Tatra banka

Annual Report 2014

Slovakia

Member of Raiffeisen Bank International

TATRA BANKA

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Tatra banka Group (in EUR thousands)	2014	2013	Change	
Consolidated Statement of Comprehensive Income				
Net interest income	305 212	295 889	3.2%	
Provisions for impairment losses	(53 169)	(33 991)	56.4%	
Net fees and commission income	124 255	114 824	8.2%	
Net profit (loss) from trading instruments	20 758	17 735	17.0%	
General administrative expenses	(226 740)	(245 482)	(7.6)%	
Consolidated profit before income taxes	151 809	128 021	18.6%	
Consolidated profit after income taxes	114 640	97 170	18.0%	
Comprehensive consolidated profit after tax	115 143	97 170	18.5%	
Earnings per ordinary share (nominal value per share: 800 EUR)	1 443	1 225	17.8%	
Earnings per ordinary share (nominal value per share: 4 000 EUR)	7 215	6 125	17.8%	
Consolidated Statement of Financial Position				
Loans and advances to banks	239 553	151 684	57.9%	
Loans and advances to customers, gross	7 201 546	6 577 648	9.5%	
Deposits from banks	189 868	356 593	(46.8)%	
Deposits from customers	7 337 794	7 007 983	4.7%	
Equity (including consolidated profit)	997 224	1 012 943	(1.6)%	
Balance sheet total	9 681 224	9 468 560	2.2%	
Performance				
Return on equity (ROE) before tax	16.0%	12.9%	23.8%	
Cost/income ratio[2)]	49.94%	55.83%	(10.5)%	
Return on assets (ROA) before tax	1.6%	1.4%	13.6%	
Tier 1 ratio, total	15.21%	15.44%	(1.5)%	
Own funds ratio	19.57%	16.60%	17.9%	
Resources				
Number of staff on balance sheet date	3 446	3 455	(0.3)%	
Branches on balance sheet date[1)]	174	160	8.8%	
Ratings	Long-term	Outlook	Short-term	Bank Financial Strength
Moody´s Investors Service	Baa1	Under review	Prime-2	D+

1) Inclusive of Corporate centres, “Centrum bývania” branches and Raiffesen bank branches

2) Excluded special levy of selected financial institutions

Statement by the Chairman of the Management Board

Dear Shareholders, Business Partners and Clients,

Another dynamic year has ended. We successfully completed a number of challenging projects like SEPA, inclusion of Tatra banka under the supervision of the European Central Bank and implementation of legislative measures. Despite these demanding activities in terms of both capacities and finances, we did not neglect our clients and again introduced a number of significant innovations.

However, I would like to begin by reviewing Tatra banka's financial achievements. The consolidated after-tax profit of the Tatra banka Group increased by 18.0 per cent year-on-year, from € 97.17 million in 2013, to € 114.64 million. The higher profit was achieved due to an increase in net interest income and net commission and fee income combined with a decrease in general administrative expenses.

Loans to customers grew by 9.5 per cent to a total of € 7.20 billion. The share of non-performing loans in our total portfolio decreased from 5.0 per cent to 4.8 per cent, which is below the average of the banking sector and shows the better quality of the bank's loan portfolio. The growth in client loans was mainly attributed to loans provided to the corporate segment and housing loans.

Deposits from customers increased to € 7.34 billion. The growth was recorded particularly in current accounts. There was a decrease in term deposits and loans received from other banks.

As of 31 December 2014, the consolidated capital adequacy ratio increased by 297 basis points to 19.6 per cent year-on-year, substantially more than the level requested by the National Bank of Slovakia and the European Central Bank.

An important milestone in 2014 was the inclusion of Tatra banka as one of three systemically important institutions in Slovakia under the supervision of the European Central Bank. This milestone was preceded by evaluation of the quality of the bank's assets and stress tests.

Tatra banka fulfilled all the requested criteria set by the European Central Bank (ECB) without the need for additional own resources. In both the base and worst-case stress tests, Tatra banka exceeded the requested minimum levels set by the ECB by a safe margin. In the base scenario, the bank achieved the ratio of 14.59 per cent of common equity Tier 1 (CET1) against the minimum required value of 8 per cent; in the worst-case scenario the value of common equity Tier 1 (CET1) was 11.68 per cent against the required minimum value of 5.5 per cent.

SEPA was also one of our focus areas in 2014. Thanks to the intensive efforts of many departments of the bank, SEPA has been a routine procedure since February 2014 with the business-to-business SEPA direct debit scheme added in July 2014.

Despite these demanding projects, we were again the first to introduce a number of new services for our clients. Without doubt, the most popular innovation was ATM cash withdrawals with a smartphone. Simplicity, speed and usability were the main reasons why clients instantly took to this service.

In addition to new services, we continued to expand existing services to a wider group of clients. With the Tatra banka application for the Windows phone we satisfied the needs of these clients as well.

An experiment in the Slovak market was the launch of the first banking application for Google Glass. Although the use of this device is at the very beginning, Tatra banka confirmed that it is prepared for unconventional technologies and can keep pace with state-of-the-art devices.

We did not forget about small and medium-sized enterprises. For their needs we introduced special Mini POS – small payment terminals suitable for smaller or mobile operations such as taxis. VIAMO peer-to-business has become another way to pay for business services. With extended ways to use this application, it is now also possible to pay for goods and services to a "phone number".

Migrations to our processing center in Prešov continued smoothly during 2014. We succeeded without any major adverse effects on our business or clients. Collections and credit processing for small enterprises were moved in 2014. Our processing centers underwent a big organizational transformation, preparing them for further challenges in the area of increasing productivity and effectiveness and embracing the culture of continuous improvements.

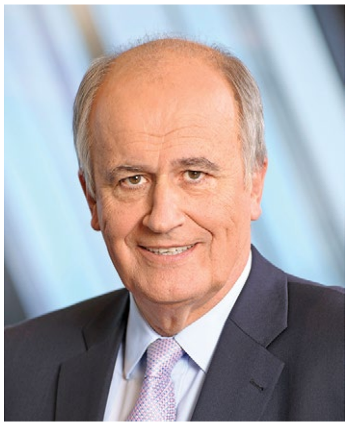
During the year, a number of bank's departments devoted close attention to the preparation and launch of an application for the sale of retail loans, which represents the introduction of an innovative approach to providing loans to private individuals in the Slovak market.

The Tatra banka Foundation celebrated ten years since its establishment. Over this period the foundation has supported 1,767 valuable projects, mostly in education, art, and design. A total of 342 projects were supported with nearly € 620,000. As part of the foundation's open program Personalities in Person we welcomed Pulitzer Prize winner Walt Bogdanich and Michael C. Munger, professor of economics and political science in 2014, to Slovakia.

2014 was a very intense year in terms of financial results as well as activities that we carried out. I would like to thank our clients for their trust in our services. Their feedback is invaluable motivation for us and provides direction for our development of additional innovations. I would like to thank our shareholders for their support in these challenging times. I would also like to thank my colleagues for their enthusiasm and undying efforts to introduce improvements and seek new solutions from which our clients are the first to benefit.

I believe that the coming year will bring new challenges to Tatra banka which, as has been the case on many previous occasions, the bank will be able to transform into unique opportunities.

Igor Vida
Chairman of the Management Board and CEO



Report of the Supervisory Board

Ladies and Gentlemen,

At the beginning of 2014, Raiffeisen Bank International carried out a capital increase with gross proceeds of € 2.78 billion. RZB participated in the capital increase, in addition to numerous institutional and private investors, and remained the majority shareholder of RBI. The capital increase enabled RBI to fully repay the participation capital held by the Republic of Austria and private investors and significantly improve its common equity tier 1 ratio (on a Basel III fully-loaded basis). The rest of the year was mainly impacted by the geopolitical and financial situation in Ukraine and Russia, which led to higher loan loss provisions, as did defaults of individual large customers in Asia. Significant one-off charges were also booked during the year, the largest item thereof being goodwill impairments. Further one-off effects included the write-down of deferred tax assets and costs resulting from legislation changes in Hungary. These factors contributed to the € 493 million consolidated loss incurred in 2014, which was the first negative result in RBI's history. Apart from the costs caused by the Hungarian legislation, these one-offs had no impact on fully-loaded tier 1 common equity, and without them RBI would have reported a significantly positive net profit.

In February 2015, RBI resolved to take a number of steps to increase its capital buffer. The measures are intended to facilitate an improvement in the common equity tier 1 ratio (fully loaded) to 12 per cent by the end of 2017, compared to 10 per cent at the end of 2014. The planned steps include the sale or rescaling of units as well as reductions in total risk-weighted assets (RWA) in select markets, in particular in those which generate low returns, have high capital consumption or are of limited strategic fit. The implementation of these measures will result in an aggregate gross RWA reduction of approximately € 16 billion by the end of 2017 (total RWA as at 31 December 2014: € 68.7 billion). This reduction is expected to be partially offset by growth in other business areas.

As far as Tatra banka is concerned, I am glad that it has put every effort to keep its brand promise also in 2014 and has brought several substantial innovations to the Slovak market. The one which has resonated most strongly is without doubt the ATM cash withdrawal by smartphone. It is part of the series of innovations where the success is predestined by its simple utilisation, availability and usefulness. Except for innovations, the power of Tatra banka also lies in other attributes, i.e. in its stable position in the segment of private clients, corporate clients and consistent growth strategies in other segments of the so-called mass retail. This also has helped to achieve an 18 per cent year-on-year growth of consolidated profit of Tatra banka Group after tax.

The franchising model of Raiffeisen banka has been another success for over 2 years. It has extended its branch network to 32 branches last year according to plans. With nearly tripling its sales network, it has also managed to triple the number of clients. According to the TNS surveys the bank still has the most satisfied clients in Slovakia with the highest TRI*M index.

I would like to take this opportunity to thank all employees of Tatra banka for their hard work and constant efforts to serve our customers and bring benefits to the entire Raiffeisen Group.

On behalf of the Supervisory Board,

Karl Sevelda
Chairman of the Supervisory Board

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.

Raiffeisen Bank International

Raiffeisen Bank International AG regards Central and Eastern Europe (including Austria) as its home market. For over 25 years, RBI has been operating in Central and Eastern Europe (CEE), where today it maintains a closely knit network of subsidiary banks, leasing companies and numerous specialized financial service providers. As a universal bank, RBI ranks among the top five banks in several countries. This role is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. RBI has positioned itself in CEE as a fully integrated corporate and retail banking group with a comprehensive product offering. At the end of 2014, around 52,000 RBI staff served approximately 14.8 million customers in around 2,900 business outlets in CEE.

In Austria, RBI is one of the top corporate and investment banks. It primarily serves Austrian customers, but also international customers and major multinational clients operating in CEE. All in all, RBI employs about 55,000 staff and has total assets of approximately € 122 billion.

Long-term success story

Raiffeisen Zentralbank Österreich AG (RZB) was founded in 1927 as “Genossenschaftliche Zentralbank”. RZB founded its first subsidiary bank in Central and Eastern Europe already back in 1987. Since then, further subsidiaries have been established. From 2000 onward, Raiffeisen’s expansion into CEE countries has mainly been achieved by acquiring existing banks. These were subsequently combined into a holding company that operated under the name Raiffeisen International from 2003. 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 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. As at year-end 2014, RZB held approximately 60.7 per cent of RBI’s stock, with the remaining shares in free float.

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.

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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

With total assets of € 285.9 billion as at 31 December 2014, RBG is Austria's largest banking group. As at this reporting date, RBG managed € 92.8 billion in domestic customer deposits (excluding building society savings), of which € 49.4 billion were held in savings deposits. RBG has thus maintained its market share of around 30 per cent and, once more, its role as market leader among Austria's banks. RBG's strong market position was achieved through healthy organic growth. 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 2014

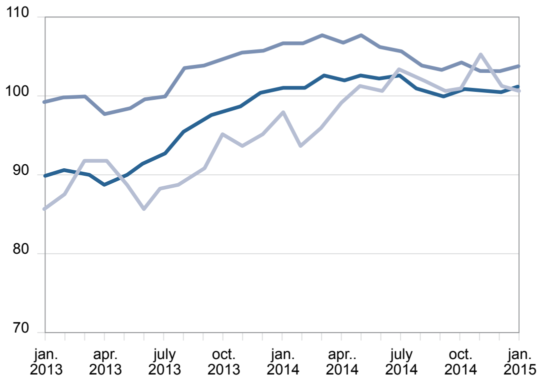
2014 began with the hope of acceleration of the promising development of growth in the eurozone. However, with the worsening situation in Ukraine, the relatively encouraging sentiment in Europe started to dissipate. Russia annexed Crimea at the beginning of March and nobody knew what would follow next. Subsequently, the cycles of sanctions by the US and the European Union and Russian retaliatory measures began. These began to have the first real impact on the European economy but their nature was first mostly political and financial. Even one of the harshest Russian counter measures, banning food imports from EU countries, affected Russia itself to a large degree, causing faster growth of food prices.

Europe was not extremely worried about the share of its Russian exports to total GDP as it accounted for less than one per cent in the year before. Moreover, the share of food in these exports was less than 10 per cent. From this point of view, the development of US and UK exports was of a much greater importance and recently it had been much more positive than in Europe. More damage was caused by uncertainty about further development, which hampered willingness to invest.

As the eurozone started to recover from the threat of disintegration and the consolidation of public finances in some of its member states, the military conflict was unleashed on the EU's eastern border. Worst case scenarios predicted the return of the recession, undermining of the weak trust in the markets, and the promising start of economic growth in 2014 started showing cracks. The results for the third quarter were anxiously anticipated. They were to confirm whether the eurozone would enter red numbers again or just a slowdown in its growth. In the end the eurozone recorded at least symbolic growth that brought slight relief. Annual eurozone growth was in the positive region at 0.9 per cent. The largest drivers of growth again included the German economy, delivering growth of 1.6 per cent. The best results among the so-called PIIGS countries was posted by the Spanish economy with very promising growth of 1.4 per cent in 2014. It was not a bad year for the Slovak economy either. The country's annual gross domestic product grew by 2.4 per cent year-on-year. The biggest contributor was domestic demand. Compared to previous years, in addition to public administration consumption, household consumption and investments also increased. The best news was the turn in the development of household consumption that had been almost always negative over the past five years. In 2014, with high real wage growth and an improving employment rate, household consumption recorded growth of 2.2 per cent year-on-year. On the other hand, the dynamics of foreign trade fell again. This drop was partly due to a sharp fall in exports to Russia.

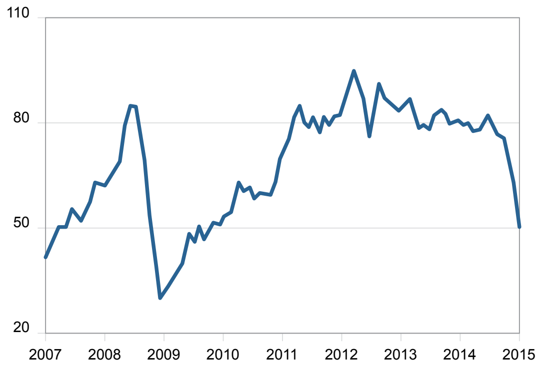
Falling exports to the Russian Federation, however, would probably have been inevitable due to very low growth of the Russian economy even without the conflict. In the case of Slovakia, this particularly applies to car exports, which are very sensitive to the economic cycle and have represented Slovakia's major export product to Russia (a 19 per cent drop was recorded in September y-o-y). Nevertheless, businesses were able to replace significantly declining exports to Russia with exports to improving European markets such as Spain, Sweden, Austria and Italy. The worsening auto sales to Russia did not seem to cause great concern to car makers. According to estimates 970,000 cars were assembled, a small decrease of 2.7 per cent year-on-year. Overall, exports to Russia fell by almost 14 per cent in the first 9 months.

Sentiment development in the eurozone and the SR



Source: Eurostat

Development of oil prices
(in EUR)



Source: SO SR, NBS, Tatra banka Research

However Slovakia was facing a much more serious problem due to the Ukrainian conflict than just the slight decrease in exports. The threat of a discontinuance of natural gas supplies is more serious and if realized would cause much greater economic damage. From September to the end of the year the volume of gas flowing to Slovakia was about 40 per cent lower than the agreed volumes and a resolution of the situation was nowhere in sight. The decrease in natural gas imports from Russia was also visible in the statistical decrease of overall imports of this commodity. To a degree, this loss of imports should be compensated for by increased gas imports from Germany and Austria.

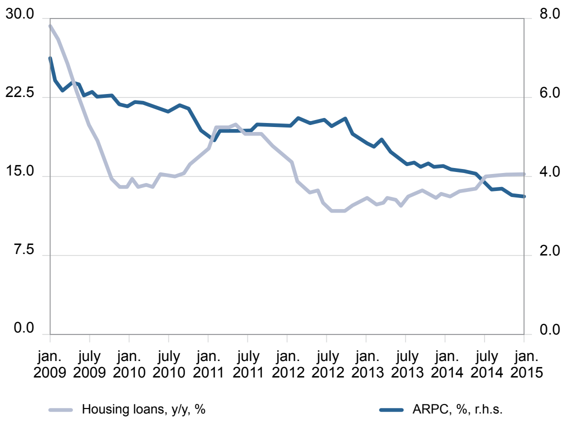
Another event of the year was undoubtedly the fall in oil prices. The plunge in price from 115 US dollars a barrel to 60 US dollars a barrel took only six months. If this change becomes more permanent, it will affect state budgets of several countries whose economies are built solely on the sales of this commodity. On the other hand, there are billions of consumers of oil products who will be certainly happy about this development. Falling oil prices were reflected in fuel prices in Slovakia. This drop, naturally, also contributed to a slowdown in inflation. For the first time ever, inflation in Slovakia recorded a negative annual average. The -0.1 per cent year-on-year change was mostly the result of the development of energy prices for households, in transport and food. Price increases were recorded particularly in services, but compared to 2013 the levels were significantly restrained. Since the majority of factors influencing the development of inflation were of a global nature, a similar response could be seen across Europe, with average inflation within the eurozone at 0.4 per cent year-on-year. This has caused concerns about deflation in the eurozone. The main global reason for falling prices, however, has been the lower prices of oil that most of Europe imports, and this may ultimately make this development positive. Thanks to lower expenditures for fuel, consumers will have more available funds to purchase other goods and services, which may encourage growth in the Slovak and European economies as well as inflation due to increased demand. The strength of the US dollar to the euro contributed to increasing prices; the US dollar reached an exchange level of 1.21 per euro at one point during the year. The European Central Bank (ECB) expected price growth as a result but because of the sharp fall in oil prices, the impact of the stronger US dollar was almost invisible.

Every first Thursday of the month close attention was paid to the ECB, which adopted a number of exceptional measures in 2014. First, it was setting the ECB deposit rate in the negative region with the subsequent lowering of the main refinancing rate to 0.05 per cent. To encourage the recovery of the loan market in Europe, the European Central Bank also devised the TLTRO (Targeted Longer Term Refinancing Operation). However, these operations combined with the historically lowest interest rate did not bring the expected demand by European banks and did not generate a general recovery in loan activity. Slovakia had a considerably different situation in terms of loans to retail clients. Here a significant expansion of housing loans continued, with falling interest rates speeding up their dynamics. Cumulatively in 2014, interest on housing loans declined similarly to previous years, i.e. by 0.6 to 0.8 percentage points. Consequently, since January 2009, the annual percentage rate on housing loans has decreased to half (3.53 per cent in October 2014). This sharp decrease, of course, was not only due to ECB measures but as well to very strong competition in one of the fastest-growing loan markets in Europe.

By contrast, statements and measures by the US Federal Reserve (Fed) in monetary policy during the year leaned much more in the opposite direction. The first Fed meeting in 2013 was also the last chaired by Ben Bernake. On February 1, 2014, Janet Yellen took over the helm of the central bank of the United States. She made no changes to the announced course of slowing the Fed's asset purchases. At one of the following meetings she even stated more precisely the timing of the expected first increase of the base rate, a half year after the end of asset purchases and that would be in the second quarter 2015. These statements were supported by actual economic developments in the USA. Economic growth reached 2.4 per cent year-on-year and a strong trend of decreasing unemployment continued throughout the year. The unemployment rate ended the year at 5.6 per cent. Thanks to falling oil prices and the strengthening US dollar the inflation rate also remained under control at 1.7 per cent year-on-year.

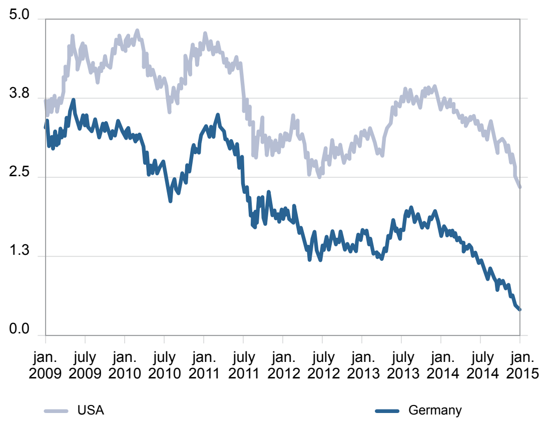
Public finances were again an important theme as in the previous year. In practice the application of the EU's new budgetary rules was so far very cautious. For the entire eurozone the overall indebtedness rate was again lowered from -2.9 per cent to -2.6 per cent of GDP. Surprisingly, the fastest consolidation was seen in Greece, (from -12.7 to -1.6 per cent) with Germany and Luxembourg almost balancing their annual budgets. Budget sinners that not only failed to lower their deficit but to the contrary increased it included Slovakia. The annual deficit in Slovakia grew from 2.6 per cent of GDP to 3 per cent but this did not threaten the verdict under which Slovakia was excluded from the excess deficit procedure. However, the government was facing restrictions in fiscal expenditures because it had exceeded the 55 per cent debt threshold – but this threat was subsequently averted by implementation of the ESA 2010 methodology. Thanks to the modified GDP and debt calculation concept, Slovak debt was then under the level of 55 per cent and the government avoided restrictions. Instead of setting aside 3 per cent of expenditures, the government was free to spend these resources in 2014. The brake also was a problem for regional governments (higher territorial units), which despite having allocated funds were unable to spend them because sanctions under the debt brake did not allow increasing expenditures. Nevertheless, consolidating public finances will remain a challenge for Slovakia.

