maturity financial investments

(in EUR thousands)	2013	2012
Debt securities and other fixed income securities	**1 424 987**	**1 616 709**
Slovak government bonds	1 406 131	1 597 893
Bonds issued by the banking sector	18 856	18 816
Shares, debt and other floating-rate securities	**166 586**	**165 704**
Slovak government bonds	146 574	145 693
Bonds issued by the banking sector	20 012	20 011
Total	**1 591 573**	**1 782 413**

In November 2011, the Parent Company reclassified selected Slovak government bonds from the held-for-trading financial assets portfolio to the held-to-maturity financial investments portfolio. As at the reclassification date, the fair value of reclassified debt securities amounted to EUR 80 503 thousand (including accrued interest income). As at 31 December 2013, the carrying amount of the aforementioned held-to-maturity securities represented EUR 81 588 thousand (31 December 2012: EUR 81 802 thousand). The fair value amounted to EUR 84 376 thousand (31 December 2012: EUR 84 695 thousand)(including accrued interest income).

If the reclassification were not performed, the Parent Company would have recognised an additional net loss from revaluation for 2013 in the amount of EUR 277 thousand (2012: net profit of EUR 4 609 thousand). In 2011, until the moment of reclassification, the Parent Company recognised a net loss from revaluation in the amount of EUR 1 250 thousand.

With respect to the reclassified securities there were no changes in future cash flows that would have an impact on the amount of the effective interest rate and their impairment at the end of 2013.

20. Available-for-sale financial assets

Company (in EUR thousands)	Group investment (%)	Cost	Provision	Carrying amount 31 December 2013	Carrying amount 31 December 2012
RVS, a. s.	0.68	46	(46)	-	-
SLOVAKIA INDUSTRIES a. s., Banská Bystrica	N/A	48	(48)	-	-
Burza cenných papierov v Bratislave, a. s.	0.09	10	-	10	10
S.W.I.F.T. s. c., Belgium	0.03	52	-	52	52
International Factors Group s. c., Belgium	0.72	9	-	9	9
D. Trust Certifikačná Autorita, a. s.	10.00	37	-	37	37
VISA INC., USA	0.07	515	-	515	515
Total		**717**	**(94)**	**623**	**623**

In 2013, there were no changes in provisions for available-for-sale financial assets.

21. Investments in associated undertakings

Associated undertaking (in EUR thousands)	Ownership interest in %	Cost	Provision	Net book value	Share in net assets at 31 December 2013	Share in net assets at 31 December 2012
Tatra-Leasing, s. r. o.	48.00%	3 187	-	3 187	15 854	14 105
Slovak Banking Credit Bureau, s. r. o.	33.33%	3	-	3	3	3
Raiffeisen penzijní společnost, a.s.	49.00%	6 381	2 070	4 311	4 311	5 553
Total		**9 571**	**2 070**	**7 501**	**20 168**	**19 661**

(in EUR thousands)	2013	2012
At 1 January	19 661	13 074
Share in profits of associated undertakings after tax (Note 6)	521	743
Exchange differences from associated undertakings denominated in a foreign currency (Note 6)	(493)	(59)
Acquisition of an investment in an associated undertaking	479	5 903
Total	**20 168**	**19 661**

Basic financial information on the associate, Tatra-Leasing, s. r. o., Bratislava, (consolidated data) is as follows:

(in EUR thousands)	2013	2012
Total assets	294 361	292 597
Total liabilities	261 334	263 213
Net assets	33 027	29 384
The Parent Company's share in net assets	**15 854**	**14 104**
Contingent liabilities and other off-balance sheet items	**9 066**	**4 441**
Interest income and similar income	8 126	17 610
Profit (loss) after tax	3 643	2 153
The Parent Company's share in profit (loss) after tax	**1 749**	**1 034**

Basic financial information on associate Raiffeisen penzijní společnost a.s., Prague:

(in EUR thousands)	2013*	2012**
Total assets	9 098	11 862
Total liabilities	299	529
Net assets	8 799	11 333
The Parent Company's share in net assets	**4 311**	**5 553**
Interest income and similar income	24	-
Profit (loss) after tax (from 21 November 2012 to 31 December 2012)**	(545)	(594)
Profit (loss) after tax (from 1 January 2013 to 31 December 2013)	(2 506)	-
The Parent Company's share in profit (loss) after tax	**(1 495)**	**(291)**

*Unaudited financial information
** In accordance with the provision of Article 3 (2) of Act No 563/1991 Coll. on Accounting (valid in the CR), Raiffeisen penzijní společnost a.s. did not prepare separate financial statements as at 31 December 2012, because under the referred provision, the reporting entity established within three months prior to the calendar year-end may decide that the reporting period will be longer for the relevant period from the date of incorporation until the calendar year-end. Therefore, the financial information as at 31 December 2012 was not audited by the entity's auditor. The loss reported by Raiffeisen penzijní společnost a.s. for the period from 21 November 2012 to 31 December 2012 was recalculated in 2013 using the current exchange rate valid as at the reporting date.

22. Development of non-current tangible and intangible assets

Development of non-current tangible assets as at 31 December 2013:

(in EUR thousands)	Land and buildings	Machinery & equipment	Other non-current assets	Means of transport	Construction in progress	Investment property	Investment property under construction	Total
Cost								
1 January 2013	**68 669**	**98 005**	**28 183**	**4 021**	**2 618**	**14 216**	**1 810**	**217 522**
Additions	-	-	-	-	9 029	-	1 189	10 218
Additions due to consolidation adjustments**	4 444	-	-	-	-	55 656	223	60 323
Disposals	(512)	(15 521)	(437)	(1 177)	-	(3 593)	(567)	(21 807)
Transfer from own use to investment property	(7)	-	-	-	(3)	7	3	-
Transfer from investment property to inventories*	-	-	-	-	-	(2 136)	(33)	(2 169)
Transfer from tangible assets in progress	1 847	5 621	282	1 248	(8 998)	1 348	(1 348)	-
31 December 2013	**74 441**	**88 105**	**28 028**	**4 092**	**2 646**	**65 498**	**1 277**	**264 087**
Accumulated depreciation and provisions								
1 January 2013	**(21 756)**	**(77 244)**	**(22 499)**	**(2 075)**	**-**	**(4 728)**	**-**	**(128 302)**
Depreciation charge	(3 788)	(7 974)	(1 100)	(683)	-	(547)	-	(14 092)
Addition to accumulated depreciation due to consolidation adjustments **	(1 749)	-	-	-	-	(16 869)	-	(18 618)
Disposals	409	15 439	405	1 128	-	1 406	300	19 087
Provision	(607)	-	-	-	(24)	406	(604)	(829)
Transfer from investment property to inventories*	-	-	-	-	-	1 288	-	1 288
31 December 2013	**(27 491)**	**(69 779)**	**(23 194)**	**(1 630)**	**(24)**	**(19 044)**	**(304)**	**(141 466)**
Net book value at 1 January 2013	**46 913**	**20 761**	**5 684**	**1 946**	**2 618**	**9 488**	**1 810**	**89 220**
Net book value at 31 December 2013	**46 950**	**18 326**	**4 834**	**2 462**	**2 622**	**46 454**	**973**	**122 621**

* For further information, see Note 25 “Other assets”.
** As a result of changes in the Group in 2013 (see I. General Information – Changes in the Group during 2013)

Development of non-current tangible assets as at 31 December 2012:

(in EUR thousands)	Land and buildings	Machinery & equipment	Other non-current assets	Means of transport	Construction in progress	Investment property	Investment property under construction	Total
Cost								
1 January 2012	**40 905**	**106 271**	**29 315**	**4 082**	**32 085**	**11 174**	**1 161**	**224 993**
Additions	-	-	-	-	12 262	-	6 991	19 253
Disposals	(1 117)	(19 828)	(1 394)	(1 085)	-	(1 167)	-	(24 591)
Transfer from investment property to inventories*	-	-	-	-	-	(1 971)	(162)	(2 133)
Transfer from tangible assets in progress	28 881	11 562	262	1 024	(41 729)	6 180	(6 180)	-
31 December 2012	**68 669**	**98 005**	**28 183**	**4 021**	**2 618**	**14 216**	**1 810**	**217 522**
Accumulated depreciation and provisions								
1 January 2012	**(18 703)**	**(87 993)**	**(22 672)**	**(2 451)**	**-**	**(4 536)**	**-**	**(136 355)**
Depreciation charge	(3 669)	(7 891)	(1 189)	(617)	-	(85)	-	(13 451)
Disposals	616	18 640	1 362	993	-	8	-	21 691
Provision	-	-	-	-	-	(1 381)	-	(1 381)
Transfer from investment property to inventories*	-	-	-	-	-	1 266	-	1 266
31 December 2012	**(21 756)**	**(77 244)**	**(22 499)**	**(2 075)**	**-**	**(4 728)**	**-**	**(128 302)**
Net book value at 1 January 2012	**22 202**	**18 278**	**6 643**	**1 631**	**32 085**	**6 638**	**1 161**	**88 638**
Net book value at 31 December 2012	**46 913**	**20 761**	**5 684**	**1 946**	**2 618**	**9 488**	**1 810**	**89 220**

* For further information, see Note 25 “Other assets”.

As at 31 December 2013, the Group did not recognise any liabilities under contracts for the purchase of non-current tangible assets (2012: EUR 0 thousand).

As at 31 December 2013, the Group owns buildings that are leased to third parties at the net book value of EUR 40 019 thousand (2012: EUR 1 563 thousand). In 2013, the total income from the rent amounted to EUR 502 thousand (2012: EUR 148 thousand) and is recognised as “Other operating profit (loss)” in line “Other revenues from non-banking activities”. Depreciation charges on buildings held for lease are recognised as “General administrative expenses” in line “Depreciation and amortisation on non-current tangible and intangible assets” and amount to EUR 547 thousand (2012: EUR 85 thousand).

The buildings are recognised in movements in the accounts of tangible assets as “Investment property”. In addition to the buildings, “Investment property” also includes plots of land that are intended for further capital appreciation with a net carrying amount of EUR 7 408 thousand.

As at 31 December 2013, the estimated fair value of investment property amounted to EUR 49 013 thousand (2012: EUR 14 372 thousand). Owing to the decrease in the fair value of investment property as at 31 December 2013, the Group recorded a provision in the amount of EUR 199 thousand (2012: EUR 1 381 thousand).

Insurance coverage

Non-current tangible assets are insured covering EUR 204 754 thousand against natural disaster, EUR 175 889 thousand against fire damage, EUR 177 563 thousand against water damage, and EUR 14 866 thousand against theft and vandalism. Electronic equipment is insured covering a maximum risk of EUR 46 423 thousand. Based on the effective motor hull insurance, vehicles have been insured for up to EUR 7 410 thousand.

Development of non-current intangible assets as at 31 December 2013:

(in EUR thousands)	Software	Goodwill	Intangible assets in progress	Total
Cost				
1 January 2013	99 004	9 153	6 012	114 169
Additions	-	-	9 743	41 511
Additions due to consolidation adjustments*	-	31 768	-	31 769
Disposals	(6)	-	(673)	(679)
Transfer from intangible assets in progress	9 358	-	(9 358)	-
31 December 2013	**108 356**	**40 921**	**5 724**	**155 001**
Accumulated amortisation				
1 January 2013	(70 843)	(133)	(280)	(71 256)
Amortisation charge	(7 843)	(29 510)	-	(37 351)
Disposals	6	-	673	679
Provision	-	-	(393)	(393)
31 December 2013	**(78 680)**	**(29 643)**	**-**	**(108 323)**
Net book value at 1 January 2013	**28 161**	**9 020**	**5 732**	**42 913**
Net book value at 31 December 2013	**29 676**	**11 278**	**5 724**	**46 678**

* As a result of changes in the Group in 2013 (see I. General Information – Changes in the Group during 2013), the Group recognised an increase in goodwill in the amount of EUR 31 768 thousand. Goodwill arose as the difference between the cost and the fair value of the identifiable assets and liabilities of the acquired companies as at the date of their acquisition. Subsequently, the amount of goodwill was adjusted for accumulated losses from impairment in the amount of EUR 29 510 thousand. Goodwill is tested once or several times a year if events or changes in circumstances indicate that its value was impaired in accordance with IAS 36 – Impairment of Assets.

Development of non-current intangible assets as at 31 December 2012:

(in EUR thousands)	Software	Goodwill	Intangible assets in progress	Total
Cost				
1 January 2012	89 773	10 122	7 098	106 993
Additions	-	-	10 940	10 940
Disposals	(2 795)	(969)	-	(3 764)
Transfer from intangibles in progress	12 026	-	(12 026)	-
31 December 2012	**99 004**	**9 153**	**6 012**	**114 169**
Accumulated amortisation				
1 January 2012	(64 831)	(1 102)	-	(65 933)
Amortisation charge	(8 719)	-	-	(8 719)
Disposals	2 707	969	-	3 676
Provision	-	-	(280)	(280)
31 December 2012	**(70 843)**	**(133)**	**(280)**	**(71 256)**
Net book value at 1 January 2012	**24 942**	**9 020**	**7 098**	**41 060**
Net book value at 31 December 2012	**28 161**	**9 020**	**5 732**	**42 913**

23. Current income tax asset

(in EUR thousands)	2013	2012
Tax asset – current	5 313	3 184
Total	**5 313**	**3 184**

24. Deferred income tax asset

(in EUR thousands)	2013	2012
Income tax asset – deferred	24 969	21 207
Total	**24 969**	**21 207**

Net deferred income tax asset resulted mainly from temporary deductible differences described in Note 10 “Income taxes”.

25. Other assets

(in EUR thousands)	2013	2012
Prepayments and other deferrals	3 894	4 859
Other receivables from the state budget	850	2 201
Values in transit	5 044	9 198
Assets held for development and construction	17 823	7 876
Other assets	9 968	6 746
Total	**37 579**	**30 880**

In “Values in transit” the Parent Company recognises a receivable from an entity that provides services related to the operation of ATMs and cash transports.

