Tatra banka

Annual Report 2015

Slovak Republic

Member of Raiffeisen Bank International

TATRA BANKA

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Survey of Key Data

Survey of key data according to International Financial Reporting Standards

Tatra banka Group (in EUR thousands)

	2015	2014	Change
Consolidated Statement of Comprehensive Income			
Net interest income	289 386	305 212	(5,2)%
Provisions for impairment losses	(33 922)	(53 169)	(36,2)%
Net fees and commission income	131 703	124 255	6,0%
Net profit (loss) from trading instruments	23 184	20 758	11,7%
General administrative expenses	(233 890)	(226 740)	3,2%
Consolidated profit before income taxes	159 441	151 809	5,0%
Consolidated profit after income taxes	120 562	114 640	5,2%
Comprehensive consolidated profit after tax	137 227	115 143	19,2%
Earnings per ordinary share (nominal value per share: 800 EUR)	1 513	1 443	4,9%
Earnings per ordinary share (nominal value per share: 4 000 EUR)	7 565	7 215	4,9%
Consolidated Statement of Financial Position			
Loans and advances to banks	125 893	239 553	(47,4)%
Loans and advances to customers, gross	8 144 219	7 201 546	13,1%
Deposits from banks	357 083	189 868	88,1%
Deposits from customers	8 719 428	7 337 794	18,8%
Equity (including consolidated profit)	996 375	997 224	(0,1)%
Balance sheet total	11 215 116	9 681 224	15,8%
Performance			
Return on equity (ROE) before tax	17,0%	16,0%	6,2%
Cost/income ratio[2]	52,79%	49,94%	5,7%
Return on assets (ROA) before tax	1,5%	1,6%	(3,8)%
Tier 1 ratio, total	14,07%	15,21%	(7,5)%
Own funds ratio	18,21%	19,57%	(6,9)%
Resources			
Number of staff on balance sheet date	3 735	3 446	8,4%
Branches on balance sheet date[1]	198	174	13,8%

Ratings	Long-term deposits	Outlook	Short-term deposits	Baseline Credit Assessment
Moody´s Investors Service	Baa1	stable	Prime-2	ba1

[1] Inclusive of Corporate centres, "Centrum bývania" branches, Raiffesen bank branches and Tatra-Leasing, s.r.o. branches

[2] excluded special levy of selected financial institutions

Statements

Statement by the Chairman of the Management Board

Dear Shareholders, Business Partners and Clients,

2015 was a very successful year. We achieved the second highest profit in our history and increased client satisfaction as measured by the TRI*M index while investing a lot of energy into our future success based on a new strategy.

I would like to begin by reviewing Tatra banka's financial achievements. The consolidated after-tax profit of the Tatra banka Group increased 5.2 per cent year-on-year, from EUR 114.64 million in 2014 to EUR 120.56 million in 2015. The higher profit was largely due to lower provisioning for loans to customers.

Loans to customers grew 13.1 per cent to a total of EUR 8.14 billion. The share of non-performing loans in our total portfolio decreased from 4.8 per cent to 4.2 per cent, which is considerably better than the rest of the banking sector and confirms the good quality of the bank's loan portfolio. The growth in loans to customers was mainly attributed to corporate, housing and consumer loans. Deposits from customers increased to EUR 8.72 billion. This growth was recorded particularly in current accounts in all client segments. There was also an increase in term deposits.

As of 31 December 2015 the consolidated capital adequacy ratio achieved 18.21 per cent, which is substantially more than what is required by the National Bank of Slovakia and the European Central Bank.

2015 was an important milestone in terms of the future direction of the bank. It was the first year in which the bank implemented its new strategy to 2020. The main objective of this strategy is to align the operation of two brands – Tatra banka and Raiffeisen bank – under one roof to achieve the biggest or second biggest market share in all segments of banking services. Thus, 2015 was marked by gradual implementation of this strategy at all management levels in the bank.

Under the Raiffeisen Bank brand, we offer clients a unique experience and straightforward, user-friendly products and services at fair prices. In 2015, we doubled the number of clients and tripled the loan portfolio of the Raiffeisen bank brand. The new mall branch format, unique in the Slovak market, has significantly contributed to this success. According to an independent survey conducted by TNS agency that measured the loyalty and satisfaction of clients using the TRI*M index methodology, the clients of Raiffeisen Bank were the most satisfied of all bank clients in the Slovak market since its entry into the Slovak market.

Tatra banka‘s brand promise is to be the leader in innovations. In line with this promise, we introduced a number of useful new services in 2015 with the aim to make clients lives easier.

At the beginning of the year we launched the second generation of the **Tatra banka** app for the Android and iOS platforms, offering clients a complete redesign, optimization for tablets, and the **Spending** report™. We were the first bank in Slovakia to offer clients an application optimized for the Apple Watch and Android Wear watches.

Important new services also include online credit and debit card management. This service allows clients to set via the **Tatra banka** app or **Internet** banking™ their maximum daily payment card limits and to decide on which continents to use their cards. This feature has become instantly popular with thousands of users. Most frequently clients changed their internet limit, thus actively contributing to reducing the risk of abuse of their payment card on the internet.

Our subsidiaries have come up with interesting solutions as well. DDS Tatra banky was the first in Slovakia to introduce an innovative approach to managing pension savings in the third pillar. The concept of **Comfort life**™ is based on saving in a single fund from the beginning until the end of one’s retirement saving. It reflects the client‘s expected year of retirement, and the strategy of the fund gradually adapts to that date throughout the individual’s period of saving.

Under the Tatra banka brand, we also focused on development of relationship management. As a result there are 53 remote personal bankers at the **DIALOG** Live contact center who provide full service to thousands of premium clients. The fact that this is the right direction has been confirmed not only by the results of clients’ satisfaction, who are served immediately and without the need to visit a branch, but also by the number of outgoing and incoming calls counted in tens of thousands each month.

In our support for the arts, we closed 2015 with the twentieth anniversary of the Tatra banka Foundation Art Award. Since introducing the awards, Tatra banka Foundation has supported 81 well-known artists, 41 new artists and 6 young fashion designers. The aim of the foundation is to appreciate those involved with Slovak culture and to give them support to create more top-class art works.

As part of the foundation‘s Personalities in Person program we welcomed Nobel Prize winner Finn Kydland and Pulitzer Prize winner James Steele to Slovakia in 2015.

The Tatra banka brand continues to fulfil its clients' highest expectations. This has also been confirmed by the awards received from international institutions. Private banking confirmed its leading position in Slovakia by winning the title of Best Private Bank from World Finance, The Banker and Global Finance. Global Finance also recognized our digital banking and social media communication as the best in Central and Eastern Europe. Moreover, our website design beat the fierce competition and was evaluated as the best worldwide.

In conclusion I would like to thank our clients for their trust. Your feedback is our invaluable inspiration to develop more innovations. I would like to thank our shareholders for their support in this dynamic period. I would also like to thank my colleagues for their passion and ceaseless efforts to constantly shift banking boundaries.

Michal Liday
Chairman of the Management Board and CEO

Report of the Supervisory Board

Ladies and Gentlemen,

At the beginning of 2015, Raiffeisen Bank International announced a review of the corporate strategy which the market received very positively. An emphasis on markets in which RBI can generate sustainable returns due to a strong position is also being welcomed, as is the action taken so far to achieve these goals. The plan to become a more focused universal bank with strong customer relationships by reducing complexity and risk as well as through bolstering the capital buffer is well on track and valued by market participants.

More than ever before, a bank today needs a focus – and RBI's is on CEE and Austria. RBI, therefore, needed to look at all operations unrelated to that focus, even when, in some cases, they have been highly successful in the past. The footprint in CEE was also reviewed at this time. All of this took place against the backdrop of higher regulatory capital ratio requirements, which were taken into account while determining the target CET1 and total capital ratios.

In 2015, RBI significantly strengthened its capital base, with the fully loaded CET1 ratio standing at 11.5 per cent at year-end, and also achieved a consolidated profit of EUR 379 million. The primary reason for the result being so positive was lower net provisioning for impairment losses. Furthermore, general administrative expenses were reduced by 4 per cent compared to 2014, in line with RBI's cost cutting initiative.

As far as Tatra banka is concerned, I am glad to say that it confirmed its position as third-largest bank on the Slovak market also in the last year. Tatra banka Group closed 2015 with a profit after tax almost 5.2 per cent higher than the year before, thereby continuing its excellent track-record from previous years. As far as our customers are concerned, I am pleased to note that the bank remained true to its image as innovation provider. Among innovations, the most important was undoubtedly the second generation of Tatra banka app, which offered optimization for the Apple Watch and Android Wear watches. I believe that with every such step we are able to increase the level of client satisfaction and enforce the position of the bank, which truly pushes the limits of banking forwards.

The franchise model of Raiffeisen bank has been successfully operating for more than 3 years. According to plan, Raiffeisen bank expanded its branch network to 51 branches last year. The bank doubled the number of its clients and tripled the loan portfolio year-on-year. Moreover, according to measurements by the independent TNS agency, Raifffeisen bank continued to have 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

Our mission has always been and will continue to be shifting the boundaries of banking.

Vision of Tatra banka

We are the largest or the second largest bank in each of the client segments we serve.

Values

Exactingness

Together we do things the best we possibly can; we are not satisfied with only being average.

Creativity

Together we bring new solutions and we support bold and innovative thinking.

Passion

Together we inspire people and exceed their expectations.

Strong Member of a Strong Group

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. In CEE, at the end of 2015, around 48,000 RBI employees served some 14.9 million customers in around 2,700 business outlets. 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 51,000 employees and has total assets of approximately EUR 114 billion.

RZB was founded in 1927 as “Genossenschaftliche Zentralbank”. The RZB founded its first subsidiary bank in CEE already back in 1987. Since then, further own 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 Vienna 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. At year-end 2015, RZB – which functions as the central institution of the Austrian Raiffeisen Banking Group – held approximately 60.7 per cent of RBI’s stock, with the remaining shares in free float.

Risk Management and Basel III

Well-organized and consolidated risk management plays a vital role in sustainable, efficient operation of a bank. This responsibility is taken seriously within Tatra banka as well as in the context of its systemic importance for the whole banking sector. Tatra banka has consistently fulfilled the requirements of European directives implementing the regulations known as Basel III, with the actual implementation being subject to applicable legal 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 cooperation 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 about risk management.

Credit risk

Since January 1, 2008, the bank has 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 also apply the IRB approach 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 has enabled the bank to include in its capital requirements the effects of the period of economic decline on its portfolio.

Based on its implementation plan, the bank was granted authorization to use the IRB approach from April 1, 2010 for its retail 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.

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.

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 2015 the bank focused specifically on improving the quality of management and recordkeeping of loans secured by residential property. The bank continues to focus on the process of regular scorecard and risk management model development and their updating. 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 characterized 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

In 2015 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 the 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 2015. The bank actively pays attention to new liquidity legislation and is in advance compliance with the Liquidity Coverage Ratio and Net Stable Funding Ratio 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 2015, the bank made thorough preparations for a transition to an advanced approach to calculating regulatory capital, concentrating on more efficient use of operational risk management instruments through active collaboration with all management levels. 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 the loan application approval process is an effective system of automatic fraud detection into which additional solutions reflecting current needs were implemented in 2015.

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 2015, the bank covered identified risks with a safe reserve using internal capital. The process of capital allocation is an integral part of this, as it is closely linked to the budgeting process. As part of this process, by using an approved allocation key, individual commercial units of the bank are assigned an expected level of Return on Risk Adjusted Capital (RORAC) performance 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 2016.

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 2015, 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 the 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 this stress testing were presented to the bank's management and these showed that the bank had sufficient internal capital to cover potential losses arising from the stress scenarios.

Summary of Consolidated Performance

The consolidated after-tax profit of the Tatra banka Group increased 5.2 per cent year-on-year, from EUR 114.64 million in 2014 to EUR 120.56 million in 2015. The higher profit was largely due to lower provisioning for loans to customers. The banking levy paid to the state was lower than the year before but was offset by an increased contribution to the resolution fund. The increase in net income from fees and commissions was particularly the result of reporting a portion of loan charges as income from fees rather than interest income. A decrease in operating income and growth in operating expenses led to improvement in the cost-income ratio to 52.8 per cent from last year's 49.9 per cent. At the end of December 2015, Moody's international ratings agency set Tatra banka's rating at Baa1.

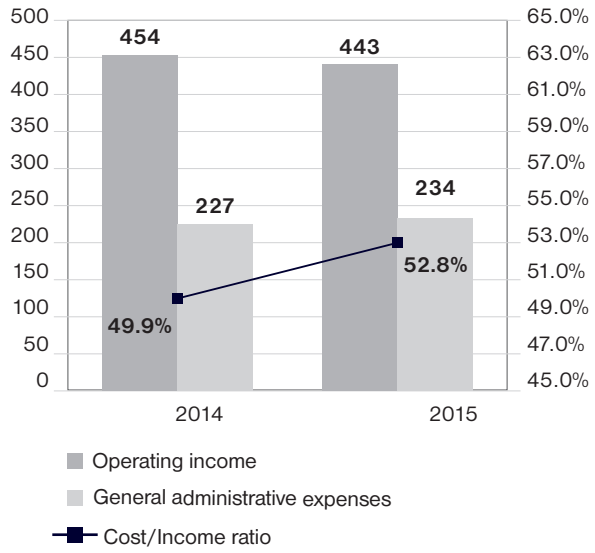
Development of income and expenses

Despite significant growth in the bank's loan portfolio, net interest income decreased due to the prevailing low interest rates, the highly-competitive environment and a change in reporting a portion of loan fees from interest income to income from fees. Interest rates on mortgage loans and government bonds were at a historically low level, which resulted in lower interest expense. The decrease in interest expense on term deposits and mortgage bonds was not sufficient to compensate for the lack of interest income, which was reflected in a 5.2 per cent drop in net interest income to EUR 289.4 million.