Growth of housing loans in Slovakia



Source: NBS

Development of interest rates on 10-year US and German bonds



Source: Thomson Datastream

Risk Management and Basel 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 III, with the actual implementation being subject to the applicable regulations in Slovakia. During the process of negotiating and approving the various 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 III are prepared in close co-operation with RBI, while respecting the local specifics of Tatra banka and the whole banking environment. 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 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 to which the bank is exposed. Achieving this goal depends chiefly 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 turbulent economic times, this approach 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 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 – 2014, 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 2014 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 bank's direction in managing non-retail credit risk is elaborated in more detail in Tatra banka's 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's 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 2014 the bank focused specifically on improving the quality of management and records of loans secured by residential property. An important activity regarding retail credit risk was the review of the loan portfolio carried out by the National Bank of Slovakia as part of the Asset Quality Review, which confirmed the health of the bank's retail credit portfolio. The bank continues to focus on the process of regular scorecard and risk management model development and their update. The aim of building the risk management infrastructure is to create a reliable system 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 and for employees of the bank. 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 2014 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 and to the limits defined by the RBI Group and the National Bank of Slovakia, all of which the bank adhered to throughout 2014. 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 2014, the bank concentrated on more efficient use of operational risk management instruments through active collaboration with all management layers. The bank also devoted particular effort to raising awareness of operational risk using various communication forms within the bank.

The most significant part of the bank's operational risk is constituted by external credit frauds and the ensuing risk of financial losses. Equally significant is maintaining the bank's reputation in fighting against the risk of credit frauds. Consequently, an integral part of loan application approval process is an effective system of automatic fraud detection, which was extended in 2014 as a result of innovation of the sales process in the retail segment.

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 2014, 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 2015.

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 to ensure the most efficient planning of 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 constitute the basis of an objective decision-making process.

In 2014, 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.

One of the principal initiatives in the European banking sector in 2014 was the Asset Quality Review, which also applied to Tatra banka as one of the significant system institutions in Slovakia. Both the AQR and the following stress testing confirmed the bank's prudent approach to risk management as well as its resistance in case of any adverse events.

Summary of Consolidated Performance

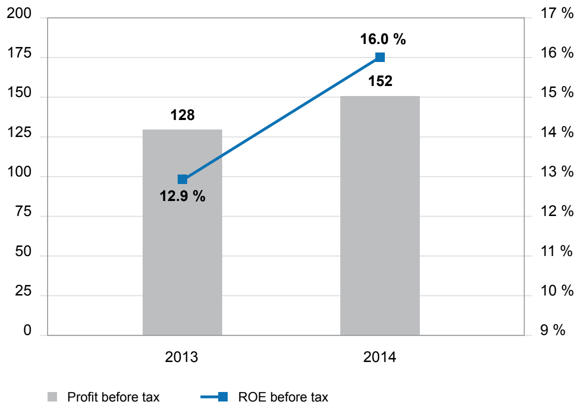
The consolidated after-tax profit of the Tatra banka Group increased 18.0 per cent year-on-year, from € 97.17 million in 2013, to € 114.64 million. The higher profit was achieved due to an increase in net interest income and net commission and fee income combined with a decrease in general administrative expenses. The growth in operating income and decrease in operating expenses led to improvement of the cost-income ratio to 49.9 per cent from last year's 55.8 per cent. At the end of December 2014, Moody's international ratings agency set the rating of Tatra banka to Baa1.

Development of income and expenses

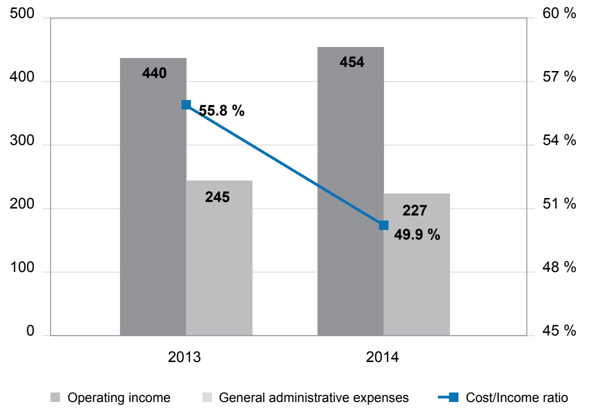
Net interest income increased as a result of a higher volume in the bank's loan portfolio and decreasing interest expense on term deposits. The decrease in interest expense was associated with the decline in interest on financial markets from previous years, which was reflected in term deposits with some delay only after the expiration and renewal of their terms. Both these effects contributed to the increase in net interest income by 3.2 per cent to € 305.2 million.

Net commission and fee income was up 8.2 per cent year-on-year to € 124.3 million. Trading results increased 17.0 per cent year-on-year to reach € 20.8 million. There was an increase in proceeds from securities and derivatives trades. General administrative expenses decreased by 7.6 per cent to € 226.7 million.

Development of profit and return on equity
(mil. EUR)



Development of Cost/Income ratio
(mil. EUR)



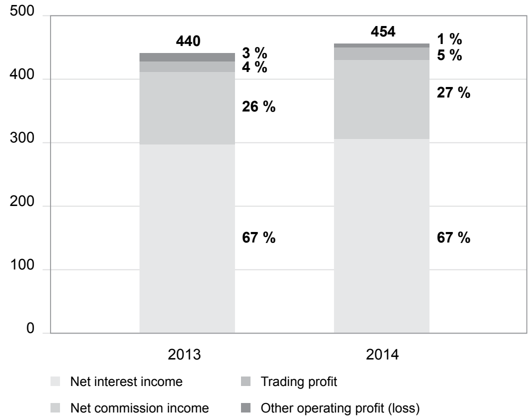
Development of assets

The consolidated assets of the Tatra banka Group increased 2.2 per cent to € 9.68 billion. Loans to customers grew 9.5 per cent to a total of € 7.20 billion. The share of non-performing loans in the total portfolio decreased from 5.0 per cent to 4.8 per cent, which is better than the entire banking sector and shows the better quality of the bank's loan portfolio. The growth in client loans was mainly attributed to loans granted to the corporate segment and housing loans. The value of securities and funds with the central bank decreased.

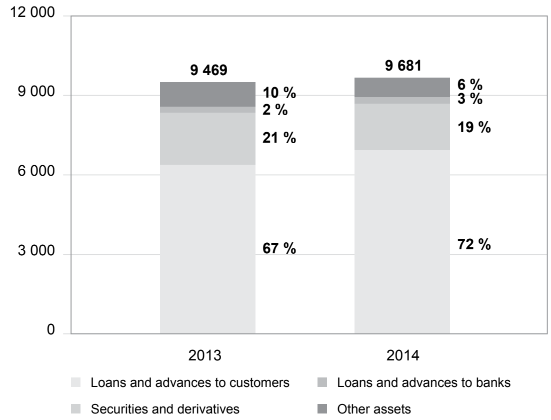
Development of liabilities and equity

Deposits from customers increased to € 7.34 billion. The growth was recorded particularly in current accounts. There was a decrease in term deposits and loans received from other banks. The consolidated ratio of loans to deposits was 98.1 per cent as of 31 December 2014. The consolidated capital adequacy ratio as of 31 December 2014 increased year-on-year by 297 basis points to 19.6 per cent, which is significantly more than the value required by the National Bank of Slovakia and the European Central Bank.

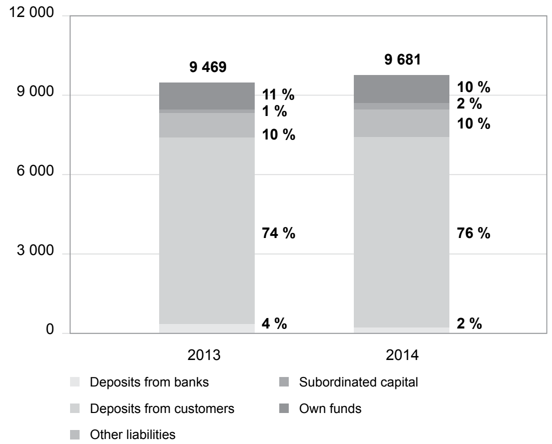
Structure of income
(mil. EUR)



Structure of balance sheet assets
(mil. EUR)



Structure of balance sheet liabilities
(mil. EUR)



Objectives for 2015

2015 is the first year in which the bank will implement its new strategy to 2020. The new strategy aims to build on the strategy defined in 2008, which established the three main pillars of the bank - its mission, vision and internal values. Formulated in direct alignment with these pillars was Tatra banka's brand promise – to be the leader in innovations.

After seven years of executing this strategy, the Management Board of Tatra banka has set forth a new strategy that makes no major changes to the original one, but rather further delineates its direction. The main objective is to align the mutual operation of two brands – Tatra banka and Raiffeisen bank – under one roof so as to achieve the biggest or second biggest market share in all segments of service. 2015 will thus be marked by gradual implementation of this strategy at all management levels in the bank.

In terms of the bank's individual areas, Tatra banka will mainly focus on development of new innovative services and products.

At the beginning of 2015 a new version of the Tatra banka application will be launched that will facilitate the spread of internet banking to tablet screens. New features will also be added for users of our smartphone application.

The bank will continue to pay close attention to marketing its innovations – i e. raising awareness of innovations among clients and creating more opportunities for their use.

There will also be a focus on fortifying the bank's position in the premium segment, seen as an opportunity for more growth and development. Our efforts will also involve more intensive communication with clients via the contact center.

DIALOG Live will extend its capacities in 2015 to provide the services of additional remote personal bankers. The bank sees potential in the development of this service for clients whose primary concern is speed in handling their requests. Telephone connection with their personal banker thus becomes an excellent way to provide day-to-day remote, but still personal, banking services. A significant reason for using this service is the capability to verify a client's identity via voice biometrics, a tool that has quickly become popular with clients.

In line with the strategy launched in 2013 and successfully confirmed in 2014, Tatra banka will continue to be active in serving students' banking needs, aiming for further growth in 2015.

Corporate banking will remain a strong component within the bank's portfolio of services. The priority in serving both large corporate clients and small and medium-sized enterprises remains unchanged – full client satisfaction. While striving to provide the distinctly best services, the aim is to be the bank of first choice for corporate clients.

Special attention will continue to be paid to the growth of Raiffeisen bank in 2015. The bank plans to open new branch offices in 2015, to attract additional clients in the Slovak market and provide the utmost satisfaction for its clients.

The main objective of the Tatra banka Foundation in 2015 will be determined development of its current grant programs and partnerships that enhance its position and accomplish its chosen strategy and mission in education, art and design. In the design field, the foundation intends to more vigorously strengthen its positioning, primarily through grants and support of first-class projects of young designers and events in this field. In April 2015 the foundation will welcome another Nobel Prize winner to Slovakia and a Pulitzer Prize winner will also visit in autumn. During the year, students and the professional community alike can look forward to welcoming another two distinguished global economists.

In our support for art, 2015 will be the twentieth year of presentation of the Tatra banka Foundation Art Award. A major change will be a new award category in the field of design.

Tatra banka will have a new CEO in 2015 with Michal Liday, a current member of the Management Board in charge of retail banking, taking the helm as CEO from 1 April 2015. Igor Vida will remain part of the bank's management in the office of vice-chairman of the Supervisory Board of Tatra banka.

Statement on 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 the 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, 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.

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 to 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 separate financial statements and extraordinary separate financial statements, decision-making on profit distribution or loss settlement and determining the percentage of annual profit as directors' fees;
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 an 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 changes to the Articles of Association by a two thirds majority of the votes of present shareholders. 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 2014, the Annual General Meeting was held on May 18, 2014. It was attended by shareholders holding ordinary shares representing a total of 65,465 votes, which accounted for 81.42 per cent of the share capital and shareholders holding preferred shares representing a total of 850 votes, which accounted for 0.005 per cent of voting rights in the bank. The General Meeting approved the Annual Separate Financial Statements and Consolidated Financial Statements for 2013, the Annual Report for 2013, the proposed profit distribution and percentage of annual profit as directors' fees, decided on the terms of the dividend payout, appointed members of the Supervisory Board, approved the auditor, decided on amendments to the Articles of Association and on acquisition of the bank's own shares.

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 eleven members, seven are appointed by the General Meeting and four by the bank's employees (one position of a supervisory board member elected by employees was vacant in 2014). Their terms of office are up to five years.

The Supervisory Board meets at least three 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 its opinion to the General Meeting;
e. convening the General Meeting or submitting a motion for convening the General Meeting to the Management Board when 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 and removal of the director of internal control and internal audit division 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.

The names of Supervisory Board members in 2014 are listed in the Top Management section.

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 jointly or two confidential clerks jointly 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 its 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 security and health of the bank;
f. adopting and regular review of the general remuneration principles;
g. ensuring proper accounting 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. submitting 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's 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.

The names of Management Board members in 2014 are listed in the Top Management section.

Committees

Audit Committee - its activities are performed by the bank's Supervisory Board except for the 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 a 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 an employee of their 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 a 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 within 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 that together with internal manuals and procedures constitute one of the basic pillars of this system. In the light of operational events that occurred in 2014, the bank set further tasks concerning its internal control system to eliminate identified risks. The implementation of the standardized risk analysis process was followed by monitoring in 2014, the results of which were presented to the competent authorities as well as 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 to additional processes, focusing on areas posing the biggest risk to the bank.

Internal controls are designed to ensure the security and protection of assets and individuals, to guarantee the reliability and accuracy of accounting, 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, are 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 2014. 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 2014, the bank concentrated on more efficient use of operational risk management instruments through active collaboration with all management layers. The bank also devoted particular effort to raising awareness of operational risk using various communication forms within the bank.

Bank’s share capital and shares

The bank’s share capital amounts to € 64,326,228 and has 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 a 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 pay the share issue price.
Transferability: no restrictions
Percentage of share capital: 75.386%
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 a 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 pay the share issue price.
Transferability: no restrictions
Percentage of share capital: 13.027%
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 a 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 pay the share issue price.
Transferability: restricted
Percentage of share capital: 11.587%
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 not aware of any agreements between securities holders that could lead to any restrictions with respect to transferability of securities or voting rights.

The bank has not entered into any 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.

Top Management

Supervisory Board

Dr. Herbert Stepic
Chairman of the Supervisory Board (until 30 June 2014)
Member of the Supervisory Board (from 1 July 2014)
Senior Advisor to the Management Board, Raiffeisen Bank International AG, Vienna

Dr. Karl Sevelda
Vice-chairman of the Supervisory Board (until 30 June 2014)
Chairman of the Supervisory Board (from 1 July 2014)
CEO, Raiffeisen Bank International AG, Vienna

Mag. Peter Lennkh
Vice-chairman of the Supervisory Board (from 1 July 2014)
Member of the Management Board, Raiffeisen Bank International AG, Vienna

Aris Bogdaneris
Member of the Supervisory Board
Member of the Management Board, Raiffeisen Bank International AG, Vienna

Ing. Ján Neubauer, CSc.
Member of the Supervisory Board

Ing. prof. Peter Baláž, PhD.
Member of the Supervisory Board
Professor, University of Economics in Bratislava, Bratislava

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

Mag. Renate Kattinger
Member of the Supervisory Board (until 30 June 2014)
Executive Director, Head of Controlling, Group & RBI, Raiffeisen Bank International AG, Vienna

Mag. Dr. Hannes Mösenbacher
Member of the Supervisory Board (until 30 June 2014)
Head of Risk Controlling, Managing Director, Raiffeisen Bank International AG, Vienna

Dr. Johann Strobl
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Member of the Management Board, Raiffeisen Bank International AG, Vienna

Dkfm. Klemens Breuer
Member of the Supervisory Board (from 20 July 2014)
Member of the Management Board, Raiffeisen Bank International AG, Vienna

Mag. Martin Grüll
Member of the Supervisory Board (from 20 July 2014)
Member of the Management Board, Raiffeisen Bank International AG, Vienna

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Chairman of the Management Board and CEO

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

Ing. Marcel Kaščák
Member of the Management Board

Mgr. Michal Liday
Member of the Management Board

Mgr. Natália Major
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Ing. Vladimír Matouš
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Segment reports

Corporate Clients

(in EUR thousands)	12/2014	12/2013	12/2012(1)	12/2011(2)	12/2010(3)	12/2009	12/2008
Net interest income	87 928	88 541	97 070	96 870	72 636	68 141	60 180
Net provisioning	(35 011)	(24 300)	(24 683)	(11 152)	(33 318)	(23 186)	(19 990)
Net interest income after provisioning	52 917	64 241	72 387	85 718	39 318	44 955	40 190
Net income from commission and trading	23 170	21 775	21 710	24 645	19 252	17 636	35 601
Other operating profit (loss)	(6 428)	(8 395)	(8 158)	-	-	-	-
Operating expenses	(39 603)	(38 333)	(40 069)	(45 545)	(32 542)	(33 774)	(37 073)
Profit before tax	**30 056**	**39 288**	**45 870**	**64 818**	**26 028**	**28 817**	**38 719**
Cost/Income ratio	35.65%	34.75%	33.73%	37.48%	35.41%	39.37%	38.71%

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.

Tatra banka is a long-term leader in corporate financing in the Slovak banking market. Last year the bank again reinforced its leading position and achieved the share of almost 22 per cent in corporate financing, which was a growth of almost 2 per cent. This excellent result reflects the bank’s long-term commitment to provide professional service in the form of products and services to all corporate clients. Surveys confirm that Tatra banka is one of the banks most frequently chosen as the partner for corporate banking by successful entrepreneurs and companies. More than 60 per cent of the most successful companies according to the Trend TOP 200 list for 2013 are among bank’s satisfied clients.

Corporate management system and the Great Corporate and Incorporated Banking concepts that ensure individual service for large corporations and medium-sized companies were subject to further streamlining of processes in 2014 in order to provide more than 8,000 corporate clients with the highest level of professional service.

Large corporations are served through relationship managers at the bank’s headquarters in Bratislava. The needs of middle segment clients are addressed by relationship managers at eight corporate centers throughout Slovakia. The financing of development and energy projects, factoring, agriculture financing or products serving as the security of business risks such as bank guarantees and documentary letters of credit are issued by product specialists in Bratislava. International clients can use the services of the bank’s professionals in the department serving international corporations. Thus more than 200 corporate staff at Tatra banka strive to ensure the satisfaction of the bank’s clients.

Large Corporate Clients

2014 was a very successful year for the Large Corporate Clients Division. Despite the prevailing relatively limited number of new business opportunities and rather low demand for investment financing, the division posted excellent results that were demonstrated in particular by growth of revenues in almost all areas.

The bank participated in all major transactions in the Slovak banking market whether as the leader of club financing or as a major party in syndicated loans.

Growth of assets was largely due to investments in new technologies, infrastructure acquisition financing and an increase in the existing credit trades.

There was relatively significant growth in the demand for project financing during the year, with overall recovery of the real estate market with respect to financing of office premises and new residential properties.

Tatra banka confirmed its position as the long-term leader. The bank’s market share in corporate loans increased to 22.37 per cent at the end of the year, which is a significant achievement in such a strongly competitive environment and saturated market.

Since Tatra banka is a system bank in the Slovak market, a substantial portion of its activities in 2014 concerning corporate loans concentrated on the asset quality review (AQR) process. The outcome confirmed that the bank comfortably has fulfilled ECB criteria.

The bank recorded a stable result in liabilities with the development of current balances influenced in particular by interest rate developments; clients particularly transferred their funds to current accounts because interest rates on term deposits were not very attractive.

During the year, the bank continued to focus on increasing client satisfaction and the sale of new banking services. The bank invested much effort in increasing cross-selling activities. The aim was particularly to increase product penetration for targeted clients.

In 2014 the bank again paid particular attention to improving internal processes. Tatra banka was one of the few financial institutions to continue 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.

After a relatively long period of stagnation in terms of inflow of new foreign investments, the bank recorded a slight growth in acquisition activity and plans of selected companies.

Naturally, the overall performance of the Large Corporate Clients Division was also affected by the development of risk and non-performing loans. In 2014, the bank managed to maintain the very good quality of its loan portfolio and even though non-performing loans did appear, the development of risk in this segment is viewed as stable.

Corporate centers

2014 was characterized by a number of major changes for the segment of corporate center clients, with SEPA having the biggest impact on the life of almost every corporate client. The bank also successfully transferred the original payments system to Multicash, giving clients the opportunity to use within this platform the functionalities unique to the Slovak banking market such as online connection with the bank. The bank consistently worked on improving internal processes to increase client comfort in terms of speed and quality of delivered services. The growth in the number of clients was positive in 2014 and the bank expects to add more than 6,000 clients in 2015.

Visible changes also took place in the loan portfolio. Although the volume of loans grew only 0.9 per cent, the quality of assets significantly improved. The number of loans managed by the Workout Division fell by 19 per cent and provisioning for non-performing loans was at a comfortable 69 per cent. As in the previous year, the provision of new loans totaled more than € 420 million, which together with equally excellent sales results from other corporate segments, contributed to increasing the bank's market share in corporate loans to more than 21.5 per cent.

There was a continuing positive trend in liabilities, with their average amount up 6.7 per cent year-on-year. The structure of deposits was still dominated by current accounts.

In terms of revenues, the bank did not achieve the same volume as in the previous year, in particular due to the prevailing low interest rates that caused the decrease in net interest income by 3.5 per cent. Part of that shortfall was compensated with higher fee income. The bank continues its prudent approach to costs, which was reflected in the decrease of operating expenses by 4.3 per cent compared to the previous year.

Clients remain in the focus of the bank's attention. The bank took a visible step forward in the area of client satisfaction mostly as the result of systematic work on optimizing processes, delivering innovations, increasing the professional skills of relationship managers and providing a distinctly better level of service compared to its competition. Tatra banka strives to also offer its clients unique experiences, whether in the form of specialist lectures, workshops or informal meetings.

Corporate Products

In the area of corporate products, the bank focused mostly on overall business targets and associated growth. Particular attention continued to be focused on the satisfaction of external and internal clients.

The Corporate Products Division at Tatra banka covers areas such as factoring and business financing, trade in bills, project financing of real estate 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 all corporate banking 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, 2014 was influenced by the stable, although still low, growth of the Slovak economy. The demand for loans and other business and project financing products by corporate entities was slightly higher than the previous year. Project financing saw a slight recovery in the area of financing of housing development that was particularly driven by lower mortgage rates and the ensuing demand for new housing units. In terms of business financing, there was increased interest in financial products, mostly related to refinancing of receivables.

Despite only average client demand, the amount of loans recorded in 2014 increased by 4 per cent year-on-year. The amount of issued letters of credits and guarantees increased by 10 per cent year-on-year. Total revenues from all products increased 14 per cent year-on-year. The source of that growth included both interest income and fees as a result of the large number and value of new transactions.

Client satisfaction with these services was confirmed by an award received from the specialist CIJ magazine for the best financial institution in real estate and the bank's return to first place in factoring with a record 40 per cent market share. These results are encouraging for further improvement in services and offer additional positive expectations for 2015.

Capital Markets Products

In terms of the needs of capital markets products for the bank's corporate clients, 2014 was a relatively mixed year.

Interest rates on most currencies in which the bank's clients keep their financial reserves, or draw their loans, continued a falling trend along the interest rate curve. However, this trend is solely the result of the easing of monetary policies of individual central banks.

In this respect, the bank recorded declining client interest in shorter-term term deposits. Client interest shifted to longer terms, or clients left their funds freely available in current accounts.

The bank registered an increased demand for its innovative structured deposit products, such as Progressive Deposit, with the number of deposits growing 87 per cent year-on-year.