The Group recognises assets held for development and construction that are designated for subsequent sale in line “Assets held for development and construction”. In 2013, the Group reclassified to the aforementioned item assets in the net book value of EUR 881 thousand, which were recognised as investment property in 2012.

26. Deposits from banks

(in EUR thousands)	2013	2012
Giro and interbank clearing business	15 601	9 131
Money-market business	46 090	69
Loans received	294 902	108 801
Total	**356 593**	**118 001**

Deposits from banks by geographical segment:

(in EUR thousands)	2013	2012
Slovak Republic	50 927	2 758
Other countries	305 666	115 243
Total	**356 593**	**118 001**

An analysis of loans received by type of counterparty is as follows:

Type of loan (in EUR thousands)	Currency	Type of loan according to maturity	Contractual maturity	2013	2012
Loans received from banks:					
– Commercial banks	EUR	Long-term	Jun 2014	65	329
– Commercial banks	EUR	Short-term	Dec 2014	200 129	-
– Reconstruction and development banks	EUR	Long-term	Mar 2016	17 239	25 397
– Reconstruction and development banks	EUR	Long-term	Oct 2027	77 469	83 075
Total				**294 902**	**108 801**

As at 31 December 2013, part of loans received from banks was secured by government bonds of the Slovak Republic included in the securities portfolios in the amount of EUR 94 793 thousand in favour of the following subjects (in thousand EUR):

Description (in EUR thousands)	Carrying amount of debt securities	Carrying amount of received loan	Guarantee expiry date	In favour of
Government bond EUR	94 793	77 469	Dec 2032	Reconstruction and development banks

As at 31 December 2012, part of loans received from banks was secured by government bonds of the Slovak Republic included in the securities portfolios in the amount of EUR 138 654 thousand in favour of the following subjects (in thousand EUR):

Description (in EUR thousands)	Carrying amount of debt securities	Carrying amount of received loan	Guarantee expiry date	In favour of
Government bond EUR	138 654	83 075	Dec 2032	Reconstruction and development banks

27. Deposits from customers

Deposits from customers by product group are as follows:

(in EUR thousands)	2013	2012
Current accounts	4 962 110	4 255 450
Time deposits	1 846 525	2 421 146
Savings deposits	193 348	180 800
Loans received	6 000	7 387
Total	**7 007 983**	**6 864 783**

Deposits from customers by customer segment are as follows:

(in EUR thousands)	2013	2012
Public sector	78 711	71 981
Corporate clients	2 716 782	2 559 944
Retail clients	4 212 490	4 232 858
Total	**7 007 983**	**6 864 783**

Deposits from customers by geographical segment are as follows:

(in EUR thousands)	2013	2012
Slovak Republic	6 752 708	6 724 872
Other countries	255 275	139 911
Total	**7 007 983**	**6 864 783**

Loans received by particular customer are as follows:

Type of loan (in EUR thousands)	Currency	Type of loan according to maturity	Contractual maturity	2013	2012
Loans received from customers:					
– Other financial institutions	EUR	Long-term	Jan 2014	6 000	7 387
Total				**6 000**	**7 387**

28. Derivative financial liabilities

(in EUR thousands)	2013	2012
Negative fair value of held-for-trading financial derivatives	**84 862**	**118 750**
Interest-rate contracts	64 290	104 107
Currency contracts	13 864	10 634
Index-related contracts	3 826	4 007
Commodity contracts	2 882	2
Total	**84 862**	**118 750**

29. Liabilities from debt securities

(in EUR thousands)	2013	2012
Issued debt securities – mortgage bonds	701 822	665 461
Issued debt securities – bonds	120 086	128 659
Total	**821 908**	**794 120**

In 2010, the Parent Company issued mortgage bonds, Issue 58, and in 2011, bonds, Issue 04, part of which was secured by an interest rate swap. The amount of secured mortgage bonds represented the face value of EUR 38 000 thousand and the amount of secured bonds represented the face value of EUR 39 000 thousand. In 2012, the Parent Company sold mortgage bonds, Issue 66, part of which was secured by an interest rate swap. The amount of secured mortgage bonds represents a face value of EUR 22 000 thousand. In June 2013, the Parent Company terminated all the aforementioned hedging transactions early.

In September 2013, the Parent Company issued mortgage bonds, Issue 74, which is secured by an interest rate swap. The face value of the secured mortgage bonds totals EUR 45 000 thousand.

The fair value of the interest rate swap designated for hedging is stated in Note 16 “Derivative financial assets”. The effect of the revaluation of mortgage bonds and interest rate swaps on the results of operations is outlined in Note 4 “Net profit (loss) from trading instruments”.

The Parent Company issued mortgage bonds with the following conditions:

Name (in EUR thousands)	Interest rate	Curr.	Number of mortgage bonds issued	Mortgage bonds unit face value in currency	Issue date	Maturity date	Coupon payment	2013	2012
HZL 005 - repaid	5.00%	EUR	-	3 319	21. 5. 2003	21. 5. 2013	Annually	-	34 239
HZL 030 - repaid	4.30%	EUR	-	3 319	25. 2. 2008	25. 2. 2013	Annually	-	34 444
HZL 047	5.01%	EUR	23 090	1 000	1. 7. 2009	1. 7. 2014	Annually	23678	25 093
HZL 049 - repaid	3.60%	EUR	-	50 000	28. 9. 2009	28. 3. 2013	Annually	-	19 525
HZL 050 - repaid	0.00%	EUR	-	1 000	19. 11. 2009	19. 11. 2013	-	-	8 546
HZL 051 - repaid	3.70%	EUR	-	50 000	1. 2. 2010	1. 8. 2013	Annually	-	17 576
HZL 052 - repaid	3M EURIBOR + 1.30%	EUR	-	100 000	3. 2. 2010	3. 2. 2013	Quarterly	-	20 048
HZL 053	Inflation - CPTFEMU	EUR	994	10 000	30. 4. 2010	30. 4. 2015	Bullet payment on maturity date	10 159	10 220
HZL 054	3.60%	EUR	48 243	1 000	28. 6. 2010	28. 6. 2015	Annually	49 340	44 049
HZL 056	0.00%	EUR	50	1 000	4. 6. 2010	4. 6. 2015	-	48	46
HZL 058	2.80%	EUR	47 200	1 000	7. 10. 2010	7. 10. 2014	Annually	47 910	48 720
HZL 059 - repaid	6M EURIBOR + 1.00%	EUR	-	10 000	18. 11. 2010	18. 11. 2013	Semi-annually	-	30 038
HZL 060	6M EURIBOR + 1.00%	EUR	2 000	10 000	17. 12. 2010	17. 12. 2015	Semi-annually	20 012	20 011
HZL 061	0.00%	EUR	1 675	10 000	4. 2. 2011	4. 2. 2014	-	16 701	16 187
HZL 062	3.75%	EUR	58 239	1 000	31. 3. 2011	31. 3. 2016	Annually	59 893	59 894
HZL 063	6M EURIBOR + 0.80%	EUR	40 000	1 000	15. 4. 2011	15. 4. 2014	Semi-annually	40 076	40 003
HZL 064 - repaid	6M EURIBOR + 0.75%	EUR	-	10 000	9. 6. 2011	9. 6. 2013	Semi-annually	-	30 021
HZL 065	6M EURIBOR + 1.20%	EUR	4 080	10 000	17. 8. 2011	17. 8. 2014	Semi-annually	41 019	41 034
HZL 066	3.25%	EUR	2 200	10 000	19. 8. 2011	19. 2. 2015	Annually	22 393	22 527
HZL 067	3.875%	EUR	870	10 000	14. 10. 2011	14. 10. 2018	Annually	8 697	8 683
HZL 068	5.00%	EUR	1 000	10 000	14. 10. 2011	14. 10. 2031	Annually	9 992	9 988
HZL 069 - repaid	0.00%	EUR	-	10 000	9. 8. 2012	9. 8. 2013	-	-	84 410
HZL 070	1.20%	EUR	4 000	10 000	14. 11. 2012	14. 11. 2014	Annually	40 108	40 159
HZL 071	1.10%	EUR	500	100 000	11. 2. 2013	11. 2. 2015	Annually	50 566	-
HZL 072	1.00%	EUR	400	100 000	29. 5. 2013	29. 5. 2016	Annually	40 124	-
HZL 073	1.375%	EUR	500	100 000	19. 8. 2013	19. 1. 2017	Annually	50 125	-
HZL 074	1.70%	EUR	500	100 000	3. 9. 2013	3. 9. 2018	Annually	50 742	-
HZL 075	1.15%	EUR	500	100 000	24. 9. 2013	24. 2. 2016	Annually	50 181	-
HZL 076	6M EURIBOR + 0.70%	EUR	400	100 000	21. 11. 2013	21. 11. 2017	Semi-annually	40 122	-
HZL 077	1.25%	EUR	3 000	10 000	19. 12. 2013	19. 5. 2017	Annually	29 963	-
Total MB								**701 822**	**665 461**

The Parent Company also issued other debt securities with the following conditions:

Name (in EUR thousands)	Interest rate	Curr.	Number of debt securities issued	Face value per debt security in currency	Issue date	Maturity date	Coupon payment	2013	2012
BOND 03	0%	EUR	255	1 000	8. 3. 2010	8. 3. 2013	-	-	254
BOND 04	3.75%	EUR	39 225	1 000	22. 9. 2011	22. 9. 2016	Annually	40 922	41 550
BOND 05	0%	EUR	820	100 000	2. 4. 2012	21. 1. 2015	-	79 164	76 569
Tatra Residence04 - repaid	4.00%	EUR	-	10 000	13. 4. 2012	13. 4. 2013	Annually	-	10 286
Total bonds								**120 086**	**128 659**
Total liabilities from debt securities								**821 908**	**794 120**

In accordance with Act on Banks No. 483/2001 Coll., the Parent Company is obliged to finance mortgage loans at least in the amount of 90% by issuing and selling mortgage bonds. Under its decision, the NBS set special conditions for financing of mortgage loans for the Parent Company, where the mortgage loans must be financed at least in the amount of 70%. As at 31 December 2013, the Parent Company met the aforementioned condition.

Mortgage bonds and bonds are in the form of bearer securities and all mortgage bonds and other debt securities are registered securities.

The bonds are negotiable and are not subject to any pre-emptive right. The entitlement to receiving the face value plus yield is governed by generally binding legal regulations and the bond issue terms and conditions, the full wording of which is published as required pursuant to Act No. 530/1990 Coll. on Bonds as amended.

Some issued mortgage bonds of the Parent Company are quoted on the Bratislava Stock Exchange.

As at 31 December 2013 and 31 December 2012, mortgage bonds and other bonds issued by the Parent Company were not secured by any form of collateral.

30. Provisions for liabilities and charges

As at 31 December 2013 movements in provisions for liabilities and charges were as follows:

(in EUR thousands)	1 January 2013	Allocated	Released	Used	Transfers, exchange differences	31 December 2013
Provisions for Long-service benefits	1 107	452	-	-	-	1 559
Legal disputes (Note 39)	25 617	1 145	(141)	(418)	-	26 203
Specific provision:	6 409	4 481	(4 611)	-	87	6 366
Guarantees	*4 480*	*4 081*	*(3 034)*	*-*	*87*	*5 614*
Irrevocable loan commitments	*1 929*	*400*	*(1 577)*	*-*	*-*	*752*
Portfolio provision for off-balance sheet items	4 049	705	-	-	-	4 754
Total	**37 182**	**6 783**	**(4 752)**	**(418)**	**87**	**38 882**

As at 31 December 2012 movements in provisions for liabilities and charges were as follows:

(in EUR thousands)	1 January 2012	Allocated	Released	Used	Transfers, exchange differences	31 December 2012
Provisions for Long-service benefits	1 016	91	-	-	-	1 107
Legal disputes (Note 39)	23 893	13 578	(9 733)	(2 121)	-	25 617
Specific provision:	3 024	4 637	(1 254)	-	2	6 409
Guarantees	*2 167*	*4 479*	*(2 165)*	*-*	*(1)*	*4 480*
Irrevocable loan commitments	*857*	*158*	*911*	*-*	*3*	*1 929*
Portfolio provision for off-balance sheet items	7 450	-	(3 401)	-	-	4 049
Total	**35 383**	**18 306**	**(14 388)**	**(2 121)**	**2**	**37 182**

31. Other liabilities

(in EUR thousands)	2013	2012
Deferred items	2 291	1 771
Social fund	250	248
Employee liabilities	23 624	11 690
Current tax liability	412	384
Deferred tax liability	1 481	628
Other liabilities to state budget	2 291	798
Liabilities from unpaid dividends	280	241
Other liabilities	14 261	16 823
Total	**44 890**	**32 583**

The summary of social fund balances, additions, and drawings is as follows:

(in EUR thousands)	2013	2012
At 1 January	248	338
Additions	1 157	1 138
Drawing	(1 155)	(1 228)
At 31 December	**250**	**248**

Owing to insignificance, the Group classified the current and deferred tax liability as “Other liabilities”in the statement of financial position.