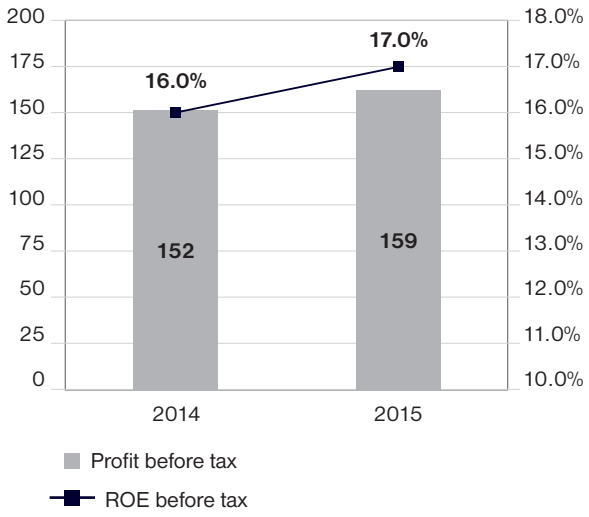
Net fee and commission income was up 6.0 per cent year-on-year to EUR 131.7 million, largely due to the change in the reporting of a portion of loan charges from interest income to fee income. Net trading income rose by 11.7 per cent year-on-year to reach EUR 23.2 million. There was an increase in income from conversions and derivatives.

General administrative expenses increased by 3.2 per cent to EUR 233.9 million, mostly due to a contribution paid to the resolution fund for the first time in 2015.

Development of Cost/Income ratio
mil. EUR



Development of profit and return on equity
mil. EUR



Development of assets

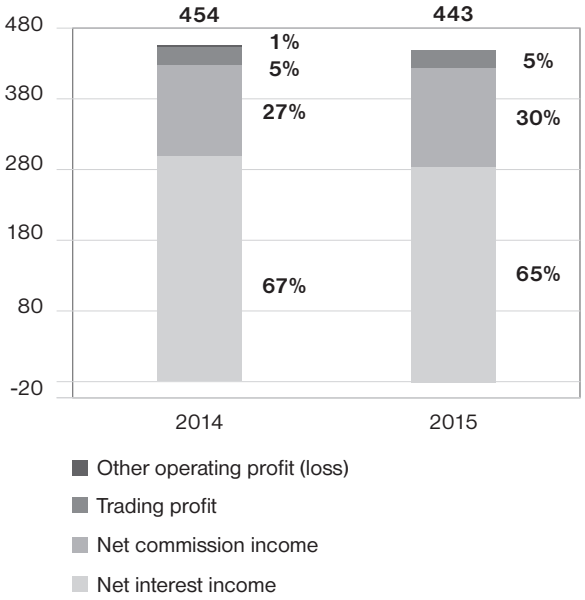
The consolidated assets of the Tatra banka Group increased 15.8 per cent to EUR 11,22 billion. Loans to customers grew 13.1 per cent to a total of EUR 8.14 billion and were a significant contributor to this growth. The share of non-performing loans in the total portfolio decreased from 4.8 per cent to 4.2 per cent, which is considerably better than the entire banking sector and confirms the good quality of the bank's loan portfolio. The growth in loans to customers was mainly attributed to loans to the corporate sector and housing loans. The value of securities and funds on deposit with the central bank increased.

Development of liabilities and equity

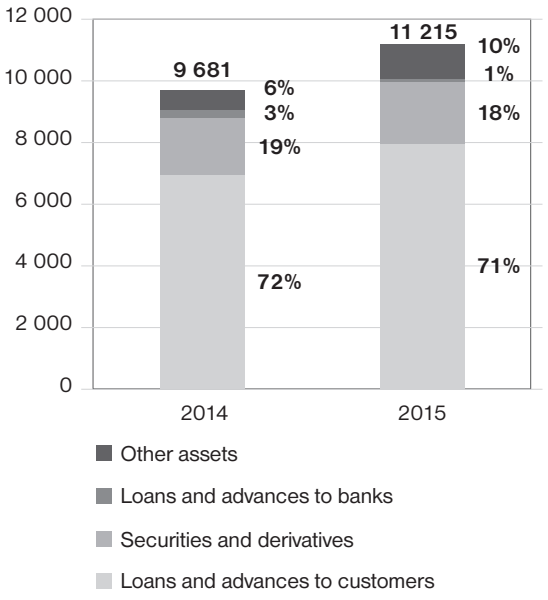
Deposits from customers increased to EUR 8.72 billion. The growth was recorded particularly in current accounts in all client segments. There was an increase in term deposits and loans received from other banks. The consolidated ratio of loans to deposits was 93.4 per cent as of 31 December 2015.

As of 31 December 2015 the consolidated capital adequacy ratio achieved 18.21 per cent, which is substantially more than what is required by the National Bank of Slovakia and the European Central Bank.

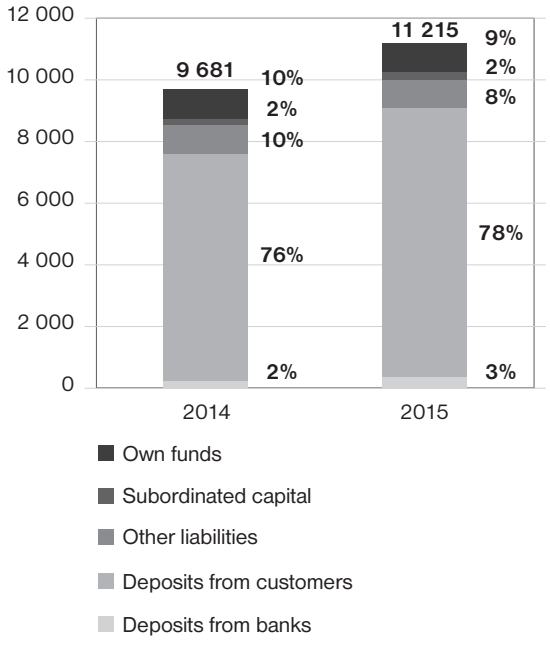
Structure of income
mil. EUR



Structure of balance sheet assets
mil. EUR



Structure of balance sheet liabilities
mil. EUR



Objectives for 2016

2015 was the first year in which the bank implemented its new strategy to 2020. The main objective of this strategy is to align the operation of two brands – Tatra banka and Raiffeisen bank – under one roof to achieve the biggest or second biggest market share in all segments of banking services.

2016 will be characterized by gradual achievement of the objectives set forth as part of the new strategy. Also, in line with its brand promise – to be the leader in innovations – Tatra banka will continue to develop innovative services and products. The bank will continue to pay close attention to promoting innovations – i.e. raising awareness of innovations among clients and creating more opportunities for their use.

Clients can look forward to electronic signing of contracts. With this new service they will have their contracts available at any time in the secure environment of **Internet** banking[TB].

The bank will also focus on further extension of its portfolio of products and services available in mobile applications. Naturally, new technologies and trends in individual operating systems will also be implemented.

One of Tatra banka's key activities in the long term is the development of mobile payments. Being a completely new form of payment, the bank aims to constantly increase the attractiveness of this service and offer the relevant added value for clients. In 2016, the bank aims to offer an option to pay with an NFC smartphone to all clients, regardless of their mobile operator. In the new version of the application being prepared clients will also find a host of other features connected with cards – from a simple view of transactions made with a card to a sophisticated tool to manage their card settings.

Regarding acceptance of payment cards, the bank aims to increase the number of acceptance points in new segments and regions. The bank also has the ambition to maintain its leading position in this segment by increasing the satisfaction of traders.

In the area of loans to private individuals Tatra banka aims to constantly increase the comfort and availability of products for both new and existing customers. Along with the development of innovations, the bank will focus on ensuring compliance with requirements arising from legislative changes. The bank will aim to achieve growth in loans to small business clients. Optimization of processes related to the arrangement of loans should significantly contribute to increasing the bank's our market share.

Tatra banka's private banking will primarily focus on improving reporting for clients and information related to their investment portfolios.

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 – an absolute priority is full client satisfaction – followed by focus on process improvement and continuing to attract new clients in order to increase revenues in all products. While striving to provide the distinctly best services, the aim is to be the bank of first choice for corporate clients and to reconfirm the bank's position as the long-standing leader.

The main objective of the Tatra banka Foundation will be focused development of its current grant programs and partnerships that enhance its position and accomplish its chosen strategy and mission in education, arts and design. In furthering design, the foundation intends to more vigorously strengthen its position, primarily through grants and support to first-class projects of young designers as well as events in this field. In 2016, the foundation will again welcome a Pulitzer Prize winner and both students and the professional community can look forward to visits from two globally-known economists.

In arts, the pinnacle of the season will be the twenty-first year of presenting the Tatra banka Foundation Art Award. Regarding theatrical works, the Tatra banka Foundation will celebrate the tenth anniversary of supporting the Slovak National Theater as its general partner.

Top Management

Supervisory Board

Dr. Karl Sevelda
Chairman of the Supervisory Board

Ing. Igor Vida
Vice-chairman of the Supervisory Board (from April 21, 2015)
Member of the Supervisory Board (from April 16, 2015 to April 20, 2015)

Mag. Peter Lennkh
Vice-chairman of the Supervisory Board (until April 20, 2015)
Member of the Supervisory Board (from April 21, 2015)

Dr. Herbert Stepic
Member of the Supervisory Board

Dr. Johann Strobl
Member of the Supervisory Board

Dkfm. Klemens Breuer
Member of the Supervisory Board

Mag. Martin Grüll
Member of the Supervisory Board

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

Prof. Ing. Peter Baláž, PhD.
Member of the Supervisory Board

Ing. Pavol Feitscher
Member of the Supervisory Board

Mag. Andreas Gschwenter
Member of the Supervisory Board (from November 6, 2015)

Aris Bogdaneris
Member of the Supervisory Board (until April 21, 2015)

BANK MANAGEMENT

Management Board

Mgr. Michal Liday
Chairman of the Management Board and CEO (from April 1, 2015)
Member of the Management Board (until March 31, 2015)

Ing. Igor Vida
Chairman of the Management Board and CEO (until March 31, 2015)

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

Ing. Marcel Kaščák
Member of the Management Board

Mgr. Natália Major
Member of the Management Board

Ing. Vladimír Matouš
Member of the Management Board

Mag. Bernhard Henhappel
Member of the Management Board

Ing. Peter Matúš
Member of the Management Board (from April 21, 2015)

Confidential Clerks

Ing. Zuzana Koštialová

Statement on Corporate Governance

The corporate governance system of Tatra banka is regulated by the Code of Corporate Governance in Slovakia issued 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 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 EUR 800 corresponds to one vote and one share with a nominal value of EUR 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 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 requirements, 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 2015, the annual General Meeting was held on 5 June 2015. It was attended by shareholders holding ordinary shares representing a total of 65,453 votes, which accounted for 81.40 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 the Consolidated Financial Statements for 2014, the Annual Report for 2014, the proposed profit distribution and percentage of annual profit as directors' fees, decided on the terms of the dividend payout, on amendments to the Articles of Association, on the terms of acquisition of the bank's own shares and on the terms of pledging of 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. 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 the 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 2015 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 2015 are listed in the Top Management section.

Committees

Audit Committee - its activities are performed by the bank‘s Supervisory Board except for the chairman.

Risk Management Committee – monitors and reviews the bank‘s risk management activities and procedures and risk management strategies as well as other activities in accordance with legal regulations. Its members include designated Supervisory Board members.

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.

Central Credit Committee – exercises defined approval authority in the process of providing retail credit products. Its members include designated employees.

Damage Commission – deals with addressing damage caused to bank's assets. Its members include a designated member of the Management Board and designated employees.

Risk Committee – fulfils defined roles in defining the framework, strategy, procedures and rules for risk management and control. Its members include designated members of the Management Board and designated employees.

Project Commission – executes entrusted project management powers. Its members include the members of the Management Board and designated employees.

Cost Management Committee – defines cost management strategy and fulfills defined tasks related to cost management. 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 within 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 2015 the bank continued to implement the standardized risk analysis process in additional processes. The implementation process was followed by a phase of regular monitoring and its results have been presented to the competent authorities as well as to the Supervisory Board acting as the Audit Committee.

Control mechanisms also apply to the financial statements process that was analyzed by applying a standardized risk evaluation process that will be monitored in 2016 after the end of a six-month period from the implementation of the risk analysis process. Financial statements are also reviewed by an external auditor on an annual basis. The Internal Control and Internal Audit Division reviews prudential reports on an annual basis.

An Internal Control System Officer responsible for implementing the process of analysis, monitoring and reporting, is a position within the Operational 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, liquidity and operational risk. These risks and the overall risk profile of the bank are also subject to the relevant internal and external controls in accordance with legislative and regulatory requirements as well as the bank‘s internal requirements.

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

The bank is exposed to **market risk** 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 carefully 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 2015. The bank actively pays attention to new liquidity legislation and is in advance compliance with the Liquidity Coverage Ratio and Net Stable Funding Ratio 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 2015, the bank made

thorough preparations for a transition to a higher operational risk measurement approach, concentrating on more efficient use of operational risk management instruments through active collaboration with all management levels. 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 EUR 64,326,228 and has the following structure:

ISIN: SK1110001502
Nominal value: EUR 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: EUR 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: EUR 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.

Segment reports

Corporate Clients

Retail Clients – Tatra banka

Retail Clients – Raiffeisen Bank

Support of arts, education and design,
Nadácia Tatra banky

Corporate Clients

(v tisícoch EUR)	12/2015	12/2014	12/2013	12/2012[1]	12/2011[2]	12/2010[3]	12/2009
Net interest income	73 394	87 928	88 541	97 070	96 870	72 636	68 141
Net provisioning	(21 631)	(35 011)	(24 300)	(24 683)	(11 152)	(33 318)	(23 186)
Net interest income after provisioning	51 763	52 917	64 241	72 387	85 718	39 318	44 955
Net fees and commission income	31 196	23 170	21 775	21 710	24 645	19 252	17 636
Other operating income	(4 618)	(6 428)	(8 395)	(8 158)			
Operating expenses	(42 909)	(39 603)	(38 333)	(40 069)	(45 545)	(32 542)	(33 774)
Profit before income taxes	35 432	30 056	39 288	45 870	64 818	26 028	28 817
Cost/Income ratio	41,03%	35,65%	34,75%	33,73%	37,48%	35,41%	39,37%

Note: Large and medium-sized corporate customers

[1] Other operating income since 2012 includes an extraordinary and special levy on selected financial institutions.

[2] Due to a change in services for corporate customers with revenues of up to EUR 3.3 million some customers were moved from the retail customers segment to the corporate customers segment in 2011. This resulted in a decrease in the retail segment and an increase in the corporate segment in the year-on-year comparison (2011 against 2010).

[3] In the 2010 results a retroactive change was made to the amount of operating expenses, in line with the methodology effective since 2011 (reposting VAT from other operating income to operating expenses). This change also affected Profit before income taxes and the Cost/Income ratio.