The decrease in interest rates and predictions for their longer-term development resulted in declining client interest to hedge their interest rate risks inherent in loans linked to a floating interest rate, e.g. EURIBOR. Clients who decided to take advantage of low interest rates and fix these rates for a longer period preferred the option of drawing a loan along with a fixed interest rate to hedging by means of an interest rate derivative such as an interest rate swap.

Increased client activity in the area of foreign exchange transactions last year was most likely the result of recovery of the Slovak economy, which also involved the bank's clients, and the fact that clients have also been seeking business partners outside their traditional markets and their contracts are often denominated in currencies other than the euro. This requires more active management of clients' currency risks associated with such contracts, or cash flow optimization. In 2014, Tatra banka recorded growth of approximately 5 per cent in FX transactions in corporate business.

In 2014, like every year, in order to cover mortgage loans with mortgage bonds, the bank placed three mortgage bond issues totaling € 127 million for institutional clients in Slovakia.

Regarding issuance of securities, the bank arranged and sold securities issue worth € 30 million for the International Investment Bank. The maturity of the issue was set to five years and it also attracted investors outside Slovakia.

Among innovations offered to the bank's clients, voice biometrics has become increasingly popular and is currently the principal method of client identification in their transactions with the client department in the Capital Markets Division. Clients mostly appreciate the comfort, reliability and speed offered by this unique solution. The number of clients verified in this way exceeded 50 per cent during the year.

Last year was challenging for the bank in terms of the necessity to implement a number of legislative and regulatory requirements in the bank's processes in a relatively short time. As far as the Capital Markets Division was concerned, the processes needed to be aligned with the EU EMIR (European Market Infrastructure Regulation) as well as the new Consumer Protection Act.

Retail Clients

(in EUR thousands)	12/2014	12/2013	12/2012(1)	12/2011(2)	12/2010(3)	12/2009	12/2008
Net interest income	194 530	189 360	178 961	168 977	187 436	176 312	166 295
Net provisioning	(18 241)	(21 781)	(13 699)	(3 118)	(11 096)	(28 626)	(23 356)
Net interest income after provisioning	176 289	167 579	165 262	165 859	176 340	147 686	142 940
Net income from commission and trading	99 782	87 295	82 202	80 837	85 540	73 961	112 464
Other operating profit (loss)	(12 979)	(16 899)	(9 967)	-	-	-	-
Operating expenses	(162 098)	(155 064)	(152 345)	(157 505)	(166 304)	(153 977)	(171 446)
Profit before tax	**100 994**	**82 910**	**85 152**	**89 190**	**95 576**	**67 670**	**83 958**
Cost/Income ratio	55.08%	56.05%	58.33%	63.05%	60.92%	61.52%	61.50%

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.

In the past year, the bank maintained its established branch network as in previous years. Nevertheless, personal contact with clients was still available at 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.

Also in 2014, Tatra banka closely focused on innovations. The ones that really resonated across the market included without doubt ATM cash withdrawal with a mobile phone and extending the use of the Tatra banka app to include clients using mobile phones with Windows Phone operating system. Tatra banka shifted the banking boundaries once more and introduced the first banking application for Google Glass. Service improvements included Mortgage Loan (**Hypotéka**TB) with interest lasting forever, and also a limited credit card edition devoted to Jakub Króner, the winner of the Tatra banka Foundation Art Award. Pre the little ones, the bank offered the new Batman card as the speciality of the year.

The bank introduced an innovative Mini POS – small payment terminal designed for small entrepreneurs, which is suitable for smaller and also mobile operations - such as Taxi service. VIAMO added payments for goods and services, creating a new and simpler way to pay to entrepreneurs. The new **Premium** WayTB service was introduced to premium clients, designed to ensure better management of their finances.

Private Banking

In Tatra banka's private banking segment, 2014 was very dynamic and full of innovations. The functioning of the entire segment reflected high uncertainty in financial markets mainly due to geopolitical risks. Even with constant shifting of the private banking boundaries the bank succeeded in maintaining the largest share of the market in Slovakia. There were a number of reasons. Essentially it was due to the offer of superior services, the high level of professionalism of staff as well as the new innovations the bank offered to private clients in Slovakia.

Every year, the aim is to introduce innovative investment options. The basic criteria include the lowest possible risk with an attractive rate of appreciation. The new Best Entry certificates are a popular option as they significantly decrease risk despite high volatility in equity markets while maintaining return potential for clients. In collaboration with Tatra Asset Management and Raiffeisen Capital Management, the bank introduced the new master/feeder structure that gives clients the opportunity to invest in attractive bonds despite low interest rates, subject to withholding tax.

The bank introduced a brand new product for rentiers. Private Rent allows clients life-long payment of rent. The bank also made a significant step forward in simplifying clients' communication with the bank. The MobileSign app that was first introduced to Tatra banka's private banking clients in Slovakia greatly simplifies securities trading. It allows clients to enter trading orders for securities through their smartphone.

The bank also publishes the Private Banking Times magazine that is distributed exclusively to its clients. Our professional approach, quality of work and high expertise were recognized by the international magazine The Banker, which named Tatra banka as having the best private banking in Slovakia. In addition, Tatra banka's private banking also received seven prestigious awards from Euromoney magazine.

The bank's superior service, high expertise and constant innovations that improve the quality of services are appreciated by more than 3,000 clients, which is also shown by currently-managed funds now totaling more than € 1.8 billion. Clients also took advantage of the fall in the price of gold and purchased more than 320 kg of this precious metal over the past twelve months.

Deposit products, payment cards, loans

In 2014, the deposit market was characterized by low interest rates. Clients that preferred standard forms of investments favored investments in term deposits with shorter terms up to one year. Flexible saving options without fixed terms and with a simple way of making deposits and withdrawals remained attractive. This was also demonstrated by the development of deposits in the "saving system" that is part of the **Tatra Personal**TB service package. The amount of funds in the saving system increased by more than 30 per cent during the year.

The portfolio of the bank also included the combination of a term deposit and investment funds which has been popular with clients. Clients investing their available funds in a term deposit and investment funds could get extra interest of up to 2 per cent on their term deposit with this attractive combination.

Clients seeking longer-term appreciation of their funds mostly chose products managed by Tatra Asset Management, a subsidiary of Tatra banka, such as investment funds or securities.

2014 was another year of attracting more attention from students. The campaign aimed to raise interest in the **Tatra Personal**TB service package for students, to acquaint them with the world of finances, and to show them how to care for their finances. Tatra banka again chose an entertaining and educational concept as the most suitable way to reach this difficult target group. Patrik Vrbovský was again the main character of the campaign and this time he let teenagers compete for his mobile phone. After the previous year's success, expectations were even higher in 2014. The campaign did not disappoint and tens of thousands of registrations and thousands of student account openings were recorded.

In 2014, Tatra banka reaffirmed its dominant position in innovations. Since May 2014, clients have had the option to open a **Tatra Personal**TB service package without the need to visit a branch. They just fill in an application on the bank's website and wait for a visit from a courier. This new method of opening an account is even more comfortable for clients and with the incorporated face biometrics it is just as safe as opening an account at a branch.

Changes also involved the Tatra banka mobile app. Adding the functionality of making an ATM withdrawal with a mobile phone into this app made clients' access to their finances simpler while increasing the safety of ATM cash withdrawals.

Insurance

The portfolio of bank insurance products was extended with the new Travel Insurance in 2014. In cooperation with Uniqa insurance company, Tatra banka introduced a new product replacing the previously offered 9 different types of travel insurance. The new travel insurances provides clients with a higher cover, insurance of medical expenses that includes winter sports, insurance for mountain rescue services in Slovakia and automatic insurance of family members travelling together. Travel insurance taken out with a credit or debit card lets clients travel on holiday, a business trip or shopping abroad without concerns.

The portfolio of the bank's insurance products also has included loan repayment insurance and property insurance. With this product clients could insure their liability to the bank in the event of unexpected events. In addition to insuring mortgage loans and any purpose loans, the ability to repay other kinds of loans could also be covered by business owners by insuring themselves or other key persons in their company.

Payment cards

Tatra banka has been viewed as the innovation leader in the Slovak banking market for several years. In order to increase client satisfaction and comfort in using the bank's products, the bank continued to adopt and extend innovations and services related to payment cards.

Contactless card payments are becoming common among clients – almost half of active users of the bank's debit cards and a third of credit card users now actively use contactless payments. The number of contactless transactions doubled compared to the previous year and clients made more than 14 million contactless payments totaling € 117.5 million.

In 2014, the bank's main area of focus was support of payments with a mobile phone. The number of payment cards with the service of Contactless Mobile Payments (**Bezkontaktné mobilné** platby[TB]) increased to almost 14,000. There was enormous growth – more than 300 per cent in the number and value of transactions made with a mobile phone. Clients made 120,000 transactions totaling € 2.29 million in 2014.

The holders of Tatra banka's payment cards made transactions totaling € 3.6 billion last year. Purchases accounted for more than 42 per cent of this amount. Only one fifth of the total number of transactions involved cash withdrawals. This trend is largely due to contactless technology offering the option of a fast settlement even for small payments.

Tatra banka's youngest clients could get a new Batman card for their children's account in the summer. Parents have also tended to like the design of this card. The annual limited edition credit card in 2014 was devoted to Jakub Króner and was launched to the market with the campaign called a "Card with Lóve" (Karta, na ktorej máte Lóve) according to the theme of his film.

The bank has simplified and made more attractive the offer of travel insurance provided with payment cards. Clients also now have the option to execute a payment order using their credit card that enables even more flexible use of funds at their disposal. The bank also introduced an electronic statement for credit cards.

Loans

For a number of years loan innovations have provided clients with increased comfort both when taking out a loan and when making changes to a loan. As a result, clients can now get an Any Purpose Classic Loan (**Bezúčelový** úver[TB] Classic) not only at a branch or via **Internet** banking[TB] but also via the **DIALOG** Live contact center and the **Tatra banka** mobile app 24/7 and can use online video consultation with a mortgage specialist when arranging a housing loan. In 2014 the bank introduced other new services allowing clients to make changes to their mortgage loans or to increase their any purpose loans simply from the comfort of their home using the **DIALOG** live service.

In addition to these new services, clients could take advantage of a number of exceptional offers such as a Mortgage Loan (**Hypotéka**[TB]) with an interest discount lasting forever, an Any Purpose Classic Loan (**Bezúčelový** úver[TB] Classic) with an interest rate reduced by 1 per cent every year, and have the first instalment of their any purpose loan paid at Christmas.

The structure of the bank's retail loans recorded no major changes against the previous year. The largest part of the portfolio remains represented by loans secured by real estate with 84 per cent share, followed by 11 per cent share of unsecured any purpose loans and 5 per cent share of the portfolio of optional overdrafts on current accounts and credit cards. In terms of year-on-year change in the portfolio volume, Tatra banka recorded 8 per cent growth in the retail loan portfolio in 2014.

The bank granted 2,469 home equity loans in the total amount of € 89.89 million and an additional 8,648 housing loans of € 508.3 million in 2014. Compared to 2013, Tatra banka's loan portfolio secured by real estate granted to private individuals increased by more than 8 per cent.

The portfolio of the Any Purpose Classic Loan (**Bezúčelový** úver[TB] Classic) grew by more than 13 per cent in 2014 due to granting of 52,215 new loans totaling € 213.34 million, which represents 19.2 per cent growth year-on-year.

Small Business Clients

2014 was another very successful year for Tatra banka in the segment of small business clients. The bank again grew faster than the market both in loans and deposits. Besides successful achievement of business goals in this segment, the bank also has focused on management of the relationship between business advisors and clients. In addition to regular meetings with clients, business advisors concentrate on cooperation with their clients' personal banking as private individuals. The aim is to encourage clients to use Tatra banka for both their legal entities' banking as well as their personal needs as private individuals.

Every year Tatra banka offers its clients new innovations that make their everyday lives easier. In 2014 Tatra banka continued its successful concept of personal care for selected clients via the **DIALOG** Live contact center. It provides clients with a higher degree of personal care and advice over the phone – clients no longer needed to visit a branch office in person and most services could be delivered to clients over the phone. Corporate clients could address their issues directly to their business advisor via a dedicated special business line.

In terms of loans, 2014 was historically most successful particularly in the micro segment thanks to pre-approved loans for clients that could be granted within 24 hours. The small corporate segment also saw a slight increase in loans. Overall, the small corporate segment grew 6.9 per cent in the value of granted loans and the number of loan clients. The deposit side recorded very solid growth for the second year in a row, increasing 11.7 per cent in 2014.

In 2015 the bank wants to concentrate on loans to clients and acquiring more clients and to continue the trend of increasing the bank's market share in the small corporate segment, particularly in loans.

	2011	**2012**	**2013**	**2014**	**Abs. diff. 2014/2013**	**% diff.**
Number of clients	106 159	109 940	111 508	111 316	(192)	(0.2 %)
Number of clients with loans	8 944	9 343	10 330	11 641	1 311	12.7 %
Loan volume in € ths	224 121	276 541	314 385	336 174	21 789	6.9 %
Deposits volume in € ths	994 657	986 222	1 079 563	1 206 177	126 614	11.7 %
Revenues in € ths	56 136	56 641	58 571	64 712	6 141	10.5 %

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 places in this area.

Internet bankingTB has been the most frequently used tool to make payments by Tatra banka clients for a long time. Less than 3 per cent of transactions are made via branches, while **Internet** bankingTB and the **Tatra banka** mobile app account for more than 43 per cent of transactions. In total, 97 per cent of transactions at Tatra banka are made electronically.

Tatra banka received two awards from the international monthly Global Finance in 2014: Bank with Best Web Site Design in Central and Eastern Europe and Best Internet Bank in Slovakia.

The bank was again awarded the Judges' Special Mention in the prestigious Banking Technology Awards 2014 for Voice Biometrics (Hlasová **biometria**TB), 3rd generation **Internet** bankingTB, **Tatra banka** mobile app, Mobile Payments and **Tatra banka VIAMO**.

Also in 2014 Tatra banka maintained its position of the market leader in the acceptance of payment cards, which was also confirmed by the MasterCard Acquirer of 2014 award for total turnover and the Visa Best Acquirer of 2014 for ATM withdrawals with a mobile phone. The bank increased the total turnover achieved by payment cards by more than 22 per cent compared to 2013 and extend the network of payment terminals in the Slovak market by almost 20 per cent, with 92 per cent of payment terminals supporting contactless payments.

Internet bankingTB

In 2014 Tatra banka's **Internet** bankingTB was named the best in Slovakia by Global Finance for the 12th time. It is used at least once a month by about 250,000 clients making about 1.5 million transactions every month.

Innovative features include **Spending** reportTB, Advice of invoices, Quick payment, the creation and management of domestic payment templates, export options to various formats, account statement administration, statements for accounting books, display of balances and account development in clear graphs for credit cards, supplementary pension saving, Tatra Asset Management funds, account balance changes and other banking services.

The bank offered its clients a number of improvements in 2014. Direct debits in **Internet** bankingTB were modified to meet the SEPA requirements for **SEPA direct debits**. The innovative **Spending report**TB service now includes the summary and spending in categories on the credit card, the color print option and interactive help.

To simplify work with **Internet** bankingTB, the bank implemented Duplicate payment in account movements, i.e. the creation of a payment order with the same parameters and the option to create a copy of a Standing order.

With the new functionality Credit card payment order in **Internet** bankingTB clients can make payments and pay invoices for goods and services using their credit card. The new bookmark Debit cards allows clients to keep an overview of their debit cards and limits related to their use.

Internet bankingTB has continuously reaffirmed its position as the key service distribution channel. With 18.5 million domestic transactions, it is the most-used banking channel with an increasingly growing share. **Internet** bankingTB is currently also an important sales channel. Approximately 15 per cent of pre-approved Any Purpose Loans (**Bezúčelový** úverTB) offered in campaigns are provided via **Internet** bankingTB.

In e-commerce services, **Tatra**Pay and **Card**Pay both recorded an average 35 per cent year-on-year growth in the number of transactions.

Mobile Applications

For several years, Tatra banka has regularly offered its clients innovative functionalities and improvements of mobile applications.

The number of Tatra banka's clients with an activated mobile banking application continued to grow, exceeding 170,000 at the end of 2014. There was also proportional growth in the number of clients using the application regularly at least once a month, which almost doubled compared to the previous year. For the second year in a row, the number of transactions via the **Tatra banka** mobile app more than tripled and clients executed more than 3 million transactions using this channel.

Clients also showed growing interest in the pre-approved **Any Purpose Loan** via a mobile phone, with the number of drawn pre-approved loans jumping 180 per cent year-on-year.

These increases are the result of continuous extending of options available in the **Tatra banka** app and the global trend that is clearly leading to more and more frequent use of mobile applications in clients' daily life.

Use of the application is clearly dominated by Android users (69 per cent) followed by iOS users (28 per cent). So far the smallest, but also very active, group is represented by Windows Phone users.

2014 was marked by a number of new functionalities in the **Tatra banka** app. The management of standing orders was added in the first half-year. With standing orders available in the application, clients can set up their regular payments and do not need to keep in mind whether or not they have paid their electricity or gas bills.

During the summer of 2014, Tatra banka introduced a new feature in its app, called the NFC (Near Field Communication) track. Since information about account balance and checking an anticipated transaction are among the most common reasons for using the mobile banking application, Tatra banka introduced the simplest way of displaying this information for Android devices. A contactless payment card is simply tapped on a smartphone with the NFC switched on. The application displays the account balance and the last 10 transactions.

In the summer the bank also introduced a groundbreaking new method of withdrawing money from an ATM. Tatra banka's clients were the first to have the opportunity to try this innovative and particularly fast and secure method of withdrawing cash with their mobile phones that they always carry with them.

When making a cash withdrawal, the mobile display essentially replaces the ATM screen. After opening the **Tatra banka** app, clients choose the ATM withdrawal service, the amount to withdraw and then enter the 6-digit code generated by the application into the ATM.

This new service to make an ATM withdrawal with a mobile phone saw a very positive client response. The evaluation of the service by clients in a satisfaction survey was equally enthusiastic (Tatra banka's internal survey, Net Promoter Score NPS = 76).

ATM withdrawal with a mobile phone was also noticed by the professional public and the service received a number of prominent awards, including *the VISA - Best Acquirer of 2014* for ATM withdrawals. The new ATM withdrawal method also caught the attention of the jury in the Slovak competition *Android Code 2014* in which the Tatra banka app won the award as the *3rd Best Corporate Application.*

The Tatra banka app was also appreciated by the jury in the international Banking Technology Awards 2014. Tatra banka was one of two banks awarded the Judges' Special Mention. Tatra banka received this prestigious award for its mobile banking application as well.

Since September 2014, clients have been able to enjoy the **Tatra banka** app for Windows Phone. The launch of the application for this operating system was the result of increased client demand.

VIAMO payments to individuals with a mobile phone number, which simplify payment transactions, have earned a stable position among the bank's clients since its introduction in mid 2013. At the end of the year, the number of clients using the **Tatra banka VIAMO** app totaled 65,000. Since autumn 2014, about a year after the introduction of **VIAMO** payments to individuals, our clients also could use the application to pay for goods and services - VIAMO payments to businesses.

They simply run the current version of the Tatra banka VIAMO, select from the list of businesses and foundations, or just scan the VIAMO QR code for goods or services. The offer includes delivery services, a discount web portal, couriers and contributions to foundations. The number of businesses participating is continuously expanding.

Another innovation introduced in 2014 and mostly appreciated by private trading clients is the **MobileSign** app. With this service, clients can sign trading orders with their mobile phone.

Other applications in the portfolio of Tatra banka – Reader (**Čítačka**TB), Mobile Payments (**Bezkontaktné mobilné platby**TB), and **ArtConsulting** are popular with clients and the bank is constantly working on extending the features of these applications.

Acceptance of Payment Cards

In 2014 Tatra banka maintained its position as the leader in the Slovak market in acceptance of payment cards both at physical terminals and via the online Card**Pay** payment gateway. Tatra banka's business partners generated turnover of € 2.39 billion on payment terminals, an increase of more than 22 per cent year-on-year. The total number of transactions in 2014 increased to 84.1 million, representing almost 29 per cent growth. There were 2.5 million transactions, totaling € 114.7 million, via Card**Pay** in 2014, 48 per cent more than the year before.

In keeping with its strategy and maintaining its leadership in payment card acceptance, Tatra banka continued in 2014 to renew its network of payment terminals with newer models that enable contactless payments not only by payment cards but also by mobile phones that support such payments. At the end of 2014 Tatra banka had 14,065 active payment terminals, 92 per cent of which supported contactless payments. In 2014 the bank introduced a new Mini POS terminal service. **Mini POS terminal** represents a smaller and cheaper alternative to a classic mobile terminal, which found wide application for taxi drivers, couriers, insurance brokers and others within the pilot project.

2014 confirmed the decreasing trend of the average transaction amount from previous years. The average transaction amount paid by a payment card decreased to € 28.36 in 2014, which was € 1.63 less than in 2013. The decrease is due to the growing popularity in using payment cards for smaller purchases. Clients using payment cards are also increasingly using the option to pay more simply and faster without entering the PIN code. The share of contactless transactions on Tatra banka's payment terminals increased to 26 per cent in 2014.

Tatra banka closed 2014 with a total of 307 ATMs and new models represent 64 per cent (196) of the network. The increased share of new models was due to replacement of 28 older ATMs with the latest models. Clients withdrew more than € 1.95 billion in cash from Tatra banka's ATMs in 2014, an increase of 2.07 per cent compared to 2013. The total number of transactions exceeded 13.2 million and the average transaction amount increased to € 150.

Tatra banka was the first bank in Slovakia, in August 2014, to introduce the option of cash withdrawal from an ATM with a mobile phone. In the five months that this innovation was available more than 76,000 withdrawals worth € 4.3 million were made with a mobile phone.

DIALOG Live Contact Center

In 2014, **DIALOG** Live contact center became a fully functioning distribution channel providing comprehensive services and sales of retail products to clients, without the need to visit a branch.

DIALOG Live offers the sale of a number of Tatra banka products through a process which enables clients to directly arrange by phone an Any Purpose Loan (**Bezúčelový** úver[TB]), a credit card, a Savings Program (**Program** sporenia[TB]), supplementary pension saving, travel insurance, a Gift Card, an Express Business Loan (**Business** Úver[TB] Expres), a credit card for a legal entity, a payment terminal, and investments in Tatra Asset Management products. The chosen product is sent directly to clients by a **DIALOG** Live staff member via their **Internet** banking[TB] for their approval or with the contracts delivered by courier to the address specified by the clients.

DIALOG Live is the first and only center in Slovakia to provide the services of a Remote Business Advisor and a Remote Personal Banker since 2013. In 2014 the services were expanded with additional capacities because this innovative service had a very positive response from the bank's premium segment clients. This is a relationship management service for selected Tatra banka clients, with a Business Advisor available to legal entities and a Personal Banker available to natural persons. With Remote care, clients no longer need to handle their banking-related issues at a branch. They can communicate all their needs by phone or a video call.