Movements in the current corporate income tax liability as at 31 December 2013 were as follows:

(in EUR thousands)	1 January 2013	Allocated	Used	31 December 2013
Current tax	384	33 774	(33 746)	412
Total	**384**	**33 774**	**(33 746)**	**412**

Movements in the current corporate income tax liability as at 31 December 2012 were as follows:

(in EUR thousands)	1 January 2012	Allocated	Used	31 December 2012
Current tax	1 156	32 263	(33 035)	384
Total	**1 156**	**32 263**	**(33 035)**	**384**

Movements in the deferred income tax as at 31 December 2013 were as follows:

(in EUR thousands)	1 January 2013	Allocated	Used	31 December 2013
Deferred tax	628	853	-	1 481
Total	**628**	**853**	**-**	**1 481**

Movements in the deferred income tax as at 31 December 2012 were as follows:

(in EUR thousands)	1 January 2012	Allocated	Used	31 December 2012
Deferred tax	489	139	-	628
Total	**489**	**139**	**-**	**628**

32. Subordinated debt

(in EUR thousands)	2013	2012
Subordinated debt	100 499	45 312
Total	**100 499**	**45 312**

Subordinated debt analysed by individual bank:

Type of loan (in EUR thousands)	Curr.	Type of loan by maturity	Start of loan drawdown	Contractual maturity	2013	2012
Subordinated debt from banks:						
– Commercial banks	EUR	Long-term	Aug 2013	Aug 2023	100 499	-
– Commercial banks	EUR	Long-term	Oct 2008	Oct 2013	-	45 312
Total					**100 499**	**45 312**

In August 2013, the Parent Company drew the subordinated debt from its parent company, RBI, in line with Act No. 483/2001 Coll. on Banks, as amended, and NBS Decree No. 4/2007 on banks' own funds of financing and banks' capital requirements and on securities dealers' own funds of financing and securities dealers' capital requirements to cover credit and operational risks of the Banking Book and market risks arising from the Trading Book.

Subordinated debt is a loan that falls due only after all other liabilities have been settled and its repayment cannot be requested before the contractual maturity period. The Parent Company drew the subordinated debt from a related party.

33. Equity

Equity, except for the profit for the current year, breaks down as follows:

(in EUR thousands)	2013	2012
Share capital – ordinary shares	56 873	56 873
Share capital – preference shares	7 453	7 453
Own shares	(760)	(932)
Share premium – ordinary shares	226 612	226 612
Share premium – preference shares	69 745	67 194
Share premium – own shares	(9 033)	(11 056)
Reserve and other funds	15 068	15 068
Retained earnings (excluding current year net profit after tax)	549 815	597 548
Total	**915 773**	**958 760**

The type, form, nature, and par value of equity shares and preference shares issued by the Parent Company:

Type	Ordinary shares	Ordinary shares	Preference shares
Form	Registered	Registered	Registered
Nature	Non-certified	Non-certified	Non-certified
Number	60 616 shares	2 095 shares	1 863 357 shares
Par value	EUR 800	EUR 4 000	EUR 4
Issue No. (ISIN)	SK1110001502 01-05 series	SK1110015510	SK1110007186 SK1110008424 SK1110010131 SK1110012103 SK1110013937 SK1110014901 SK1110016237 SK1110016591

Description of rights:

Each holder of an equity share is the Parent Company's shareholder. Each shareholder enjoys its fundamental shareholder rights resulting from the Commercial Code and from the Parent Company's Articles, namely:

- The right to share in the Parent Company's profit (dividend), based on the proportion of total face value of their shares to the total face value of all shareholders;
- The right to attend the General Meeting, vote at the General Meeting, ask for information thereon and explanations regarding the Parent Company's issues and/or issues concerning the controlled entities and related to the agenda of the General Meeting, make motions at the General Meeting; and
- The right to share in the liquidation balance.

Each holder of preference shares enjoys similar rights as holders of equity shares; the only difference is that the preference shares are not equipped with the right to vote at a General Meeting, except for cases for which the law assigns voting power to such shares. Preference shares are assigned a preferential right applicable to dividends, ie if the Company generates a minimum net profit in Euro equal to the number of issued preference shares, the holders of preference shares will be paid a dividend at least in the amount EUR 0.03 (in words three eurocents) per preference share.

Voting power exercisable at the General Meeting is determined by the face value of the share, where one vote is assigned to each share at face value of EUR 800 and five voting rights to each ordinary share at face value of EUR 4 000. If the law requires voting by the preference shares' holders, their voting is conducted separately and each preference share at face value of EUR 4 is assigned one vote.

Ordinary shares are publicly tradable on stock markets, preference shares are not publicly tradable.

The following table shows the Group's contributions to consolidated share premium, equity restricted funds, and retained earnings (except for current year profits). The use of equity-restricted funds is restricted (legal reserve fund) as per the Commercial Code valid in the Slovak Republic.

(in EUR thousands)	2013	2012
Parent Company	817 797	855 565
Entities consolidated using full consolidation method	23 842	29 917
Entities consolidated using equity method	10 568	9 884
Total share premium, equity restricted funds, and retained earnings	**852 207**	**895 366**

The contribution of the Group entities to the consolidated profit after tax for the respective period:

(in EUR thousands)	2013	2012
Parent Company (bank)	100 561	108 927
Entities consolidated using full consolidation method	(3 419)	(6 076)
Entities consolidated using equity method	28	685
Consolidated profit after tax	**97 170**	**103 536**

34. Capital management

For capital management purposes, the Group defines regulatory capital, capital adequacy, internal capital and economic capital.

Regulatory capital is the capital defined by the capital adequacy rules under Pillar 1. When quantifying regulatory capital, the Group complies with current legislation (Decree of the National Bank of Slovakia No. 4/2007 as amended), defining its structure and minimum amount.

Regulatory capital, designated as own funds of the Group's financing, comprises the sum of the Group's original own funds and additional own funds less the value of deductible items. As at 31 December 2013, the Group does not generate any additional or supplementary own funds. Regulatory capital is assigned for the coverage of credit risk, risks arising from the positions recorded in the Trading book (market risks), foreign exchange risk and operational risk.

Capital adequacy is the adequacy ratio of the Group's own funds to its risk-weighted assets. The quantification methodology is regulated. Additional information on the Group's capital requirement calculation is stated in Note 47 "Risk report" - "BASEL II".

Both the minimum and recommended levels determined by the National Bank of Slovakia for the Group were met in 2013.

The Parent Company also meets the limit for original own funds adequacy pursuant to the recommendation of the Financial Market Supervision Unit of the National Bank of Slovakia to support banking sector stability of January 2013, which is set at 9%.

Capital represents such own sources of the Group's financing that are internally held and placed by the Group to cover its risks. The capital consists of capital components under the NBS Decree 4/2007 supplemented by other additional funds available to the Group. The Group's objective is to maintain the required amount of capital. For 2013, the Group met this objective.

Economic capital is the necessary capital and/or it responds to the minimum capital requirement to cover unexpected losses resulting from internal risks, which are defined by the Group as material. Economic capital ensures the financial stability of the Group at the reliability level corresponding to the Group's credibility. The benefits of the knowledge of economic capital are important for the Group, for active portfolio management, valuation, controlling etc.

The below table provides the outline of the structure of the Group's regulatory capital, including the capital adequacy ratios for the years ending 31 December:

(in EUR thousands)	2013*	2012*
The original own funds (TIER 1)	**915 773**	**958 760**
Paid-up share capital	64 326	64 326
(-) Treasury shares	(760)	(932)
Share premium	296 357	293 806
(-)Share premium - treasury shares	(9 033)	(11 056)
Funds from profit and other capital reserves	15 068	15 070
Other specific items of the Bank's original own funds	549 815	597 546
(-) Items deductible from the original own funds	**(46 676)**	**(42 913)**
(-) Intangible assets	(46 676)	(42 913)
Additional own funds (TIER 2)	**100 000**	**-**
Subordinated debts	100 000	-
(-) Items deductible from the original and additional own funds	**(74 462)**	**(62 368)**
(-) From the original own funds	(37 231)	(62 368)
(-) From additional own funds	(37 231)	-
Total own funds	**894 635**	**853 479**

*) Since 1 January 2009 the Group applies a combination of the standardised approach and the IRB approach for calculating risk-weighted assets. In the event of a positive difference between the created provisions and expected losses, the Group may add this positive difference to the original and additional own funds. If the difference is negative, it is deducted from own funds. These negative differences are included in "Items deductible from the Group's original and additional own funds" in the amount of EUR 54 299 thousand (2012: EUR 42 710 thousand).

(in EUR thousands)	2013	2012
Adequacy of own funds (%)	**16.60**	**15.23**
Own funds	**894 635**	**853 479**
Risk-weighted assets (RWA)	**5 388 485**	**5 605 213**
RWA from receivables recorded in the Banking book	4 566 391	4 780 100
RWA from positions recorded in the Trading book	107 494	128 475
RWA from operating risk – standardised approach	714 600	696 638

35. Information for Cash Flow Statement

Profit from operating activities before changes in working capital and interest received and paid is summarised as follows:

(in EUR thousands)	2013	2012
Cash flows from operating activities		
Profit before income taxes	128 021	131 416
Adjustments:	(206 039)	(212 883)
Interest expense	50 881	78 497
Interest income	(346 741)	(356 680)
Dividend income	(29)	(13)
Provisions for impairment losses on loans and advances and provisions for liabilities and charges, net	28 722	47 354
(Profit) loss on sale and other disposals of non-current assets	39	41
(Profit) loss on sale and other disposals of investment property	(349)	1 159
Unrealised (profit) loss from financial derivative instruments and held-for-trading securities	5 422	559
Unrealised (profit) loss from securities at fair value through profit or loss	554	(3 567)
Share in retained earnings of associated undertakings	(29)	(684)
Profit from the sale of a share in a subsidiary	-	(5 808)
Discount applicable to preference shares	1 992	2 754
Depreciation and amortisation non-current tangible and intangible assets	21 388	22 085
Write-down of goodwill	29 510	-
Depreciation and amortisation of investment property	547	85
Provision for investment property	199	1 381
(Profit)/loss from foreign exchange and other transactions with cash and cash equivalents	1 855	(46)
Cash flow of operating activities before changes in working capital, interest received and paid and income taxes paid	**(78 018)**	**(81 467)**

Cash and cash equivalents as at 31 December 2013, 31 December 2012, and 31 December 2011 comprise of the following:

(in EUR thousands)	2013	2012	2011
Cash in hand (Note 12)	86 130	86 193	75 421
State and other treasury bills due within 3 months	-	2 500	69 774
Balances at the central bank – short-term deposits with the NBS	-	-	240 003
Giro and interbank clearing business (Note 13)	72 577	84 568	112 589
Total	**158 707**	**173 261**	**497 787**

36. Related parties

Related parties as defined by IAS 24 are those counterparties that represent:

a. A person or a close family member of that person is related to the Group if that person:
   - Has control or joint control over the Parent Company;
   - Has significant influence over the Parent Company; or
   - Is a member of the key management personnel of the Parent Company or a parent of the Parent Company.

b. An entity is related to the Group if any of the following conditions applies:
   - The entity and the Parent Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
   - One entity is an associate or joint venture of the Parent Company (or an associate or joint venture of a member of the group of which the Parent Company is a member);
   - The entity and the Parent Company are joint ventures of the same third party;
   - The entity is a joint venture of a third entity and the Parent Company is an associate of the same third entity;
   - The entity is a post-employment defined benefit plan for the benefit of employees of either the Group or an entity related to the Group;
   - The entity is controlled or jointly controlled by a person identified in (a); and
   - A person who has control or joint control over the Parent Company has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

A number of banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rates.

The following are assets, liabilities, revenues, expenses, commitments and contingencies with related parties as at 31 December 2013:

Related Parties* (in EUR thousands)	RBI	RBI Group	Associates	Statutory bodies and Supervisory Board**	Other related parties	Total
Loans and advances to banks and customers	49 919	27 814	49 153	2 651	4 328	**133 865**
Receivables from financial derivative transactions	23 308	2 841	-	-	-	**26 149**
Other assets	324	412	-	-	-	**736**
Deposits from banks and customers	204 540	7 449	616	4 733	-	**217 338**
Liabilities from financial derivative transactions	39 257	1	-	-	-	**39 258**
Subordinated debt	100 499	-	-	-	-	**100 499**
Other liabilities	965	638	-	-	-	**1 603**
Guarantees issued	1 595	6 602	1 378	-	-	**9 575**
Commitments	-	6 167	69 852	289	1 439	**77 747**
Guarantees received	-	4 186	-	-	-	**4 186**

*Groups of related parties under the IAS 24 definition

**Including members of RZB and RBI Boards of Directors

The following are assets, liabilities, revenues, expenses, commitments and contingencies with related parties as at 31 December 2012:

Related Parties* (in EUR thousands)	RBI	RBI Group	Associates	Statutory bodies and Supervisory Board**	Other related parties	Total
Loans and advances to banks and customers	63 721	4 600	57 219	2 009	5 093	**132 642**
Receivables from financial derivative transactions	34 721	761	-	-	-	**35 482**
Other assets	216	496	-	-	-	**712**
Deposits from banks and customers	1 574	3 999	142	4 127	-	**9 842**
Liabilities from financial derivative transactions	61 634	1	-	-	-	**61 635**
Subordinated debt	-	45 312	-	-	-	**45 312**
Other liabilities	1 097	565	-	-	-	**1 662**
Guarantees issued	7 310	19 649	2 270	-	-	**29 229**
Commitments	-	7 555	57 918	275	1 089	**66 837**
Guarantees received	18 548	12 265	-	-	-	**30 813**

*Groups of related parties under the IAS 24 definition

**Including members of RZB and RBI Boards of Directors

The following are revenues and expenses with related parties as at 31 December 2013:

Related Parties* (in EUR thousands)	RBI	RBI Group	Associates	Statutory bodies and Supervisory Board	Other related parties	Total
Interest and similar income	16	93	1 180	86	160	**1 535**
Fees and commissions income	734	1 379	138	-	-	**2 251**
Unrealised gain (loss) on financial derivative transactions	8 164	(1 204)	-	-	-	**6 960**
Operating revenues	790	1 014	249	-	-	**2 053**
Interest and similar expenses	(1 781)	(1 556)	-	(44)	(97)	**(3 478)**
Expenses on charges and commissions	(557)	(5 239)	(20)	-	-	**(5 816)**
Administrative expenses	(5 565)	(2 533)	-	(3 666)**	-	**(11 764)**
Total	**1 801**	**(8 046)**	**1 547**	**(3 624)**	**63**	**(8 259)**

* Groups of related parties under the IAS 24 definition

** Remuneration of the members of the Board of Directors, Supervisory Board and proxies

The following are revenues and expenses with related parties as at 31 December 2012:

Related Parties* (in EUR thousands)	RBI	RBI Group	Associates	Statutory bodies and Supervisory Board	Other related parties	Total
Interest and similar income	80	113	1 323	66	209	**1 791**
Fees and commissions income	278	776	139	-	-	**1 193**
Unrealised gain (loss) on financial derivative transactions	(15 220)	1 395	-	-	-	**(13 825)**
Operating revenues	1 271	978	249	-	-	**2 498**
Interest and similar expenses	(895)	(2 125)	-	(66)	(140)	**(3 226)**
Expenses on charges and commissions	(399)	(4 791)	-	-	-	**(5 190)**
Administrative expenses	(5 498)	(2 957)	-	(4 040)**	-	**(12 495)**
Total	**(20 383)**	**(6 611)**	**1 711**	**(4 040)**	**69**	**(29 254)**

* Groups of related parties under the IAS 24 definition

** Remuneration of the members of the Board of Directors, Supervisory Board and proxies

37. Foreign currency items

The Financial Statements contain the following volumes of assets and liabilities denominated in foreign currencies:

(in EUR thousands)	2013	2012
Assets	**106 851**	**103 389**
Of which: USD	*31 008*	*30 774*
Of which: CZK	*54 760*	*45 878*
Of which: other currencies (PLN, HUF, GBP and other)	*21 083*	*26 737*
Liabilities	**425 928**	**319 899**
Of which: USD	*291 702*	*210 908*
Of which: CZK	*43 194*	*36 936*
Of which: other currencies (PLN, HUF, GBP and other)	*91 032*	*72 055*

38. Foreign assets and liabilities

Assets and liabilities with entities outside the Slovak Republic are as follows:

(in EUR thousands)	2013	2012
Assets	**388 736**	**283 700**
Of which: Austria	*88 034*	*127 449*
Of which: Czech Republic	*108 061*	*59 135*
Of which: Germany	*53 830*	*39 002*
Of which: Netherlands	*82 687*	*6 596*
Of which: USA	*3 786*	*855*
Of which: Hungary	*10 749*	*9 640*
Of which: United Kingdom	*5 096*	*4 880*
Of which: Croatia	*8 217*	*7 317*
Of which: Switzerland	*3 751*	*2 264*
Of which: Poland	*3 060*	*1 267*
Of which: Slovenia	*432*	*3 868*
Of which: France	*1 801*	*1 608*
Of which: Other countries (mostly EU member states)	*19 232*	*19 819*
Liabilities	**728 919**	**351 907**
Of which: Austria	*358 511*	*79 103*
Of which: Other countries (mostly EU member states)	*370 408*	*272 804*

As at 31 December 2013 and 31 December 2012, the Group did not hold in its portfolio any securities issued by central governments, central banks, other banks or corporate clients based in Portugal, Italy, Ireland, Greece and Spain. As at 31 December 2013 and 31 December 2012, the Group had no other exposure to the aforementioned entities.

As at 31 December 2013, the Group recorded loan receivables mainly from retail customers from Portugal, Italy, Ireland, Greece and Spain in the amount of EUR 1 979 thousand (31 December 2012: EUR 1 856 thousand).

39. Contingent liabilities and other off-balance-sheet items

The Group reports the following contingent liabilities and other off-balance sheet items:

(in EUR thousands)	2013	2012
Contingent liabilities:	**485 731**	**376 271**
From guarantees	472 406	367 525
From letters of credit	13 325	8 746
Commitments:	**2 625 361**	**2 325 961**
From irrevocable loan commitments	1 380 316	1 127 436
Up to 1 year	*1 074 605*	*1 059 364*
More than 1 year	*305 711*	*68 072*
From revocable loan commitments	1 245 045	1 198 525
Up to 1 year	*1 066 448*	*1 032 833*
More than 1 year	*178 597*	*165 692*
Total	**3 111 092**	**2 702 232**

Off-balance sheet commitments from guarantees represent obligations that the Parent Company will make payments in the event that a customer cannot fulfil its obligations against third parties.

A documentary letter of credit is an irrevocable undertaking of the issuing Parent Company acting at the request of a customer (buyer) to make a payment to the beneficiary (seller) or to pay or accept bills of exchange drawn by the beneficiary against stipulated documents, provided all terms and conditions of the letter of credit are complied with. The documentary letters of credit are collateralised depending on the creditworthiness of the customer and on the same basis as guarantees or loans.

The primary purpose of unused credit facilities (loan commitments) is to ensure that funds are available to a customer as required. Commitments to grant loans issued by the Parent Company represent issued loan commitments and the unused part of approved overdraft loans.

The risk associated with off-balance sheet financial commitments and contingent liabilities is assessed similarly as for loans to customers, taking into account the financial position and activities of the entity to which the Parent Company issued the guarantee and taking into account the collateral obtained. As at 31 December 2013, the Parent Company created reserves for these risks amounting to EUR 11 120 thousand (2012: EUR 10 458 thousand), Note 30 “Provisions for liabilities and charges”.

An overview of the quality of contingent liabilities and other off-balance sheet items is stated in Note 47 “Risk report”.

Legal disputes

In the ordinary course of business, the Group is subject to legal actions and complaints. Each dispute is subject to special monitoring and regular re-assessment as a part of the Group’s standard procedures. It is the policy of the Group not to disclose details of pending legal actions and to defend unjustified claims rigorously. If it is probable that the Group will be required to settle the claim and a reliable estimate of the amount can be made, provisions are recorded. The total provision for litigation amounts to EUR 26 203 thousand (31 December 2012: EUR 25 617 thousand), Note 30“Provisions for liabilities and charges”.

Contingent liabilities from operating lease

The Group recognises contingent liabilities from non-cancellable operating leases as a lessee on the off-balance sheet as follows:

(in EUR thousands)	2013	2012
Total non-cancellable payments for operating leases	**26 738**	**35 245**
Less than 1 year	9 179	10 351
1 year to 5 years	15 025	21 052
More than 5 years	2 534	3 842
Operating lease expense in other administrative costs	**10 589**	**11 049**

40. Finance lease

The movements in finance lease receivables are analysed as follows:

(in EUR thousands)	2013	2012
Gross investment	**11 691**	**15 007**
Up to 3 months	-	-
From 3 months up to 1 year	3 310	3 330
From 1 year up to 5 years	8 381	11 677
Unearned finance income	**427**	**731**
Up to 3 months	67	83
From 3 months up to 1 year	187	235
From 1 year up to 5 years	173	413
Net investment	**11 264**	**14 276**
Up to 3 months	(67)	(83)
From 3 months up to 1 year	3 123	3 094
From 1 year up to 5 years	8 208	11 265

Finance lease receivables include lease receivables recognised as “Loans and advances to customers, gross”.

41. Values in custody and management

(in EUR thousands)	2013	2012
Values in custody	**79 010**	**119 213**
Investment notes	30 557	58 821
Promissory notes	1 744	-
Merchandise and trust receipts	43 695	57 096
Gold	3 014	3 296
Values in management	**350 729**	**219 706**
Securities	350 729	219 706
Total	**429 739**	**338 919**

The Parent Company reported values received in custody and administration at fair values. Values received in custody and administration does not represent the Parent Company's property and accordingly they are not part of the Parent Company's assets.

In addition to amounts in the table above, in accordance with the depository function for Tatra Asset Management, správ. spol., a.s. (TAM), as at 31 December 2013 the Parent Company reported deposited securities in custody of the TAM Unit Trusts in the amount of EUR 1 109 498 thousand (as of 31 December 2012: EUR 878 356 thousand).

42. Assets pledged as collateral

Liabilities secured by the Group's assets:

(in EUR thousands)	2013	2012
Deposits from banks (received loans)	77 402	83 075
Total	**77 402**	**83 075**

The pledge attributable to the aforementioned liabilities comprised the following assets recognised in the statement of financial position:

(in EUR thousands)	2013	2012
Loans and advances to banks	44 370	51 430
Financial assets at fair value through profit or loss	-	32 064
Held-to-maturity financial investments	655 787	1 082 822
Total	**700 157**	**1 166 316**

For information on securities pledged as collateral for the Group's liabilities, see Note 26 "Deposits from banks", and Note 29 "Liabilities from debt securities".

The Parent Company opened margin accounts as a collateral for derivative transactions. The amount of cash deposited by the Parent Company in margin accounts depends on the volume and risk exposures of the deals made. The amount of cash deposited in margin accounts equals the amount of assets pledged as collateral and is recognised in "Loans and advances to banks".

The Parent Company pledged in favour of the NBS government bonds and bonds issued by the banking sector, which are held in the held-to-maturity securities portfolio in the amount of EUR 560 994 thousand (31 December 2012: 976 232 thousand). For the pledged securities, the Parent Company can draw an intraday credit in the amount of EUR 500 000 thousand (31 December 2012: EUR 400 000 thousand). The aforementioned amount was not drawn as at 31 December 2013 or 31 December 2012.

43. Default loan portfolio

Default loans represent the loans receivable portfolio as defined by the "International Convergence of Capital Measurement and Capital Standards" issued by the Basel Committee and known as Basel II. In the Slovak Republic, the definition of default is set forth in Article 73 of NBS Decree No. 4/2007 on banks' own funds of financing and banks' capital requirements.

To determine the client's default, the Parent Company uses mainly the following indicators also depending on the client's segment: permanent delay in the repayment of a material portion of a receivable of more than 90 days, declaration of early maturity, bankruptcy or insolvency, a portion of the loan receivables from the client written off, legal restructuring, suspended interest on receivables, sale of the receivables from the client resulting in a loss or an anticipated loss from a deal. For the retail portfolio, the threshold which the receivable must exceed is set in the amount of EUR 10.

There is no definition of default loans in the methodology of International Financial Reporting Standards.

The following summary analyses the default loan portfolio (balance sheet amounts) as at 31 December 2013:

(in EUR thousands)	Corporate clients	Retail clients	Total
Default loans	189 786	140 672	**330 458**
Provisions for default loans	103 100	67 055	**170 155**
Claim value of received collateral for default loans	68 746	76 175	**144 921**

The following summary analyses the default loan portfolio (off-balance sheet balances) as at 31 December 2013:

(in EUR thousands)	Corporate clients	Retail clients	Total
Default contingent liabilities and other off-balance-sheet items	57 244	170	**57 414**
Provisions for contingent liabilities and other off-balance-sheet items	6 365	-	**6 365**
Claim value of received collateral for contingent liabilities and other off-balance-sheet items	8 711	-	**8 711**

The following summary analyses the default loan portfolio (balance sheet amounts) as at 31 December 2012:

(in EUR thousands)	Public sector	Corporate clients	Retail clients	Total
Default loans	172	211 649	121 860	**333 681**
Provisions for default loans	172	109 846	66 100	**176 118**
Claim value of received collateral for default loans	-	65 257	58 367	**123 624**

The following summary analyses the default loan portfolio (off-balance sheet balances) as at 31 December 2012:

(in EUR thousands)	Corporate clients	Retail clients	Total
Default contingent liabilities and other off-balance-sheet items	13 275	6	**13 281**
Provisions for contingent liabilities and other off-balance-sheet items	6 400	6	**6 406**
Claim value of received collateral for contingent liabilities and other off-balance-sheet items	5 726	-	**5 726**

44. Average number of staff

The following is information on the Group's average headcount:

(in EUR thousands)	2013	2012
Group employees	3 423	3 477
Of which: Members of the Board of Directors	*7*	*7*
Total	**3 423**	**3 477**

45. Derivative financial instruments

The total volumes of unsettled derivative financial instruments are as follows on 31 December 2013:

(in EUR thousand)	Nominal amounts by maturity				Fair values	
	Up to 1 year	From 1 to 5 years	More than 5 years	Total	Positive (Note 16)	Negative (Note 28)
a) Interest-rate contracts for hedging	**-**	**45 000**	**-**	**45 000**	**542**	**-**
OTC products:						
Interest rate swaps	-	45 000	-	45 000	542	-
b) Interest-rate contracts for trading	**451 403**	**1 486 795**	**407 850**	**2 346 048**	**50 801**	**(64 290)**
OTC products:						
Interest rate swaps	407 851	1 205 085	406 354	2 019 290	50 179	(63 348)
Interest rate options – buy	21 776	101 668	1 296	124 740	622	(320)
Interest rate options – sell	21 776	81 172	200	103 148	-	(622)
Stock exchange products:						
Interest rate futures	-	98 870	-	98 870	-	-
c) Currency contracts for trading	**1 330 690**	**53 807**	**-**	**1 384 497**	**13 276**	**(13 864)**
OTC products:						
Currency swaps	534 299	820	-	535 119	901	(2 696)
Currency-interest rate swaps	-	11 961	-	11 961	82	(82)
Currency forwards	244 882	2 114	-	246 996	2 805	(1 579)
Currency options-buy	276 824	19 456	-	296 280	9 406	(75)
Currency options-sell	274 685	19 456	-	294 141	82	(9 432)
Stock exchange products:						
Currency futures	-	-	-	-	-	-
d) Index-related contracts for trading	**92 778**	**95 765**	**-**	**188 543**	**3 839**	**(3 826)**
OTC products:						
Index options - buy	-	-	-	-	-	-
Index options - sell	-	-	-	-	-	-
Index swaps	92 778	95 765	-	188 543	3 839	(3 826)
Stock exchange products:						
Index futures	-	-	-	-	-	-
e) Commodity contracts for trading	**4 819**	**70 690**	**-**	**75 509**	**2 884**	**(2 882)**
OTC products:						
Commodity swaps	4 331	-	-	4 331	29	(28)
Commodity options - buy	244	35 350	-	35 594	2 855	-
Commodity options - sell	244	35 340	-	35 584	-	(2 854)
Total	**1 879 690**	**1 752 057**	**407 850**	**4 039 597**	**71 341**	**(84 862)**

The total volumes of unsettled derivative financial instruments are as follows on 31 December 2012:

(in EUR thousand)	Nominal amounts by maturity				Fair values	
	Up to 1 year	From 1 to 5 years	More than 5 years	Total	Positive (Note 16)	Negative (Note 28)
a) Interest-rate contracts for hedging	**-**	**99 000**	**-**	**99 000**	**4 226**	**-**
OTC products:						
Interest rate swaps	-	99 000	-	99 000	4 226	-
b) Interest-rate contracts for trading	**798 355**	**1 546 654**	**505 842**	**2 850 851**	**83 470**	**(104 107)**
OTC products:						
Interest rate swaps	734 179	1 483 058	504 028	2 721 265	83 409	(103 662)
Interest rate options – buy	32 088	45 368	1 614	79 070	61	(385)
Interest rate options – sell	32 088	18 228	200	50 516	-	(60)
Stock exchange products:						
Interest rate futures	-	-	-	-	-	-
c) Currency contracts for trading	**1 157 233**	**789**	**-**	**1 158 022**	**10 015**	**(10 635)**
OTC products:						
Currency swaps	539 541	-	-	539 541	1 675	(4 137)
Currency forwards	297 084	749	-	297 833	4 888	(3 056)
Currency options-buy	162 621	20	-	162 641	3 452	-
Currency options-sell	157 987	20	-	158 007	-	(3 442)
Stock exchange products:						
Currency futures	-	-	-	-	-	-
d) Index-related contracts for trading	**50 693**	**188 752**	**-**	**239 445**	**3 623**	**(4 006)**
OTC products:						
Index options - buy	10 275	-	-	10 275	350	-
Index options - sell	10 236	-	-	10 236	-	(348)
Index swaps	30 182	188 752	-	218 934	3 273	(3 658)
Stock exchange products:						
Index futures	-	-	-	-	-	-
e) Commodity contracts for trading	**160**	**-**	**-**	**160**	**2**	**(2)**
OTC products:						
Commodity swaps	160	-	-	160	2	(2)
Total	**2 006 441**	**1 835 195**	**505 842**	**4 347 478**	**101 336**	**(118 750)**

46. Fair value of financial instruments

Financial instruments at fair value

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Insofar as market prices were available (which was mainly the case for securities and derivative instruments traded on stock exchanges and functioning markets), they were used. All other financial instruments were valued using internal measurement models, including present value models or accepted option price models in particular, or use was made of external expert opinions.

The following table shows a summary of financial instruments recognised at fair value divided into Levels 1 to 3 based on fair value measurements as at 31 December 2013:

Financial assets at fair value	Level 1*	Level 2**	Level 3***	Total
Derivative financial assets	**-**	**71 342**	**-**	**71 342**
Positive fair value of financial derivative instruments for trading	-	70 800	-	70 800
Positive fair value of financial derivative instruments for hedging	-	542	-	542
Held-for-trading financial assets	**152 248**	**11 402**	**-**	**163 650**
Debt securities and other fixed income securities	142 243	4	-	142 247
Shares, debt and other floating rate securities	10 005	11 398	-	21 403
Financial assets at fair value through profit or loss	**135 938**	**25 037**	**-**	**160 975**
Debt securities and other fixed income securities	135 938	25 037	-	160 975
Available-for-sale financial assets	**-**	**-**	**623**	**623**
Available-for-sale securities	-	-	623	623
Total	**288 186**	**107 781**	**623**	**396 590**

Financial liabilities at fair value (in EUR thousands)	Level 1*	Level 2**	Level 3***	Total
Derivative financial liabilities	**-**	**84 862**	**-**	**84 862**
Negative fair value of financial derivative instruments for trading	-	84 862	-	84 862
Total	**-**	**84 862**	**-**	**84 862**

* Level 1 – derived from listed prices on active markets.

** Level 2 – derived on the basis of active markets other than prices for identical assets or liabilities.

*** Level 3 – inputs for assets or liabilities, which are not based on observable market data (unobservable inputs).

The following table shows a summary of financial instruments recognised at fair value divided into Levels 1 to 3 based on fair value measurements as at 31 December 2012:

Financial assets at fair value	Level 1*	Level 2**	Level 3***	Total
Derivative financial assets	**-**	**101 336**	**-**	**101 336**
Positive fair value of financial derivative instruments for trading	-	97 110	-	97 110
Positive fair value of financial derivative instruments for hedging	-	4 226	-	4 226
Held-for-trading financial assets	**218 649**	**150 226**	**-**	**368 875**
Debt securities and other fixed income securities	122 049	150 226	-	272 275
Shares, debt and other floating rate securities	96 600	-	-	96 600
Financial assets at fair value through profit or loss	**20 644**	**118 210**	**-**	**138 854**
Debt securities and other fixed income securities	20 644	118 210	-	138 854
Shares, debt and other floating rate securities	-	-	-	-
Available-for-sale financial assets	**-**	**-**	**623**	**623**
Available-for-sale securities	-	-	623	623
Total	**239 293**	**369 772**	**623**	**609 688**

Financial liabilities at fair value (in EUR thousands)	Level 1*	Level 2**	Level 3***	Total
Derivative financial liabilities	**-**	**118 750**	**-**	**118 750**
Negative fair value of financial derivative instruments for trading	-	118 750	-	118 750
Total	**-**	**118 750**	**-**	**118 750**

* Level 1 – derived from listed prices on active markets.

** Level 2 – derived on the basis of active markets other than prices for identical assets or liabilities.

*** Level 3 – inputs for assets or liabilities, which are not based on observable market data (unobservable inputs).

As the recent market quotation is not available, the Parent Company transferred a portion of fixed-income debt securities from Level 1 to Level 2 in the amount of EUR 4 thousand as at 31 December 2013.

Financial instruments recognised at amortised cost

Fixed-interest receivables from and payables to banks or customers were re-measured to fair values different from their carrying amount in the statement of financial position only if they had a remaining term of more than one year. Variable-rate receivables and payables were only taken into account if they had an interest rollover period of more than one year. Only in those cases does discounting based on an assumed interest rate in line with market rates have a significant effect.

To determine the fair value of receivables from and payables to banks or customers, the Group applied an income approach. Under the income approach, the Group applied the present value technique. To discount future contractual cash flows the Group used a discount rate, which was calculated by adjusting the discount rate.

With respect to held-to-maturity securities and liabilities from debt securities, if market prices were available, the securities were grouped by the Group into Level 1. If the security is not traded on the stock exchange or the NBS benchmark for the security is not disclosed, the Group measures the security at fair value, which is derived from inputs other than quoted prices, and the security is grouped into Level 2.

(in EUR thousands)	Fair value 2013	Carrying amount 2013	Difference 2013	Fair value 2012	Carrying amount 2012	Difference 2012
Assets						
Loans and advances to banks, net	**151 684**	**151 684**	**-**	**118 469**	**118 469**	**-**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*151 684*	*151 684*	-	*118 469*	*118 469*	-
Loans and advances to customers, net	**6 488 087**	**6 382 790**	**105 297**	**6 299 868**	**6 180 699**	**119 169**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*6 488 087*	*6 382 790*	*105 297*	*6 299 868*	*6 180 699*	*119 169*
Held-to-maturity financial investments	**1 658 080**	**1 591 573**	**66 507**	**1 868 428**	**1 782 413**	**86 015**
of which Level 1	*1 314 865*	*1 258 127*	*56 738*	*1 300 579*	*1 227 897*	*72 682*
of which Level 2	*343 215*	*333 446*	*9 769*	*567 849*	*554 516*	*13 333*
of which Level 3	-	-	-	-	-	-
Investments in associated undertakings	**20 168**	**20 168**	**-**	**19 661**	**19 661**	**-**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*20 168*	*20 168*	-	*19 661*	*19 661*	-

Liabilities						
Deposits from banks	**356 593**	**356 593**	**-**	**118 001**	**118 001**	**-**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*356 593*	*356 593*	-	*118 001*	*118 001*	-
Deposit from customers	**7 010 478**	**7 007 983**	**2 495**	**6 870 382**	**6 864 783**	**5 599**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*7 010 478*	*7 007 983*	*2 495*	*6 870 382*	*6 864 783*	*5 599*
Liabilities from debt securities	**836 327**	**821 908**	**14 419**	**805 304**	**794 120**	**11 184**
of which Level 1	-	-	-	-	-	-
of which Level 2	*836 327*	*821 908*	*14 419*	*805 304*	*794 120*	*11 184*
of which Level 3	-	-	-	-	-	-
Subordinated debt	**100 499**	**100 499**	**-**	**45 312**	**45 312**	**-**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*100 499*	*100 499*	-	*45 312*	*45 312*	-

47. Risk report

Credit risk

The Group bears a credit risk, ie the risk that the counterparty will not be able to repay in full the amounts owed at their maturity. The Group classifies loan exposure borne by the Group by setting limits of risk accepted with respect to one debtor, or a group of debtors, and with respect to individual countries. The aforementioned risks are monitored on a regular basis and reviewed at least annually. Exposure to one debtor including banks and securities dealers is also limited by partial limits set for balance sheet and off-balance sheet exposures, and by daily limits of exposure in relation to items traded, such as forward foreign currency contracts. The actual exposure is compared to set limits on a daily basis.

The loan exposure is managed based on regular analyses of the debtors' and potential debtors' ability to repay the principal amount and interest, and based on potential adjustments to such loan limits. Credit risks are also partially managed by collateral and guarantees received from private individuals or legal entities.

Retail debtors are assessed by the Parent Company using the scoring models developed for individual products. Credit risk in the retail portfolio is managed by the following main tools: credit scoring is a tool used by the Parent Company in the loan decision process for private individuals and also for small companies. The next important tool in the loan approval process is the system of underwriting by specialists whose goal is to optimise revenues from loans to the risk taken by the Parent Company. The regular monitoring of the existing portfolio quality and trends together with appropriate strategies to secure the quality of the existing portfolio are also very important part of risk management that significantly contribute to retaining portfolio quality and to targeted level of risk charges.

When collecting receivables, the Parent Company uses a very broad scale of tools and collection strategies depending on the amount and type of receivable. To collect receivables, the Parent Company uses both internal and external resources. In the case of the unsuccessful collection of receivables from clients, the receivables are subsequently forwarded to external agencies specialising in the enforcement of receivables through courts. Receivables with higher amounts and specific receivables are dealt with by an in-house expert team in co-operation with the legal department and other professional units of the Parent Company.

As part of credit risk monitoring and management, the Parent Company also closely observes the area of exposure and residual risks.

Exposure risk represents the risk resulting from the concentration of the Parent Company's transactions with an entity, a group of economically-related parties, state, geographical area, industry sector, collateral provider etc. The risk is closely related to both exposures in the Banking book and exposures in the Trading book. In order to manage exposure risk effectively, the Parent Company's objective is to focus on quality portfolio management and its adequate diversification while adhering to set exposure limits (large assets exposure and others). Simultaneously, the Parent Company develops methods for exposure risk quantification.

Residual risk represents the risk stemming from the insufficient enforceability of rights arising to the Parent Company from security received against credit risk. The Parent Company eliminates this risk in particular by means of consistently observing legal and operational requirements, and conservative valuation and revaluation methods, and by applying appropriate discounts depending on the type and quality of the received collateral.

The table below shows the maximum amount of credit risk regardless of received collateral:

(in EUR thousands)	2013	2012
Credit risk related to balance sheet assets:		
Loans and advances to banks	151 684	118 469
Loans and advances to customers, net	6 382 790	6 180 699
Derivative financial assets	71 342	101 336
Held-for-trading securities	163 650	368 875
Financial assets at fair value through profit or loss	160 975	138 854
Held-to-maturity financial investments	1 591 573	1 782 413
Available-for-sale financial assets	623	623
Investments in associated undertakings	20 168	19 661
Current tax asset	5 313	3 184
Deferred tax asset	24 969	21 207
Other assets	37 579	30 880
Total	**8 610 666**	**8 766 201**

(in EUR thousands)	2013	2012
Credit risk related to off-balance sheet items:		
Contingent commitments from guarantees and letters of credit	485 731	376 271
Irrevocable loan commitments/stand-by facility	1 380 316	1 127 436
Revocable loan commitments/stand-by facility	1 245 045	1 198 525
Total	**3 111 092**	**2 702 232**

The table below shows a summary of the quality of the loan portfolio as at 31 December 2013 (balance sheet amounts):

(in EUR thousands)	Total carrying amount	Not impaired	Impaired	Specific provisions – assessed on an individual basis	Specific provisions – assessed on a collective basis	Portfolio provision	Net carrying amount	Claim value of received collateral
Loans and advances to banks	**151 684**	**151 684**	**-**	**-**	**-**	**-**	**151 684**	**-**
Loans and advances to customers	**6 577 648**	**6 307 909**	**269 739**	**157 247**	**12 908**	**24 703**	**6 382 790**	**3 923 257**
Public sector	*19 109*	*19 109*	*-*	*-*	*-*	*-*	*19 109*	*852*
Corporate clients	*3 361 076*	*3 183 486*	*177 590*	*103 100*	*-*	*16 012*	*3 241 964*	*1 574 939*
Retail clients	*3 197 463*	*3 105 314*	*92 149*	*54 147*	*12 908*	*8 691*	*3 121 717*	*2 347 466*
Total	**6 729 332**	**6 459 593**	**269 739**	**157 247**	**12 908**	**24 703**	**6 534 474**	**3 923 257**

The table below shows a summary of the quality of the loan portfolio as at 31 December 2012 (balance sheet amounts):

(in EUR thousands)	Total carrying amount	Not impaired	Impaired	Specific provisions – assessed on an individual basis	Specific provisions – assessed on a collective basis	Portfolio provision	Net carrying amount	Claim value of received collateral
Loans and advances to banks	**118 469**	**118 469**	**-**	**-**	**-**	**-**	**118 469**	**-**
Loans and advances to customers	**6 388 106**	**6 105 030**	**283 076**	**160 605**	**15 965**	**30 837**	**6 180 699**	**3 773 491**
Public sector	*16 913*	*16 741*	*172*	*172*	*-*	*-*	*16 741*	*1 389*
Corporate clients	*3 463 756*	*3 269 029*	*194 727*	*110 096*	*-*	*24 064*	*3 329 596*	*1 634 275*
Retail clients	*2 907 437*	*2 819 260*	*88 177*	*50 337*	*15 965*	*6 773*	*2 834 362*	*2 137 827*
Total	**6 506 575**	**6 223 499**	**283 076**	**160 605**	**15 965**	**30 837**	**6 299 168**	**3 773 491**