Figures for 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 more than 22 per cent in corporate financing, which is a great achievement in such dynamic competitive environment. 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. In 2015, the bank achieved even stronger growth in client satisfaction in the segment of large and medium-sized enterprises.

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 2015 in order to provide the highest level of professional service to each of over 8,000 corporate clients.

Tatra banka serves large corporations through its relationship managers at the head office in Bratislava. The needs of middle segment clients are addressed by relationship managers at 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 provided by product specialists in Bratislava. International clients can use the services of the bank‘s professionals in the department serving international corporations.

Large Corporate Clients

2015 was another very successful year for the segment of large corporate clients. The bank recorded revenue growth in all areas, but particular due to a substantial growth in lending. Loans in this segment exceed the historic amount of EUR 2,8 billion.

The bank participated in all major transactions in the Slovak 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 financing and an increase in the existing credit trades.

There was 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 reaffirmed its position as the long-term leader. The bank’s market share in corporate loans increased to more than 22 per cent at the end of the year, which is a significant achievement in such a strongly competitive environment and saturated market.

During the year, the bank continued to focus on increasing clients’ satisfaction and selling new products in banking services. The bank invested much effort in increasing cross-selling activities, both with respect to products and in individual client segments.
Also, the bank further concentrated on improving processes related to corporate loans.
Not least, the bank concentrated its energy on the acquisition of new corporate clients and foreign investors coming to Slovakia.

Corporate centers

Tatra banka has had an extremely successful year in the segment of medium-sized corporate clients. The number of clients grew 7 per cent to more than 6,300 entities and client satisfaction measured using the TRI*M index has achieved its historically highest level of 87 points. It is a result of investing in personal development, continuous process improvement, product innovation and delivery of services with high added value for clients.

Economic recovery reflected in an increased demand for operating and investment loans. Mid-term loans are mainly directed in construction funding or expanding production capacities, energy projects, with a consistently high representation of commercial development and residential project funding. The amount of loans drawn increased more than 5 per cent, exceeding the limit of EUR 1.1 billion, with the share of non-performing loans consistently below the market level. The sale of new loans increased 8 per cent against the previous year, which was significantly contributed by successful acquisitions of a number of larger clients. In 2015, the bank reinforced its leading position in corporate banking with its market share exceeding 22 per cent.

A positive development was also recorded in revenues from foreign payments that have experienced dynamic growth. Strong representation of corporate clients using POS terminals is confirmed by a positive development of revenues from these transactions. Current accounts dominate deposit products due to the prevailing low interest rates, with primary deposits also recording historically highest levels of more than EUR 1 billion.

Reduction in total operating costs, particularly in risk costs, which constituted less than 60 per cent of the last-year volume, can also be evaluated positively. This demonstrates that Tatra banka has the trust of strong corporate clients and participates in the financing of successful projects.

In the coming year the segment wants to continue to reinforce its market position and increase the satisfaction of clients in order to keep exceeding their expectations.

Corporate Products

In terms of business results, 2015 was affected by the growing demand for loans and other business and project financing products from corporate entities.

A significant recovery in project financing was associated with property financing. For the first time ever the amount of contracted loans in this segment at Tatra banka exceeded EUR 1 billion. The amount of loans drawn increased by more than EUR 260 million year-on-year to nearly EUR 920 million, by which Tatra banka confirmed its position of a definite leader in the Slovak market.

Also in 2015, factoring maintained its leading market position. The 2015 turnover totaled EUR 577 million, an increase of 17 per cent against the previous year. In business financing there was a substantial 16 per cent year-on-year increase in bank guarantees.

Capital Markets Products

In terms of clients' activity and interest in Capital Market products, 2015 was similar to the year before. Despite continuing decrease of market interest rates, average amounts of funds appreciated particularly by corporate clients through term deposits grew about 10 per cent year-on-year. With respect to deposits of financial institutions the growth was as high as 40 per cent.

Tatra banka also recorded an increased demand of corporate clients for structured deposit products such as Progressive Deposit. Clients showed more and more interest in the Tatra Premium Deposit. Interest-rate hedging saw a substantial increase in clients' demand for interest-rate derivatives, which was motivated by an attempt to profit from low interest rates and secure the interest risk inherent in clients' loans linked to a floating interest rate.

The level of clients' interest in foreign exchange transactions and the opportunity to secure their currency risks through derivatives roughly equaled the level in 2014.

In relation to a growing client interest in mortgage loans and the need to cover these loans with mortgage bonds, Tatra banka placed among institutional investors five mortgage bonds issues totaling EUR 170 million, i.e. EUR 43 million more than in 2014. Some institutional investors responded to the demand of central banks buying selected government bonds from the market as part of quantitative easing and sold part of their portfolios through Tatra banka.

Retail Clients – Tatra banka

(v tisícoch EUR)	12/2015	12/2014	12/2013	12/2012[1]	12/2011[2]	12/2010[3]	12/2009
Net interest income	187 410	194 530	189 360	178 961	168 977	187 436	176 312
Net provisioning	(12 344)	(18 241)	(21 781)	(13 699)	(3 118)	(11 096)	(28 626)
Net interest income after provisioning	175 065	176 289	167 579	165 262	165 859	176 340	147 686
Net fees and commission income	102 423	99 782	87 295	82 202	80 837	85 540	73 961
Other operating income	(9 578)	(12 979)	(16 899)	(9 967)			
Operating expenses	(165 455)	(162 098)	(155 064)	(152 345)	(157 505)	(166 304)	(153 977)
Profit before income taxes	102 455	100 994	82 910	85 152	89 190	95 576	67 670
Cost/Income ratio	57,09%	55,08%	56,05%	58,33%	63,05%	60,92%	61,52%

Note: Private individuals, small business clients, micro companies, private banking clients and employees

[1] Other operating income since 2012 includes an extraordinary and special levy on selected financial institutions.

[2] Due to a change in services for corporate customers with revenues of up to EUR 3.3 million some customers were moved from the retail customers segment to the corporate customers segment in 2011. This resulted in a decrease in the retail segment and an increase in the corporate segment in the year-on-year comparison (2011 against 2010).

[3] In the 2010 results a retroactive change was made to the amount of operating expenses, in line with the methodology effective since 2011 (reposting VAT from other operating income to operating expenses). This change also affected Profit before income taxes and the Cost/Income ratio.

Figures for earlier periods are shown according to the original methodology.

2015 was another year of low interest rates. Most popular with clients was the saving system. A combination of unrestricted funds and an attractive interest rate caused a 37 per cent increase in the amount of funds on this product. Amounts of funds in term deposits continued to grow despite low interest rates. The most preferred alternative was a 12-month fixed term.

Also last year, clients could earn an extra 1 per cent interest on their term account, provided they deposited funds in a term account and also made an investment in a selected investment fund.

2015 was marked by a student acquisition campaign. The aim of the campaign remained unchanged: to increase student interest in the **Tatra Personal**TB service package and introduce them to the world of finance. Nevertheless, there was a change in the main character of the campaign. In 2015, the bank decided to address students through the well-known cartoon character of Menežeris. It did not take long to see positive student response, which was evidenced by more than 16,000 opened student accounts.

Insurance

The main theme in 2015 was travel insurance. Although Tatra banka terminated the sale of travel insurance provided by Allianz and Union insurance companies in 2014, the complete product management was handed over to these insurers at the beginning of April 2015. Travel insurance provided by UNIQA insurance company has remained in the portfolio. The new product is very popular with clients. In the first 18 months more than 20,000 clients decided to take out travel insurance.

Payment cards

In payment cards, Tatra banka focuses on constant delivery of innovations with a significant benefit for clients. The most important innovations in 2015 included the launch of on-line payment card management. This functionality allows users to change their selected card settings (e.g. cash or internet limit, continents on which the card can be used) and block the card in the event of loss or theft simply and quickly via **Internet** banking™ or the **Tatra banka** mobile app.

With on-line card management, Tatra banka has significantly increased security of internet payments. Clients who do not use their cards for internet purchases have the option to reduce the limit of internet payments to EUR 0 to prevent any abuse of the card in this environment. Clients using their card for internet purchases can change the amount of internet limit as necessary, so as to prevent the risk of abuse of the card in internet purchases.

In the summer, clients had a chance to get a limited edition credit card depicting the voice of the Slovak soprano Adriana Kučerová. Card design was created using cymatics, a unique sound visualization method.

The holders of Tatra banka's payment cards made transactions totaling EUR 3.9 billion last year. Purchases accounted for more than 43 per cent of this amount. Only one fifth of the total number of transactions involved cash withdrawals.

This trend is largely due to growing use of contactless payments. Almost half of active users of the bank's debit cards and 40 per cent of credit card users actively use this method of payment. The number of contactless transactions grew 30 per cent year-on-year and clients made more than 19 million contactless payments totaling EUR 168.5 million.

Tatra banka also recorded growth in Contactless Mobile Payments (**Bezkontaktné mobilné** platby™). The number of transactions made with a mobile phone increased by a fifth, totaling EUR 2.7 million, a 17 per cent increase year-on-year.

In 2015, Tatra banka also launched an option for its clients to execute a payment order from a credit card using the Tatra banka mobile app. A total of 65,247 payment orders were executed from credit cards, with 36 per cent of payment orders executed from the Tatra banka mobile app. At the end of 2015, the share of payment orders executed via the mobile app was 57 per cent.

Loans

Tatra banka also introduced innovations in credit products in 2015. During a media campaign, clients had the opportunity to draw an Any Purpose Classic Loan (**Bezúčelový** úverTB Classic) with an accelerated repayment. Every month clients can make an extra instalment via **Internet** bankingTB or the **Tatra banka** mobile app and save.

In consumer and mortgage loans, Tatra banka has introduced even more favorable conditions applicable to the repayment of loans from other banks. A new product in mortgage loans was a campaign promoting a 7-year fixed favorable interest rate, with which clients were guaranteed unchanged instalments throughout this period. An any purpose loan drawn with a mortgage loan with even more favorable conditions was added in the portfolio.

A significant change is represented by the new loan processing system. Clients can apply for a mortgage, consumer loan and credit card at a single point. Information is processed online, due to which clients get a specific loan offer on their first visit of a branch.

In 2015, Tatra banka also focused on innovations for current clients who already have a mortgage loan. An attractive benefit includes an option to set the new amount of interest rate for another fixed-rate period via **DIALOG** Live, without the need for a visit of a branch.

The growth in retail loan market continued in 2015. Housing loans recorded a 14.86 per cent growth and unsecured loans 16.22 per cent growth. Tatra banka achieved growth of 16.69 per cent in the housing loan portfolio, which was above market level and the portfolio of unsecured loans grew 20.90 per cent year-on-year.

In 2015, Tatra banka provided 13,186 loans secured by property totaling over EUR 733 million. More than 2,000 of loans were home equity loans with a total value of nearly EUR 83 million and another 11,000 were housing loans with a total amount of more than EUR 650 million. The total amount of Any Purpose Classic Loans (**Bezúčelových** úverovTB Classic) was almost EUR 255 million, with more than 53,000 loans provided in 2015.

Internet banking[TB]

Tatra banka's electronic banking consistently confirms its unique position in the Slovak banking market, which is also confirmed by a number of awards and first places in this area.

Internet banking[TB] is in the long-term the most-used instrument for making payments. Less than 2 per cent of transactions are made via branches, while **Internet** banking[TB] and the **Tatra banka** mobile app account for more than 45 per cent of transactions. In total, 97 per cent of transactions at Tatra banka are made electronically.

In 2015, Tatra banka added new awards to its previous years' awards. Tatra banka received two awards from the international monthly Global Finance: Best Consumer Digital Bank in Central and Eastern Europe and Best Web Site Design Worldwide.

Internet banking[TB] is used at least once a month by about 200,000 clients making about 1.5 million transactions every month.

In 2015, Tatra banka introduced new features to its clients including an extended on-line payment card management, adding an option to make batch payments for all clients, customizable dashboard in **Internet** banking[TB] with key product and service information, overview of assets and liabilities, with an option to add assets and liabilities outside Tatra banka. Clients thus have a comprehensive view of their finances.

Internet banking[TB] together with the **Tatra banka** mobile app is currently also an important sales channel. More than 30 per cent of pre-approved any purpose loans offered in campaigns are provided via **Internet** banking[TB] and the **Tatra banka** mobile app.

Mobile applications

2015 was marked by a number of new functionalities in the **Tatra banka** app. At the beginning of the year **the second generation of the Tatra banka** app for Android and iOS platforms was introduced offering clients a complete redesign, optimization for tablets, the **Spending** report[TB] and a number of other minor improvements. During the year, the application was gradually upgraded wit new features and it was the first banking application in Slovakia to offer clients **optimization for** Apple Watch and Android wear **smart watches**.

Innovations were also focused on other applications - Mobile Payments (**Mobilné** platby[TB]) Reader (**Čítačka**[TB]) and also **Tatra banka VIAMO**, through which clients can pay in almost 100 stores for books, electronics, sports clothing, discount coupons, food delivery, taxi, or courier upon receipt of ordered goods, or make a contribution to one of the foundations. The number of payments through VIAMO increased almost fivefold since the beginning of the year.

Acceptance of payment cards

Also in 2015 Tatra banka maintained its position of the market leader in the acceptance of payment cards, which was also confirmed by the MasterCard Acquirer of 2015 award for total turnover and the Visa Best Innovator 2015 award.

Tatra banka's business partners generated turnover of EUR 2.33 billion on payment terminals with a total of more than 83.4 million transactions. There were 3.3 million transactions totaling EUR 161.8 million via CardPay in 2015, 36 per cent more than the year before.

At the end of 2015 Tatra banka had 14,957 active payment terminals, 97 per cent of which supported contactless payments. The share of contactless transactions on Tatra banka's payment terminals increased to 37 per cent in 2015.

Tatra banka closed 2015 with a total of 306 ATMs with new models accounting for 92 per cent of the network. Clients made more than EUR 13.2 million withdrawals from Tatra banka's ATMs in 2015, and the amount of withdrawn cash totaled nearly EUR 2.07 billion.

Tatra banka was the first bank in Slovakia to introduce the option of cash withdrawal from an ATM with a mobile phone. In 2015 clients made almost 400,000 ATM withdrawals with a mobile phone worth EUR 23.5 million.

DIALOG Live

DIALOG Live experienced dynamic changes in 2015 aimed to implement the bank's strategy which also increasingly contribute to bank's business results. The contact center had undergone transformation from a service to a sales channel in previous years. 2015 saw its transformation with a focus on the service for the premium segment.