In July 2014, **DIALOG** Live started to offer its Remote Personal Banker and Remote Business Advisor services via a video call to its clients. This provides clients the option to contact their relationship manager from the comfort of home via a video call. Clients can hear and also see their relationship managers online via their computer, smartphone or tablet and can discuss their needs comfortably without the necessity to visit a branch.

In 2014 **DIALOG** Live also continued to be the first and only banking contact center in Slovakia – and one of the first among banks in both Europe and globally – to verify clients identity using the Voice Biometrics (**Hlasová** biometria[TB]) service. This is a unique service providing clients with a secure telephone connection with the bank without the need for identification verification using the Card and Reader. **DIALOG** Live identifies the client solely based on his or her voice. By the end of 2014,**DIALOG** Live had created more than 228,000 voice samples required for client identification for subsequent calls to **DIALOG** Live. By the end of 2014 more than 80 per cent of all callers to **DIALOG** Live were identified using the Voice Biometrics (**Hlasová** biometria[TB]) service.

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

Payment System

One of the most significant steps implemented by the bank in recent years concerning its payments system was adoption of the SEPA (Single Euro Payments Area) standards. The purpose of this change was to enable clients to send and receive euro payments within the SEPA (28 EU Member States, Iceland, Lichtenstein, Norway and Switzerland) in the same simple, fast and efficient way they do within a single country.

The direct effect of SEPA implementation in Slovakia was the replacement of existing domestic payments and direct debit methods with the uniform SEPA tools – SEPA payments and SEPA direct debits. The clients of Tatra banka have been able to take full advantage of SEPA payments since November 2013 and the transition to SEPA direct debit was completed in February 2014. Since this date SEPA direct debit can be used to make rent payments, payments for holidays or other charges within all SEPA countries.

In addition to changes made in relation to implementation of SEPA tools, the bank concentrated on the development of electronic distribution channels which account for more than 95 per cent of payment orders. This is the primary reason why Tatra banka again maintained its growth trend in processed payment orders. These facts confirm that innovations offered by the bank in mobile banking gain instant popularity with clients.

Tatra Asset Management

Tatra Asset Management (in € mil.)	2012	2013	2014
Total revenues	14.9	17.4	24.4
Profit after tax	3.8	1	4.9
ROE	15.80 %	5.30 %	23.30 %

A positive mood continued in the collective investment funds market in 2014. The amount of assets managed by mutual funds in Slovakia in 2014 increased by 17 per cent compared to the previous year, from € 5.3 billion to € 6.2 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 € 9.1 billion at the end of the year. The annual sale of mutual funds totaled € 2.6 billion.

The most significant factors affecting collective investments in 2014 included the continuing decline in interest rates and bond yields falling to extremely low levels. 2014 was the year of bonds. In particular, European bonds delivered the highest returns to their investors and Tatra Asset Management (TAM) funds also profited from this. Last year was not as successful as 2013 for equity markets, except for US equity markets, which again recorded historical highs. Commodities were the definite loser last year due to weaker global economic growth combined with a strengthening U.S. dollar and production growth that prepared the ground for their price falls.

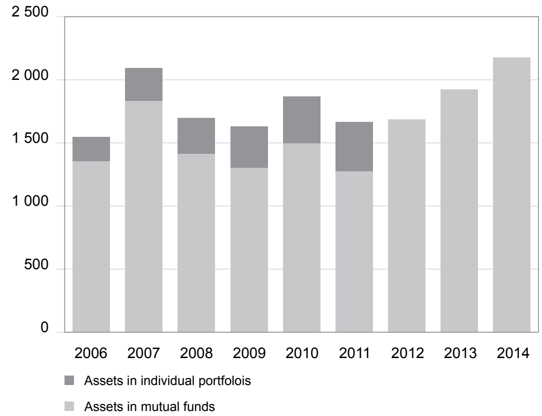
The sale of mutual funds on the collective investments market in 2014 was dominated by mixed funds, followed by short-term investment funds and then bond funds at the levels of € 752.6 million, € 699.8 million and € 537.7 million, respectively.

In 2014 TAM reaffirmed its position as the leader in the collective investments market, closing the year with a 34.5 per cent share of the total assets managed in mutual funds in Slovakia. TAM's product range was extended with a fund for conservative investors with a unique strategy that actively responds to developments in financial markets, offering the potential to also achieve higher returns on short-term investments. TAM also launched additional funds that provide for investments within the master/feeder structure.

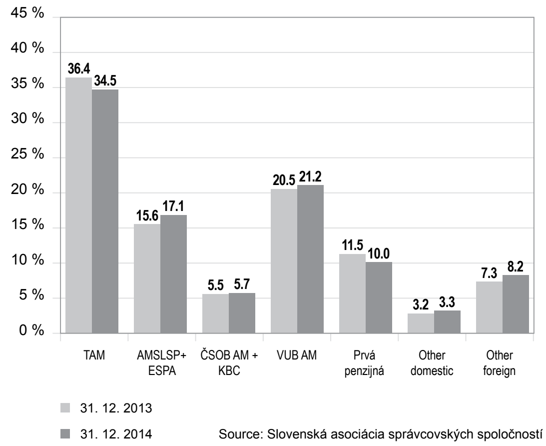
Total sales of TAM mutual funds amounted to € 609 million in 2014. A positive contributor to the level of sales was the environment of low interest rates that motivated clients to seek alternatives with the potential for higher yield. As a result, besides funds offering short-term investments, clients also showed interest in new funds in our portfolio and in mixed funds. The highest sales were recorded by the **Depozitný** fond[TB] (Deposit Fund) (€ 176 million), **Alfa** fond[TB] (Alfa fund) (€ 92.9 million), **Euro dlhopisový PLUS** fond[TB] (Euro Bond PLUS Fund) (€ 60.8 million), **TAM-Raiffeisen Emerging Markets Bonds**[TB] (€ 43 million) and **MarketNeutral** Fund[TB] (€ 36.1 million).

In 2014, the total assets in TAM mutual funds increased by 15.8 per cent to a record level of € 2.2 billion from € 1.9 billion in the previous year.

Development of assets managed by TAM
(mil. EUR)



Market shares



TAM's revenues totaled € 24.4 million in 2014, with the decisive share originating from management of mutual funds. TAM's expenses totaled € 18.0 million in 2014, with the biggest portion being spent, like the year before, on brokerage of mutual fund sales. In 2014, TAM generated an after-tax profit of € 4.9 million.

Tatra banka Supplementary Pension Asset Management Company

DDS Tatra banky (in € mil.)	2012	2013	2014
Total revenues	9.2	9.9	8.3
Profit after tax	2.5	3.3	2
ROE	**49.5 %**	**49.8 %**	**25.4 %**

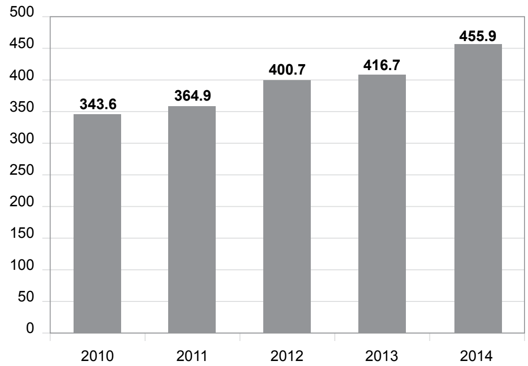
The total number of beneficiaries in the supplementary pension saving program among all supplementary pension asset management companies in Slovakia reached 680,000 at the end of 2014. The amount of assets managed by all supplementary pension funds increased to € 1.47 billion, representing 8.7 per cent year-on-year growth.

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

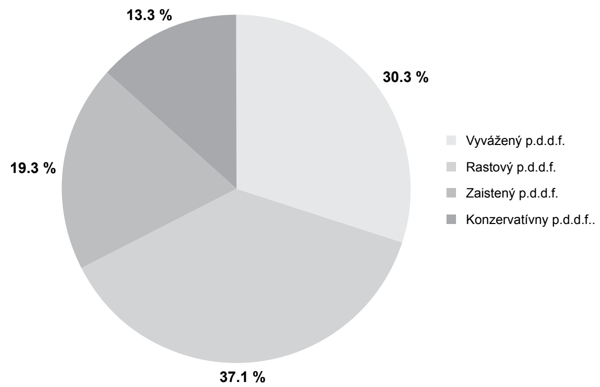
The total amount of assets managed by DDS Tatra banky increased 9.5 per cent year-on-year, reaching € 456.1 million. The highest volume of assets was held in Vyvážený príspevkový d. d. f. (Balanced fund) (71.5 per cent of total assets), followed by Rastový príspevkový d. d. f. (Growth fund) (16.4 per cent).

In terms of evaluation of the DDS Tatra banky's supplementary pension funds, 2014 was a very positive year. Positive performance of the majority of funds resulted from the activity of underlying investment strategies since developments in the financial market in the second half of the year were significantly influenced by increasing volatility in both equity and bond instruments. Rastový príspevkový d. d. f. (Growth fund) posted the best performance with 3.6 per cent appreciation year-on-year. Vyvážený d. d. f. (Balanced fund) and Zaistený príspevkový d. d. f. (Guaranteed fund) achieved appreciation of 3.5 per cent year-on-year. Konzervatívny príspevkový d. d. f. (Conservative fund) achieved appreciation of 1.5 per cent despite extremely low interest rates.

Net asset value in funds
(mil. EUR)



New beneficiary agreements in 2014 by selected fund structure



The number of beneficiaries in the supplementary pension saving programs remained almost unchanged at 186,000 clients. The average monthly contribution by savers (including the employer's contribution) increased by 3 per cent year-on-year to € 42.80. Total supplementary pension saving (DDS) contributions increased 5.4 per cent to € 60.2 million.

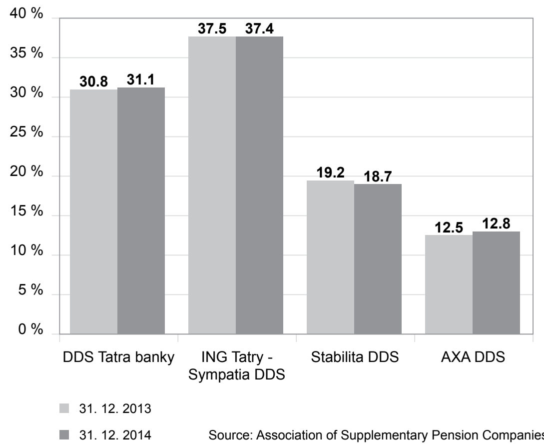
There was a positive development in employer contracts. The total number of employer contracts reached 8,909 at the end of 2014.

	2012	2013	2014
Contracts with employers	8 157	8 439	8 909
Number of beneficiaries	186 980	185 971	185 752
DDS contributions (in € ths)	57 909	57 116	60 180
Paid out benefits (in € ths)	38 849	47 535	31 295

Revenues of the supplementary pension asset management company in 2014 totaled € 8.3 million with the highest share of revenues generated from revenues for management of supplementary pension funds The expenses of the supplementary pension asset management company totaled € 5.7 million. In 2014 the supplementary pension asset management company generated an after-tax profit of € 2.0 million.

During the year, the supplementary pension saving program was subject to major legislative changes that affected the supplementary pension saving market. The conditions for benefit payout were tightened and the maximum charges for the management of assets in funds were reduced. Due to the reintroduction of tax relief for saving beneficiaries, supplementary pension saving became the only pension product in the market supported by the government in the form of tax relief for both beneficiaries and employers.

Market shares by Net Asset Value (NAV) in funds
(in %)



Source: Association of Supplementary Pension Companies

Tatra Leasing

Results achieved in 2014 confirmed that the concerns about the trend of the “applied brake” in the leasing market from the previous period did not materialize. An increase in the volume of acquisition cost of financed items by 8.76 per cent compared to 2013 may be evaluated as moderate, but given the conditions in which it was achieved, it is considered as a solid result.

The highest increase in the volume of transactions in 2014 was recorded by the leasing market in the real estate segment. The second strongest commodity with a growth of more than 10 per cent year-on-year represented passenger and utility vehicles. On the other hand, decrease year-on-year was recorded in the financing of machinery and equipment.

As one of the companies with the longest tradition in the Slovak leasing market, Tatra Leasing, s.r.o. delivered results comparable to 2013 last year and defended its position as the top five among the companies grouped in the Slovak Association of Leasing Companies (ALSSR). The results were achieved through very good cooperation with the parent bank, high-quality service provided to clients and cooperating partners and, not least, through the conservative strategy employed in recent years.

Financed items portfolio structure in 2014 (by acquisition cost excluding VAT):

- passenger and utility vehicles 43.08%
- machinery and industrial equipment 15.50%
- freight vehicles, trailers, buses, transport machinery 27.07%
- real estate 8.76%
- medical equipment 5.60%

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

- finance lease 59.07%
- credit finance 34.23%
- operating lease 6.65%
- hire purchase 0.05%

Raiffeisen Bank

2014 was the second year of the bank's presence in the Slovak market. 20 branches were added to the existing 12, and the bank operated a total of 32 business outlets by the end of 2014. Some of the branches are operated by internal employees, some by franchising partners. The bank exclusively focuses on the service to individual clients - natural persons, not entrepreneurs. As part of the Tatra banka's multi-brand strategy, it should contribute to a higher share in the mass retail segment.

Raiffeisen Bank brings its clients a unique experience and comprehensible, user-friendly products and services at fair prices. In everything the bank does, it values the following principles - simplicity, comprehensibility, transparency and caring approach. According to an independent survey conducted by TNW agency that measured the loyalty and satisfaction of clients using the TRI*M index methodology, the clients of Raiffeisen Bank are the most satisfied of all bank clients in the Slovak market.

At the end of 2014 the bank managed € 14,908 million of deposits and € 6,567 million of loans. The number of clients tripled year-on-year.

The bank focuses on building a long-term relationship with clients and has an ambition to become their main family bank. The majority of clients use the Account, on which they appreciate that for one monthly fee they have all important daily banking services available without the need to pay additional fees for standard transactions. The monthly fee also includes payment cards for the entire family. Transactions made at branches such as deposits, withdrawals and transfers often identified as the reason for dissatisfaction by other banks' clients, are free of charge for the clients of Raiffeisen Bank. Opening an account with Raiffeisen Bank is fast, as it only takes a couple of minutes and clients instantly receive a payment card that is fully functional and can be used immediately, active Internet banking and SMS notification of account transactions. Moneybox (Kasička) savings account available with every current account is also popular with clients. Getting a loan is fast and simple at Raiffeisen Bank. It only requires an ID card and many clients can draw the loan within 15 minutes. In some cases, the authorization process may take a few hours, or until the next day.

The bank operates automatic safe deposit boxes that are unique to the market, through which all cash transactions at branches are secured. They facilitate cash deposits and withdrawals (banknotes and coins) in a cost-efficient manner. The banknotes and coins deposited can be subsequently issued, which reduces requirements for cash transfers and subsidies. In 2014 more than 55,000 transactions were processed in this way.

Through these automatic safe deposit boxes the bank also provides its popular service of paying invoices or checks to those who do not have their account with the bank, at very favorable conditions. Cash is deposited in the device always with the assistance of bank staff and the bank sends funds for example to telecommunications operators, electricity suppliers, etc.

Raiffeisen Bank draws on its long-term experience in the Austrian market and other Central and Eastern European markets as regards local community support. In 2014, the bank contributed funds to 140 projects totaling almost € 100,000. The bank focuses on supporting nursery and primary schools, sports and physical culture, and also protection and enhancement of the environment.

As opposed to large nationwide foundations, the use of funds is decided by "Administrative Boards of Branches". These boards include opinion-forming people from the town where the branch of the bank is located. The objective is to make sure that the funds are used for things that will be most useful for people in the respective town.

In 2015 the bank plans to open new branches, acquire further clients in the Slovak market and will strive to achieve the highest satisfaction of its clients.

Human Resources

In 2014, Tatra banka continued experiencing a decline in the attractiveness of the banking sector in the labor market. Although the number of job applicants at Tatra banka remained high (the bank received about 35,000 job applications), more often than in the past job candidates who were considering relatively identical offers from several employers ultimately opted for sectors other than banking.

This was partly the reason why the Human Resources Division continued its activities related to market perception of employer brand in 2014. Compared to 2013, the bank participated even more actively in selected student events and other activities related to promotion of Tatra banka as an employer. During the year, the bank continued its cooperation with the Challengest social network. Students were assigned four practical tasks and their solutions served as actual inspiration for the bank, especially in work with this student segment of the market. To support these activities and identify problematic areas, during the year the bank conducted a company-wide survey of perception of the employer brand that included questions concerning specific quality elements and the clarity of employer brand to potential candidates from the external labor market. As a result of these activities, Tatra banka again ranked as the 3rd most attractive employer among the students surveyed by the Manageria civic association.

An important part of the work on building the employer brand is in the area of leadership quality at the bank. In 2014, the bank conducted a bank-wide survey of employee commitment and satisfaction as part of the Raiffeisen group-wide activity. The Tatra banka's employees perceived the bank as an innovative leader that is customer-oriented and has a high quality of performance management. On the other hand, the possibilities of employing knowledge acquired by education and employees' career opportunities represent challenges for improvement in the near future. Bank managers play a key role in many areas of focus. As part of the managers' development, new activities were introduced during the year such as discussion forums on various topics in the area of management of people to which managers and leaders from other companies were also invited.

Last year was also marked by a number of adjustments, modifications and new settings of the human resources systems and processes due to regulations related to European legislation and CRD IV.

In 2014 the bank continued to implement bank rotations as part of the internal work with talented employees. A total of 45 talented employees were given new career opportunities as part of these rotations during the year. Another activity supporting the development of talent within the bank is certification of the Change Management Facilitators. The number of certified Change Facilitators increased to more than 30 in 2014. During 2014, 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 remained unchanged. Of Tatra banka's total employees, 70 per cent are women and 30 per cent are men. The bank has a young staff with an average age of approximately 33 and over 60 per cent are university graduates. Women comprise 52 per cent of Tatra banka's managers.

Support of arts, education and design

Tatra banka is a longstanding and systematic supporter of the arts, design and education, not only through the grant programs of its foundation but also through partnerships established in these fields. Tatra banka also started to communicate more intensively in 2014 about the subject of startups and innovations, by acting as a partner of various conferences and events in these fields.

One 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 eighth time.

In the area of visual arts, Tatra banka established a new strategic partnership and became the general partner of the newly-established Slovak Center for Visual Arts - Kunsthalle Bratislava. Also thanks to the bank's support, visitors could view the exhibitions and participate in creative and other workshops free of charge.

In 2014, Tatra banka was again the general partner of a leading exhibition at the Bratislava City Gallery entitled Alfons Mucha: Path to Fame, which attracted a record number of visitors. At the SOGA Auction Company, the bank supported the exhibition of a prominent young Slovak fine artist, Marko Blažo.

For the second year, the strategic goal of Tatra banka was to increase support in the field of design, which is perceived as an inseparable part of the foundation's comprehensive support of the arts with a significant innovation potential.

This goal was realized mainly through partnerships of the Tatra banka Foundation, the foundation's grant program that supports young designers and the foundation's participation in events in this field. Another activity of strategic importance was the bank's partnership with the Days of Architecture and Design project as the main partner of the Open Design Studio.

Tatra banka also regularly contributes to the development of education by supporting regular established conferences for top specialists and industries. In 2014, the bank continued its exclusive partnership with TREND conferences and participated in selected conferences organized by the Hospodárske noviny daily newspaper as its main partner.

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

The bank confirmed its leadership in innovations and support of startups by acting as a partner of the Startup Awards, the largest startup competition in Slovakia, in the Android Code, a national competition for the best Android applications from Slovakia and the MobileRulezz conference.

Investments in art and education are part of a long-term process that must be stable and continuous. The results of the work are only gradually becoming visible but have indisputable importance in the development of society – bringing real values, opening up opportunities and helping to refine our society. Tatra banka values every partnership in this area also 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)

Tatra banka Foundation is a prominent philanthropic institution that supports education in secondary schools and universities, original Slovak art, and design.

The foundation seeks to assist all those who want to grow, learn, create and have an ambition to achieve something in life – simply for all those wishing to be the best in their field.

Through its grants, programs and cooperation, the foundation brings new, inspirational meetings with global experts, supports active groups of teachers and students at universities and secondary schools, young talented artists and designers while also opening up attractive opportunities for NGOs.

By means of the prestigious Tatra banka Foundation Art Awards the foundation has supported high-quality Slovak art – from both established and new artists – for almost twenty years.

As part of its Personalities in Person program, the foundation arranges meetings with Nobel and Pulitzer Prize winners as well as global economic experts by inviting them to Slovakia.

Moreover, the foundation supports employees of Tatra banka in their philanthropic activities. Through employee grants, they get the opportunity to support projects close to their hearts as well as non-governmental organizations devoted to community activities in various regions.

In 2014 the Tatra banka Foundation celebrated 10 years since its founding. Over this period the foundation has supported 1,767 valuable projects, mostly in education, art, and design.

In 2014, the Tatra banka Foundation again focused primarily on education, art, and design. A total of 342 projects were supported with nearly € 620,000.

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 and try to extend it, to enrich the specific subject or to link the educational process to the needs of practical experience and similar efforts. The foundation offers 8 open grant programs and three employee grant programs.

Partnerships in Regions

The support of theatrical works is one of the main artistic areas that the foundation focuses on. Since excellent performances are created throughout Slovakia, the foundation has a long record of providing assistance to 11 selected regional theaters.

Through the employee grant program More for Regions (**Viac pre regióny**TB) the foundation supported 8 projects of non-governmental organizations. The support was directed to each region based on voting by Tatra banka Group employees. Once again, the aim was not only financial support but also the offer of voluntary activities by our employees to selected organizations.

Charity Projects

The Good Heart (Dobré srdceTB**) employee program** supports the activities of Tatra banka employees that lead to a higher quality of life in their families, in various human societies and communities in which they live, and a better quality environment. In this way the foundation creates opportunities and provides support for employees who want to actively change their local environment through their voluntary work or financial donations, or by contributing 2 per cent of their income tax. We supported 138 projects in this way.

In 2014, the foundation launched the **Foundation fund to help flood victims in Southeastern Europe** (Bosnia and Herzegovina, Serbia and Croatia). Tatra banka Group employees could financially contribute to the fund. The amount of individual donations was then doubled by the foundation to almost € 4,000.

Personalities in Person

Under the foundation's open program Personalities in Person, we have so far welcomed to Slovakia six Nobel Prize winners and four Pulitzer Price winners, dozens of foreign professors and more than 80 top Slovak and Czech economists, who have given lectures to students at Slovak universities and the general public.

In 2014, our invitation was accepted by Pulitzer Prize winner Walt Bogdanich, who gave a public lecture entitled "Risks and Benefits of Investigative Journalism in the Global Economy" and by professor of economics and political science Michael C. Munger who discussed the topic of "Entrepreneurial Virtues".