The table below shows a summary of the quality of the loan portfolio as at 31 December 2013 (off-balance sheet items):

(in EUR thousands)	Total carrying amount	Not impaired	Assessed on an individual basis - impaired	Specific provision	Portfolio provision	Net carrying amount	Claim value of received collateral
Contingent liabilities and other off-balance sheet liabilities to banks	**83 398**	**83 398**	**-**	**-**	**-**	**83 398**	**-**
Contingent liabilities and other off-balance sheet liabilities to clients	**3 027 694**	**2 970 280**	**57 414**	**6 366**	**4 754**	**3 016 574**	**289 277**
Public sector	*9 249*	*9 249*	*-*	*-*	*-*	*9 249*	*-*
Corporate clients	*2 366 879*	*2 309 635*	*57 244*	*6 366*	*4 754*	*2 355 759*	*212 602*
Retail clients	*651 566*	*651 396*	*170*	*-*	*-*	*651 566*	*76 675*
Total	**3 111 092**	**3 053 678**	**57 414**	**6 366**	**4 754**	**3 099 972**	**289 277**

The table below shows a summary of the quality of the loan portfolio as at 31 December 2012 (off-balance sheet items):

(in EUR thousands)	Total carrying amount	Not impaired	Assessed on an individual basis - impaired	Specific provision	Portfolio provision	Net carrying amount	Claim value of received collateral
Contingent liabilities and other off-balance sheet liabilities to banks	**103 703**	**103 703**	**-**	**-**	**-**	**103 703**	**-**
Contingent liabilities and other off-balance sheet liabilities to clients	**2 598 528**	**2 585 162**	**13 366**	**6 408**	**4 048**	**2 588 072**	**303 627**
Public sector	*1 292*	*1 292*	*-*	*-*	*-*	*1 292*	*215*
Corporate clients	*1 955 020*	*1 941 745*	*13 275*	*6 400*	*4 048*	*1 944 572*	*215 865*
Retail clients	*642 216*	*642 125*	*91*	*8*	*-*	*642 208*	*87 547*
Total	**2 702 231**	**2 688 865**	**13 366**	**6 408**	**4 048**	**2 691 775**	**303 627**

The following summary represents an analysis of the individually-impaired loan portfolio as at 31 December 2013:

(in EUR thousands)	Public sector	Corporate clients	Retail clients	Total
Impaired loans	-	177 590	92 149	**269 739**
Specific provisions – assessed on an individual basis	-	103 100	54 147	**157 247**
Specific provisions – assessed on a collective basis	-	-	12 908	**12 908**
Claim value of received collateral	-	63 396	35 441	**98 837**
% coverage by provisions for assets	-	58.1%	72.8%	**63.1%**
% coverage by provisions for assets and received collateral	-	93.8%	111.2%	**99.7%**
Interest income from impaired loans	-	3 412	5 364	**8 776**

The following summary represents an analysis of the individually-impaired loan portfolio as at 31 December 2012:

(in EUR thousands)	Public sector	Corporate clients	Retail clients	Total
Impaired loans	172	194 727	88 177	**283 076**
Specific provisions – assessed on an individual basis	172	110 096	50 337	**160 605**
Specific provisions – assessed on a collective basis	-	-	15 965	**15 965**
Claim value of received collateral	-	55 444	28 524	**83 968**
% coverage by provisions for assets	100 %	56.5%	75.2%	**62.4%**
% coverage by provisions for assets and received collateral	100 %	85.0%	107.5%	**92.0%**
Interest income from impaired loans	8	5 582	4 696	**10 286**

The summary below represents an analysis of the non-impaired loan portfolio by overdue days as at 31 December 2013:

(in EUR thousands)	Within maturity	Within 90 days	From 91 to 180 days	From 181 days up to 1 year	Over 1 year	Received collateral for overdue loans (in claim value)
Loans and advances to banks	151 684	-	-	-	-	-
Loans and advances to customers	6 161 244	123 666	12 350	5 276	5 373	101 444
Public sector	*19 109*	-	-	-	-	-
Corporate clients	*3 133 790*	*46 522*	*849*	*1 522*	*803*	*26 801*
Retail clients	*3 008 345*	*77 144*	*11 501*	*3 754*	*4 570*	*74 643*
Total	**6 312 928**	**123 666**	**12 350**	**5 276**	**5 373**	**101 444**

The summary below represents an analysis of the non-impaired loan portfolio by overdue days as at 31 December 2012:

(in EUR thousands)	Within maturity	Within 90 days	From 91 to 180 days	From 181 days up to 1 year	Over 1 year	Received collateral for overdue loans (in claim value)
Loans and advances to banks	118 469	-	-	-	-	-
Loans and advances to customers	5 947 315	137 475	10 815	5 019	4 407	105 929
Public sector	*16 741*	-	-	-	-	-
Corporate clients	*3 209 699*	*57 247*	*588*	*905*	*591*	*31 385*
Retail clients	*2 720 875*	*80 228*	*10 227*	*4 114*	*3 816*	*74 544*
Total	**6 065 784**	**137 475**	**10 815**	**5 019**	**4 407**	**105 929**

In 2013, the Parent Company changed its methodology for the recognition of the retail portfolio by overdue days (default). Before the end of 2012, the Parent Company applied a materiality level of 2.5% of overdue receivables for the retail portfolio. If the client's overdue receivables were below 2.5% of the client's total exposure, all receivables were classified as within maturity. In 2013, the Parent Company cancelled the aforementioned materiality level for the retail portfolio. For consistency of recognition purposes, the Parent Company restated the comparative period as at 31 December 2012.

A summary of individual types of received collateral for financial assets (balance sheet amounts) at claim value is provided as follows:

(in EUR thousands)	2013	2012
Collateralisation of issued loans	**3 923 257**	**3 773 491**
Cash	51 649	51 227
Guarantees	134 988	157 587
Securities	66 153	74 918
Real estate	3 229 858	2 951 490
Movables	267 642	290 513
Receivables and other collateral	172 967	247 756
Collateralisation of receivables from derivative transactions	**4 217**	**3 721**
Cash	4 217	3 721
Total	**3 927 474**	**3 777 212**

A summary of individual types of received collateral for financial assets (balance sheet amounts) at claim value is provided as follows:

(in EUR thousands)	2013	2012
To cover contingent liabilities and other off-balance sheet liabilities		
Cash	42 083	47 841
Guarantees	58 129	80 070
Securities	32 491	39 013
Real estate	83 398	77 099
Movables	7 835	4 506
Receivables and other collateral	65 341	55 098
Total	**289 277**	**303 627**

The summary below represents the quality of the loan portfolio that is non-impaired and non-overdue in accordance with the internal rating:

(in EUR thousands)	2013	2012
Loans and advances to banks:	**151 684**	**118 469**
Minimum risk	-	-
Excellent credit rating	425	626
Very good credit rating	88 555	108 504
Good credit rating	56 670	3 207
Standard credit rating	2 389	146
Ordinary credit rating	364	3 317
Sub-standard credit rating	903	46
Significantly sub-standard credit rating	-	-
Doubtful/high risk of default	2 306	2 120
Defaulted	-	-
With no assigned rating	72	503
Loans and advances to customers:	**6 161 244**	**5 947 315***
Of which, public sector:	***19 109***	***16 741***
Minimum risk	1	1
Excellent credit rating	-	-
Very good credit rating	1 904	880
Good credit rating	11	18
Standard credit rating	44	181
Ordinary credit rating	7 480	5 785
Sub-standard credit rating	8 585	9 455
Significantly sub-standard credit rating	1 084	419
Doubtful/high risk of default	-	2
Defaulted	-	-
With no assigned rating	-	-

Of which, corporate clients without project financing:	***2 351 177***	***2 396 949***
Minimum risk	106 713	-
Excellent credit rating	124 325	57 836
Very good credit rating	190 086	297 344
Good credit rating	247 045	266 291
Standard credit rating	533 020	300 441
Ordinary credit rating	518 781	573 543
Sub-standard credit rating	321 688	473 109
Significantly sub-standard credit rating	227 771	325 561
High probability of default	74 302	101 597
Defaulted	4 932	-
With no assigned rating	2 514	1 227
Of which, corporate clients – project financing:	***782 613***	***812 750***
Excellent project financing profile rating	176 527	280 708
Good project financing profile rating	514 511	385 469
Acceptable project financing profile rating	78 586	63 439
Weak project financing profile rating	12 989	68 957
Defaulted	-	14 177
Of which, retail clients	***3 008 345***	***2 720 875****
Total	**6 312 928**	**6 065 784**

* In 2013, the Parent Company changed its methodology for the recognition of the retail portfolio by days overdue (default). For consistency of recognition purposes, the Parent Company restated the comparative period as at 31 December 2012.

The scoring system of the Parent Company's corporate clients (applied for the entire RBI Group) is based on the client's economic rating and complies with the rules of the Internal Rating Based Approach (IRB). The rating range has 28 grades from 1A to 10A for corporate clients, and 5 grades for project financing from 6.1 to 6.5.

The Parent Company provides real estate financing loans to corporate clients who have no assigned project financing rating. As at 31 December 2013, loan receivables from these clients that are not impaired or overdue, amount to EUR 119 706 thousand (31 December 2012: EUR 120 022 thousand).

The credit risk associated with the securities portfolio is low as the majority of purchased debt securities are government bonds issued by the Slovak Republic. In the case of exposure to Slovak bank debt securities, which amount to EUR 38 868 thousand (31 December 2012: EUR 39 471 thousand), the risk category of the respective issuers is Very Good Credit Rating or Good Credit Rating.

The Parent Company had no exposure to corporate debt securities as at 31 December 2013 and 31 December 2012. Credit risk from derivative transactions is also minimal as transactions are secured by a certain form of hedging (eg blockage of a client's financial funds etc).

The structure of the Group's credit risk exposure to the Slovak Republic (entities controlled by the Slovak Republic, guarantees issued by the Slovak Republic, and similar exposures) is as follows:

(in EUR thousands)	2013	2012
Deposits with the NBS	-	-
Zero coupon government bonds and other securities received by the NBS for refinancing	175 308	365 415
Loans and advances to banks	602 465	88 500
Loans and advances to customers	327 241	294 520
Debt securities	1 700 038	1 885 256
Total	**2 805 052**	**2 633 691**

The overall impact of the Slovak Republic on the Bank's results of operations represented income of EUR 60 852 thousand (2012: EUR 74 942 thousand), which is mostly of an interest nature.

Restructuring

The Parent Company can modify repayment terms of its loan receivables if the client's financial position is weak and the client would be unable to repay, within a specified period of time, its liabilities to the Parent Company.

With overdraft loans, Agreement on Debt Instalments is concluded. This agreement cannot be extended, only transformed into an instalment credit after declaration of extraordinary maturity. In extraordinary circumstances, the overdraft loan can be extended but with the use of a gradual reduction.

In the case of instalment loans, repayment schedules are modified due to the client's inability to keep the agreed-upon deadlines. In the case of retail loans, there is an option to ask for loan restructuring in the form of a temporary decrease in the instalment amounts mostly for the period of 12 months with subsequent changes in the original loan (an extension of the loan's maturity, change in the instalment amount) so as to prevent the reduction of cash flows after the termination of the loan relationship (ie no impairment of receivables).

The carrying amount of retail receivables whose contractual repayment terms were modified in 2013 due to the client's default or deteriorated financial position amounted to EUR 26 972 thousand (2012: EUR 25 808 thousand). In the case of the corporate portfolio, the carrying amount was EUR 8 976 thousand (2012: EUR 9 593 thousand).

In 2013, the Parent Company turned into cash its pledges over movable and immovable assets received as collateral for its bad debt totalling EUR 18 895 thousand (2012: EUR 14 676 thousand).

Market risk

The Parent Company is exposed to market risks. Market risks result from open positions from transactions with interest rate, cross-currency, and equity products that are subject to general and specific market changes. To assess the approximate level of market risk associated with the Parent Company's positions, and the expected maximum amount of potential losses, the Parent Company uses internal reports and models for individual types of risk faced by the Parent Company. The Parent Company uses a system of limits, the aim of which is to ensure that the level of risks the Parent Company is exposed to at any time does not exceed the level of risks the Parent Company is willing and able to accept. These limits are monitored on a daily basis.

For risk management purposes, market risk is regarded as the risk of potential losses the Parent Company may incur due to unfavourable developments in market rates and prices. To manage market risk, the Parent Company uses a system of limits imposed on individual positions and portfolios.

As to the structure of trades, the Parent Company primarily faces the following market risks:

- Currency risk
- Interest rate risk

Market risks to which the Parent Company faces insignificant exposure:

- Equity price risk
- Commodity risk

Currency risk

Currency risk represents the potential of loss resulting from unfavourable movements in foreign currency exchange rates. The Parent Company controls this risk by determining and monitoring open position limits.

Open currency positions are subject to real-time monitoring through the information system. The currency position of the Parent Company is monitored separately for each currency, as well as the group limit for specific currencies if monitoring is necessary, eg in the case of market turbulences. Limits for these positions are set in line with the RBI Group standards. Data on the Parent Company's currency positions and on the compliance with the limits set by RBI are reported on a weekly basis.

In addition to the limit on an open currency position, the Parent Company also sets a negativegamma limit on an option position for each currency match subject to trading. The Parent Company also sets the vega limit on the overall option position.

Positions from client option trades to currency matches, where no gamma limit on trading has been specified by the Parent Company, are closed in the market, so as to ensure that the Parent Company has no open position for this currency match.

In addition, the Parent Company has set three various stop-loss limits for the overall foreign exchange position.