The whole year was marked by the development of relationship management through the position of a remote personal banker. As a result, at the beginning of 2016 there are 53 relationship managers at **DIALOG** Live, who provide full service to thousands of Tatra banka's premium client, both in terms of the range of services and the provision of a comprehensive range of products. The fact that this is the right direction is confirmed by the results of client satisfaction which are high above market average, but also by numbers of outgoing and incoming calls that can be counted in tens of thousands per month. The final outcome is that clients are served immediately without the need to visit a branch.

The unique position of **DIALOG** Live in the Slovak market is also confirmed by innovative approaches: the number of voice samples reached 290,000 and the number of video calls increased to almost 1,600 in the fourth quarter. Tatra banka continues to develop online communication through chat, it is preparing a significant change in the automation of the Call me format and continues to offer clients offline communication by means of a web form.

Private Banking

The private banking segment focused primarily on innovations concerning risk monitoring and new investment tools for clients in 2015. At the beginning of the year, it offered clients portfolio stress testing. Thanks to this innovation they could protect their clients from increased volatility. A unique innovation on the market of investment instruments was an option to invest in selected start-ups via the investment platform Crowdberry.

The segment also worked on increasing the comfort of private clients and introduced the **Mobile**Sign™app with which clients can trade securities and make fund transfers conveniently.

Innovations also had an impact on the growth and stability of assets. Funds managed by private banking exceeded EUR 2 billion, confirming Tatra banka's leading position in this segment. This achievement was also noted by reputable magazines World Finance, Global Finance and The Banker, which awarded the bank the title „Best Private Bank in Slovakia".

In the second half of 2015, private banking together with Tatra Asset Management offered its clients new investment opportunities as part of the **Wealth** management™ service. They allow an interesting appreciation while reflecting a limited risk exposure.

Small Business Clients

Tatra banka recorded growth in the segment of small business clients in 2015. Business advisors took care of two groups of clients - micro businesses and small businesses.

Relationship management implemented in this segment includes care for business owners as private individuals in addition to regular contact with clients. This care is provided by a personal banker. The aim is to encourage entrepreneurs to be Tatra banka's clients both as legal entities and as private individuals. Clients, who prefer this option, can be in contact with the bank via **DIALOG** Live contact center through a remote business advisor on a separate business line. Through this channel clients can negotiate solutions for almost all products, or even draw a loan. In 2015 the segment focused on increasing the sale of business loans not only to the current bank clients, but also through acquisitions of new corporate clients. Considerable achievements have been made in this area.

The segment also grew in terms of the number of new clients and the amount of loans provided in 2015. Growth of more than 16 per cent was recorded in the amount of deposits. Growth in loans is mainly due to micro clients and a deal promoted in a campaign, where a client can draw a loan within 24 hours.

Retail Clients – Raiffeisen Bank

2015 was the third year of the bank's presence in the Slovak market. At the end of 2015 the bank operated 51 business outlets.

Raiffeisen Bank offers its clients a unique experience and straightforward, user-friendly products and services at fair prices. In everything the bank does it values the following principles: simplicity, comprehensibility, transparency and a caring approach. The staff at branches make sure that clients feel comfortable at the bank and are only satisfied when their clients are satisfied.

These are the attributes that customers most appreciate about the bank. According to an independent survey conducted by TNS agency that measured the loyalty and satisfaction of clients using the TRI*M index methodology, the clients of Raiffeisen Bank have been the most satisfied of all bank clients in the Slovak market from the bank's entry to the Slovak market until now.

Raiffeisen Bank doubled the number of its clients year-on-year. A new mall branch format that is unique in the Slovak market has significantly contributed to the bank's success. These branches are like kiosks and are often located directly in a mall corridor where they offer a full range of the bank's products and services, including cash transactions. This new type of branch has become very popular with clients and increasingly more people can conveniently use the fast service of the bank also during weekends.

In 2015, the bank introduced a successful concept of Guarantees That Apply Forever. It is the only bank in the market that guarantees clients that they will not pay for deposits and withdrawals at a branch or for card payments and that payment cards for the whole family are issued instantly at a branch.

Raiffeisen Bank draws on its long-term experience in the Austrian market and other Central and Eastern European markets in regards to its local community support. In 2015, the bank contributed funds to 132 projects totaling almost EUR 132,000. 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 way in which funds are distributed is decided by "Administrative Boards of Branches". These boards include opinion makers in 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 these towns.

The bank plans to open new branches and attract more clients in the Slovak market in 2016 and will continue striving to achieve its clients' highest satisfaction.

Support of arts, education and design, Nadácia Tatra banky

The profile of Tatra banka has developed as a company that directs its support primarily to arts, education and design as the principal areas of its sponsoring partnerships as well as its philanthropy through the Tatra banka Foundation. The bank communicated more intensively in 2015 about the subject of startups and innovations by acting as a partner for various conferences and events in these fields.

Tatra banka closed 2015 with a celebration of art – the twentieth anniversary of the **Tatra banka Foundation Art Awards**, which to date have been awarded to 81 well-known artists and 41 new artists.

One of the main themes of the bank's promotion of the arts is 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 ninth time.

In **visual arts**, the bank continued its partnership with the Slovak Center for Visual Arts – Kunsthalle Bratislava – in 2015. Thanks to the bank's support, visitors could view the exhibitions and participate in creative workshops and other workshops free of charge. In 2015, Tatra banka was again the general partner of a leading exhibition at the Bratislava City Gallery by the legendary Slovak painter Milan Paštéka. At the SOGA Auction Company, the bank supported the exhibition of a prominent young Slovak fine artist, Marek Kvetan.

For the third year, a strategic goal of Tatra banka was to increase support for the field of **design**, which is perceived as an inseparable part of the Tatra banka Foundation's comprehensive support of the arts with a significant potential for innovation. 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 and as the general partner of the By Design conference.

Tatra banka also regularly contributes to the development of education by supporting established conferences for top specialists and industries. In 2015, the bank continued its exclusive partnership with selected TREND conferences.

Investments in art and education are part of a long-term process that must be stable and continuous. The results of the work become only gradually visible. Nevertheless, they have an indisputable importance in the shaping of society – bringing real values, opening up opportunities and helping to refine our society. Tatra banka values every partnership in this area because of the added value 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 – 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.

In 2015 the Tatra banka Foundation supported 342 valuable projects with nearly EUR 660,000.

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 eight open grant programs in the areas of education, art and design and three employee grant programs.**

Support in Regions

Support of theatrical works is one of the main areas of the foundation's artistic focus. Superior theatrical performances are created and presented throughout Slovakia and the foundation has a long record of assistance to 11 selected regional theaters.
Through the More for Regions (**Viac pre regióny**™) grant program the foundation has supported eight projects undertaken by non-governmental organizations. The support was directed to NGOs in each of Slovakia's regions based on voting by Tatra banka Group employees.

Personalities in Person

Under the foundation's program Personalities in Person, Slovakia has welcomed seven Nobel Prize winners and five Pulitzer Prize winners and dozens of foreign professors as well as more than 80 top Slovak and Czech economists, all of whom have given lectures to students at Slovak universities and to the general public.
Nobel Prize winner Finn Kydland and Pulitzer Prize winner James Steele accepted our invitations in 2015.

Tatra banka Foundation Art Award

Through its foundation Tatra banka recognized for the twentieth time those whose work in the previous year contributed to the development of Slovak art in film, literature, music, theatre, fine arts, and for the first time also in the new award category of design. The aim of the Tatra banka Foundation is to appreciate individuals who are involved with Slovak culture and to give them support to create more top-class works of art.

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

Consolidated Financial Statements

Independent Auditor's Report

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Tatra banka, a.s.

INDEPENDENT AUDITOR'S REPORT

To the 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 2015, 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 2015, 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, 14 March 2016

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 2015

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

(in thousands of EUR)	Note	2015	2014
Interest and similar income		321 845	344 946
Interest and similar expenses		(32 459)	(39 734)
Net interest income	(1)	**289 386**	**305 212**
Provisions for impairment losses	(2)	(33 922)	(53 169)
Net interest after provisioning		**255 464**	**252 043**
Fees and commissions income		165 378	157 425
Fees and commissions expense		(33 675)	(33 170)
Net fees and commission income	**(3)**	**131 703**	**124 255**
Net profit (loss) from trading instruments	(4)	23 184	20 758
Net profit (loss) from financial instruments at fair value through profit or loss	(5)	(188)	618
Net profit from available-for-sale financial instruments	(6)	(8)	4
Net profit (loss) from investments in associated undertakings	(7)	1 910	1 986
General administrative expenses	(8)	(233 890)	(226 740)
Special levy of selected financial institutions	(9)	(17 553)	(24 901)
Other operating profit (loss)	(10)	(1 181)	3 786
Profit before income taxes		**159 441**	**151 809**
Income taxes	(11)	(38 879)	(37 169)
Consolidated profit after tax		**120 562**	**114 640**
Other components of comprehensive income, after income tax:			
Items that can be reclassified to profit or loss			
Available-for-sale financial assets	(21)	16 327	503
Cash flow hedges		338	-
Other components of comprehensive income, after income tax		**16 665**	**503**
Comprehensive consolidated profit after tax		**137 227**	**115 143**
Basic earnings per ordinary share (face value EUR 800) in EUR	(12)	**1 513**	**1 443**
Basic earnings per ordinary share (face value EUR 4 000) in EUR	(12)	**7 565**	**7 215**
Basic earnings per preference share (face value EUR 4) in EUR	(12)	**7.6**	**7.2**

Consolidated Statement of Financial Position as at 31 December 2015

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

(in thousands of EUR)	Note	2015	2014
Assets			
Cash and deposits in central banks	(13)	906 546	337 992
Loans and advances to banks	(14)	125 893	239 553
Loans and advances to customers, gross	(15)	8 144 219	7 201 546
Impairment losses for loans and advances	(16)	(221 182)	(212 878)
Derivative financial assets	(17)	61 850	74 440
Held-for-trading financial assets	(18)	22 357	54 410
Financial assets at fair value through profit or loss	(19)	60 590	52 231
Held-to-maturity financial investments	(20)	1 729 184	1 663 835
Available-for-sale financial assets	(21)	156 781	25 913
Investments in associated undertakings	(22)	3	22 154
Non-current intangible assets	(23)	46 332	46 470
Non-current tangible assets	(23)	69 285	69 118
Investment property	(23)	42 630	47 591
Current tax asset	(24)	509	418
Deferred tax asset	(25)	24 749	26 352
Other assets	(26)	45 370	32 079
Total assets		**11 215 116**	**9 681 224**
Equity and liabilities			
Deposits from banks	(27)	357 083	189 868
Deposits from customers	(28)	8 719 428	7 337 794
Derivative financial liabilities	(29)	66 645	82 148
Held-for-trading financial liabilities	(30)	48 904	-
Liabilities from debt securities	(31)	688 570	739 811
Provisions for liabilities and charges	(32)	46 953	41 966
Current tax liability	(33)	3 342	6 889
Deferred tax liability	(33)	1 363	1 412
Other liabilities	(34)	50 279	47 872
Subordinated debt	(35)	236 174	236 240
Total liabilities		**10 218 741**	**8 684 000**
Equity (excluding current year profit)	(36)	875 813	882 584
Consolidated profit after tax		120 562	114 640
Total equity		**996 375**	**997 224**
Total equity and liabilities		**11 215 116**	**9 681 224**

Consolidated Statement of Changes in Equity for the year ended 31 December 2015

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	Cash flow hedging revaluation reserve	Retained earnings	Consolidated profit after tax	Total
Equity as at 1 January 2015	**64 326**	**(652)**	**297 439**	**(7 840)**	**15 024**	**503**	**–**	**513 784**	**114 640**	**997 224**
Transfer to retained earnings	–	–	–	–	–	–	–	114 640	(114 640)	–
Increase in the reserve fund	–	–	–	–	407	–	–	(407)	–	–
Dividends paid	–	–	–	–	–	–	–	(142 379)	–	(142 379)
Sale of treasury preference shares	–	729	–	8 783	–	–	–	–	–	9 513
Amortisation of discount on preference shares	–	–	–	–	–	–	–	–	–	–
Profit from the sale of ordinary and preference shares	–	–	(214)	–	–	–	–	–	–	(214)
Repurchase of preference shares	–	(383)	–	(4 613)	–	–	–	–	–	(4 996)
Comprehensive profit after tax	–	–	–	–	–	16 327	338	–	120 562	137 227
Equity as at 31 December 2015	**64 326**	**(306)**	**297 225**	**(3 670)**	**15 431**	**16 830**	**338**	**485 639**	**120 562**	**996 375**

(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 treasury 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 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**

Consolidated Cash Flow Statement for the year ended 31 December 2015

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

(in thousands of EUR)	2015	2014
Cash flows from operating activities		
Profit before tax	159 441	151 809
Adjustments (Note 38):	(219 530)	(229 497)
Cash flow used in operating activities before changes in working capital, interest received and paid and income taxes paid (Note 37)	**(60 089)**	**(77 688)**
(Increase)/decrease in operating assets:		
Obligatory reserve with National Bank of Slovakia	(560 353)	356 110
Loans and advances to banks	78 470	(54 267)
Loans and advances to customers	(824 356)	(657 651)
Derivative financial assets and liabilities	1 852	(4 339)
Held-for-trading financial assets	31 385	111 561
Financial assets at fair value through profit and loss	(8 091)	110 252
Available-for-sale financial assets	(107 571)	(24 500)
Deferred tax asset	341	–
Other assets	(10 561)	5 156
Increase/(decrease) in operating liabilities:		
Deposits from banks	41 127	(166 505)
Deposits from customers	1 382 228	336 173
Financial liabilities for trading	48 753	–
Liabilities from debt securities	(51 260)	(83 604)
Deferred tax liability	(506)	–
Other liabilities	597	4 877
Cash (used in) earned from operations before interest paid and received and income taxes paid	**(38 034)**	**(144 425)**
Interest paid	(36 380)	(45 504)
Interest received	274 581	297 634
Income taxes paid	(45 132)	(27 393)
Net cash flows from operating activities	**155 035**	**80 312**

(in thousands of EUR)	2015	2014
Cash flows from investing activities		
Net (increase) in held-to-maturity financial investments	(336 119)	(559 113)
Net decrease in held-to-maturity financial investments	246 203	467 598
Interest received from held-to-maturity financial investments	61 971	64 010
Proceeds from the sale or disposal of non-current tangible and intangible assets	290	39
Proceeds from the sale or disposal of investment property	593	1 857
Purchase of non-current tangible and intangible assets	(20 002)	(16 109)
Acquisition of goodwill	(3 199)	–
Acquisition of investment property	–	(3 634)
Acquisition of an ownership share in an associate	3 907	–
Dividends received	79	55
Net cash flows from investing activities	**(46 277)**	**(45 297)**
Cash flows from financing activities		
(Redemption) or sale of preference shares	4 300	1 490
Subordinated debt	–	135 000
Dividends paid	(142 379)	(133 244)
Net cash flows used in financing activities	**(138 079)**	**3 246**
Effects of exchange rate changes on cash and cash equivalents and other effects	1 988	841
Change in cash and cash equivalents	**(27 333)**	**39 102**
Cash and cash equivalents, beginning of the year (Note 38)	197 809	158 707
Cash and cash equivalents, end of the year (Note 38)	**170 476**	**197 809**

Notes to the Consolidated Financial Statements

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 2015	31 December 2014
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 2015	31 December 2014
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:

	31 December 2015	31 December 2014
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 140 branches, corporate centres and corporate centre sub-agencies, Centrum bývania™ and Centrum investovania™, and 51 branches of the Organisational Unit of Raiffeisen Bank. Moreover, 7 branches of Tatra Leasing are also available to the Group.