Tatra banka Foundation Art Award

Through its foundation, Tatra banka recognized for the nineteenth time those whose work in the previous year contributed to the development of Slovak art in film, literature, music, theatre and fine arts. There has also been a special Young Artist award in each category since 2008, granted to a young artist active in one of the arts. Since establishment of the awards, the Tatra banka Foundation has awarded 79 established artists and 35 young artists and has also given the opportunity to five fashion designers to design the dress for the muse – the presenter at the ceremony.

The aim of the Tatra banka Foundation is to appreciate in this way those who are involved with Slovak culture and to give them our support to create more top-class works of art.

Programs	Total amount (€)	Number of projects
Education:	**235 910**	**73 projects**
Personalities in Person	63 476	4 projects
GRANT: Students to the World	42 450	16 projects
GRANT: Knowing More	29 857	11 projects
GRANT: Business Idea	20 000	4 projects
GRANT: Quality of Education	40 800	14 projects
GRANT: E-Talent	25 000	9 projects
GRANT: High School Students to the World	12 277	13 projects
Best Diploma Thesis Award	2 050	2 projects
Art and Design:	**255 558**	**91 projects**
GRANT: More Art	47 220	33 projects
GRANT: More Design	30 000	28 projects
Tatra banka Foundation Art Award	64 850	13 projects
Regional Theater Support	73 488	11 projects
Other grants	40 000	6 projects
Employee grant programs (3)	**126 000**	**178 projects**
Total amount	**617 468**	**342 projects**

Video about the activities of the Tatra banka Foundation:
http://www.nadaciatatrabanky.sk/index.php/o-nadacii/poslanie-nadacie-tatra-banky/

For detailed information about grant programs and activities of the Tatra banka Foundation, please visit:
www.nadaciatatrabanky.sk

Consolidated Statement

Auditor's Report

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Id. Nr.: 31 343 414
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 2014, 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 2014, 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, 6 March 2015

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 2014

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

(in thousands of EUR)	Note	2014	2013
Interest and similar income		344 946	346 770
Interest and similar expenses		(39 734)	(50 881)
Net interest income	**(1)**	**305 212**	**295 889**
Provisions for impairment losses	(2)	(53 169)	(33 991)
Net interest after provisioning		**252 043**	**261 898**
Fees and commissions income		157 425	141 231
Fees and commissions expense		(33 170)	(26 407)
Net fees and commission income	**(3)**	**124 255**	**114 824**
Net profit (loss) from trading instruments	(4)	20 758	17 735
Net profit (loss) from financial instruments at fair value through profit or loss	(5)	618	(400)
Net profit from available-for-sale financial instruments	(6)	4	-
Net profit (loss) from investments in associated undertakings	(7)	1 986	28
General administrative expenses	(8)	(226 740)	(245 482)
Special levy of selected financial institutions	(9)	(24 901)	(31 833)
Other operating profit (loss)	(10)	3 786	11 251
Profit before income taxes		**151 809**	**128 021**
Income taxes	(11)	(37 169)	(30 851)
Consolidated profit after tax		**114 640**	**97 170**
Other components of comprehensive income, after income tax		**503**	**-**
Comprehensive consolidated profit after tax		**115 143**	**97 170**
Basic earnings per ordinary share (face value EUR 800) in EUR	**(12)**	**1 443**	**1 225**
Basic earnings per ordinary share (face value EUR 4 000) in EUR	**(12)**	**7 215**	**6 125**
Basic earnings per ordinary share (face value EUR 4) in EUR	**(12)**	**7.2**	**6.1**

Consolidated Statement of Financial Position for the year ended 31 December 2014

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

(in thousands of EUR)	Note	2014	2013
Assets			
Cash and deposits in central banks	(13)	337 992	688 595
Loans and advances to banks	(14)	239 553	151 684
Loans and advances to customers, gross	(15)	7 201 546	6 577 648
Impairment losses for loans and advances	(16)	(212 878)	(194 858)
Derivative financial assets	(17)	74 440	71 342
Held-for-trading financial assets	(18)	54 410	163 650
Financial assets at fair value through profit or loss	(19)	52 231	160 975
Held-to-maturity financial investments	(20)	1 663 835	1 591 573
Available-for-sale financial assets	(21)	25 913	623
Investments in associated undertakings	(22)	22 154	20 168
Non-current intangible assets	(22)	46 470	46 678
Non-current tangible assets	(22)	69 118	75 194
Investment property	(23)	47 591	47 427
Current income tax asset	(10, 24)	418	5 313
Deferred income tax asset	(25)	26 352	24 969
Other assets	(26)	32 079	37 579
Total assets		**9 681 224**	**9 468 560**
Equity and liabilities			
Deposits from banks	(27)	189 868	356 593
Deposits from customers	(28)	7 337 794	7 007 983
Derivative financial liabilities	(29)	82 148	84 862
Liabilities from debt securities	(30)	739 811	821 908
Provisions for liabilities and charges	(31)	41 966	38 882
Current tax liability	(32)	6 889	-
Deferred tax liability	(32)	1 412	-
Other liabilities	(33)	47 872	44 890
Subordinated debt	(34)	236 240	100 499
Total liabilities		**8 684 000**	**8 455 617**
Equity (excluding current year profit)	(35)	882 584	915 773
Comprehensive consolidated profit after tax		114 640	97 170
Total equity		**997 224**	**1 012 943**
Total equity and liabilities		**9 681 224**	**9 468 560**

Consolidated Statement of Changes in Equity for the year ended 31 December 2014

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

(in thousands of EUR)	Share capital	Share capital – own shares	Share premium	Share premium – own shares	Reserve fund and other funds	Available for sale financial assets revaluation reserve	Retained earnings	Consolidated profit after tax	Total
Equity as at 1 January 2014	**64 326**	**(760)**	**296 357**	**(9 033)**	**15 068**	**-**	**549 814**	**97 170**	**1 012 943**
Transfer to retained earnings	-	-	-	-	(44)	-	97 214	(97 170)	-
Dividends paid	-	-	-	-	-	-	(133 244)	-	(133 244)
Sale of preference shares	-	533	-	6 383	-	-	-	-	6 915
Amortisation of discount on preference shares	-	-	893	-	-	-	-	-	893
Profit from the sale of ordinary and preference shares	-	-	189	-	-	-	-	-	189
Repurchase of preference shares	-	(425)	-	(5 190)	-	-	-	-	(5 615)
Comprehensive consolidated profit after tax	-	-	-	-	-	503	-	114 640	115 143
Equity as at 31 December 2014	**64 326**	**(652)**	**297 439**	**(7 840)**	**15 024**	**503**	**513 784**	**114 640**	**997 224**

(in thousands of EUR)	Share capital	Share capital – own shares	Share premium	Share premium – own shares	Reserve fund and other funds	Retained earnings	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
Profit 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**	**549 814**	**97 170**	**1 012 943**

Consolidated Cash Flow Statement
for the year ended 31 December 2014

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

(in thousands of EUR)	2014	2013
Cash flows from operating activities		
Profit before tax	151 809	128 021
Adjustments (Note 37):	(229 497)	(206 039)
Cash flow used in operating activities before changes in working capital, interest received and paid and income taxes paid (Note 37)	**(77 688)**	**(78 018)**
(Increase)/decrease in operating assets:		
Obligatory reserve with National Bank of Slovakia	356 110	(513 965)
Loans and advances to banks	(54 267)	(45 213)
Loans and advances to customers	(657 651)	(231 609)
Derivative financial assets and liabilities	(4 339)	(3 709)
Held-for-trading financial assets	111 561	194 805
Financial assets at fair value through profit and loss	110 252	(25 768)
Available-for-sale financial assets	(24 500)	-
Other assets	5 156	(6 519)
Increase/(decrease) in operating liabilities:		
Deposits from banks	(166 505)	238 516
Deposits from customers	336 173	154 614
Liabilities from debt securities	(83 604)	31 999
Other liabilities	4 877	11 440
Cash (used in) earned from operations before interest paid and received and income taxes paid	**(144 425)**	**(273 427)**
Interest paid	(45 504)	(63 930)
Interest received	297 634	303 618
Income taxes paid	(27 393)	(35 875)
Net cash flows from operating activities	**80 312**	**(69 614)**

Continued on next page

Continued from previous page

Cash flows from investing activities		
Net (increase) in held-to-maturity financial investments	(559 113)	(490 173)
Net decrease in held-to-maturity financial investments	467 598	672 276
Interest received from held-to-maturity financial investments	64 010	59 097
Proceeds from the sale or disposal of non-current tangible and intangible assets	39	227
Proceeds from the sale or disposal of investment property	1 857	2 802
Purchase of non-current tangible and intangible assets	(16 109)	(21 467)
Acquisition of goodwill	-	(31 768)
Acquisition of investment property	(3 634)	(40 199)
Establishment of or an increase of investment in an associated undertaking	-	(478)
Dividends received	55	29
Net cash flows from investing activities	**(45 297)**	**150 346**
Cash flows from financing activities		
(Redemption) or sale of preference shares	1 490	2 754
Subordinated debt	135 000	55 000
Dividends paid	(133 244)	(151 269)
Net cash flows used in financing activities	**3 246**	**(93 515)**
Effects of exchange rate changes on cash and cash equivalents and other effects	841	(1 771)
Change in cash and cash equivalents	**39 102**	**(14 554)**
Cash and cash equivalents, beginning of the year (Note 37)	158 707	173 261
Cash and cash equivalents, end of the year (Note 37)	**197 809**	**158 707**

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 17 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 2014	31 December 2013
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 2014	31 December 2013
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 thousands of EUR)	31 December 2014	31 December 2013
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 142 branches, corporate centres and corporate centre sub-agencies, Centrum bývania[TB] and Centrum investovania[TB], and 32 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 2014:

Supervisory Board	
Chairman:	Karl SEVELDA (since 1 August 2014)
Vice-Chairman:	Peter LENNKH (since 1 August 2014)
Members:	Herbert STEPIC (since 1 August 2014)
	Peter BALÁŽ
	Ján NEUBAUER
	Pavol FEITSCHER
	Aris BOGDANERIS
	Johann STROBL (since 1 July 2014)
	Klemens BREUER (since 20 July 2014)
	Martin GRULL (since 20 July 2014)

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 2014:

Two members of the Supervisory Board elected by the General Meeting resigned from their office of Member of the Supervisory Board with effect from 30 June 2014. The General Meeting held on 18 June 2014 elected two new members of the Supervisory Board for the next five years. The General Meeting also approved an amendment to the Articles of Association relating to the number of members of the Supervisory Board; under the amendment, the number of members of the Supervisory Board will increase by three, two of which will be elected by the General Meeting. Therefore, the General Meeting held on 18 June 2014 elected another two members of the Supervisory Board whose office will start as of 20 July 2014.

Renate Kattinger – termination of the office of Member of the Supervisory Board on 30 June 2014
Hannes Mosenbacher - termination of the office of Member of the Supervisory Board on 30 June 2014
Johann Strobl – start of the office as Member of the Supervisory Board on 1 July 2014
Peter Lennkh - start of the office as Member of the Supervisory Board on 1 July 2014
Klemens Breuer - start of the office as Member of the Supervisory Board on 20 July 2014
Martin Grull - start of the office as Member of the Supervisory Board on 20 July 2014

With effect from 1 August 2014, Karl Sevelda became a new Chairman of the Supervisory Board and Peter Lennkh a new Vice-Chairman. Herbert Stepic became a new Member of the Supervisory Board with effect from 1 August 2014.

Changes in the Parent Company's (Group's) Board of Directors in 2014:
There were no changes in the composition of the Parent Company's (Group's) Board of Directors in 2014.

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.

Definition of the consolidated group:

As at 31 December 2014, the Group comprised the Parent Company and the following companies (the “consolidated entities”):

Company	Direct share in %	Share of the Group in %	Indirect share through consolidated entities	Company ID No.	Principal activities	Consolidation method	Seat
ELIOT, a. s.	100 %	100 %	n/a	35730561	Business activities	Full consolidation method	Bratislava
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	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 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. – v likvidácii	-	49 %	Tatra Asset Management, správ. spol., a.s.	n/a	Pension insurance	Equity method	Prague, Czech Republic

Changes in the Group during 2014

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.

The General Meeting of Raiffeisen penzijní společnost a.s. held on 12 August 2014 approved a decision on dissolution of the company and its entering into liquidation as at the effective date of 1 September 2014. The company’s business licence was revoked by the Czech National Bank under decision No. 2014/029222/CNB/570 dated 18 August 2014 that entered into force on 18 August 2014. The company’s General Meeting held on 28 January 2015 approved the proposed distribution of a liquidation balance.

Distribution of the Parent Company's profit for 2013

Contribution to retained earnings from previous years	100 561
Total	**100 561**

Payment of dividends from the Parent Company's retained earnings for 2006-2010

Dividends – ordinary shares	119 433
Dividends – preference shares	15 652
Total	**135 085**

A dividend per ordinary share with a face value of EUR 800 was paid in the total amount of EUR 1 680 comprising of a share of the 2006 profit amounting to EUR 110, a share of the 2007 retained earnings amounting to EUR 432, a share of the 2008 retained earnings amounting to EUR 634, a share of the 2009 retained earnings amounting to EUR 302, and a share of the 2010 retained earnings amounting to EUR 202.

A dividend per ordinary share with a face value of EUR 4 000 was paid in the total amount of EUR 8 400 comprising of a share of the 2006 profit amounting to EUR 550, a share of the 2007 retained earnings amounting to EUR 2 160, a share of the 2008 retained earnings amounting to EUR 3 170, a share of the 2009 retained earnings amounting to EUR 1 510, and a share of the 2010 retained earnings amounting to EUR 1 010.

A dividend per preference share with a face value of EUR 4 was paid in the total amount of EUR 8.40 comprising of a share of the 2006 profit amounting to EUR 0.55, a share of the 2007 retained earnings amounting to EUR 2.16, a share of the 2008 retained earnings amounting to EUR 3.17, a share of the 2009 retained earnings amounting to EUR 1.51, and a share of the 2010 retained earnings amounting to EUR 1.01.

The annual separate and consolidated financial statements for 2013, the Annual Report for 2013, the profit distribution, retained earnings and the determination of royalties to the Supervisory Board members for 2012 were approved by the Parent Company's General Meeting held on 18 June 2014. Dividends to which no title arose as at the date of the General Meeting in the amount of EUR 1 841 thousand were recognised in the retained earnings from previous years as at 30 June 2014.

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 2014, 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 2014 and comparatives for 2013 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 2014. 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 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 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:

- **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, adopted by the EU on 18 December 2014 (effective for annual periods beginning on or after 1 January 2015); and
- **IFRIC 21 "Levies"** adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Group 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 2014:

- **IFRS 9 "Financial Instruments" and subsequent amendments** (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016);
- **IFRS 15 "Revenue from Contracts with Customers"** (effective for annual periods beginning on or after 1 January 2017);
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"**– Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** – Agriculture: Bearer Plants (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 IAS 27 "Separate Financial Statements"** – Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to various standards "Improvements to IFRSs (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); and
- **Amendments to various standards "Improvements to IFRSs (cycle 2012 – 2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

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 2014, dated 6 March 2015, 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. 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 2014.

  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.

- Provisions for investments in subsidiaries and associated undertakings represent the best estimate of a loss taking into account objective factors affecting the future cash flows in subsidiaries and associated undertakings. Provisions for litigation take into account a significant degree of judgment in the expected future development of the respective litigation based on the facts available at the time of their creation. However, the actual outcome of the respective litigation may ultimately differ significantly from the expected state as a result of the development of the litigation itself.

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
3. Held-to-maturity financial investments
4. Available-for-sale financial assets
5. Hedging derivatives
6. 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 item*"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 debt securities and the Group's investments in other entities, with a share of less than 20% of share capital and voting rights.

Debt securities in the portfolio of available-for-sale financial assets are measured at cost less transaction costs; subsequently, they are remeasured to fair value. Unrealised profits and losses resulting from changes in the fair value of available-for-sale financial assets are recognised as *"Available-for-sale assets revaluation reserve"* in the Group's equity until the disposal or impairment of the respective available-for-sale financial asset. In the case of the disposal or impairment of available-for-sale financial assets, accumulated profits and losses from the respective available-for-sale financial asset recognised as *"Available-for-sale financial assets revaluation reserve"* are reclassified to the statement of comprehensive income as *"Net profit (loss) from available-for-sale financial instruments"*.

Equity investments in the portfolio of available-for-sale financial assets are measured at cost less provisions for impairment losses that are recognised in the statement of comprehensive income as *"Net profit (loss) from available-for-sale financial instruments"*, since their market value on the active market cannot be determined reliably. The aforementioned 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 2014, 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 *"Net profit (loss) 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 the amount of financial instruments recognised at fair value divided according to their fair value measurement levels is disclosed as *"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 disclosed as *"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 *"Development of non-current tangible and intangible assets"*. The creation and release of provisions due to the impairment of investment property is recognised as *"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 *"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 2014, the Parent Company had 3 421 employees (full-time equivalent) who were included in the program (31 December 2013: 3 429 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	2.43%
Annual future real rate of salary increases	2.5%
Annual employee turnover	7% – 13%
Retirement age	Based on valid law

The Group also has a defined contribution plan for employees. All company contributions are included in personnel expenses as *"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 2014 nor 31 December 2013.

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.

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 **Business**Úver[TB] Expres, **Business**Úver[TB] Hypo and **Business**Úver[TB] Variant, company credit cards (VISA Standard/Gold/) and other products.

Retail customers – households were mainly provided with mortgage loans, equity home loans, Hypotéka[TB], **Bezúčelový** úver[TB] Classic, **Bezúčelový** úver[TB] 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 *"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 2014:

(in thousands of EUR)	Corporate customers	Financial institutions and public sector	Retail customers	Investment and treasury banking	Equity investments and other	Total
Net interest income	87 152	1 266	194 530	3 178	19 086	305 212
Provisions and provisions for losses	(35 011)	65	(18 240)	17	-	(53 169)
Net interest income after provisioning	**52 141**	**1 331**	**176 290**	**3 195**	**19 086**	**252 043**
Net fees and commissions income	30 248	3 003	90 011	(533)	1 526	124 255
Net profit (loss) from financial trading instruments	5 567	173	9 772	5 769	(523)	20 758
Net profit (loss) from financial instruments at fair value through profit or loss	-	-	-	618	-	618
Net profit (loss) from available-for-sale financial instruments	-	-	-	4	-	4
Net profit (loss) from investments in subsidiaries and associated undertakings	-	-	-	-	1 986	1 986
General administrative expenses	(44 458)	(3 417)	(162 098)	(9 517)	(7 250)	(226 740)
Special levy of selected financial institutions	(6 428)	(2 734)	(12 979)	(2 127)	(633)	(24 901)
Other operating profit (loss)	-	-	-	-	3 786	3 786
Profit before income taxes	**37 070**	**(1 644)**	**100 996**	**(2 591)**	**17 978**	**151 809**
Total assets	**3 294 998**	**239 640**	**3 535 535**	**2 352 484**	**258 567***	**9 681 224**

* In 2014, the Group made the recognition of a specific provision for loans more accurate and divided it into relevant segments.

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**

IV. OTHER NOTES

1. Net interest income

(in thousands of EUR)	2014	2013
Interest and similar income:	**344 946**	**346 770**
From loans and advances to banks	821	769
Of which: from loans and advances to central banks	*281*	*380*
From loans and advances to customers	298 180	293 952
From finance lease receivables	256	326
From held-to-maturity securities	44 757	50 360
From securities at fair value through profit or loss	642	1 334
From available-for-sale securities	235	-
From received dividends from available-for-sale financial assets	55	29
Interest and similar expenses:	**(39 734)**	**(50 881)**
On deposits from banks	(2 686)	(2 054)
Of which, from central banks	(26)	-
On deposits from customers	(15 619)	(28 175)
On subordinated debts	(5 355)	(3 204)
On liabilities from debt securities issued by the Group	(15 767)	(17 448)
Other interest expenses	(307)	-
Net interest income	**305 212**	**295 889**

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 thousands of EUR)	2014	2013
Specific provisions for loan receivables:	**(57 393)**	**(39 551)**
Additions to provisions	(75 938)	(59 401)
Released provisions	20 528	27 304
Written-off loans	(2 124)	(7 570)
Recovery from written-off loans	141	116
Portfolio provisions for loan receivables:	**4 123**	**6 135**
Additions to provisions	(884)	(3 283)
Released provisions	5 007	9 418
Specific provisions for off-balance sheet items:	**(1 002)**	**130**
Additions to provisions	(5 812)	(4 481)
Released provisions	4 810	4 611
Portfolio provisions for off-balance sheet items:	**1 103**	**(705)**
Additions to provisions	(1)	(705)
Released provisions	1 104	-
Total	**(53 169)**	**(33 991)**

More information on provisions for loan losses is stated in Note 16 *“Impairment losses for loans and advances”*; information on provisions for off-balance sheet items is stated in Note 31 *“Provisions for liabilities and charges“*.