The Group's net foreign exchange (FX) position of assets, liabilities and equity as at 31 December 2013 and 2012 were as follows:

(in EUR thousands)	Net FX position 31 December 2013	Net FX position 31 December 2012
EUR	319 077	216 510
USD	(260 694)	(180 134)
Other (CZK, GBP, CHF, PNL, HUF and other)	(58 383)	(36 376)
Total net FX balance sheet position	**-**	**-**
EUR	(327 706)	(210 368)
USD	268 208	181 861
Other (CZK, GBP, CHF, PNL, HUF and other)	58 964	32 918
Total net FX off-balance sheet position	**(534)**	**4 411**
Total Net FX position	**(534)**	**4 411**

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk.

The Parent Company controls and manages its interest rate risk for all trades, and for the Banking Book, and the Trading Book separately. Interest rate risk is monitored and assessed on a daily basis.

To monitor interest rate risk, the Parent Company uses the gap analysis method (interest GAP), method of market value sensitivity to yield curve shift by defined number of basis points (basis point value – BPV), and three stop-loss limits to interest rate sensitive instruments.

The internal interest rate risk limits applicable in the Banking Book are set in the form of limits on open positions in each time band of the interest gap for each currency that is included in the Banking Book (mainly EUR, and USD).

The Parent Company's limit on the interest rate risk of the Banking Book is set in the form of limits on the sensitivity of the overall position to the yield curve shifts (BPV) in the Banking Book, with a limit on the position concentration in one time basket and one currency.

The interest rate risk limits applicable in the Trading Book are set in the form of limits related to the sensitivity of the overall position to yield curve shifts (BPV). The limits are set for individual currencies included in the Trading Book. The loss resulting from interest rate variations is limited to three stop-loss limits.

Integrated Risk Management regularly submits information on the actual amount of credit risk by individual currency and information on the use of the Banking Book's credit risk limits to the Assets and Liabilities Committee (ALCO).

In the event of exceeding the set limit, the interest rate positions are closed by using both traditional and derivative financial instruments.

The table below provides information in the carrying amount on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that do not have a contractual maturity date or are not interest-bearing are grouped in the "unspecified" category.

Interest rate gap of financial assets and liabilities as at 31 December 2013:

(in EUR thousands)	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Unspecified	Total
Assets						
Cash and balances with central banks	602 465	-	-	-	86 130	688 595
Loans and advances to banks	149 516	2 098	-	-	70	151 684
Loans and advances to customers, net	3 446 601	911 494	1 758 701	67 739	198 255	6 382 790
Derivative financial assets	14 372	6 360	30 341	20 269	-	71 342
Held-for-trading financial assets	19 418	128 627	13 617	4	1 984	163 650
Financial assets at fair value through profit or loss	395	122 530	38 050	-	-	160 975
Held-to-maturity financial investments	157 298	255 633	840 785	337 857	-	1 591 573
Available-for-sale financial assets	-	-	-	-	623	623
Other assets	-	-	-	-	37 579	37 579
Interest rate position for financial assets as of 31 December 2013	**4 390 065**	**1 426 742**	**2 681 494**	**425 869**	**324 641**	**9 248 811**
Liabilities						
Deposits and advances from banks	316 141	5	40 000	-	447	356 593
Deposits from customers	1 714 996	3 305 368	1 907 252	2 402	77 965	7 007 983
Derivative financial liabilities	14 636	7 955	41 532	20 739	-	84 862
Liabilities from debt securities	60 534	213 913	537 577	9 884	-	821 908
Provisions for liabilities and charges	-	-	-	-	38 882	38 882
Other liabilities	-	-	-	-	44 890	44 890
Subordinated debt	100 499	-	-	-	-	100 499
Interest rate position for financial liabilities as of 31 December 2013	**2 206 806**	**3 527 241**	**2 526 361**	**33 025**	**162 184**	**8 455 617**
Net interest rate position as at 31 December 2013	**2 183 259**	**(2 100 499)**	**155 133**	**392 844**	**162 457**	**793 194**

Interest rate gap of financial assets and liabilities as at 31 December 2012:

(in EUR thousands)	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Unspecified	Total
Assets						
Cash and balances with central banks	88 500	-	-	-	86 193	174 693
Loans and advances to banks	115 355	2 603	-	-	511	118 469
Loans and advances to customers, net	3 441 610	1 073 202	1 427 017	64 335	174 535	6 180 699
Derivative financial assets	10 474	9 632	47 925	33 305	-	101 336
Held-for-trading financial assets	106 831	119 981	142 059	4	-	368 875
Financial assets at fair value through profit or loss	54 263	26 737	57 854	-	-	138 854
Held-to-maturity financial investments	527 247	41 994	1 100 772	112 400	-	1 782 413
Available-for-sale financial assets	-	-	-	-	623	623
Other assets	-	-	-	-	30 880	30 880
Interest rate position for financial assets as of 31 December 2012	**4 344 280**	**1 274 149**	**2 775 627**	**210 044**	**292 742**	**8 896 842**
Liabilities						
Deposits and advances from banks	76 992	532	40 010	-	467	118 001
Deposits from customers	1 947 516	3 189 968	1 696 391	2 276	28 632	6 864 783
Derivative financial liabilities	13 356	8 583	56 757	40 054	-	118 750
Liabilities from debt securities	117 531	277 202	380 897	18 490	-	794 120
Provisions for liabilities and charges	-	-	-	-	37 182	37 182
Other liabilities	-	-	-	-	32 583	32 583
Subordinated debt	45 312	-	-	-	-	45 312
Interest rate position for financial liabilities as of 31 December 2012	**2 200 707**	**3 476 285**	**2 174 055**	**60 820**	**98 864**	**8 010 731**
Net interest rate position as at 31 December 2012	**2 143 573**	**(2 202 136)**	**601 572**	**149 224**	**193 878**	**886 111**

Equity price risk

Equity price risk arises from the Parent Company's exposure to changes in equity investment prices. Equity price risk is determined at the Parent Company level. Equity price risk is measured using individual exposures and by calculating and monitoring the overall equity investment position. Equity investment positions are reported at the level of the overall portfolio on a weekly basis.

Commodity risk

Commodity risk arises from the Parent Company's exposure to changes in commodity prices. Commodity risk is determined at the Parent Company level and is measured using positions in individual commodities. Sensitivity analysis is applied for the measurement and management of commodity risk.

Sensitivity analysis of market risks

Sensitivity analysis reflects the implications on the Parent Company's profit/loss arising from the movements in market parameters (interest rates, exchange rates, share prices etc.) by predetermined delta value. For monitoring and limiting of risk, the Parent Company uses 100 basis points for interest rates, a 5% movement in exchange rates, and 50% movement in share prices, and 30% movement in commodity prices.

The GAP method sorts the Parent Company's positions into baskets and examines the Parent Company's final position in individual baskets. This method is used in interest rate risk management. The stress scenario is similar to the sensitivity analysis; however, it takes into consideration a marginal situation on the market. It combines movements in the market parameters so that these are the least favourable for the Parent Company.

The table below shows the Parent Company's sensitivity to movements in exchange rates, assuming negative movements in exchange rates by 5% to the detriment of the Parent Company.

Change in the present value of assets and liabilities of the Parent Company following the movements in exchange rates of the selected currencies to the detriment of the Parent Company as at 31 December 2013:

(in EUR thousands)	Present value of exchange rate	Exchange rate in sensitivity scenario	Parent Company's position in respective currency	Parent Company's loss in respective scenario
USD	1.3791	1.4481	7 513	(376)
CZK	27.4270	28.7984	561	(28)
TRY	2.9605	2.8125	(246)	(12)
GBP	0.8337	0.8754	192	(10)
Total			**8 020**	**(426)**

Change in the present value of assets and liabilities of the Parent Company following the movements in exchange rates of the selected currencies to the detriment of the Parent Company as at 31 December 2012:

(in EUR thousands)	Present value of exchange rate	Exchange rate in sensitivity scenario	Parent Company's position in respective currency	Parent Company's loss in respective scenario
USD	1.319	1.385	1 733	(87)
CZK	25.151	23.893	(2 541)	(127)
HUF	292.300	306.915	64	(3)
PLN	4.074	3.870	(1 113)	(56)
RON	4.444	4.666	123	(6)
GBP	0.816	0.775	(29)	(1)
JPY	113.610	107.930	(135)	(7)
Total			**(1 898)**	**(287)**

The table below shows the Parent Company's sensitivity to movements in the interest rate assuming negative movement of the yield curve to the detriment of the Parent Company by 100 basis points.

Change in the present value of assets and liabilities of the Parent Company following the change in the interest rate for the selected currencies as at 31 December 2013:

(in EUR thousands)	Yield curve shift	Parent Company's loss from yield curve shift
EUR	100 BPV	(29 555)
USD	-100 BPV	(2 314)
Total		**(31 869)**

Change in the present value of assets and liabilities of the Parent Company following the change in the interest rate for the selected currencies as at 31 December 2012:

(in EUR thousands)	Yield curve shift	Parent Company's loss from yield curve shift
EUR	100 BPV	(12 767)
USD	-100 BPV	(1 864)
Total		**(14 631)**

As at 31 December 2013, the Parent Company's exposure position in the Trading Book to equity price risk is nil, as at 31 December 2012 it was also nil. The Parent Company, therefore, does not recognise this exposure position to equity price risk.

In the Trading Book, the Parent Company has no commodity position; therefore, the change in the present value of assets and liabilities in the Parent Company's Trading Book following the change in commodity prices is also zero as at 31 December 2013 and 31 December 2012.

The Parent Company in the sensitivity analysis scenario uses the negative development of exchange rates, yield curves movements, and decrease in share prices. In the case of exactly-opposite movements, the Parent Company would book profit instead of loss in approximately the same amount.

Liquidity risk

Liquidity risk is the risk that the Group may not be able to fulfil its obligation to settle its liabilities when they fall due.

The Parent Company wishes to maintain its solvency, ie its ability to meet its financial liabilities duly and timely, and to manage its assets and liabilities so as to ensure continuous liquidity. Liquidity management is the responsibility of the Assets and Liabilities Committee (ALCO), the Asset and Liabilities Management function and Capital Markets division. Meetings of ALCO are held on a regular basis, during which the Parent Company's liquidity is evaluated and, subsequently, decisions are made based on the current state of affairs.

The Parent Company is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees, and from margin and other calls on cash settled derivatives. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Group sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Integrated Risk Management function monitors the Parent Company's liquidity on a daily basis and reports on its development. Information on the liquidity position is reported to ALCO bi-weekly. The Asset and Liabilities Management function submits reports on the Parent Company's structure of assets and liabilities at regular meetings of ALCO, and proposes the size and structure of the portfolio of securities held strategically for the following period subject to monitoring. The Asset and Liabilities Management function informs ALCO about new investments in securities on a regular basis.

The Parent Company monitors short-, medium- and long-term liquidity risk by developing a liquidity and crisis liquidity gap (3 scenarios) based on internal rules and assumptions. The limits are approved by the Integrated Risk Management Department, ALCO, and the Parent Company's management. Furthermore, the Parent Company monitors the ratios determined by the NBS and the ratios and limits set by the parent company, RBI.

Deposits from customers are the primary funding source for the Parent Company. Although the terms of the majority of the deposits permit customers withdrawals with little or no advanced notice, the actual balances maintained by customers provide a stable source of funding.

The Group's liquidity position reflecting the existing residual maturity of assets and liabilities as at 31 December 2013:

(in EUR thousands)	Up to 12 months	Over 12 months	Unspecified	Total
Cash and balances in central banks	688 595	-	-	688 595
Loans and advances to banks	151 008	603	73	151 684
Loans and advances to customers, net	1 960 970	4 144 683	277 137	6 382 790
Derivative financial assets	20 732	50 610	-	71 342
Held-for-trading financial assets	128 705	32 961	1 984	163 650
Financial assets at fair value through profit or loss	122 925	38 050	-	160 975
Held-to-maturity financial assets	262 246	1 329 327	-	1 591 573
Available-for-sale financial investments	-	-	623	623
Investments in associate undertakings	-	-	20 168	20 168
Non-current intangible assets	-	-	46 678	46 678
Non-current tangible assets	-	-	75 194	75 194
Investment property	-	-	47 427	47 427
Current tax asset	-	-	5 313	5 313
Deferred tax asset	-	-	24 969	24 969
Other assets	5 044	-	32 535	37 579
Total assets	**3 340 225**	**5 596 234**	**532 101**	**9 468 560**
Liabilities				
Deposits from banks	275 844	80 384	365	356 593
Deposits from customers [1)]	2 808 881	4 172 330	26 772	7 007 983
Derivative financial liabilities	22 591	62 271	-	84 862
Liabilities from debt securities	214 371	607 537	-	821 908
Provisions for liabilities and charges	-	-	38 882	38 882
Other liabilities	-	-	44 890	44 890
Subordinated debt	499	100 000	-	100 499
Total liabilities	**3 322 186**	**5 022 522**	**110 909**	**8 455 617**
Equity (excluding current year profit)	-	-	915 773	915 773
Profit after tax	-	-	97 170	97 170
Total equity and liabilities	**3 322 186**	**5 022 522**	**1 123 852**	**9 468 560**
Net balance sheet position	**18 039**	**573 712**	**(591 751)**	**-**
Net off-balance sheet position [2)]	**(2 650 214)**	**(9 937)**	**(682 605)**	**(3 342 756)**
Cumulative balance sheet and off-balance sheet position	**(2 632 175)**	**(2 068 400)**	**(3 342 756)**	**(3 342 756)**

1) Amounts for current accounts and savings books are recognised based on the estimated maturity model.

2) The off-balance sheet position includes receivables and liabilities from spot transactions and financial derivative transactions where the supporting instrument is replaced, in particular from future loans and borrowings, guarantees and letters of credit, and delta option equivalents.