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 2015:

Supervisory Board	
Chairman:	Karl SEVELDA
Vice-Chairman:	Igor VIDA (since 29 April 2015)
Members:	Peter LENNKH (since 29 April 2015)
	Herbert STEPIC
	Johann STROBL
	Klemens BREUER
	Martin GRULL
	Andreas GSCHWENTER (since 6 November 2015)
	Ján NEUBAUER
	Peter BALÁŽ
	Pavol FEITSCHER

Board of Directors	
Chairman:	Michal LIDAY (since 1 April 2015)
Vice-Chairman:	Miroslav ULIČNÝ
Members:	Marcel KAŠČÁK
	Peter MATÚŠ (since 29 April 2015)
	Vladimír MATOUŠ
	Natália MAJOR
	Bernhard HENHAPPEL

Changes in the Parent Company's (Group's) Supervisory Board in 2015:
Igor Vida – start of office as Vice-Chairman of the Supervisory Board on 29 April 2015
Peter Lennkh – termination of office as Vice-Chairman and start of office as Member of the Supervisory Board on 29 April 2015
Aris Bogdaneris – termination of the office of Member of the Supervisory Board
Andreas Gschwenter – start of the office as Member of the Supervisory Board on 6 November 2015

Changes in the Parent Company's (Group's) Board of Directors in 2015:
Igor Vida – termination of office as Chairman of the Board of Directors and General Director on 31 March 2015
Michal Liday – start of office as Chairman of the Board of Directors and General Director on 1 April 2015
Peter Matúš – start of office as Member of the Board of Directors on 29 April 2015

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

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

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

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

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

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

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

1. Definition of the consolidated group:

As at 31 December 2015, 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	35 730 561	Business activities	Full consolidation method	Bratislava
Tatra Asset Management, správ. spol., a.s.	100%	100%	n/a	35 742 968	Asset management	Full consolidation method	Bratislava
Doplnková dôchodková spoločnosť Tatra banky, a.s.	100%	100%	n/a	36 291 111	Supplementary retirement savings	Full consolidation method	Bratislava
Tatra Office, s. r. o.	-	100%	ELIOT, a.s.	35 780 860	Asset leasing and management	Full consolidation method	Bratislava
Tatra Residence, s.r.o.	-	100%	ELIOT, a.s.	35 805 498	Asset leasing and management	Full consolidation method	Bratislava
BA Development, s.r.o.	-	100%	ELIOT, a.s.	36 658 545	Asset leasing and management	Full consolidation method	Bratislava
BA Development II., s.r.o.	-	100%	ELIOT, a.s.	44 330 961	Asset leasing and management	Full consolidation method	Bratislava
PRODEAL, a.s.	-	100%	ELIOT, a.s.	36 702 196	Asset leasing and management	Full consolidation method	Bratislava
Dúbravčice, s.r.o.	-	100%	ELIOT, a.s.	45 945 080	Asset leasing and management	Full consolidation method	Bratislava
TL leasing, s. r. o.	-	100%	ELIOT, a.s.	31 398 456	Leasing	Full consolidation method	Bratislava
Tatra-Leasing, s.r.o.	100%	100%	n/a	31 326 552	Leasing	Full consolidation method	Bratislava
Eurolease RE Leasing, s.r.o.	-	100%	Tatra-Leasing, s.r.o.	45 985 812	Mediation activities	Full consolidation method	Bratislava
Rent CC, s.r.o.	-	100%	Tatra-Leasing, s.r.o.	35 824 999	Leasing	Full consolidation method	Bratislava
Rent GRJ, s.r.o.	-	100%	Tatra-Leasing, s.r.o.	36 804 738	Leasing	Full consolidation method	Bratislava
Rent PO, s.r.o.	-	100%	Tatra-Leasing, s.r.o.	35 823 267	Leasing	Full consolidation method	Bratislava
Slovak Banking Credit Bureau, s.r.o.	33.33%	33.33%	n/a	35 869 810	Services	Not consolidated due to insignificance	Bratislava

Changes in the Group during 2015

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. As at 19 March 2015, Raiffeisen penzijní společnost a.s. – v likvidácii was deleted from the Commercial Register of the Czech Republic.

In November 2015, the Bank acquired a 51.5% ownership share in Tatra-Leasing s.r.o. (50% from Raiffeisen-Leasing International Gesellschaft m. b. H. and 1.5% from Raiffeisen Bank International AG). In December 2015, the Bank acquired the remaining 0.5% ownership share in Tatra-Leasing s. r. o. As at 31 December 2015, the Bank owns a 100% ownership share in Tatra-Leasing s. r. o.

Distribution of the Parent Company's profit for 2014

Contribution to retained earnings from previous years	104 090
Total	**104 090**

Payment of dividends from the Parent Company's retained earnings

Dividends – ordinary shares	127 395
Dividends – preference shares	14 984
Total	**142 379**

A dividend per ordinary share with a face value of EUR 800 amounted to EUR 1 792.
A dividend per ordinary share with a face value of EUR 4 000 amounted to EUR 8 960.
A dividend per preference share with a face value of EUR 4 amounted to EUR 8.96.

The annual separate and consolidated financial statements for 2014, the Annual Report for 2014, the profit distribution, retained earnings and the determination of royalties to the Supervisory Board members for 2014 were approved by the Parent Company's General Meeting held on 5 June 2015. Dividends to which no title arose as at the date of the General Meeting in the amount of EUR 1 712 thousand were recognised in the retained earnings from previous years as at 30 June 2015.

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 2015, 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 2015 and comparatives for 2014 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 2015. 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:

- **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 adoption of these standards and amendments to the existing standards has not led to any material changes in the Group's accounting policies.

As at the authorisation date of these financial statements, the following standards, amendments to the existing standards and interpretations issued by the IASB were endorsed for issue by the EU, but were not yet effective:

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations – adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure Initiative – adopted by the EU on 18 December 2015 (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 – adopted by the EU on 2 December 2015 (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 – adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 19 "Employee Benefits"** – Defined Benefit Plans: Employee Contributions, adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- **Amendments to IAS 27 "Separate Financial Statements"** – Equity Method in Separate Financial Statements – adopted by the EU on 18 December 2015 (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 – adopted by the EU on 17 December 2014 (amendments to be applied for annual periods beginning on or after 1 February 2015); 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 – adopted by the EU on 15 December 2015 (amendments to be applied for annual periods beginning on or after 1 January 2016).

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

The Group anticipates that adopting these standards, revisions, and interpretations will have no material impact on its financial statements in the period of initial application.

At present, IFRSs as adopted by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments to existing standards and interpretations not endorsed for use in the EU as at the reporting date (the dates below apply to the full version of IFRS):

- **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);
- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019);
- **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 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 and further amendments (effective date deferred indefinitely until a research project on the equity method has been concluded);
- **Amendments to IAS 7 "Statement of Cash Flows"** – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017); and
- **Amendments to IAS 12 "Income Taxes"** – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

The Group anticipates that the adoption of these standards, amendments to existing standards and interpretations will have no material impact on its financial statements in the period initial application, except for IFRS 15 "*Revenue from Contracts with Customers*" for which the Group assesses its potential impacts.

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 2015, dated 14 March 2016, 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 2015.

  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 j) 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*".

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).

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*".

Cash flow hedges

The Group uses derivative financial instruments – interest rate swaps to hedge the risk of the variability of future cash flows associated with floating rate assets, which could result in unexpected losses in the event of changes in interest rates on the interbank market. The structure of such derivatives is strictly adjusted to the structure of a secured loan, as a result of which the Group is not exposed to the risk of changes in interest rates and the risk of cash flows. The efficiency of such hedging transactions is regularly monitored and the hedges were efficient during the respective period.

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 is recognised in the statement of other comprehensive income line "*Cash flow hedges*". Interest income and expenses related to the hedging derivative are recognised together with interest income related to the hedged instruments in the statement of comprehensive income as "*Interest and similar income*".

6. Financial Liabilities

All of the Group's liabilities, except for held-for-trading financial liabilities, 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.

f) 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 2, 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.

g) 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.

h) 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. Tangible assets 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

i) 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.

j) 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.

k) 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.

l) 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*".

m) 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*".

Operating lease income is recognised in income on a straight-line basis over the lease term as "*Other operating profit/(loss)*".

The Group presents the leased assets (operating lease) as part of non-current tangible assets. Depreciation charges of leased assets are on a basis identical to the current depreciation policy for similar assets.

Seized assets under a finance lease are presented as inventories and recognised at their fair value.

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.

n) 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*".

o) 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.

p) 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.

q) 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.

r) Provision for employee benefits

The Parent Company has a long-term employee benefit program comprising a lump-sum retirement benefit. As at 31 December 2015, the Parent Company had 3 571 employees (full-time equivalent) who were included in the program (31 December 2014: 3 421 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%
Annual future real rate of salary increases	2%
Annual employee turnover	6% – 10%
Retirement age	Based on valid law

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

s) 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.

t) 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*".

u) 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 2015 nor 31 December 2014.

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

Retail customers – households were mainly provided with mortgage loans, equity home loans, **Hypotéka**™, **Bezúčelový** úver™ **Classic**, **Bezúčelový** úver™ **Garant**, private credit cards (Visa Standard/Visa Gold/Visa Platinum) and 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 2015:

(in thousand of EUR)	Corporate customers	Financial institutions and public sector	Retail customers	Investment and treasury banking	Equity investments and other	Total
Net interest income	73 720	957	187 749	12 171	14 790	289 386
Provisions and provisions for losses	(21 581)	13	(12 333)	–	(22)	(33 922)
Net interest income after provisioning	**52 139**	**971**	**175 416**	**12 171**	**14 768**	**255 464**
Net fees and commissions income	34 264	4 859	91 589	–	992	131 703
Net profit (loss) from financial trading instruments	6 367	266	10 855	5 691	5	23 184
Net profit (loss) from financial instruments at fair value through profit or loss	–	–	–	(188)	–	(188)
Net profit (loss) from available-for-sale financial instruments	–	–	–	–	(8)	(8)
Net profit (loss) from investments in subsidiaries and associated undertakings	–	–	–	–	1 910	1 910
General administrative expenses	(50 999)	(3 536)	(165 455)	(8 010)	(5 890)	(233 890)
Special levy of selected financial institutions	(4 618)	(1 907)	(9 578)	(1 450)	–	(17 553)
Other operating profit (loss)	–	–	–	–	(1 181)	(1 181)
Profit before income taxes	**37 153**	**653**	**102 827**	**8 213**	**10 595**	**159 441**
Total assets	**3 703 963**	**151 151**	**4 033 045**	**2 932 295**	**394 662**	**11 215 116**

The consolidated statement of comprehensive income and other indicators by segment as at 31 December 2014:

(in thousand 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.

IV. OTHER NOTES

1. Net interest income

(in thousand of EUR)	2015	2014
Interest and similar income:	**321 845**	**344 946**
From loans and advances to banks	600	821
Of which: from loans and advances to central banks	*37*	*281*
From loans and advances to customers	281 817	298 180
From finance lease receivables	1 138	256
From held-to-maturity securities	37 404	44 757
From securities at fair value through profit or loss	417	642
From available-for-sale securities	390	235
From received dividends from available-for-sale financial assets	79	55
Interest and similar expenses:	**(32 459)**	**(39 734)**
On deposits from banks	(1 469)	(2 686)
Of which, from central banks	*(367)*	*(26)*
On deposits from customers	(11 785)	(15 619)
On subordinated debts	(9 405)	(5 355)
On liabilities from debt securities issued by the Group	(9 707)	(15 767)
Other interest expenses	(93)	(307)
Net interest income	**289 386**	**305 212**

At the beginning of 2015, the Parent Company changed the recognition of fees for the provided loan commitments. The fees were originally recognised as *Interest and similar income – from loans and advances to customers*. In 2015, the Parent Company recognised the fees as *Fees and commission income – from credit processing and guarantee business*. As at 31 December 2015, the fees amounted to EUR 10 016 thousand (2014: EUR 7 849 thousand).

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 thousand of EUR)	2015	2014
Specific provisions for loan receivables:	**(30 079)**	**(57 393)**
Additions to provisions	(60 835)	(75 938)
Released provisions	32 340	20 528
Written-off loans	(1 701)	(2 124)
Recovery from written-off loans	117	141
Portfolio provisions for loan receivables:	**(192)**	**4 123**
Additions to provisions	(1 156)	(884)
Released provisions	964	5 007
Specific provisions for off-balance sheet items:	**(4 503)**	**(1 002)**
Additions to provisions	(6 252)	(5 812)
Released provisions	1 749	4 810
Portfolio provisions for off-balance sheet items:	**852**	**1 103**
Additions to provisions	(1)	(1)
Released provisions	853	1 104
Total	**(33 922)**	**(53 169)**

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 32 "*Provisions for liabilities and charges*".