3. Net fees and commission income

(in thousands of EUR)	2014	2013
Fees and commission income:	**157 425**	**141 231**
From payment transfers business	96 760	84 119
From credit processing and guarantee business	15 584	16 058
From securities business	10 591	9 225
From activities regarding management of investment and pension funds	29 916	26 554
From activities regarding mediation for third parties	4 057	3 439
For other banking services	517	1 836
Fees and commission expense:	**(33 170)**	**(26 407)**
From payment transfers business	(27 402)	(22 830)
From credit processing and guarantee business	(808)	(663)
From securities business	(1 868)	(1 288)
From activities regarding management of investment and pension funds	(869)	(725)
From activities regarding mediation for third parties	(1 333)	(501)
For other banking services	(890)	(400)
Net fees and commission income	**124 255**	**114 824**

4. Net profit (loss) from trading instruments

(in thousands of EUR)	2014	2013
Interest-rate contracts – Securities:	**2 709**	**2 503**
Interest income, net	557	1 933
Revaluation to fair value	502	(859)
Profit (loss) from securities sold	1 775	1 994
Refinancing costs	(125)	(565)
Interest-rate contracts – Liabilities from hedged debt securities:	**(1 436)**	**(66)**
Revaluation to fair value	(1 436)	(66)
Interest-rate contracts – Derivatives:	**940**	**(320)**
Interest income (expense)	(4 137)	(3 902)
Realised profit (loss) from derivatives	(31)	(35)
Revaluation to fair value	3 720	3 863
Revaluation to fair value – derivatives to hedge fair value	1 388	(246)
Currency contracts:	**2 193**	**10 059**
Interest income (expense)	1 462	-
Realised profit (loss) from derivatives	4 387	11 828
Revaluation to fair value of derivatives	(3 623)	(1 769)
Exchange differences from securities held for trading	(33)	-
Index-related contracts:	**-**	**73**
Interest income (expense)	(2 301)	-
Realised profit (loss) from derivatives	2 320	(323)
Revaluation to fair value – derivatives	(19)	396
Commodity contracts:	**15**	**16**
Realised profit (loss) from derivatives	9	13
Revaluation to fair value – derivatives	6	3
Foreign exchange gains (losses)	**16 337**	**5 470**
Total	**20 758**	**17 735**

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

(in thousands of EUR)	2014	2013
Interest-rate contracts – Securities:		
Revaluation to fair value	618	(553)
Profit (loss) from securities sold	-	153
Total	**618**	**(400)**

6. Net profit (loss) from available-for-sale financial instruments

(in thousands of EUR)	2014	2013
Interest-rate contracts – securities:		
Profit (loss) from the sale of securities	4	-
Total	**4**	**-**

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

(in thousands of EUR)	2014	2013
Share of profits of associated undertakings after taxes	2 050	521
Foreign exchange differences from associated undertakings denominated in a foreign currency	(64)	(493)
Total	**1 986**	**28**

8. 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 thousands of EUR)	2014	2013
Staff expenses:	**(107 344)**	**(110 326)**
Wages and salaries	(78 741)	(82 510)
Social security costs	(24 956)	(24 731)
Other social expenses	(3 028)	(2 633)
(Creation) release of provisions for anniversaries and other loyalty benefits	(619)	(452)
Other general expenses:	**(95 047)**	**(82 688)**
Costs on premises	(20 453)	(16 880)
Costs on information technology	(22 743)	(19 115)
Communication costs	(5 191)	(4 922)
Legal and consultancy costs	(9 203)	(4 956)
Of which: Costs of audit firm's services in respect of an audit of the financial statements	*(291)*	*(308)*
Of which: Costs of audit firm's services in respect of other assurance services	*(16)*	*(64)*
Advertising and entertainment expenses	(17 187)	(13 113)
Deposits guarantee fund	(4 825)	-
Consumption of stationeries	(1 669)	(1 303)
Transport and processing of cash	(918)	(558)
Travelling expenses	(1 632)	(1 377)
Education of employees	(1 023)	(790)
VAT*	(374)	(11 952)
Sundry administrative expenses	(9 829)	(7 722)
Depreciation and amortisation of non-current tangible and intangible assets:	**(24 349)**	**(52 468)**
Non-current tangible assets	(12 395)	(14 175)
Investment property	(1 946)	(547)
Non-current intangible assets	(10 008)	(37 746)
Total	**(226 740)**	**(245 482)**

* As of 1 January 2014, the Group changed the VAT recognition. VAT is recognised by the Parent Company in the expenses to which such VAT is attributable.

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.

9. Special levy of selected financial institutions

(in thousands of EUR)	2014	2013
Special levy of selected financial institutions:		
Special levy of selected financial institutions	(24 901)	(31 833)
Total	**(24 901)**	**(31 833)**

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.

As the condition under Article 8 (1) of the Act for the application of a special levy of selected financial institutions was met on 25 July 2014, the Parent Company was not obliged to pay a quarterly instalment of the special levy for the last calendar quarter of 2014. Pursuant to the aforementioned condition, the annual special levy rate has also been changed from 0.4% to 0.2% for 2015.

10. 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 thousands of EUR)	2014	2013
Revenues from non-banking activities	**8 418**	**6 652**
Revenues from release of litigation provisions	*63*	*141*
Revenues from disposals of tangible and intangible assets	*1 896*	*3 028*
Release of provisions for investment property	*244*	-
Other revenues from non-banking activities	*6 215*	*3 483*
Expenses arising from non-banking activities	**(5 265)**	**(4 576)**
Other taxes and charges	*(543)*	*(341)*
Creation of litigation provisions	*(2 964)*	*(1 145)*
Creation of provisions for investment property	-	*(199)*
Disposals of tangible and intangible assets and investment property	*(1 758)*	*(2 891)*
Other operating income	**3 229**	**11 502**
Other operating expenses	**(2 596)**	**(2 327)**
Total	**3 786**	**11 251**

11. Income taxes

(in thousands of EUR)	2014	2013
Current tax expense	(38 765)	(33 774)
Deferred tax (expense)/benefit	1 596	2 923
Total	**(37 169)**	**(30 851)**

Slovak legal entities must individually report taxable income and remit corporate income taxes thereon to the appropriate authorities. In 2014, the corporate income tax rate amounted to 22% (2013: 23%).

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 thousands of EUR)	2014	2013
Income before tax	**151 809**	**128 022**
Theoretical tax calculated at the tax rate of 22% (2013: 23%)	33 398	29 445
Tax effects of:		
Non-taxable income	(5 678)	(5 554)
Non-deductible expenses	7 146	5 117
Provisions for assets and provisions for liabilities, net	195	4 613
Additional taxation from previous periods	(28)	(17)
Effect of an decrease in the corporate income tax rate from 23% to 22% on deferred tax	-	1 197
Effect of an decrease in the corporate income tax rate from 23% to 22% on the uncertain utilisation of deferred tax assets	-	1 061
Creation/(release) of provisions for uncertain utilisation of deferred tax assets	2 659	(4 564)
Tax losses carried forward	(9)	(1 512)
Effect of non-tax losses	800	1 450
Effect of consolidation	(1 314)	(385)
Income tax expense	**37 169**	**30 851**
Effective tax for the reporting period	**24.48%**	**24.10%**

Deferred tax assets and liabilities as at 31 December 2014 and as at 31 December 2013 relate to the following items:

(in thousands of EUR)	Book value	Tax value	Temporary difference (gross)	2014	2013
Deferred tax assets					
Loans and advances to customers (net of impairment provisions)	6 988 668	7 201 546	210 986	46 417	42 593
Other assets	32 079	33 656	88	19	127
Provisions for liabilities and charges	41 966	-	8 403	1 849	1 554
Other liabilities	47 872	27 242	20 630	4 539	4 161
Total				**52 824**	**48 435**
Deferred tax liabilities					
Available-for-sale financial assets	25 913	25 269	644	(142)	-
Non-current tangible assets and investment property	116 709	108 793	7 916	(1 742)	(1 606)
Total				**(1 884)**	**(1 606)**
Net deferred tax asset/(liability)				**50 940**	**46 829**
Allowance for uncertain realisation of deferred tax asset				(26 000)	(23 341)
Net deferred tax asset/(liability)				**24 940**	**23 488**

As at 31 December 2014, the Group did not recognise deferred tax assets of EUR 26 000 thousand (2013: EUR 23 341 thousand), which mainly related to tax-deductible temporary differences resulting from provisions, due to their uncertain timing and realisation in future reporting periods.

12. Earnings per share

2014 (in thousands of EUR)	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	87 469	15 115	12 056
Weighted average number of shares outstanding during the period	60 616	2 095	1 671 035
Earnings per share	**1 443**	**7 215**	**7.2**

2013 (in thousands of EUR)	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	**1 225**	**6 125**	**6.1**

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

13. Cash and deposits in central banks

(in thousands of EUR)	2014	2013
Cash in hand	91 637	86 130
Balances at central banks:	246 355	602 465
Obligatory minimum reserves	*246 355*	*602 465*
Total	**337 992**	**688 595**

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 37 *"Information for Cash Flow Statement"*).

14. Loans and advances to banks

(in thousands of EUR)	2014	2013
Giro and interbank clearing business	106 172	72 577
Money-market business	118 020	73 384
Other loans to banks	15 361	5 723
Total	**239 553**	**151 684**

Loans and advances to banks broken down along geographical lines:

(in thousands of EUR)	2014	2013
Slovak Republic	1 277	1 179
Other countries*	238 276	150 505
Total	**239 553**	**151 684**

* For further information on the Group's exposure to other states, see Note 40 "Foreign assets and liabilities".

An overview of the quality of loans extended to banks is stated in Note 50 *"Risk report"*.

15. Loans and advances to customers, gross

Analysis of loans and advances to customers:

(in thousands of EUR)	2014	2013
Overdraft loans and current account overdrafts	784 297	869 180
Receivables from credit cards	89 232	92 430
Factoring and loans backed by bills of exchange	85 105	82 510
Housing loans	1 387 401	1 305 137
Mortgage loans	845 002	723 399
American mortgages	399 322	427 257
Consumer loans	364 857	319 487
Finance lease receivables	9 854	11 264
Investment, operating and other loans	3 236 476	2 746 984
Total	**7 201 546**	**6 577 648**

As of 31 December 2014, the total amount of syndicated loans sponsored by the Parent Company represented EUR 601 929 thousand (31 December 2013: EUR 690 572 thousand). The Parent Company's contribution represented EUR 245 565 thousand (31 December 2013: EUR 283 584 thousand). Syndicated loans are included in *"Investment, operating and other loans"*.

Analysis of loans by customer group:

(in thousands of EUR)	2014	2013
Public sector	9 884	19 109
Corporate clients	3 756 928	3 361 076
Retail clients	3 434 734	3 197 463
Total	**7 201 546**	**6 577 648**

Analysis of loans by contractual maturity period:

(in thousands of EUR)	2014	2013
Short-term loans (up to 1 year)	1 535 273	1 482 553
Medium-term loans (1 year to 5 years)	1 142 692	974 003
Long-term loans (over 5 years)	4 523 581	4 121 092
Total	**7 201 546**	**6 577 648**

Analysis of loans and advances to customers by geographical segment:

(in thousands of EUR)	2014	2013
Slovak Republic	6 941 774	6 387 528
Other countries	259 772	190 120
Total	**7 201 546**	**6 577 648**

An overview of the quality of loans extended to customers is stated in Note 50 *"Risk report"*.

16. Impairment losses for loans and advances

The movement in provisions for loan losses during 2014 is as follows:

(in thousands of EUR)	As at 1 January 2014	Allocated	Released	Used	Transfers, exchange differences	As at 31 December 2014
Specific provision - for loans assessed on an individual and collective basis	**170 155**	**75 938**	**(20 528)**	**(33 227)**	**(40)**	**192 298**
Public sector	-	-	-	-	-	-
Corporate clients	103 100	49 438	(10 134)	(15 458)	(1 386)	125 560
Retail clients	67 055	26 500	(10 394)	(17 769)	1 346	66 738
Portfolio provision	**24 703**	**884**	**(5 007)**	**-**	**-**	**20 580**
Banks	-	4	-	-	-	4
Corporate clients	16 012	119	(5 007)	-	-	11 124
Retail clients	8 691	761	-	-	-	9 452
Total	**194 858**	**76 822**	**(25 535)**	**(33 227)**	**(40)**	**212 878**

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

(in thousands of EUR)	As at 1 January 2013	Allocated	Released	Used	Transfers, exchange differences	As at 31 December 2013
Specific provision - for loans assessed on an individual and collective basis	**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**

17. Derivative financial assets

(in thousands of EUR)	2014	2013
Positive fair value of financial derivatives for trading	**72 497**	**70 800**
Interest–rate contracts	53 445	50 801
Currency contracts	14 160	13 276
Index-related contracts	1 562	3 839
Commodity contracts	3 330	2 884
Positive fair value of financial derivatives for fair value hedging	**1 943**	**542**
Interest-rate contracts	1 943	542
Total	**74 440**	**71 342**

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 2014 the Parent Company recognised a net profit in the amount of EUR 1 388 thousand. With respect to the hedging instruments, as at 31 December 2013 the Parent Company recognised a net loss in the amount of EUR 246 thousand. A net loss from hedged items that related to hedged risk represented EUR 1 436 thousand. As at 31 December 2013, the Parent Company recognised a net loss in the amount of EUR 66 thousand. Both items are recognised in Note 4 *“Net profit (loss) from trading instruments”*.

18. Held-for-trading financial assets

(in thousands of EUR)	2014	2013
Debt securities and other fixed-interest securities	**45 243**	**142 247**
Slovak government treasury bills	-	-
Slovak government bonds	39 735	142 247
Bonds issued by other sectors	5 508	-
Shares, debt and other floating-rate securities	**9 167**	**21 403**
Slovak government bonds	9 167	19 419
Unit trust certificates	-	1 984
Total	**54 410**	**163 650**

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

(in thousands of EUR)	2014	2013
Debt securities and other fixed income securities	**52 231**	**160 975**
Slovak government treasury bills	-	-
Slovak government bonds	52 231	160 975
Bonds issued by the banking sector	-	-
Total	**52 231**	**160 975**

20. Held-to-maturity financial investments

(in thousands of EUR)	2014	2013
Debt securities and other fixed income securities	**1 511 759**	**1 424 987**
Slovak government bonds	1 456 769	1 406 131
Bonds issued by the banking sector	54 990	18 856
Shares, debt and other floating-rate securities	**152 076**	**166 586**
Slovak government bonds	132 066	146 574
Bonds issued by the banking sector	20 010	20 012
Total	**1 663 835**	**1 591 573**

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 an aliquot portion of interest income).

As at 31 December 2014, the carrying amount of the aforementioned held-to-maturity securities represented EUR 35 120 thousand (31 December 2013: EUR 81 588 thousand). The fair value amounted to EUR 36 342 thousand (including an aliquot portion of interest income) (31 December 2013: EUR 84 376 thousand). A decrease in the amount of reclassified securities as at 31 December 2014 resulted from the maturity of 2 issues of government bonds in April and May 2014 in the total amount of EUR 47 515 thousand (face value of redeemed government bonds issues).

If the reclassification were not performed, the Parent Company would have recognised an additional net loss from revaluation for 2014 in the amount of EUR 239 thousand (2013: net loss of EUR 277 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 in the statement of comprehensive income. If the reclassification had not been performed, the Parent Company would have recognised an additional net loss from revaluation as at 31 December 2011 in the amount of EUR 449 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 2014.

21. Available-for-sale financial assets

(in thousands of EUR)	2014	2013
Debt securities and other securities with fixed income	**25 290**	**-**
Bonds issued by other sectors	25 290	-
Equity investments, debt securities and other securities with floating income	**623**	**623**
Equity investments	623	623
Total	**25 913**	**623**

Available-for-sale equity investments broken down per company:

Company (in thousands of EUR)	Group investment (%)	Cost	Provision	Carrying amount 31 December 2014	Carrying amount 31 December 2013
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 2014, there were no changes in provisions for available-for-sale financial assets.

22. Investments in associated undertakings

Associated undertaking (in thousands of EUR)	Ownership interest in %	Cost	Provision	Net book value	Share in net assets at 31 December 2014	Share in net assets at 31 December 2013
Tatra-Leasing, s. r. o.	48.00%	3 187	-	3 187	18 244	15 854
Slovak Banking Credit Bureau, s. r. o.	33.33%	3	-	3	3	3
Raiffeisen penzijní společnost, a.s.	49.00%	6 381	2 474	3 907	3 907	4 311
Total		**9 571**	**2 474**	**7 097**	**22 154**	**20 168**

(in thousands of EUR)	2014	2013
At 1 January	20 168	19 661
Share in profits of associated undertakings after tax (Note 7)	2 050	521
Exchange differences from associated undertakings denominated in a foreign currency (Note 7)	(64)	(493)
Acquisition of an investment in an associated undertaking	-	479
Total	**22 154**	**20 168**

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

(in thousands of EUR)	2014	2013
Total assets	288 692	294 361
Total liabilities	250 683	261 334
Net assets	38 009	33 027
The Parent Company's share in net assets	**18 244**	**15 854**
Interest income and similar income	14 313	8 126
Profit (loss) after tax	4 982	3 643
The Parent Company's share in profit (loss) after tax	**2 391**	**1 749**

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

(in thousands of EUR)	**2014**	**2013**
Total assets	7 973	9 098
Total liabilities	-	299
Net assets	7 973	8 799
The Parent Company's share in net assets	**3 907**	**4 311**
Interest income and similar income	4	24
Profit (loss) after tax	(100)	(2 506)
The Parent Company's share in profit (loss) after tax	**(49)**	**(1 495)**

23. Development of non-current tangible and intangible assets

Development of non-current tangible assets as at 31 December 2014:

(in thousands of EUR)	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 2014	**74 441**	**88 105**	**28 028**	**4 092**	**2 646**	**65 498**	**1 277**	**264 087**
Additions	-	-	-	-	6 309	-	3 634	9 943
Additions due to consolidation adjustments	-	-	-	-	-	385	(385)	-
Disposals	(812)	(4 511)	(5 978)	(173)	-	(2 820)	-	(14 294)
Transfer from tangible assets in progress	1 814	3 905	264	56	(6 039)	3 631	(3 631)	-
31 December 2014	**75 443**	**87 499**	**22 314**	**3 975**	**2 916**	**66 694**	**895**	**259 736**
Accumulated depreciation and provisions								
1 January 2014	**(27 491)**	**(69 779)**	**(23 194)**	**(1 630)**	**(24)**	**(19 044)**	**(304)**	**(141 466)**
Depreciation charge	(3 802)	(7 020)	(1 020)	(553)	-	(1 946)	-	(14 341)
Addition to accumulated depreciation due to consolidation adjustments	-	-	-	-	-	(259)	259	-
Disposals	879	4 479	5 962	140	-	1 076	-	12 536
Provision	-	-	-	-	24	220	-	244
31 December 2014	**(30 414)**	**(72 320)**	**(18 252)**	**(2 043)**	**-**	**(19 953)**	**(45)**	**(143 027)**
Net book value at 1 January 2014	**46 950**	**18 326**	**4 834**	**2 462**	**2 622**	**46 454**	**973**	**122 621**
Net book value at 31 December 2014	**45 029**	**15 179**	**4 062**	**1 932**	**2 916**	**46 741**	**850**	**116 709**

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

(in thousands of EUR)	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 26 “Other assets”.

As at 31 December 2014, the Group did not recognise any liabilities under contracts for the purchase of non-current tangible assets (2013: EUR 0 thousand).

As at 31 December 2014, the Group owns buildings that are leased to third parties at the net book value of EUR 40 727 thousand (2013: EUR 40 019 thousand). In 2014, the total income from the rent amounted to EUR 2 741 thousand (2013: EUR 502 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 1 946 thousand (2013: EUR 547 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 6 864 thousand (31 December 2013: EUR 7 408 thousand).

As at 31 December 2014, the estimated fair value of investment property amounted to EUR 50 898 thousand (31 December 2013: EUR 49 013 thousand). Owing to a change in the fair value of investment property as at 31 December 2014, the Group released a provision in the amount of EUR 220 thousand (31 December 2013: EUR 199 thousand).

Insurance coverage

Non-current tangible assets are insured covering EUR 195 475 thousand against natural disaster, EUR 203 841 thousand against fire damage, EUR 203 222 thousand against water damage, and EUR 35 207 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 7 203 thousand.

Development of non-current intangible assets as at 31 December 2014:

(in thousands of EUR)	Software	Goodwill	Intangible assets in progress	Total
Cost				
1 January 2014	**108 356**	**40 921**	**5 724**	**155 001**
Additions	-	-	9 800	9 800
Additions due to consolidation adjustments	(2 100)	-	-	(2 100)
Disposals	8 995	-	(8 995)	-
31 December 2014	**115 251**	**40 921**	**6 529**	**162 701**
Accumulated amortisation				
1 January 2014	**(78 680)**	**(29 643)**	**-**	**(108 323)**
Amortisation charge	(10 008)	-	-	(10 008)
Disposals	2 100	-	-	2 100
Provision	-	-	-	-
31 December 2014	**(86 588)**	**(29 643)**	**-**	**(116 231)**
Net book value at 1 January 2014	**29 676**	**11 278**	**5 724**	**46 678**
Net book value at 31 December 2014	**28 663**	**11 278**	**6 529**	**46 470**

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

(in thousands of EUR)	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, 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.

24. Current tax asset

(in thousands of EUR)	2014	2013
Tax asset – current	418	5 313
Total	**418**	**5 313**

25. Deferred tax asset

(in thousands of EUR)	2014	2013
Tax asset – deferred	26 352	24 969
Total	**26 352**	**24 969**

Net deferred income tax asset resulted mainly from temporary deductible differences described in Note 11 *"Income taxes"*.

26. Other assets

(in thousands of EUR)	2014	2013
Prepayments and other deferrals	4 094	3 894
Other receivables from the state budget	881	850
Values in transit	6 223	5 044
Assets held for development and construction	13 498	17 823
Other assets	7 383	9 968
Total	**32 079**	**37 579**

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.

27. Deposits from banks

(in thousands of EUR)	2014	2013
Giro and interbank clearing business	38 622	15 601
Money-market business	15 093	46 090
Loans received	80 940	294 902
Loans received - repo deals from the NBS	55 213	-
Total	**189 868**	**356 593**

Deposits from banks by geographical segment:

(in thousands of EUR)	2014	2013
Slovak Republic	74 363	50 927
Other countries	115 505	305 666
Total	**189 868**	**356 593**

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

Type of loan (in thousands of EUR)	Currency	Type of loan according to maturity	Contractual maturity	2014	2013
Loans received from banks:					
– Commercial banks	EUR	Long-term	Jun 2014	-	65
– Commercial banks	EUR	Short-term	Dec 2014	-	200 129
– Reconstruction and development banks	EUR	Long-term	Mar 2016	9 251	17 239
– Reconstruction and development banks	EUR	Long-term	Oct 2027	71 689	77 469
Total				**80 940**	**294 902**
REPO loans received from banks:					
– National Bank of Slovakia	EUR	Long-term	Sep 2018	55 213	-
Total				**55 213**	**-**

Within the TLTRO programme (targeted longer-term refinancing operations), the Parent Company received a REPO loan from the National Bank of Slovakia in the amount of EUR 55 213 thousand. As collateral for the received repo deals, the Parent Company provided loan receivables amounting to EUR 62 741 thousand from the portfolio of loans and advances to customers.