The Group's liquidity position reflecting the existing residual maturity of assets and liabilities as at 31 December 2012:

(in EUR thousands)	Up to 12 months	Over 12 months	Unspecified	Total
Cash and balances in central banks	174 693	-	-	174 693
Loans and advances to banks	116 787	1 171	511	118 469
Loans and advances to customers, net	2 213 094	3 728 592	239 013	6 180 699
Derivative financial assets	20 106	81 230	-	101 336
Held-for-trading financial assets	205 583	163 292	-	368 875
Financial assets at fair value through profit or loss	81 000	57 854	-	138 854
Held-to-maturity financial assets	404 000	1 378 413	-	1 782 413
Available-for-sale financial investments	-	-	623	623
Investments in subsidiary and associate undertakings	-	-	19 661	19 661
Non-current intangible assets	-	-	42 913	42 913
Non-current tangible assets	-	-	77 922	77 922
Investment property	-	-	11 298	11 298
Current tax asset	3184	-	-	3 184
Deferred tax asset	-	-	21 207	21 207
Other assets	9 198	-	21 682	30 880
Total assets	**3 227 645**	**5 410 552**	**434 830**	**9 073 027**
Liabilities				
Deposits from banks	23 448	94 157	396	118 001
Deposits from customers [1)]	3 257 442	3 579 678	27 663	6 864 783
Derivative financial liabilities	21 939	96 811	-	118 750
Liabilities from debt securities	294 082	500 038	-	794 120
Provisions for liabilities and charges	-	-	37 182	37 182
Current tax liability	-	-	-	-
Other liabilities	-	-	32 583	32 583
Subordinated debt	45 312	-	-	45 312
Total liabilities	**3 642 223**	**4 270 684**	**97 824**	**8 010 731**
Equity (excluding current year profit)	-	-	958 760	958 760
Profit after tax	-	-	103 536	103 536
Total equity and liabilities	**3 642 223**	**4 270 684**	**1 160 120**	**9 073 027**
Net balance sheet position	**(414 578)**	**1 139 868**	**(725 290)**	**-**
Net off-balance sheet position [2)]	**(2 337 553)**	**4 368**	**(964 148)**	**(3 297 333)**
Cumulative balance sheet and off-balance sheet position	**(2 752 131)**	**(1 607 895)**	**(3 297 333)**	**(3 297 333)**

1) Amounts for current accounts and savings books are recognised based on the estimated maturity model.

2) The off-balance sheet position includes receivables and liabilities from spot transactions and financial derivative transactions where the supporting instrument is replaced, in particular from future loans and borrowings, guarantees and letters of credit, and delta option equivalents.

The summary below represents an analysis of the earliest possible contractual maturity of financial liabilities, ie the worst-case scenario, as at 31 December 2013 (in non-discounted values):

(in EUR thousands)	Carrying amount	Contractual cash flows	Residual maturity			
			Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Non-derivative financial liabilities:						
Deposits from banks	356 593	360 740	59 208	216 458	76 335	8 739
Deposits from customers	7 007 983	7 023 168	5 937 706	791 411	293 401	650
Liabilities from debt securities	821 908	861 726	19 806	202 929	622 491	16 500
Other liabilities	44 890	44 890	44 890	-	-	-
Subordinated debt	100 499	144 440	1 173	3 383	18 238	121 646
Derivative financial liabilities:						
Trading derivatives	84 862	1 207 360	958 433	153 153	84 878	10 896

The summary below represents the worst-case scenario of the analysis of the contractual maturity of contingent liabilities and other off-balance sheet items as at 31 December 2013 (at non-discounted values):

(in EUR thousands)	Carrying amount	Contractual cash flows	Residual maturity			
			Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Contingent liabilities and other off-balance sheet items:						
Contingent liabilities from guarantees	472 406	472 406	472 406	-	-	-
Contingent liabilities from letters of credit	13 325	13 325	13 325	-	-	-
From irrevocable loan commitments	1 380 316	1 380 316	1 380 316	-	-	-

The summary below represents an analysis of the earliest possible contractual maturity of financial liabilities, ie the worst-case scenario, as at 31 December 2012 (in non-discounted values):

(in EUR thousands)	Carrying amount	Contractual cash flows	Residual maturity			
			Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Non-derivative financial liabilities:						
Deposits from banks	118 001	125 033	13 010	12 468	85 086	14 469
Deposits from customers	6 864 783	6 927 582	5 550 959	1 050 640	325 318	665
Liabilities from debt securities	794 120	838 383	77 841	225 725	508 780	26 037
Other liabilities	32 583	32 583	32 583	-	-	-
Subordinated debt	45 312	46 843	461	46 382	-	-
Derivative financial liabilities:						
Trading derivatives	118 750	1 085 937	847 352	150 487	70 315	17 783

The summary below represents the worst-case scenario of the analysis of the contractual maturity of contingent liabilities and other off-balance sheet items as at 31 December 2012 (at non-discounted values):

(in EUR thousands)	Carrying amount	Contractual cash flows	Residual maturity			
			Up to 3 months incl.	From 3 months up to 1 year incl.	From 1 year up to 5 years incl.	Over 5 years incl.
Contingent liabilities and other off-balance sheet items:						
Contingent liabilities from guarantees	367 525	367 525	367 525	-	-	-
Contingent liabilities from letters of credit	8 746	8 746	8 746	-	-	-
From irrevocable loan commitments	1 127 436	1 127 436	1 127 436	-	-	-

Operational risk

Operational risk is the risk arising from inappropriate or erroneous procedures, human error or failures of the Group's systems or from external events. Operational risk also includes legal risk, ie the risk of loss primarily due to the failure to enforce contracts, risk of unsuccessful legal disputes or court rulings with adverse impacts on the Group. As in the case of other types of risk, operational risk is managed by applying the standard principle including the separation of functions in risk management and controlling.

For the purposes of the capital requirement calculation to cover operational risk, the Parent Company uses the "Standardised Approach" according to the requirements of BASEL II and the Banking Act. Under the Standardised Approach, the Parent Company's activities and the related Gross Income are divided into eight business lines. Gross Income for each business line is represented by a general indicator serving as a representative for a range of business activities, thereby representing an operational risk rate for each business line. The capital to cover operational risk is calculated as net interest income and net interest-free income multiplied by an assigned ß factor for each business line separately. The total capital requirement equals the sum of eight partial requirements for each business line and the average for the past three years.

To identify operational risk, the Parent Company uses a three-dimensional model compound of risk categories, business functions, and business lines (Risk Management Association methodology). Operational risk loss data collection covers the collection of all operational losses by individual risk categories of this three-dimensional model.

The Parent Company puts the accent on process quality improvement and operational risk mitigation actions. The essential assumption of set goals is based on operational risk awareness and operational risk Parent Company culture.

The Parent Company also uses other tools to manage operational risk such as Key Risk Indicators and Self-Assessment and operational risk scenarios, which are designated to identify, analyse and monitor areas with increased operational risk.

The Parent Company is also active in preparing Business Continuity plans. The plans aim to minimising impacts of unexpected events on the Parent Company's operation.

The next objective of the Parent Company is to implement an advanced operational risk management model.

Other risks

Simultaneously, in terms of implementing an internal process of capital adequacy determination, the Parent Company monitors and develops quantification and management methods aimed at other risks.

Basel II

The Parent Company rigorously complies with the requirements of the EU directives implementing the rules known as Basel II, while following the national legislative standards in their implementation, in particular Act No. 483/2001 Coll. on Banks and on Amendment to and Supplementation of Certain Acts as amended and NBS Decree No. 4/2007 on banks' own funds of financing and banks' capital requirements and on securities dealers' own funds of financing and securities dealers' capital requirements (Notice No. 121/2007 Coll.), as amended and supplemented by Decree No. 10/2007 (Notice No. 420/2007 Coll.), Decree No. 17/2008 (Notice No. 443/2008 Coll.), Decree No. 12/2010 (Notice No. 279/2010 Coll.), Decree No. 3/2011 (Notice No. 145/2011 Coll.) and Decree No. 1/2012 (Notice No. 9/2012 Coll.).

The concepts, methodology, and documentation for the activities in the Basel II Project are prepared in close co-operation with Raiffeisen Bank International AG while reflecting the local specifics of the Parent company and the entire bank environment.

The objective of the implementation of Basel II is primarily to ensure the most accurate assessment and proper management of credit, market, and operation risks. The achievement of this objective is based on, among other things, the appropriate collection and archiving of all comprehensive data or potential comprehensive data, on the development of a reliable measurement methodology for individual types of risk, on the maintenance of effective and well-developed processes for the prudent management of individual types of risk, on the maintenance of quality and secure IT systems for the automation of processes, data collection, data analysis, calculations, and provision of outputs.

The Parent Company's intention is to implement an advanced approach to the management, quantification, and reporting of individual risks as soon as possible. As at the reporting date, for credit risk, the Parent Company used the standardised approach and the internal rating approach for calculating the regulatory capital requirement to cover credit risk. The general approach of internal ratings is applied by the Parent Company for the bulk of the non-retail portfolio - for sovereign units, institutions, corporate entities, SME portfolio, project financing, insurance companies. For the bulk of the retail portfolio, the Parent Company applies the advanced internal ratings-based approach.

The IRB approach has been used for sovereign units, institutions, corporate entities, project financing, insurance companies, fund investments, and purchased receivables as of 1 January 2009, for the retail part of the portfolio as of 1 April 2010 and for the SME portfolio as of 1 December 2013. In connection with the approved IRB approach, the Parent Company continuously reassesses the performance of its rating models and subsequently ensures the required performance of the models.

The Parent Company continuously modifies and supplements its methodology and process procedures for Pillar 2 (internal process of capital adequacy assessment) in the context of its risk appetite and performed business activities. As part of this process, pursuant to the approved methodology, the Parent Company performs a risk relevance and materiality assessment, a risk quantification and an assessment with respect to the Parent Company's capital and subsequent reporting on a regular basis. The process of capital allocation, which is closely linked with budgeting, forms an integral part.

Due to the transition to advanced approach risk and capital adequacy measurement (pursuant to Pillar 1 and Pillar 2) as well as the changes in the economic environment, a thorough prediction of capital adequacy developments and its stress testing are significant aspects for eliminating the effects of unforeseen events and for efficient capital planning. Information on the Group's individual risks and capital are reflected in the management of the Group and its business strategies to achieve an optimum compromise between the mitigation of individual risk types and augmentation of the market share, profit and return on capital. Major changes introduced by the Parent Company with respect to the changing economic development included, for instance, implementing comprehensive stress testing for Pillar 1 risks as well as for other risk types identified by the Parent Company as material or partial optimisation of parameter estimates for the calculation of the own funds requirement for the retail portion of the portfolio. At the same time, the Parent Company actively uses the results of the stress testing in capital planning and capital management.

Basel III

In connection with the adopted new legislative rules known as Basel III (by Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, which is directly applicable in all member states of the EU with effect from 1 January 2014, and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudent supervision of credit institutions and investment firms, which has to be transposed into local legal regulations), the Parent Company is prepared for the start of the application of these stricter rules in capital adequacy and liquidity and smooth compliance with these rules while maintaining the required level of risk appetite, portfolio performance and return on capital.

48. Events after the Balance Sheet date

Between the balance sheet date and the approval date of these financial statements, there were no events that would require any adjustment or additional disclosure.

49. Approval of the consolidated financial statements

The annual consolidated financial statements for the immediately-preceding reporting period (as at 31 December 2012) were signed and authorised for issue on 18 March 2013.

The financial statements were signed and authorised for issue on 18 March 2014 by the following bodies/persons:

a) Statutory body

Igor Vida
Chairman of the Board of Directors
and CEO

Miroslav Uličný
Vice-Chairman of the Board of Directors
and Deputy CEO

b) Persons responsible for the bookkeeping and the preparation of the financial statements

Ľubica Jurkovičová
Accounting, Reporting
and Tax Director

Distribution of the Profit for the Year 2013 and Dividend Payment

Distribution of the Profit for the Year 2013 and Dividend Payment

Distribution of the Profit for the Year 2013

(in EUR)	
Profit after tax for the year 2013	**100 561 499**
Allocation to retained earnings	100 561 499

Distribution of the Retained Earnings for the Years 2006 - 2010

(in EUR)	
Retained earnings for the years 2006 - 2010	**135 085 079**
Dividends - Ordinary shares	119 432 880
Dividends - Preferred shares	15 652 199

Dividend in total amount of EUR 1,680 consisting of share of retained earnings for 2010 in the amount of EUR 202, share of retained earnings for 2009 in the amount of EUR 302, share of retained earnings for 2008 in the amount of EUR 634, share of retained earnings for 2007 in the amount of EUR 432 and share of retained earnings for 2006 in the amount of EUR 110 fell upon one ordinary share in par value of EUR 800.

Dividend in total amount of EUR 8,400 consisting of share of retained earnings for 2010 in the amount of EUR 1,010, share of retained earnings for 2009 in the amount of EUR 1,510, share of retained earnings for 2008 in the amount of EUR 3,170, share of retained earnings for 2007 in the amount of EUR 2,160 and share of retained earnings for 2006 in the amount of EUR 550 fell upon one ordinary share in par value of EUR 4,000.

Dividend in total amount of EUR 8,4 consisting of share of retained earnings for 2010 in the amount of EUR 1.01, share of retained earnings for 2009 in the amount of EUR 1.51, share of retained earnings for 2008 in the amount of EUR 3.17, share of retained earnings for 2007 in the amount of EUR 2.16 and share of retained earnings for 2006 in the amount of EUR 0.55 fell upon one preferred share in par value of EUR 4.

Dividends with no title created as at the decisive day for determination of the person entitled to claim title to dividend shall be transferred to retained earnings from previous years as at 31 December 2014.

Tantiemes for 2013

Tantiemes for 2013 is in the amount of EUR 451,900.

Annual report for the year 2013, the proposal for distribution of the profit and annual remuneration in the amount of EUR 451 900 for the members of the Supervisory Board were approved by the Ordinary General Meeting of Shareholders on June 18, 2014.

TATRA BANKA

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