3. Net fees and commission income

(in thousand of EUR)	2015	2014
Fees and commission income:	**165 378**	**157 425**
From payment transfers business	95 257	96 760
From credit processing and guarantee business	25 461	15 584
From securities business	9 016	10 591
From activities regarding management of investment and pension funds	30 871	29 916
From activities regarding mediation for third parties	4 073	4 057
For other banking services	700	517
Fees and commission expense:	**(33 675)**	**(33 170)**
From payment transfers business	(27 244)	(27 402)
From credit processing and guarantee business	(90)	(808)
From securities business	(1 549)	(1 868)
From activities regarding management of investment and pension funds	(2 812)	(869)
From activities regarding mediation for third parties	(1 086)	(1 333)
For other banking services	(894)	(890)
Net fees and commission income	**131 703**	**124 255**

At the beginning of 2015, the Parent Company changed the recognition of fees for the provided loan commitments. The fees were originally recognised as *Interest and similar income – from loans and advances to customers*. In 2015, the Parent Company recognised the fees as *Fees and commission income – from credit processing and guarantee business*. As at 31 December 2015, the fees amounted to EUR 10 016 thousand (2014: EUR 7 849 thousand).

4. Net profit (loss) from trading instruments

(in thousand of EUR)	2015	2014
Interest-rate contracts – Securities:	**2 888**	**2 709**
Interest income, net	65	557
Revaluation to fair value	(744)	502
Profit (loss) from securities sold	3 572	1 775
Refinancing costs	(5)	(125)
Interest-rate contracts – Liabilities from hedged debt securities:	**278**	**(1 436)**
Revaluation to fair value	278	(1 436)
Interest-rate contracts – Derivatives:	**173**	**940**
Interest income (expense)	(2 350)	(4 137)
Realised profit (loss) from derivatives	(79)	(31)
Revaluation to fair value	2 794	3 720
Revaluation to fair value – derivatives to hedge fair value	(192)	1 388
Currency contracts:	**6 958**	**2 193**
Interest income (expense)	2 043	1 462
Realised profit (loss) from derivatives	2 690	4 387
Revaluation to fair value of derivatives	1 993	(3 623)
Exchange differences from securities held for trading	232	(33)
Index-related contracts:	**5**	**–**
Interest income (expense)	(1 363)	(2 301)
Realised profit (loss) from derivatives	1 356	2 320
Revaluation to fair value – derivatives	12	(19)
Commodity contracts:	**11**	**15**
Realised profit (loss) from derivatives	26	9
Revaluation to fair value – derivatives	(15)	6
Foreign exchange gains (losses)	**12 871**	**16 337**
Total	**23 184**	**20 758**

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

(in thousand of EUR)	2015	2014
Interest-rate contracts – Securities:		
Revaluation to fair value	(188)	618
Total	**(188)**	**618**

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

(in thousand of EUR)	2015	2014
Interest-rate contracts – securities:		
Profit (loss) from the sale of securities	(8)	4
Total	**(8)**	**4**

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

(in thousand of EUR)	2015	2014
Share of profits of associated undertakings after taxes	1 929	2 050
Foreign exchange differences from associated undertakings denominated in a foreign currency	–	(64)
Profit (loss) from derecognition of share in associated undertaking	(19)	–
Total	**1 910**	**1 986**

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 thousand of EUR)	2015	2014
Staff expenses:	**(107 809)**	**(107 344)**
Wages and salaries	(77 821)	(78 741)
Social security costs	(26 009)	(24 956)
Other social expenses	(3 172)	(3 028)
(Creation) release of provisions for anniversaries and other loyalty benefits	(807)	(619)
Other general expenses:	**(99 618)**	**(95 047)**
Costs on premises	(20 074)	(20 453)
Costs on information technology	(21 807)	(22 743)
Communication costs	(5 126)	(5 191)
Legal and consultancy costs	(9 578)	(9 203)
Of which: Costs of audit firm's services in respect of an audit of the financial statements	*(357)*	*(291)*
Of which: Costs of audit firm's services in respect of other assurance services	*(75)*	*(16)*
Advertising and entertainment expenses	(18 308)	(17 187)
Deposits guarantee fund	(1 329)	(4 825)
Contribution to the resolution fund*	(8 303)	–
Consumption of stationeries	(1 660)	(1 669)
Transport and processing of cash	(901)	(918)
Travelling expenses	(1 653)	(1 632)
Education of employees	(1 529)	(1 023)
Sundry administrative expenses	(9 350)	(10 203)
Depreciation and amortisation of non-current tangible and intangible assets:	**(26 463)**	**(24 349)**
Non-current tangible assets	(13 433)	(12 395)
Investment property	(1 995)	(1 946)
Non-current intangible assets	(11 035)	(10 008)
Total	**(233 890)**	**(226 740)**

*The resolution fund represents an annual contribution for banks in the EU, which are members of the Banking Union; the contribution amount depends on the size and risk profile of the bank pursuant to Bank Recovery and Resolution Directive No 2014/59/EU.

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 thousand of EUR)	2015	2014
Special levy of selected financial institutions:		
Special levy of selected financial institutions	(17 553)	(24 901)
Total	**(17 553)**	**(24 901)**

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: 0.2% in 2015) of the amount of the liabilities defined in line with the Special Levy Act.

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 thousand of EUR)	2015	2014
Revenues from non-banking activities:	**15 182**	**8 418**
Revenues from lease of tangible assets – operating lease	*30*	*–*
Revenues from release of litigation provisions	*6 974*	*63*
Revenues from disposals of tangible and intangible assets	*883*	*1 896*
Release of provisions for investment property	*73*	*244*
Other revenues from non-banking activities	*7 222*	*6 215*
Expenses arising from non-banking activities:	**(12 962)**	**(5 265)**
Other taxes and charges	*(763)*	*(543)*
Creation of litigation provisions	*(8 422)*	*(2 964)*
Creation of provisions for investment property	*(2 700)*	*–*
Disposals of tangible and intangible assets and investment property	*(1 030)*	*(1 758)*
Other expenses for non-banking activities	*(55)*	*–*
Other operating income	4 003	3 229
Other operating expenses	(7 396)	(2 596)
Total	**(1 181)**	**3 786**

11. Income taxes

(in thousand of EUR)	2015	2014
Current tax expense	(41 315)	(38 765)
Deferred tax (expense)/benefit	2 436	1 596
Total	**(38 879)**	**(37 169)**

Slovak legal entities must individually report taxable income and remit corporate income taxes thereon to the appropriate authorities. In 2015, the corporate income tax rate amounted to 22% (2014: 22%).

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 thousand of EUR)	2015	2014
Income before tax	**159 441**	**151 809**
Theoretical tax calculated at the tax rate of 22% (2014: 22%)	35 076	33 398
Tax effects of:		
Non-taxable income	(4 072)	(5 678)
Non-deductible expenses	3 478	7 146
Provisions for assets and provisions for liabilities, net	5 117	195
Additional taxation from previous periods	14	(28)
Creation/(release) of provisions for uncertain utilisation of deferred tax assets	506	2 659
Tax losses carried forward	–	(9)
Effect of non-tax losses	180	800
Effect of consolidation	(1 420)	(1 314)
Income tax expense	**38 879**	**37 169**
Effective tax for the reporting period	**24.39%**	**24.48%**

Deferred tax assets and liabilities as at 31 December 2015 and as at 31 December 2014 relate to the following items:

(in thousand of EUR)	Book value	Tax value	Temporary difference (gross)	2015	2014
Deferred tax assets					
Loans and advances to customers (net of impairment provisions)	7 923 037	8 127 720	201 789	44 394	46 417
Other assets	45 371	45 723	(615)	(135)	19
Provisions for liabilities and charges	46 953	272	14 444	3 178	1 849
Other liabilities	50 279	21 003	29 276	6 441	4 539
Total				**53 878**	**52 824**
Deferred tax liabilities					
Available-for-sale financial assets	156 780	135 250	21 576	(4 747)	(142)
Non-current tangible assets and investment property	111 915	117 908	(5 393)	1 186	(1 742)
Total				**(3 561)**	**(1 884)**
Net deferred tax asset/(liability)				**50 317**	**50 940**
Allowance for uncertain realisation of deferred tax asset				(27 134)	(26 000)
Net deferred tax asset/(liability)				**23 183**	**24 940**

As at 31 December 2015, the Group did not recognise deferred tax assets of EUR 27 134 thousand (2014: EUR 26 000 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

2015 (in thousand 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	91 697	15 846	13 019
Weighted average number of shares outstanding during the period	*60 616*	*2 095*	*1 721 143*
Earnings per share	**1 513**	**7 565**	**7,6**

2014 (in thousand 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**

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

13. Cash and deposits in central banks

(in thousand of EUR)	2015	2014
Cash in hand	99 838	91 637
Balances at central banks:	806 708	246 355
Obligatory minimum reserves	*806 708*	*246 355*
Total	**906 546**	**337 992**

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 "*Cash and cash equivalents*" for the purposes of cash flow statement preparation (see Note 38 "*Information for Cash Flow Statement*").

14. Loans and advances to banks

(in thousand of EUR)	2015	2014
Giro and interbank clearing business	70 638	106 172
Money-market business	2 441	118 020
Reverse repo transactions	50 688	–
Other loans to banks	2 126	15 361
Total	**125 893**	**239 553**

Loans and advances to banks broken down along geographical lines:

(in thousand of EUR)	2015	2014
Slovak Republic	51 483	1 277
Other countries*	74 409	238 276
Total	**125 893**	**239 553**

*For further information on the Group's exposure to other states, see Note 41 "*Foreign assets and liabilities*".

An overview of the quality of loans extended to banks is stated in Note 52 "*Risk report*".

15. Loans and advances to customers, gross

Analysis of loans and advances to customers:

(in thousand of EUR)	2015	2014
Overdraft loans and current account overdrafts	803 249	784 297
Receivables from credit cards	85 368	89 232
Factoring and loans backed by bills of exchange	84 901	85 105
Housing loans	1 709 243	1 387 401
Mortgage loans	897 387	845 002
American mortgages	407 525	399 322
Consumer loans	441 711	364 857
Finance lease receivables	227 197	9 854
Investment, operating and other loans	3 487 638	3 236 476
Total	**8 144 219**	**7 201 546**

An increase in finance lease receivables has resulted from the recognition of the loan portfolio of Tatra Leasing, s.r.o. As at 31 December 2015, Tatra-Leasing, s.r.o. is consolidated using the full consolidation method (see *Changes in the Group during 2015*).

As at 31 December 2015, the total amount of syndicated loans managed by the Parent Company was EUR 483 446 thousand (31 December 2014: EUR 601 929 thousand). The Parent Company's share amounted to EUR 190 621 thousand (31 December 2014: EUR 245 565 thousand). Syndicated loans are included in "*Investment, operating and other loans*".

Analysis of loans by customer group:

(in thousand of EUR)	2015	2014
Public sector	13 801	9 884
Corporate clients	4 154 423	3 756 928
Retail clients	3 975 995	3 434 734
Total	**8 144 219**	**7 201 546**

Analysis of loans by contractual maturity period:

(in thousand of EUR)	2015	2014
Short-term loans (up to 1 year)	1 627 820	1 535 273
Medium-term loans (1 year to 5 years)	1 155 186	1 142 692
Long-term loans (over 5 years)	5 361 213	4 523 581
Total	**8 144 219**	**7 201 546**

Analysis of loans and advances to customers by geographical segment:

(in thousand of EUR)	2015	2014
Slovak Republic	7 900 403	6 941 774
Other countries	243 816	259 772
Total	**8 144 219**	**7 201 546**

An overview of the quality of loans extended to customers is stated in Note 52 "*Risk report*".

16. Impairment losses for loans and advances

The movement in provisions for loan losses during 2015 is as follows:

(in thousand of EUR)	As at 1 January 2015	Consolidation Adjustments*	Allocated	Released	Used	Transfers, exchange differences	As at 31 December 2015
Specific provision – for loans assessed on an individual and collective basis	**192 298**	**11 093**	**60 835**	**(32 340)**	**(34 420)**	**42**	**197 508**
Public sector	–	–	–	–	–	–	–
Corporate clients	125 560	7 374	32 503	(15 792)	(18 410)	30	131 265
Retail clients	66 738	3 719	28 332	(16 548)	(16 010)	12	66 243
Portfolio provision	**20 580**	**2 894**	**1 156**	**(964)**	**–**	**8**	**23 674**
Banks	4	–	–	(4)	–	–	–
Corporate clients	11 124	2 600	1 006	(713)	–	–	14 017
Retail clients	9 452	294	150	(247)	–	8	9 657
Total	**212 878**	**13 987**	**61 991**	**(33 304)**	**(34 420)**	**50**	**221 182**

*Consolidation adjustments due to changes in the Group during 2015

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

(in thousand 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**

17. Derivative financial assets

(in thousand of EUR)	2015	2014
Positive fair value of financial derivatives for trading	**59 632**	**72 497**
Interest–rate contracts	42 876	53 445
Currency contracts	12 504	14 160
Index-related contracts	1 466	1 562
Commodity contracts	2 786	3 330
Positive fair value of financial derivatives for fair value hedging	**1 784**	**1 943**
Interest–rate contracts	1 784	1 943
Positive fair value of financial derivatives for cash flow hedging	**434**	**–**
Interest–rate contracts	434	–
Total	**61 850**	**74 440**

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 hedging instruments, as at 31 December 2015 the Parent Company recognised a net loss in the amount of EUR 192 thousand. With respect to the hedging instruments, as at 31 December 2014 the Parent Company recognised a net profit in the amount of EUR 1 388 thousand. Net profit from hedged items that related to the hedged risk amounted to EUR 278 thousand. As at 31 December 2014, the Parent Company recognised a net loss in the amount of EUR 1 436 thousand. Both items are recognised in Note 4 "*Net profit (loss) from trading instruments*".

Cash flow hedges

The Parent Company uses derivative financial instruments (interest rate swaps) to hedge the risk of variability of future cash flows associated with floating rate assets, which could result in unexpected losses in the event of interest rate changes on the interbank market. The structure of such derivatives is strictly adjusted to the structure of a secured loan, as a result of which the Bank is not exposed to the risk of an interest rate change or cash flow risk. The efficiency of such hedging transactions is regularly monitored and the hedges were efficient during the respective period.

As at 31 December 2015, in relation to the hedging instruments, the Parent Company recognised a net profit in the amount of EUR 338 thousand, which is recognised in Other components of comprehensive income under "*Cash flow hedges*".