As at 31 December 2014, some of the loans received from banks were secured by government bonds of the Slovak Republic included in the securities portfolios in the amount of EUR 95 370 thousand in favour of the following entities (in thousands of EUR):

Description (in thousands of EUR)	Carrying amount of debt securities	Carrying amount of received loan	Guarantee expiry date	In favour of
Government bond EUR	95 370	71 689	Dec 2032	Reconstruction and development banks

As at 31 December 2013, some of the loans received from banks were 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 entities (in thousands of EUR):

Description (in thousands of EUR)	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

28. Deposits from customers

Deposits from customers by product group are as follows:

(in thousands of EUR)	2014	2013
Current accounts	5 370 822	4 962 110
Time deposits	1 775 544	1 846 525
Savings deposits	191 428	193 348
Loans received	-	6 000
Total	**7 337 794**	**7 007 983**

Deposits from customers by customer segment are as follows:

(in thousands of EUR)	2014	2013
Public sector	91 901	78 711
Corporate clients	2 720 590	2 716 782
Retail clients	4 525 303	4 212 490
Total	**7 337 794**	**7 007 983**

Deposits from customers by geographical segment are as follows:

(in thousands of EUR)	2014	2013
Slovak Republic	6 997 172	6 752 708
Other countries	340 622	255 275
Total	**7 337 794**	**7 007 983**

Loans received by particular customer are as follows:

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

29. Derivative financial liabilities

(in thousands of EUR)	2014	2013
Negative fair value of held-for-trading financial derivatives	**82 148**	**84 862**
Interest-rate contracts	63 214	64 290
Currency contracts	14 038	13 864
Index-related contracts	1 569	3 826
Commodity contracts	3 327	2 882
Total	**82 148**	**84 862**

30. Liabilities from debt securities

(in thousands of EUR)	2014	2013
Issued debt securities – mortgage bonds	618 031	701 822
Issued debt securities – bonds	121 780	120 086
Total	**739 811**	**821 908**

The fair value of the interest rate swap designated for hedging is stated in Note 17 *“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 thousands of EUR)	Interest rate	Curr.	Number of mortgage bonds issued	Mortgage bonds unit face value in currency	Issue date	Maturity date	Coupon payment	2014	2013
MB 047 - repaid	5.01%	EUR	-	1 000	1. 7. 2009	1. 7. 2014	Annually	-	23 678
MB 053	Inflation - CPTFEMU	EUR	994	10 000	30. 4. 2010	30. 4. 2015	Bullet payment on maturity date	10 159	10 159
MB 054	3.60%	EUR	47 198	1 000	28. 6. 2010	28. 6. 2015	Annually	48 136	49 340
MB 056	0.00%	EUR	50	1 000	4. 6. 2010	4. 6. 2015	-	49	48
MB 058 - repaid	2.80%	EUR	-	1 000	7. 10. 2010	7. 10. 2014	Annually	-	47 910
MB 060	6M EURIBOR + 1.00%	EUR	2 000	10 000	17. 12. 2010	17. 12. 2015	Semi-annually	20 010	20 012
MB 061 - repaid	0.00%	EUR	-	10 000	4. 2. 2011	4. 2. 2014	-	-	16 701
MB 062	3.75%	EUR	57 299	1 000	31. 3. 2011	31. 3. 2016	Annually	58 925	59 893
MB 063 - repaid	6M EURIBOR + 0.80%	EUR	-	1 000	15. 4. 2011	15. 4. 2014	Semi-annually	-	40 076
MB 065 - repaid	6M EURIBOR + 1.20%	EUR	-	10 000	17. 8. 2011	17. 8. 2014	Semi-annually	-	41 019
MB 066	3.25%	EUR	2 200	10 000	19. 8. 2011	19. 2. 2015	Annually	22 280	22 393
MB 067	3.875%	EUR	870	10 000	14. 10. 2011	14. 10. 2018	Annually	8 712	8 697
MB 068	5.00%	EUR	1 000	10 000	14. 10. 2011	14. 10. 2031	Annually	9 996	9 992
MB 070 - repaid	1.20%	EUR	-	10 000	14. 11. 2012	14. 11. 2014	Annually	-	40 108
MB 071	1.10%	EUR	500	100 000	11. 2. 2013	11. 2. 2015	Annually	50 496	50 566
MB 072	1.00%	EUR	400	100 000	29. 5. 2013	29. 5. 2016	Annually	40 171	40 124
MB 073	1.375%	EUR	500	100 000	19. 8. 2013	19. 1. 2017	Annually	50 566	50 125
MB 074	1.70%	EUR	482	100 000	3. 9. 2013	3. 9. 2018	Annually	50 401	50 742
MB 075	1.15%	EUR	500	100 000	24. 9. 2013	24. 2. 2016	Annually	50 503	50 181
MB 076	6M EURIBOR + 0.70%	EUR	400	100 000	21. 11. 2013	21. 11. 2017	Semi-annually	40 096	40 122
MB 077	1.25%	EUR	4 000	10 000	19. 12. 2013	19. 5. 2017	Annually	40 220	29 936
MB 078	0.85%	EUR	500	100 000	13. 3. 2014	13. 3. 2017	Annually	50 241	-
MB 079	0.50%	EUR	170	100 000	7. 10. 2014	7. 4. 2020	Annually	16 864	-
MB 080	0.388%	EUR	500	100 000	28. 10. 2014	28. 10. 2019	Annually	50 206	-
Total MB								**618 031**	**701 822**

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

Name (in thousands of EUR)	Interest rate	Curr.	Number of debt securities issued	Face value per debt security in currency	Issue date	Maturity date	Coupon payment	2014	2013
BOND 04	3.75%	EUR	39 225	1 000	22. 9. 2011	22. 9. 2016	Annually	39 923	40 922
BOND 05	0%	EUR	820	100 000	2. 4. 2012	21. 1. 2015	-	81 857	79 164
Total bonds								**121 780**	**120 086**
Total liabilities from debt securities								**739 811**	**821 908**

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 2014, 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 2014 and 31 December 2013, mortgage bonds and other bonds issued by the Parent Company were not secured by any form of collateral.

31. Provisions for liabilities and charges

As at 31 December 2014 movements in provisions for liabilities and charges were as follows:

(in thousands of EUR)	1 January 2014	Allocated	Released	Used	Transfers, exchange differences	31 December 2014
Provisions for Long-service benefits	1 559	926	-	-	-	2 485
Legal disputes (Note 41)	26 203	2 964	(63)	(636)	-	28 468
Specific provision for guarantees and irrevocable loan commitments	6 366	5 812	(4 810)	-	(6)	7 362
Portfolio provision for off-balance sheet items	4 754	1	(1 104)	-	-	3 651
Total	**38 882**	**9 703**	**(5 977)**	**(636)**	**(6)**	**41 966**

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

(in thousands of EUR)	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 41)	25 617	1 145	(141)	(418)	-	26 203
Specific provision for guarantees and irrevocable loan commitments	6 409	4 481	(4 611)	-	87	6 366
Portfolio provision for off-balance sheet items	4 049	705	-	-	-	4 754
Total	**37 182**	**6 783**	**(4 752)**	**(418)**	**87**	**38 882**

32. Income tax liabilities

(in thousands of EUR)	31 December 2014	31 December 2013
Current tax liability	6 889	412
Deferred tax liability	1 412	1 481
Total	**8 301**	**1 893**

33. Other liabilities

(in thousands of EUR)	2014	2013
Deferred items	1 903	2 291
Social fund	323	250
Employee liabilities	24 575	23 624
Other liabilities to the state budget	782	2 291
Liabilities from unpaid dividends	296	280
Other liabilities	19 993	14 261
Current tax liability	-	412
Deferred tax liability	-	1 481
Total	**47 872**	**44 890**

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

(in thousands of EUR)	2014	2013
At 1 January	**250**	**248**
Additions	1 001	1 157
Drawing	(928)	(1 155)
At 31 December	**323**	**250**

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

34. Subordinated debt

(in thousands of EUR)	2014	2013
Subordinated debt	236 240	100 499
Total	**236 240**	**100 499**

Subordinated debt analysed by individual banks:

Type of loan (in thousands of EUR)	Curr.	Type of loan by maturity	Start of loan drawdown	Contractual maturity	2014	2013
Subordinated debt from banks:						
– Commercial banks	EUR	Long-term	Aug 2013	Aug 2023	100 460	100 499
– Commercial banks	EUR	Long-term	Nov 2014	Nov 2024	135 780	-
Total					**236 240**	**100 499**

In November 2014, the Parent Company drew subordinated debt in accordance with Act No. 483/2001 Coll. on Banks, as amended, 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.

35. Equity

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

(in thousands of EUR)	2014	2013
Share capital – ordinary shares	56 873	56 873
Share capital – preference shares	7 453	7 453
Own shares	(652)	(760)
Share premium – ordinary shares	226 612	226 612
Share premium – preference shares	70 827	69 745
Share premium – own shares	(7 840)	(9 033)
Reserve and other funds	15 024	15 068
Available-for-sale financial assets revaluation reserve	503	-
Retained earnings (excluding current year net profit after tax)	513 784	549 815
Total	**882 584**	**915 773**

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 thousands of EUR)	2014	2013
Parent Company	787 892	817 797
Entities consolidated using full consolidation method	20 422	23 842
Entities consolidated using equity method	10 596	10 568
Total share premium, equity restricted funds, and retained earnings	**818 910**	**852 207**

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

(in thousands of EUR)	2014	2013
Parent Company (Bank)	104 090	100 561
Entities consolidated using full consolidation method	8 564	(3 419)
Entities consolidated using equity method	1 986	28
Consolidated profit after tax	**114 640**	**97 170**

36. 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, 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 2014, 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 50 *"Risk report" - "BASEL II"*.

Both the minimum and recommended levels determined by the National Bank of Slovakia for the Group were met in 2014.

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, 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 2014, 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 thousands of EUR)	2014*	2013*
The original own funds (TIER 1)	**882 081**	**915 773**
Paid-up share capital	64 326	64 326
(-) Treasury shares	(652)	(760)
Share premium	297 439	296 357
(-)Share premium - treasury shares	(7 840)	(9 033)
Funds from profit and other capital reserves	15 024	15 068
Other specific items of original own funds	513 784	549 815
(-) Items deductible from the original own funds	**(46 470)**	**(46 676)**
(-) Intangible assets	(46 470)	(46 676)
Additional own funds (TIER 2)	**235 000**	**100 000**
Subordinated debts	235 000	100 000
(-) Items deductible from the original and additional own funds	**(43 605)**	**(74 462)**
(-) From the original own funds	(37 404)	(37 231)
(-) From additional own funds	(6 201)	(37 231)
Total own funds	**1 027 006**	**894 635**

*) 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 43 605 thousand (2013: EUR 58 845 thousand).

(in thousands of EUR)	2014	2013
Adequacy of own funds (%)	**19.57**	**16.60**
Own funds	**1 027 006**	**894 635**
Risk-weighted assets (RWA)	**5 248 555**	**5 388 485**
RWA from receivables recorded in the Banking book	4 354 974	4 566 391
RWA from positions recorded in the Trading book	150 081	107 494
RWA from operating risk – standardised approach	743 500	714 600

37. Information for Cash Flow Statement

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

(in thousands of EUR)	2014	2013
Cash flows from operating activities		
Profit before income taxes	**151 809**	**128 021**
Adjustments:	**(229 497)**	**(206 039)**
Interest expense	39 734	50 881
Interest income	(344 891)	(346 741)
Dividend income	(55)	(29)
Provisions for impairment losses on loans and advances and provisions for liabilities and charges, net	57 079	28 722
(Profit) loss on sale and other disposals of non-current assets	(25)	39
(Profit) loss on sale and other disposals of investment property	(113)	(349)
Unrealised (profit) loss from financial derivative instruments and held-for-trading securities	(2 358)	5 422
Unrealised (profit) loss from securities at fair value through profit or loss	(618)	554
Share in retained earnings of associated undertakings	(2 391)	(29)
Profit from the sale of a share in a subsidiary	-	-
Discount applicable to preference shares	893	1 992
Depreciation and amortisation non-current tangible and intangible assets	22 403	21 388
Write-down of goodwill	-	29 510
Depreciation and amortisation of investment property	1 946	547
Provision for investment property	(220)	199
(Profit)/loss from foreign exchange and other transactions with cash and cash equivalents	(881)	1 855
Cash flow of operating activities before changes in working capital, interest received and paid and income taxes paid	**(77 688)**	**(78 018)**

Cash and cash equivalents as at 31 December 2014, 31 December 2013, and 31 December 2012 comprise of the following:

(in thousands of EUR)	2014	2013	2012
Cash in hand (Note 13)	91 637	86 130	86 193
State and other treasury bills due within 3 months	-	-	2 500
Giro and interbank clearing business (Note 14)	106 172	72 577	84 568
Total	**197 809**	**158 707**	**173 261**

38. 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 2014:

Related Parties* (in thousands of EUR)	**RBI**	**RBI Group**	**Associates**	**Statutory bodies and Supervisory Board****	**Other related parties**	**Total**
Loans and advances to banks and customers	60 519	45 684	63 526	2 062	5 243	**177 034**
Receivables from financial derivative transactions	28 777	3 283	-	-	-	**32 060**
Other assets	54	373	-	-	-	**427**
Deposits from banks and customers	17 105	5 325	691	4 122	416	**27 659**
Liabilities from financial derivative transactions	47 317	2	-	-	-	**47 319**
Subordinated debt	236 240	-	-	-	-	**236 240**
Other liabilities	1 716	972	-	-	-	**2 688**
Guarantees issued	1 670	6 676	-	-	-	**8 347**
Commitments	-	5 256	54 703	377	1 544	**61 880**
Guarantees received	1 756	9 231	-	-	-	**10 987**

*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 2013:

Related Parties* (in thousands of EUR)	**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 revenues and expenses with related parties as at 31 December 2014:

Related Parties* (in thousands of EUR)	RBI	RBI Group	Associates	Statutory bodies and Supervisory Board	Other related parties	Total
Interest and similar income	10	94	938	48	207	**1 297**
Fees and commissions income	745	1 444	89	-	-	**2 278**
Unrealised gain (loss) on financial derivative transactions	(939)	(1 537)	-	-	-	**(2 476)**
Operating revenues	708	812	532	-	-	**2 052**
Interest and similar expenses	(6 191)	(4)	-	(30)	(68)	**(6 293)**
Expenses on charges and commissions	(1 311)	(5 740)	-	-	-	**(7 051)**
Administrative expenses	(6 244)	(2 778)	(23)	(4 613)**	-	**(13 658)**
Total	**(13 222)**	**(7 709)**	**1 536**	**(4 595)**	**139**	**(23 851)**

* Groups of related parties under the IAS 24 definition

** Salaries and bonuses 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 2013:

Related Parties* (in thousands of EUR)	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

** Salaries and bonuses of the members of the Board of Directors, Supervisory Board and proxies

39. Foreign currency items

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

(in thousands of EUR)	2014	2013
Assets	**288 821**	**106 851**
Of which: USD	*111 556*	*31 008*
Of which: CZK	*160 230*	*54 760*
Of which: other currencies (PLN, HUF, GBP and other)	*17 035*	*21 083*
Liabilities	**565 789**	**425 928**
Of which: USD	*320 130*	*291 702*
Of which: CZK	*152 928*	*43 194*
Of which: other currencies (PLN, HUF, GBP and other)	*92 731*	*91 032*

40. Foreign assets and liabilities

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

(in thousands of EUR)	2014	2013
Assets	**566 462**	**388 736**
Of which: Austria	*132 224*	*88 034*
Of which: Czech Republic	*169 511*	*108 061*
Of which: Germany	*62 289*	*53 830*
Of which: Netherlands	*140 464*	*82 687*
Of which: United Kingdom	*11 949*	*5 096*
Of which: Other countries (mostly EU member states)	*50 025*	*51 028*
Liabilities	**778 073**	**728 919**
Of which: Austria	*316 453*	*358 511*
Of which: Other countries (mostly EU member states)	*461 620*	*370 408*

As at 31 December 2014 and 31 December 2013, 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 2014 and 31 December 2013, the Group had no other exposure to the aforementioned entities.

As at 31 December 2014, the Group recorded loan receivables mainly from retail customers from Portugal, Italy, Ireland, Greece and Spain in the amount of EUR 1 772 thousand (31 December 2013: EUR 1 979 thousand).

41. Contingent liabilities and other off-balance-sheet items

The Group reports the following contingent liabilities and other off-balance sheet items:

(in thousands of EUR)	2014	2013
Contingent liabilities:	**420 515**	**485 731**
From guarantees	410 081	472 406
From letters of credit	10 434	13 325
Commitments:	**2 427 556**	**2 625 361**
From irrevocable loan commitments	1 058 122	1 380 316
Up to 1 year	*844 520*	*1 074 605*
More than 1 year	*213 602*	*305 711*
From revocable loan commitments	1 369 434	1 245 045
Up to 1 year	*1 171 612*	*1 066 448*
More than 1 year	*197 822*	*178 597*
Total	**2 848 071**	**3 111 092**

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 2014, the Parent Company created reserves for these risks amounting to EUR 11 013 thousand (2013: EUR 11 120 thousand), Note 31 *"Provisions for liabilities and charges"*.

An overview of the quality of contingent liabilities and other off-balance sheet items is stated in Note 50*"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 28 468 thousand (31 December 2013: EUR 26 203 thousand), Note 31 *"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 thousands of EUR)	2014	2013
Total non-cancellable payments for operating leases	**24 893**	**26 738**
Less than 1 year	9 129	9 179
1 year to 5 years	13 959	15 025
More than 5 years	1 805	2 534
Operating lease expense in other administrative costs	**11 547**	**10 589**

42. Finance lease

The movements in finance lease receivables are analysed as follows:

(in thousands of EUR)	2014	2013
Gross investment	**10 011**	**11 691**
Up to 3 months	1 754	-
From 3 months up to 1 year	7 416	3 310
From 1 year up to 5 years	841	8 381
Unearned finance income	**157**	**427**
Up to 3 months	44	67
From 3 months up to 1 year	111	187
From 1 year up to 5 years	2	173
Net investment	**9 854**	**11 264**
Up to 3 months	1 710	(67)
From 3 months up to 1 year	7 305	3 123
From 1 year up to 5 years	839	8 208

Finance lease receivables include lease receivables recognised in Note 15 as *“Loans and advances to customers, gross”*.

43. Values in custody and management

(in thousands of EUR)	2014	2013
Values in custody	**46 591**	**79 010**
Investment notes	12 847	30 557
Promissory notes	-	1 744
Merchandise and trust receipts	32 152	43 695
Gold	1 592	3 014
Values in management	**-**	**350 729**
Securities	-	350 729
Total	**46 591**	**429 739**

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 2014 the Parent Company reported deposited securities in custody of the TAM Unit Trusts in the amount of EUR 1 245 536 thousand (as at 31 December 2013: EUR 1 109 498 thousand). The Group also administers 25 open-end unit trusts with the net asset value of EUR 2 156 768 thousand (2013: EUR 1 914 260 thousand) through its management company, Tatra Asset Management, správ. spol., a. s., and 5 supplementary pension funds with the net asset value of EUR 456 138 thousand (2013: EUR 416 378 thousand) through Doplnková dôchodková spoločnosť Tatra banky, a.s.

44. Repurchase agreements

As at 31 December 2014, the following repurchase agreements were concluded (within reverse repo deals):

(in thousands of EUR)	2014	2013
Repo deals (debtor)		
Deposits from banks	55 213	-
Total	**55 213**	**-**

Within the TLTRO programme (targeted longer-term refinancing operations), the Parent Company received a REPO loan from the National Bank of Slovakia in the amount of EUR 55 213 thousand. As collateral for the received repo deals, the Parent Company provided loan receivables amounting to EUR 62 741 thousand from the portfolio of loans and advances to customers.

45. Assets pledged as collateral

Liabilities secured by the Group's assets:

(in thousands of EUR)	2014	2013
Loans received from banks	71 689	77 402
REPO loans received from banks	55 213	-
Derivative financial liabilities	55 260	46 470
Total	**182 162**	**123 872**

The pledge attributable to the aforementioned liabilities comprised the following assets recognised in the statement of financial position:

(in thousands of EUR)	2014	2013
Loans and advances to banks	55 260	46 370
Loans and advances to customers	62 741	-
Held-to-maturity financial investments	95 370	94 793
Total	**213 371**	**141 163**

Other pledged assets without a liability:

(in thousands of EUR)	2014	2013
Held-to-maturity financial assets	1 000 130	560 994
Total	**1 000 130**	**560 994**

For information on securities pledged as collateral for the Group's liabilities, see Note 27 *"Deposits from banks"*, and Note 30 *"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 1 000 130 thousand (31 December 2013: EUR 560 994 thousand). For the pledged securities, the Parent Company can draw an intraday credit in the amount of EUR 400 000 thousand (31 December 2013: EUR 500 000 thousand). As at 31 December 2014, no funds were drawn against the said collateral (31 December 2013: no drawing).

46. Default loan portfolio

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 2014:

(in thousands of EUR)	Corporate clients	Retail clients	Total
Default loans	200 690	147 048	**347 738**
Provisions for default loans	125 560	66 350	**191 910**
Claim value of received collateral for default loans	76 328	71 385	**147 713**

The following summary analyses the default loan portfolio (off-balance sheet balances) as at 31 December 2014:

(in thousands of EUR)	Corporate clients	Retail clients	Total
Default contingent liabilities and other off-balance-sheet items	64 590	6	**64 596**
Provisions for contingent liabilities and other off-balance-sheet items	7 362	-	**7 362**
Claim value of received collateral for contingent liabilities and other off-balance-sheet items	6 408	-	**6 408**

The following summary analyses the default loan portfolio (balance sheet amounts) as at 31 December 2013:

(in thousands of EUR)	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 thousands of EUR)	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**

47. Average number of staff

The following is information on the Group's average headcount:

(in thousands of EUR)	2014	2013
Group employees	3 467	3 423
Of which: Members of the Board of Directors	*7*	*7*
Total	**3 467**	**3 423**

48. Derivative financial instruments

The total volumes of unsettled derivative financial instruments are as follows on 31 December 2014:

(in thousands of EUR)	Nominal amounts by maturity Up to 1 year	From 1 to 5 years	More than 5 years	Total	Fair values Positive (Note 17)	Negative (Note 29)
a) Interest-rate contracts for hedging	**-**	**45 000**	**-**	**45 000**	**1 943**	**-**
OTC products:						
Interest rate swaps	-	45 000	-	45 000	1 943	-
b) Interest-rate contracts for trading	**317 769**	**3 386 586**	**306 795**	**4 011 150**	**53 445**	**(63 214)**
OTC products:						
Interest rate swaps	261 796	973 687	305 674	1 541 157	52 612	(62 154)
Interest rate options – buy	19 294	77 900	921	98 115	833	(227)
Interest rate options – sell	19 217	59 084	200	78 501	-	(833)
Stock exchange products:						
Interest rate futures	17 462	2 275 915	-	2 293 377	-	-
c) Currency contracts for trading	**1 203 016**	**56 749**	**-**	**1 259 765**	**14 160**	**(14 038)**
OTC products:						
Currency swaps	486 915	729	-	487 644	4 447	(2 280)
Currency-interest rate swaps	-	11 793	-	11 793	228	(236)
Currency forwards	219 678	4 173	-	223 851	1 197	(3 342)
Currency options-buy	248 613	20 027	-	268 640	8 287	(2)
Currency options-sell	247 810	20 027	-	267 837	1	(8 178)
Stock exchange products:						
Currency futures	-	-	-	-	-	-

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d) Index-related contracts for trading	**19 940**	**75 682**	**-**	**95 622**	**1 562**	**(1 569)**
OTC products:						
Index options - buy	-	-	-	-	-	-
Index options - sell	-	-	-	-	-	-
Index swaps	19 940	75 682	-	95 622	1 562	(1 569)
Stock exchange products:						
Index futures	-	-	-	-	-	-
e) Commodity contracts for trading	**1 834**	**131 690**	**-**	**133 524**	**3 330**	**(3 327)**
OTC products:						
Commodity swaps	-	-	-	-	-	-
Commodity options - buy	917	65 865	-	66 782	3 330	-
Commodity options - sell	917	65 825	-	66 742	-	(3 327)
Total	**1 542 559**	**3 695 707**	**306 795**	**5 545 061**	**74 440**	**(82 148)**

The total volumes of unsettled derivative financial instruments are as follows on 31 December 2013:

(in thousands of EUR)	Nominal amounts by maturity				Fair values	
	Up to 1 year	From 1 to 5 years	More than 5 years	Total	Positive (Note 17)	Negative (Note 29)
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	-	-	-	-	-	-

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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)**

49. Fair value of financial instruments

Financial assets 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 Level 1 to Level 3 based on fair value measurements as at 31 December 2014:

Financial assets at fair value (in thousands of EUR)	Level 1*	Level 2**	Level 3***	Total
Derivative financial assets	**-**	**74 440**	**-**	**74 440**
Positive fair value of financial derivative instruments for trading	-	72 497	-	72 497
Positive fair value of financial derivative instruments for hedging	-	1 943	-	1 943
Held-for-trading financial assets	**45 239**	**9 171**	**-**	**54 410**
Debt securities and other fixed income securities	45 239	4	-	45 243
Shares, debt and other floating rate securities	-	9 167	-	9 167
Financial assets at fair value through profit or loss	**52 231**	**-**	**-**	**52 231**
Debt securities and other fixed income securities	52 231	-	-	52 231
Available-for-sale financial assets	**25 290**	**-**	**623**	**25 913**
Available-for-sale securities	25 290	-	623	25 913
Total	**122 760**	**83 611**	**623**	**206 994**

Financial liabilities at fair value (in thousands of EUR)	Level 1*	Level 2**	Level 3***	Total
Derivative financial liabilities	**-**	**82 148**	**-**	**82 148**
Negative fair value of financial derivative instruments for trading	-	82 148	-	82 148
Total	**-**	**82 148**	**-**	**82 148**

* 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 2013:

Financial assets at fair value (in thousands of EUR)	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 thousands of EUR)	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).