18. Held-for-trading financial assets

(in thousand of EUR)	2015	2014
Debt securities and other fixed-interest securities	**22 357**	**45 243**
Slovak government bonds	22 357	39 735
Bonds issued by other sectors	–	5 508
Shares, debt and other floating-rate securities	**–**	**9 167**
Slovak government bonds	–	9 167
Total	**22 357**	**54 410**

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

(in thousand of EUR)	2015	2014
Debt securities and other fixed income securities	**60 590**	**52 231**
Slovak government bonds	60 590	52 231
Total	**60 590**	**52 231**

20. Held-to-maturity financial investments

(in thousand of EUR)	2015	2014
Debt securities and other fixed income securities	**1 684 171**	**1 511 759**
Slovak government bonds	1 610 969	1 456 769
Bonds issued by the banking sector	73 202	54 990
Shares, debt and other floating-rate securities	**45 013**	**152 076**
Slovak government bonds	25 009	132 066
Bonds issued by the banking sector	20 004	20 010
Total	**1 729 184**	**1 663 835**

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 2015, the carrying amount of the aforementioned held-to-maturity securities represented EUR 13 410 thousand (31 December 2014: EUR 35 120 thousand). The fair value amounted to EUR 13 927 thousand (including an aliquot portion of interest income) (31 December 2014: EUR 36 342 thousand). A decrease in the amount of reclassified securities as at 31 December 2015 resulted from the maturity of 1 issue of government bonds in January 2015 in the total amount of EUR 21 950 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 2015 in the amount of EUR 432 thousand (2014: net loss of EUR 239 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 2015.

21. Available-for-sale financial assets

Debt securities available for sale:

(in thousand of EUR)	2015	2014
Debt securities and other securities with fixed income	**74 171**	**25 290**
Government bonds	49 192	–
Bonds issued by other sectors	24 979	25 290
Equity investments, debt securities and other securities with floating income	**82 609**	**623**
Equity investments	21 612	623
Government bonds	60 809	–
Unit trust certificates	189	–
Total	**156 781**	**25 913**

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

Company (in thousand of EUR)	Group investment (%)	Cost	Provision, revaluation	Carrying amount 31 December 2015	Carrying amount 31 December 2014
RVS, a. s.	0.65	46	(46)	–	–
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	0.00	–	–	–	9
D. Trust Certifikačná Autorita, a. s.	10.00	37	–	37	37
VISA INC., USA	0.07	515	–	515	515
VISA EUROPE LIMITED	0.01	–	20 998	20 998	–
Total		**660**	**20 952**	**21 612**	**623**

In November 2015, Visa Europe Ltd. and Visa Inc. announced the acquisition of Visa Europe by Visa Inc. This will create a single global company in 2016. The transaction will also include the redemption of Visa Europe shares from their holders. The transaction will be performed in 2016, and the value of the Parent Company's share was preliminarily calculated at EUR 20 998 thousand. The remeasurement at the amount of EUR 20 998 thousand is based on the portion of the selling price of the shares, which will be paid to the Parent Company in cash in 2016. The fair value of other components of the selling price (VISA Inc. shares and additional income subject to meeting the specified conditions) was not estimated, as such components cannot be reliably measured as at 31 December 2015 based on the information available. After taking deferred tax effects into consideration, the impact of the transaction on the Parent Company's financial statements for the year ended 31 December 2015 was a net amount of EUR 16 327 thousand.

There were no changes in the provisions for available-for-sale equity investments in 2015.

22. Investments in associated undertakings

Associated undertaking	Ownership interest in %	Cost	Provision	Net book value	Share in net assets at 31 December 2015	Share in net assets at 31 December 2014
Tatra-Leasing, s. r. o.	–	–	–	–	–	18 244
Slovak Banking Credit Bureau, s. r. o.	33.33 %	3	–	3	3	3
Raiffeisen penzijní společnost, a.s.	–	–	–	–	–	3 907
Total		**3**	**–**	**3**	**3**	**22 154**

(in thousand of EUR)	2015	2014
At 1 January	22 154	20 168
Share in profits of associated undertakings after tax (Note 7)	1 929	2 050
Exchange differences from associated undertakings denominated in a foreign currency (Note 7)	–	(64)
Disposal of an investment in an associate	(3 907)	–
Transfer from equity consolidation to full consolidation	(18 493)	–
Elimination of received dividends	(1 680)	–
Total	**3**	**22 154**

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

(in thousand of EUR)	30 Nov 2015	2014
Total assets	313 738	288 692
Total liabilities	275 211	250 683
Net assets	38 527	38 009
The Parent Company's share in net assets	**18 493**	**18 244**
Interest income and similar income	8 523	14 313
Profit (loss) after tax	4 018	4 982
The Parent Company's share in profit (loss) after tax	**1 929**	**2 391**

As at 31 December 2015, Tatra-Leasing s.r.o. is consolidated using the full method of consolidation and is no longer the Group's associate. Until November 2015, the company was consolidated using the equity method of consolidation and was the Group's associate. It resulted from the aforementioned changes in the Group during 2015 – acquisition of a 51.5% ownership share in Tatra-Leasing s.r.o in November 2015. Therefore, the Group reports basic financial information on the associate, Tatra-Leasing, s. r. o., for the current period as at 30 November 2015.

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

(in thousand of EUR)	2015	2014
Total assets	–	7 973
Total liabilities	–	–
Net assets	–	7 973
The Parent Company's share in net assets	**–**	**3 907**
Interest income and similar income	–	4
Profit (loss) after tax	–	(100)
The Parent Company's share in profit (loss) after tax	**–**	**(49)**

23. Development of non-current tangible and intangible assets

Development of non-current tangible assets for own use as at 31 December 2015:

(in thousand of EUR)	Land and buildings – operating lease	Land and buildings	Machinery & equipment	Other non-current assets	Means of transport	Assets in progress	Total
Obstarávacia cena							
1 January 2015		**75 443**	**87 499**	**22 314**	**3 975**	**2 916**	**192 147**
Additions	–	–	–	–	–	11 603	11 603
Additions due to consolidation adjustments*	3 536	193	25	126	278	2	4 160
Disposals	–	(987)	(4 233)	(984)	(663)	–	(6 867)
Transfer from tangible assets in progress	–	1 322	6 351	360	795	(8 831)	(3)
31 December 2015	**3 536**	**75 971**	**89 642**	**21 816**	**4 385**	**5 690**	**201 040**
Accumulated depreciation and provisions							
1 January 2015	**–**	**(30 414)**	**(72 320)**	**(18 252)**	**(2 043)**	**–**	**(123 029)**
Depreciation charge	(24)	(3 737)	(6 644)	(961)	(600)	–	(11 966)
Addition to accumulated depreciation due to consolidation* adjustments	(1 286)	(192)	(24)	(102)	(100)	–	(1 704)
Disposals	–	878	4 083	948	502	–	6 411
Provision	–	–	(1 467)	–	–	–	(1 467)
31 December 2015	**(1 310)**	**(33 465)**	**(76 372)**	**(18 367)**	**(2 241)**	**–**	**(131 755)**
Net book value at 1 January 2015	**–**	**45 029**	**15 179**	**4 062**	**1 932**	**2 916**	**69 118**
Net book value at 31 December 2015	**2 226**	**42 506**	**13 270**	**3 449**	**2 144**	**5 690**	**69 285**

*Consolidation adjustments due to changes in the Group during 2015

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

(in thousand of EUR)	Land and buildings	Machinery & equipment	Other non-current assets	Means of transport	Assets in progress	Total
Cost						
1 January 2014	**74 441**	**88 105**	**28 028**	**4 092**	**2 646**	**197 312**
Additions	–	–	–	–	6 309	6 309
Additions due to consolidation adjustments	–	–	–	–	–	–
Disposals	(812)	(4 511)	(5 978)	(173)	–	(11 474)
Transfer from tangible assets in progress	1 814	3 905	264	56	(6 039)	–
31 December 2014	**75 443**	**87 499**	**22 314**	**3 975**	**2 916**	**192 147**
Accumulated depreciation and provisions						
1 January 2014	**(27 491)**	**(69 779)**	**(23 194)**	**(1 630)**	**(24)**	**(122 118)**
Depreciation charge	(3 802)	(7 020)	(1 020)	(553)	–	(12 395)
Addition to accumulated depreciation due to consolidation adjustments	–	–	–	–	–	–
Disposals	879	4 479	5 962	140	–	11 460
Provision	–	–	–	–	24	24
31 December 2014	**(30 414)**	**(72 320)**	**(18 252)**	**(2 043)**		**(123 029)**
Net book value at 1 January 2014	**46 950**	**18 326**	**4 834**	**2 462**	**2 622**	**75 194**
Net book value at 31 December 2014	**45 029**	**15 179**	**4 062**	**1 932**	**2 916**	**69 118**

Movements in the accounts of investment property as at 31 December 2015:

(in thousand of EUR)	Land and buildings	Machinery & equipment	Assets in progress	Total
Cost				
1 January 2015	**62 974**	**3 720**	**895**	**67 589**
Additions	–	–	235	235
Additions due to consolidation adjustments*	–	–	–	–
Disposals	(1 687)	(4)	–	(1 691)
Transfer from tangible assets in progress	761	55	(816)	–
31 December 2015	**62 048**	**3 771**	**314**	**66 133**
Accumulated depreciation and provisions				
1 January 2015	**(18 782)**	**(1 171)**	**(45)**	**(19 998)**
Depreciation charge	(1 641)	(354)	–	(1 995)
Addition to accumulated depreciation due to consolidation adjustments*	(45)	–	45	–
Disposals	1 114	3	–	1 117
Provision	(2 627)	–	–	(2 627)
31 December 2015	**(21 981)**	**(1 522)**	**–**	**(23 503)**
Net book value at 1 January 2015	**44 192**	**2 549**	**850**	**47 591**
Net book value at 31 December 2015	**40 067**	**2 249**	**314**	**42 630**

*Consolidation adjustments due to changes in the Group during 2015

Movements in the accounts of investment property as at 31 December 2014:

(in thousand of EUR)	Land and buildings	Machinery & equipment	Assets in progress	Total
Cost				
1 January 2014	**62 050**	**3 448**	**1 277**	**66 775**
Additions	–	–	3 634	3 634
Additions due to consolidation adjustments*	385	–	(385)	–
Disposals	(2 789)	(31)	–	(2 820)
Transfer from tangible assets in progress	3 328	303	(3 631)	–
31 December 2014	**62 974**	**3 720**	**895**	**67 589**
Accumulated depreciation and provisions				
1 January 2014	**(18 177)**	**(867)**	**(304)**	**(19 348)**
Depreciation charge	(1 624)	(322)	–	(1 946)
Addition to accumulated depreciation due to consolidation adjustments*	(259)	–	259	–
Disposals	1 058	18	–	1 076
Provision	220	–	–	220
31 December 2014	**(18 782)**	**(1 171)**	**(45)**	**(19 998)**
Net book value at 1 January 2014	**43 873**	**2 581**	**973**	**47 427**
Net book value at 31 December 2014	**44 192**	**2 549**	**850**	**47 591**

*Consolidation adjustments due to changes in the Group during 2014

As at 31 December 2015, the Group did not recognise any liabilities under contracts for the purchase of non-current tangible assets (2014: EUR 0 thousand).

As at 31 December 2015, the Group owns buildings that are leased to third parties at the net book value of EUR 36 270 thousand (2014: EUR 40 727 thousand). In 2015, the total income from the rent amounted to EUR 3 135 thousand (2014: EUR 2 741 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 1 955 thousand (2014: EUR 1 946 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 6 375 thousand (31 December 2014: EUR 6 864 thousand).

As at 31 December 2015, the estimated fair value of investment property amounted to EUR 46 921 thousand (31 December 2014: EUR 50 898 thousand). Owing to a change in the fair value of investment property as at 31 December 2015, the Group released a provision in the amount of EUR 2 397 thousand (31 December 2014: EUR 220 thousand).

Insurance coverage

Non-current tangible assets are insured covering a maximum risk of EUR 101 818 thousand against natural disaster, EUR 101 823 thousand against fire damage, EUR 101 818 thousand against water damage, and EUR 15 967 thousand against theft and vandalism. Electronic equipment is insured covering a maximum risk of EUR 14 004 thousand. Based on the effective motor hull insurance, vehicles have been insured for up to EUR 5 578 thousand.

Non-current assets leased by a lessee are insured against all insurable risks; the insurance premium is usually paid by a lessee in instalments:

Type of non-current assets	Insured risk	Territory
Motor, freight and utility vehicles, including trailers	Accident, natural disaster, theft, vandalism	Europe
Machines, technology, equipment	Damage, destruction, theft, vandalism, flood from water mains, business interruption, machinery break-down, electronics	Slovak Republic/place of equipment operation
Real estate	Fire, explosion, lightning, crash of a crew-controlled flying object, natural disaster (including floods), flood from water mains, vandalism (unknown offender)	Real estate registration No. recorded in the real estate register

Development of non-current intangible assets as at 31 December 2015:

(in thousand of EUR)	Software	Goodwill	Intangible assets in progress	Total
Cost				
1 January 2015	**115 251**	**40 921**	**6 529**	**162 701**
Additions	–	–	5 781	5 781
Consolidation adjustments	1 131	3 199	1 867	6 197
Disposals	(52)	–	–	(52)
Transfer from intangible assets in progress	9 298	–	(9 298)	–
31 December 2015	**125 628**	**44 120**	**4 879**	**174 627**
Accumulated amortisation				
1 January 2015	**(86 588)**	**(29 643)**	**–**	**(116 231)**
Amortisation charge	(11 035)	–	–	(11 035)
Consolidation adjustments	(1 081)	–	–	(1 081)
Disposals	52	–	–	52
Provision	–	–	–	–
31 December 2015	**(98 652)**	**(29 643)**	**–**	**(128 295)**
Net book value at 1 January 2015	**28 663**	**11 278**	**6 529**	**46 470**
Net book value at 31 December 2015	**26 976**	**14 477**	**4 879**	**46 332**

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

(in thousand 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**

24. Current tax asset

(in thousand of EUR)	2015	2014
Tax asset – current	509	418
Total	**509**	**418**

25. Deferred tax asset

(in thousand of EUR)	2015	2014
Tax asset – deferred	24 749	26 352
Total	**24 749**	**26 352**

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

26. Other assets

(in thousand of EUR)	2015	2014
Prepayments and other deferrals	5 053	4 094
Other receivables from the state budget	1 089	881
Values in transit	11 350	6 223
Assets held for development and construction	12 188	13 498
Seized assets under a finance lease	2 821	–
Other assets	12 869	7 383
Total	**45 370**	**32 079**

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*".

The Group recognises seized assets under a finance lease as other assets in the line "*Seized leased assets*".