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 thousands of EUR)	Fair value 2014	Carrying amount 2014	Difference 2014	Fair value 2013	Carrying amount 2013	Difference 2013
Assets						
Loans and advances to banks, net	**238 901**	**238 901**	**-**	**151 684**	**151 684**	**-**
of which Level 1	*-*	*-*	*-*	*-*	*-*	*-*
of which Level 2	*112 357*	*112 357*	*-*	*-*	*-*	*-*
of which Level 3	*126 544*	*126 544*	*-*	*151 684*	*151 684*	*-*
Loans and advances to customers, net	**7 154 503**	**6 988 672**	**165 831**	**6 488 087**	**6 382 790**	**105 297**
of which Level 1	*-*	*-*	*-*	*-*	*-*	*-*
of which Level 2	*-*	*-*	*-*	*-*	*-*	*-*
of which Level 3	*7 154 503*	*6 988 672*	*165 831*	*6 488 087*	*6 382 790*	*105 297*
Held-to-maturity financial investments	**1 760 296**	**1 663 835**	**96 461**	**1 658 080**	**1 591 573**	**66 507**
of which Level 1	*1 440 835*	*1 353 768*	*87 067*	*1 314 865*	*1 258 127*	*56 738*
of which Level 2	*319 461*	*310 067*	*9 394*	*343 215*	*333 446*	*9 769*
of which Level 3	*-*	*-*	*-*	*-*	*-*	*-*
Investments in associated undertakings	**22 154**	**22 154**	**-**	**20 168**	**20 168**	**-**
of which Level 1	*-*	*-*	*-*	*-*	*-*	*-*
of which Level 2	*-*	*-*	*-*	*-*	*-*	*-*
of which Level 3	*22 154*	*22 154*	*-*	*20 168*	*20 168*	*-*
Liabilities						
Deposits from banks	**189 868**	**189 868**	**-**	**356 593**	**356 593**	**-**
of which Level 1	*-*	*-*	*-*	*-*	*-*	*-*
of which Level 2	*27 442*	*27 442*	*-*	*-*	*-*	*-*
of which Level 3	*162 426*	*162 426*	*-*	*356 593*	*356 593*	*-*

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Deposit from customers	**7 337 522**	**7 337 794**	**(272)**	**7 010 478**	**7 007 983**	**2 495**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*7 337 522*	*7 337 794*	*(272)*	*7 010 478*	*7 007 983*	*2 495*
Liabilities from debt securities	**753 329**	**739 811**	**13 518**	**836 327**	**821 908**	**14 419**
of which Level 1	-	-	-	-	-	-
of which Level 2	*753 329*	*739 811*	*13 518*	*836 327*	*821 908*	*14 419*
of which Level 3	-	-	-	-	-	-
Subordinated debt	**236 240**	**236 240**	**-**	**100 499**	**100 499**	**-**
of which Level 1	-	-	-	-	-	-
of which Level 2	-	-	-	-	-	-
of which Level 3	*236 240*	*236 240*	-	*100 499*	*100 499*	-

50. Risk report

Credit risk

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 Group. 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 Group'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 Group'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 Group 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 thousands of EUR)	2014	2013
Credit risk related to balance sheet assets:		
Loans and advances to banks	239 553	151 684
Loans and advances to customers, net	6 988 668	6 382 790
Derivative financial assets	74 440	71 342
Held-for-trading securities	54 410	163 650
Financial assets at fair value through profit or loss	52 231	160 975
Held-to-maturity financial investments	1 663 835	1 591 573
Available-for-sale financial assets	25 913	623
Investments in associated undertakings	22 154	20 168
Current tax asset	418	5 313
Deferred tax asset	26 352	24 969
Other assets	32 079	37 579
Total	**9 180 053**	**8 610 666**

(in thousands of EUR)	2014	2013
Credit risk related to off-balance sheet items:		
Contingent commitments from guarantees and letters of credit	420 515	485 731
Irrevocable loan commitments/stand-by facility	1 058 122	1 380 316
Revocable loan commitments/stand-by facility	1 369 434	1 245 045
Total	**2 848 071**	**3 111 092**

The table below shows a summary of the quality of the loan portfolio as at 31 December 2014:

(in thousands of EUR)	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	**239 553**	**239 553**	**-**	**-**	**-**	**4**	**239 549**	**11 316**
Loans and advances to customers	**7 201 546**	**6 918 178**	**283 368**	**175 451**	**16 847**	**20 576**	**6 988 672**	**3 917 246**
Public sector	*9 884*	*9 884*	*-*	*-*	*-*	*-*	*9 884*	*492*
Corporate clients	*3 756 928*	*3 563 197*	*193 731*	*125 560*	*-*	*11 024*	*3 620 344*	*1 560 785*
Retail clients	*3 434 734*	*3 345 097*	*89 637*	*49 891*	*16 847*	*9 552*	*3 358 444*	*2 355 969*
Total	**7 441 099**	**7 157 731**	**283 368**	**175 451**	**16 847**	**20 580**	**7 228 221**	**3 928 562**

The table below shows a summary of the quality of the loan portfolio as at 31 December 2013:

(in thousands of EUR)	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 provides an overview of the quality of contingent liabilities and other off-balance sheet items as at 31 December 2014:

(in thousands of EUR)	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	**28 596**	**28 596**	**-**	**-**	**1**	**28 595**	**19 725**
Contingent liabilities and other off-balance sheet liabilities to clients	**2 819 474**	**2 754 878**	**64 596**	**7 362**	**3 650**	**2 808 462**	**334 845**
Public sector	*14 348*	*14 348*	*-*	*-*	*-*	*14 348*	*-*
Corporate clients	*2 085 543*	*2 020 953*	*64 590*	*7 362*	*3 650*	*2 074 531*	*249 521*
Retail clients	*719 583*	*719 577*	*6*	*-*	*-*	*719 583*	*85 324*
Total	**2 848 070**	**2 783 474**	**64 596**	**7 362**	**3 651**	**2 837 057**	**354 570**

The table below provides an overview of the quality of contingent liabilities and other off-balance sheet items as at 31 December 2013:

(in thousands of EUR)	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 following summary represents an analysis of the individually-impaired loan portfolio as at 31 December 2014:

(in thousands of EUR)	Corporate clients	Retail clients	Total
Impaired loans	**193 731**	**89 637**	**283 368**
Specific provisions – assessed on an individual basis	**125 560**	**49 891**	**175 451**
Specific provisions – assessed on a collective basis	**-**	**16 847**	**16 847**
Claim value of received collateral	**69 755**	**24 725**	**94 480**
% coverage by provisions for assets	64.80%	74.50%	**67.90%**
% coverage by provisions for assets and received collateral	100.80%	102.00%	**101.20%**
Interest income from impaired loans	3 076	10 308	**13 384**

The following summary represents an analysis of the individually-impaired loan portfolio as at 31 December 2013:

(in thousands of EUR)	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 summary below represents an analysis of the non-impaired loan portfolio by overdue days as at 31 December 2014:

(in thousands of EUR)	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	**239 553**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**6 814 000**	**81 696**	**14 290**	**3 993**	**4 199**	**73 858**
Public sector	*9 884*	-	-	-	-	-
Corporate clients	*3 541 554*	*17 944*	*1 966*	*1 023*	*710*	*16 710*
Retail clients	*3 262 562*	*63 752*	*12 324*	*2 970*	*3 489*	*57 148*
Total	**7 053 553**	**81 696**	**14 290**	**3 993**	**4 199**	**73 858**

The summary below represents an analysis of the non-impaired loan portfolio by overdue days as at 31 December 2013:

(in thousands of EUR)	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**

A summary of individual types of received collateral for financial assets (balance sheet amounts) at claim value is provided as follows:

(in thousands of EUR)	2014	2013
Collateralisation of issued loans	**3 917 831**	**3 923 257**
Cash	45 219	51 649
Guarantees	141 627	134 988
Securities	51 831	66 153
Real estate	3 280 202	3 229 858
Movables	198 379	267 642
Receivables and other collateral	200 573	172 967
Collateralisation of receivables from derivative transactions	**10 731**	**4 217**
Cash	10 731	4 217
Total	**3 928 562**	**3 927 474**

A summary of individual types of received collateral for financial assets (balance sheet amounts) at claim value is provided as follows:

(in thousands of EUR)	2014	2013
To cover contingent liabilities and other off-balance sheet liabilities		
Cash	39 200	42 083
Guarantees	54 007	58 129
Securities	27 007	32 491
Real estate	114 575	83 398
Movables	12 471	7 835
Receivables and other collateral	107 310	65 341
Total	**354 570**	**289 277**

The summary below represents the quality of the loan portfolio that is non-impaired and non-overdue in accordance with the internal rating:

(in thousands of EUR)	2014	2013
Loans and advances to banks:	**239 553**	**151 684**
Minimum risk	-	-
Excellent credit rating	927	425
Very good credit rating	175 689	88 555
Good credit rating	58 313	56 670
Standard credit rating	1 088	2 389
Ordinary credit rating	281	364
Sub-standard credit rating	2 019	903
Significantly sub-standard credit rating	612	-
Doubtful/high risk of default	-	2 306
Defaulted	-	-
With no assigned rating	624	72
Loans and advances to customers:	**6 814 000**	**6 161 244**
Of which, public sector:	***9 884***	***19 109***
Minimum risk	-	1
Excellent credit rating	-	-
Very good credit rating	1 214	1 904
Good credit rating	191	11
Standard credit rating	-	44
Ordinary credit rating	6 638	7 480
Sub-standard credit rating	1 770	8 585
Significantly sub-standard credit rating	71	1 084
Doubtful/high risk of default	-	-
Defaulted	-	-
With no assigned rating	-	-

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Of which, corporate clients without project financing:	***2 751 574***	***2 351 177***
Minimum risk	107 442	106 713
Excellent credit rating	365 483	124 325
Very good credit rating	261 967	190 086
Good credit rating	496 255	247 045
Standard credit rating	523 158	533 020
Ordinary credit rating	461 712	518 781
Sub-standard credit rating	261 169	321 688
Significantly sub-standard credit rating	210 101	227 771
High probability of default	62 277	74 302
Defaulted	430	4 932
With no assigned rating	1 580	2 514
Of which, corporate clients – project financing:	***789 980***	***782 613***
Excellent project financing profile rating	184 900	176 527
Good project financing profile rating	544 219	514 511
Acceptable project financing profile rating	56 022	78 586
Weak project financing profile rating	4 839	12 989
Defaulted	-	-
Of which, retail clients	***3 262 562***	***3 008 345***
Total	**7 053 553**	**6 312 928**

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 project financing rating assigned. As at 31 December 2014, such loans amounted to EUR 126 216 thousand (31 December 2013: EUR 157 469 thousand). As at 31 December 2014, loan receivables from these clients that are not impaired or overdue amount to EUR 109 005 thousand (31 December 2013: EUR 119 706 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 75 672 thousand (31 December 2013: EUR 38 868 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 2014 and 31 December 2013. 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 thousands of EUR)	2014	2013
Zero coupon government bonds	-	175 308
Loans and advances to banks	246 355	602 465
Loans and advances to customers	337 586	327 241
Debt securities	1 689 968	1 700 038
Total	**2 273 909**	**2 805 052**

The overall impact of the Slovak Republic on the Group's results of operations represented income of EUR 56 973 thousand (2013: EUR 60 852 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 Group.

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 2014 due to the client's default or deteriorated financial position amounted to EUR 16 752 thousand (31 December 2013: EUR 26 972 thousand). In the case of the corporate portfolio, the carrying amount was EUR 45 596 thousand (31 December 2013: EUR 8 976 thousand).

In 2014, the Parent Company sold pledges over movable and immovable assets received as collateral to cover its unrecoverable receivables from retail clients in the amount of EUR 5 315 thousand (31 December 2013: EUR 3 555 thousand) and corporate clients in the amount of EUR 7 054 thousand (31 December 2013: EUR 15 340 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 negative *gamma*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 2014 and 2013 were as follows:

(in thousands of EUR)	Net FX position 31 December 2014	Net FX position 31 December 2013
EUR	276 968	319 077
USD	(208 574)	(260 694)
Other (CZK, GBP, CHF, PNL, HUF and other)	(68 394)	(58 383)
Total net FX balance sheet position	**-**	**-**
EUR	(280 506)	(327 706)
USD	212 841	268 208
Other (CZK, GBP, CHF, PNL, HUF and other)	67 433	58 964
Total net FX off-balance sheet position	**(232)**	**(534)**
Total Net FX position	**(232)**	**(534)**

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 2014:

(in thousands of EUR)	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	246 356	-	-	-	91 636	337 992
Loans and advances to banks	229 344	2 168	-	-	8 037	239 549
Loans and advances to customers, net	3 614 625	760 166	2 349 791	86 815	177 275	6 988 672
Derivative financial assets	11 344	4 476	40 377	18 243	-	74 440
Held-for-trading financial assets	9 481	478	10 406	34 045	-	54 410
Financial assets at fair value through profit or loss	396	713	51 122	-	-	52 231
Held-to-maturity financial investments	157 846	32 965	1 118 918	354 106	-	1 663 835
Available-for-sale financial assets	-	146	25 144	-	623	25 913
Other assets	-	-	-	-	32 079	32 079
Interest rate position for financial assets as of 31 December 2014	**4 269 392**	**801 112**	**3 595 758**	**493 209**	**309 650**	**9 469 121**
Liabilities						
Deposits and advances from banks	86 670	-	95 213	-	7 985	189 868
Deposits from customers	1 864 310	3 493 117	1 943 873	2 040	34 454	7 337 794
Derivative financial liabilities	10 442	5 042	44 263	22 401	-	82 148
Liabilities from debt securities	157 754	170 076	385 249	26 732	-	739 811
Provisions for liabilities and charges	-	-	-	-	41 966	41 966
Other liabilities	-	-	-	-	47 872	47 872
Subordinated debt	236 240	-	-	-	-	236 240
Interest rate position for financial liabilities as of 31 December 2014	**2 355 416**	**3 668 235**	**2 468 598**	**51 173**	**132 277**	**8 675 699**
Net interest rate position as at 31 December 2014	**1 913 976**	**(2 867 123)**	**1 127 160**	**442 036**	**177 373**	**793 422**

Interest rate gap of financial assets and liabilities as at 31 December 2013:

(in thousands of EUR)	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**

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 2014 (in thousands of EUR):

(in thousands of EUR)	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	1.2141	1.2748	4 265	(213)
JPY	145.2300	137.9685	(1 257)	(63)
AUD	1.4829	1.5570	233	(12)
HUF	315.5400	331.3170	224	(11)
CAD	1.4063	1.4766	147	(7)
Total			**3 612**	**(306)**

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 thousands of EUR):

(in thousands of EUR)	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)**

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 2014 (in thousands of EUR):

(in thousands of EUR)	Yield curve shift	Parent Company's loss from yield curve shift
EUR	100 BPV	(35 990)
USD	-100 BPV	(2 076)
Total		**(38 066)**

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 thousands of EUR):

(in thousands of EUR)	Yield curve shift	Parent Company's loss from yield curve shift
EUR	100 BPV	(29 555)
USD	-100 BPV	(2 314)
Total		**(31 869)**

As at 31 December 2014, the Parent Company's exposure position in the Trading Book to equity price risk is nil, as at 31 December 2013 it was also nil. The Parent Company, therefore, does not recognise this exposure position to equity price risk.

As at 31 December 2014, the Parent Company's exposure position to commodity in the Trading Book is insignificant; as at 31 December 2013, the Parent Company's position was insignificant. Therefore, the Parent Company does not recognise this exposure position to commodity risk.

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. The ALCO at its regular meetings assesses the Parent Company's liquidity and, subsequently, makes decisions 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 2014:

(in thousands of EUR)	Up to 12 months	Over 12 months	Unspecified	Total
Cash and balances in central banks	337 992	-	-	337 992
Loans and advances to banks	231 516	-	8 033	239 549
Loans and advances to customers, net	1 888 782	4 854 466	245 424	6 988 672
Derivative financial assets	15 820	58 620	-	74 440
Held-for-trading financial assets	9 959	44 451	-	54 410
Financial assets at fair value through profit or loss	1 109	51 122	-	52 231
Held-to-maturity financial assets	190 811	1 473 024	-	1 663 835
Available-for-sale financial investments	146	25 144	623	25 913
Investments in associate undertakings	-	-	22 154	22 154
Non-current intangible assets	-	-	46 470	46 470
Non-current tangible assets	-	-	69 118	69 118
Investment property	-	-	47 591	47 591
Current tax asset	-	-	418	418
Deferred tax asset	-	-	26 352	26 352
Other assets	6 223	-	25 856	32 079
Total assets	**2 682 358**	**6 506 827**	**492 039**	**9 681 224**
Liabilities				
Deposits from banks	67 497	121 881	490	189 868
Deposits from customers [1)]	2 922 557	4 384 833	30 404	7 337 794
Derivative financial liabilities	15 484	66 664	-	82 148
Liabilities from debt securities	237 603	502 208	-	739 811
Provisions for liabilities and charges	-	-	41 966	41 966
Current tax liability	-	-	6 889	6 889
Deferred tax liability	-	-	1 412	1 412
Other liabilities	-	-	47 872	47 872
Subordinated debt	1 240	235 000	-	236 240
Total liabilities	**3 244 381**	**5 310 586**	**129 033**	**8 684 000**

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Equity (excluding current year profit)	-	-	882 584	882 584
Profit after tax	-	-	114 640	114 640
Total equity and liabilities	**3 244 381**	**5 310 586**	**1 126 257**	**9 681 224**
Net balance sheet position	**(562 023)**	**1 196 241**	**(634 218)**	**-**
Net off-balance sheet position [2)]	**(2 454 903)**	**(7 431)**	**(1 217 173)**	**(3 668 471)**
Cumulative balance sheet and off-balance sheet position	**(3 016 926)**	**(1 828 116)**	**(3 679 507)**	**(3 668 471)**

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 2013:

(in thousands of EUR)	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**

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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 summary below represents an analysis of the earliest possible contractual maturity of financial liabilities, ie the worst-case scenario, as at 31 December 2014 (in non-discounted amounts):

(in thousands of EUR)	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	189 868	194 290	57 817	5 796	124 291	6 386
Deposits from customers	7 337 794	7 382 039	6 354 747	809 544	216 184	1 564
Liabilities from debt securities	739 811	764 412	157 494	86 522	487 311	33 085
Other liabilities	47 872	47 872	47 872	-	-	-
Subordinated debt	236 240	325 403	2 434	7 143	38 377	277 449
Derivative financial liabilities:						
Trading derivatives	82 148	894 644	759 108	153 301	(12 201)	(5 564)

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 2014 (in non-discounted amounts):

(in thousands of EUR)	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	410 081	410 081	410 081	-	-	-
Contingent liabilities from letters of credit	10 434	10 434	10 434	-	-	-
From irrevocable loan commitments	1 058 122	1 058 122	1 058 122	-	-	-

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 amounts):

(in thousands of EUR)	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 (in non-discounted amounts):

(in thousands of EUR)	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	-	-	-

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 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), the Parent Company was prepared and applies these stricter rules in capital adequacy and liquidity; the Parent Company ensured smooth compliance with these rules while maintaining the required level of risk appetite, portfolio performance and return on capital.

The concepts, methodology, and documentation for the activities in the Basel III Project are prepared in close co-operation with Raiffeisen Bank International AG while reflecting the local specifics of the Group and the entire bank environment.

The objective of the implementation of Basel III 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.

51. Events after the Balance Sheet date

On 3 December 2014, the Supervisory Board of the Parent Company acknowledged and approved the termination of the term of office of Mr Igor Vida as the CEO and Chairman of the Board of Directors of the Parent Company as at the effective date being 31 March 2015. At the same time, the Supervisory Board of the Parent Company approved Mr Michal Liday as a new CEO and Chairman of the Board of Directors with effect from 1 April 2015.

Except for the planned change mentioned above, there were no significant events between the balance sheet date and the approval date of these financial statements that would require an adjustment or additional disclosure.

52. Approval of the consolidated financial statements

The annual consolidated financial statements for the immediately-preceding reporting period (as at 31 December 2013) were signed and authorised for issue on 18 March 2014.

The financial statements were signed and authorised for issue on 6 March 2015 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 2014 and Dividend Payment

Distribution of the Profit for the Year 2014 and Dividend Payment

Distribution of the Profit for the Year 2014

(in EUR)	
Profit after tax for the year 2014	**104 089 755**
Allocation to retained earnings	104 089 755

Distribution of the Retained Earnings

(in EUR)	
Retained earnings	**144 090 751**
Dividends - Ordinary shares	127 395 072
Dividends - Preferred shares	16 695 679

Dividend per ordinary share with the nominal value of EUR 800 is in the amount of EUR 1 792.

Dividend per ordinary share with the nominal value of EUR 4 000 is in the amount of EUR 8 960.

Dividend per preference share with the nominal value of EUR 4 is in the amount of EUR 8,96.

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 of 31 December 2014.

Tantiemes for 2014

Tantiemes for 2014 is in the amount of EUR 372,500.

Annual report for the year 2014, the proposal for distribution of the profit and annual remuneration in the amount of EUR 372,500 for the members of the Supervisory Board were approved by the Ordinary General Meeting of Shareholders on 5 June 2015.

TATRA BANKA

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