27. Deposits from banks

(in thousand of EUR)	2015	2014
Giro and interbank clearing business	40 066	38 622
Money-market business	101	15 093
Loans received	261 619	80 940
Loans received - repo deals from the NBS	55 297	55 213
Total	**357 083**	**189 868**

Deposits from banks by geographical segment:

(in thousand of EUR)	2015	2014
Slovak Republic	140 928	74 363
Other countries	216 155	115 505
Total	**357 083**	**189 868**

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

Type of loan (in thousand of EUR)	Currency	Type of loan according to maturity	Contractual maturity	2015	2014
Loans received from banks:					
– Reconstruction and development banks	EUR	Long-term	Mar 2016	1 160	9 251
– Reconstruction and development banks	EUR	Long-term	Oct 2027	66 022	71 689
– Commercial bank	EUR	Long-term	Mar 2021	52 084	–
– Commercial bank	EUR	Long-term	Oct 2019	15 059	–
– Commercial bank	EUR	Long-term	Mar 2017	32 261	–
– Reconstruction and development banks	EUR	Long-term	May 2024	95 033	–
Total				**261 619**	**80 940**
REPO loans received from banks:					
– National Bank of Slovakia	EUR	Long-term	Sep 2018	55 297	55 213
Total				**55 297**	**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 55 297 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 2015, 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 92 251 thousand in favour of the following entities (in thousands of EUR):

Description (in thousand of EUR)	Carrying amount of debt securities	Carrying amount of received loan	Guarantee expiry date	In favour of
Government bond EUR	92 251	66 022	Dec 2032	Reconstruction and development banks

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 thousand 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

28. Deposits from customers

Deposits from customers by product group are as follows:

(in thousand of EUR)	2015	2014
Current accounts	6 522 411	5 370 822
Time deposits	2 006 675	1 775 544
Savings deposits	190 342	191 428
Total	**8 719 428**	**7 337 794**

Deposits from customers by customer segment are as follows:

(in thousand of EUR)	2015	2014
Public sector	52 687	91 901
Corporate clients	3 398 463	2 720 590
Retail clients	5 268 278	4 525 303
Total	**8 719 428**	**7 337 794**

Deposits from customers by geographical segment are as follows:

(in thousand of EUR)	2015	2014
Slovak Republic	8 418 658	6 997 172
Other countries	300 770	340 622
Total	**8 719 428**	**7 337 794**

29. Derivative financial liabilities

(in thousand of EUR)	2015	2014
Negative fair value of held-for-trading financial derivatives	**66 645**	**82 148**
Interest-rate contracts	49 972	63 214
Currency contracts	12 445	14 038
Index-related contracts	1 461	1 569
Commodity contracts	2 767	3 327
Total	**66 645**	**82 148**

30. Held-for-trading financial liabilities

(in thousand of EUR)	2015	2014
Liabilities from held-for-trading debt securities*	48 904	–
Total	**48 904**	**–**

*Securities received as collateral in a reverse REPO transaction were sold in a short sale.

31. Liabilities from debt securities

(in thousand of EUR)	2015	2014
Issued debt securities – mortgage bonds	644 471	618 031
Issued debt securities – bonds	39 437	121 780
Investment notes	4 662	–
Total	**688 570**	**739 811**

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 thousand of EUR)	Interest rate	Curr.	Number of mortgage bonds issued	Mortgage bonds unit face value in currency	Issue date	Maturity date	Coupon payment	2015	2014
MB 053 - repaid	Inflation - CPTFEMU	EUR	–	10 000	30.4.2010	30.4.2015	Bullet payment on maturity date	–	10 159
MB 054 - repaid	3.60%	EUR	–	1 000	28.6.2010	28.6.2015	Annually	–	48 136
MB 056 - repaid	0.00%	EUR	–	1 000	4.6.2010	4.6.2015	-	–	49
MB 060 - repaid	6M EURIBOR + 1.00%	EUR	–	10 000	17.12.2010	17.12.2015	Semi-annually	–	20 010
MB 062	3.75%	EUR	57 299	1 000	31.3.2011	31.3.2016	Annually	58 924	58 925
MB 066 - repaid	3.25%	EUR	–	10 000	19.8.2011	19.2.2015	Annually	–	22 280
MB 067	3.875%	EUR	870	10 000	14.10.2011	14.10.2018	Annually	8 727	8 712
MB 068	5.00%	EUR	1 000	10 000	14.10.2011	14.10.2031	Annually	10 000	9 996
MB 071 - repaid	1.10%	EUR	–	100 000	11.2.2013	11.2.2015	Annually	–	50 496
MB 072	1.00%	EUR	400	100 000	29.5.2013	29.5.2016	Annually	40 218	40 171
MB 073	1.375%	EUR	500	100 000	19.8.2013	19.1.2017	Annually	50 608	50 566
MB 074	1.70%	EUR	482	100 000	3.9.2013	3.9.2018	Annually	50 160	50 401
MB 075	1.150%	EUR	500	100 000	24.9.2013	24.2.2016	Annually	50 492	50 503
MB 076	6M EURIBOR + 0.70%	EUR	400	100 000	21.11.2013	21.11.2017	Semi-annually	40 068	40 096
MB 077	1.25%	EUR	4 000	10 000	19.12.2013	19.5.2017	Annually	40 257	40 220
MB 078	0.85%	EUR	500	100 000	13.3.2014	13.3.2017	Annually	50 292	50 241
MB 079	0.50%	EUR	170	100 000	7.10.2014	7.4.2020	Annually	29 917	16 864
MB 080	0.388%	EUR	500	100 000	28.10.2014	28.10.2019	Annually	50 154	50 206
MB 081	6M EURIBOR + 0.25%	EUR	500	100 000	29.01.2015	29.01.2018	Semi-annually	50 064	–
MB 082	6M EURIBOR + 0.30%	EUR	500	100 000	25.03.2015	25.03.2018	Semi-annually	49 966	–
MB 083	1.110%	EUR	450	100 000	29.04.2015	29.04.2025	Annually	44 541	–
MB 084	6M EURIBOR + 0.50%	EUR	1	100 000	19.08.2015	19.08.2020	Semi-annually	100	–
MB 085	6M EURIBOR + 0.50%	EUR	200	100 000	17.12.2015	17.12.2020	Semi-annually	19 984	–
Total MB								**644 472**	**618 031**

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

Name (in thousand of EUR)	Interest rate	Curr.	Number of debt securities issued	Face value per debt security in currency	Issue date	Maturity date	Coupon payment	2015	2014
BOND 04	3,75 %	EUR	38 679	1 000	22. 9. 2011	22. 9. 2016	Annually	39 437	39 923
BOND 05 - repaid	0 %	EUR	–	100 000	2. 4. 2012	21. 1. 2015	–	–	81 857
Total bonds								**39 437**	**121 780**
Total liabilities from debt securities								**683 909**	**739 811**

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 2015, 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.

In addition to mortgage bonds and debt securities, the Group also recognised investment notes issued by Tatra-Leasing, s.r.o. in the amount of EUR 4 662 thousand (31 December 2014: EUR 0 thousand).

As at 31 December 2015 and 31 December 2014, mortgage bonds and other bonds issued by the Parent Company were not secured by any form of collateral.

32. Provisions for liabilities and charges

As at 31 December 2015 movements in provisions for liabilities and charges were as follows:

(in thousand of EUR)	1 January 2015	Consoli-dation adjustments*	Allocated	Released	Used	Transfers, exchange differences	31 December 2015
Provisions for long-service benefits	2 485	–	900	–	–	–	3 385
Other provisions for labilities	–	–	97	(350)	(121)	996	622
Legal disputes (Note 42)	28 468	213	8 422	(6 974)	(1 898)	–	28 231
Specific provision for guarantees and irrevocable loan commitments	7 362	–	6 252	(1 749)	–	1	11 866
Portfolio provision for off-balance sheet items	3 651	50	1	(853)	–	–	2 849
Total	**41 966**	**263**	**15 672**	**(9 926)**	**(2 019)**	**997**	**46 953**

*Consolidation adjustments due to changes in the Group during 2015

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

(in thousand 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 42)	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**

33. Income tax liabilities

(in thousand of EUR)	31 December 2015	31 December 2014
Current tax liability	3 342	6 889
Deferred tax liability	1 363	1 412
Total	**4 705**	**8 301**

34. Other liabilities

(in thousand of EUR)	2015	2014
Deferred items	2 146	1 903
Social fund	200	323
Employee liabilities	21 986	24 575
Other liabilities to the state budget	386	782
Liabilities from unpaid dividends	350	296
Other liabilities	25 211	19 993
Total	**50 279**	**47 872**

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

(in thousand of EUR)	2015	2014
At 1 January	**323**	**250**
Additions	1 063	1 001
Drawing	(1 186)	(928)
At 31 December	**200**	**323**

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

35. Subordinated debt

(in thousand of EUR)	2015	2014
Subordinated debt	236 174	236 240
Total	**236 174**	**236 240**

Subordinated debt analysed by individual banks:

Type of loan (in thousand of EUR)	Curr.	Type of loan by maturity	Start of loan drawdown	Contractual maturity	2015	2014
Subordinated debt from banks:						
– Commercial banks	EUR	long-term	august 2013	august 2023	100 453	100 460
– Commercial banks	EUR	long-term	november 2014	november 2024	135 721	135 780
Total					**236 174**	**236 240**

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.

36. Equity

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

(in thousand of EUR)	2015	2014
Share capital – ordinary shares	56 873	56 873
Share capital – preference shares	7 453	7 453
Own shares	(306)	(652)
Share premium – ordinary shares	226 613	226 612
Share premium – preference shares	70 612	70 827
Share premium – own shares	(3 670)	(7 840)
Reserve and other funds	15 431	15 024
Cash flow hedging revaluation reserve	338	–
Available-for-sale financial assets revaluation reserve	16 830	503
Retained earnings (excluding current year net profit after tax)	485 639	513 784
Total	**875 813**	**882 584**

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 thousand of EUR)	2015	2014
Parent Company	770 224	787 892
Entities consolidated using full consolidation method	41 569	20 422
Entities consolidated using equity method	–	10 596
Total share premium, equity restricted funds, and retained earnings	**811 793**	**818 910**

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

(in thousand of EUR)	2015	2014
Parent Company (Bank)	115 787	104 090
Entities consolidated using full consolidation method	4 775	8 564
Entities consolidated using equity method	–	1 986
Consolidated profit after tax	**120 562**	**114 640**

37. 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 comprises Tier 1 regulatory capital, Tier 1 supplementary capital and Tier 2 capital. Regulatory capital serves to cover credit risk from activities in the Banking book, counterparty risk from activities in the Trading book, market risks (position risk for activities in the Trading book, foreign exchange risk and commodity risk from all trading activities), settlement risk, CVA risk, off-exchange derivatives and operational risk.

Capital adequacy is monitored with regard to Tier 1 regulatory capital expressed as its percentage of the total risk exposure, and with regard to Tier 1 capital expressed as its percentage of the total risk exposure and as own funds expressed as a percentage of the total risk exposure. The methodology for its quantification is regulated. Additional information on the Bank's capital requirement is disclosed in Note 52 "*Risk report*", part "*BASEL III*".

During 2015, the Group complied with the level defined for the Group.

Capital represents such own sources of the Bank's financing that are internally held and placed by the Bank to cover its risks. The capital consists of capital components supplemented by other additional funds available to the Group. The Group's objective is to maintain the required amount of capital. For 2015, 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 Bank 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 thousand of EUR)	2015*	2014*
The original own funds (TIER 1)	**859 098**	**882 081**
Paid-up share capital	64 326	64 326
(-) Treasury shares	(306)	(652)
Share premium	297 226	297 439
(-) Share premium - treasury shares	(3 670)	(7 840)
Funds from profit and other capital reserves	15 430	15 024
Other specific items of original own funds	485 640	513 784
Other temporary adjustments to Tier 1 capital	452	–
(-) Items deductible from the original own funds	**(46 332)**	**(46 470)**
(-) Intangible assets	(31 856)	(35 193)
(-) Goodwill	(14 476)	(11 277)
Additional own funds (TIER 2)	**235 000**	**235 000**
Subordinated debts	235 000	235 000
(-) Items deductible from the original and additional own funds	**(13 300)**	**(43 605)**
(-) From the original own funds	(13 300)	(37 404)
(-) From additional own funds	-	(6 201)
Total own funds	**1 034 466**	**1 027 006**

*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 13 300 thousand (2014: EUR 43 605 thousand).

Adequacy of own funds (%)	**18.21**	**19.57**
Own funds	**1 034 466**	**1 027 006**
Risk-weighted assets (RWA)	**5 680 165**	**5 248 555**
RWA from receivables recorded in the Banking book	4 781 252	4 354 974
RWA from positions recorded in the Trading book	122 550	150 081
RWA from operating risk – standardised approach	776 363	743 500

38. Information for Cash Flow Statement

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

(in thousand of EUR)	2015	2014
Cash flows from operating activities		
Profit before income taxes	**159 441**	**151 809**
Adjustments:	**(246 350)**	**(229 497)**
Interest expense	32 459	39 734
Interest income	(321 766)	(344 891)
Dividend income	(79)	(55)
Provisions for impairment losses on loans and advances and provisions for liabilities and charges, net	23 803	57 079
(Profit) loss on sale and other disposals of non-current assets	147	(25)
(Profit) loss on sale and other disposals of investment property	–	(113)
Unrealised (profit) loss from financial derivative instruments and held-for-trading securities	(4 224)	(2 358)
Unrealised (profit) loss from securities at fair value through profit or loss	–	(618)
Unrealised (profit)/loss from hedging derivatives	626	–
Share in retained earnings of associated undertakings	(1 929)	(2 391)
Discount applicable to preference shares	–	893
Depreciation and amortisation non-current tangible and intangible assets	24 996	22 403
Depreciation and amortisation of investment property	–	1 946
Provision for investment property	2 627	(220)
(Profit)/loss from foreign exchange and other transactions with cash and cash equivalents	(3 010)	(881)
Cash flow of operating activities before changes in working capital, interest received and paid and income taxes paid	**(86 909)**	**(77 688)**

Cash and cash equivalents as at 31 December 2015, 31 December 2014, and 31 December 2013 comprise of the following:

(in thousand of EUR)	2015	2014	2013
Cash in hand (Note 13)	99 838	91 637	86 130
Giro and interbank clearing business (Note 14)	70 638	106 172	72 577
Total	**170 476**	**197 809**	**158 707**

39. 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 2015:

Related Parties* (in thousand of EUR)	RBI	RBI Group	Associates	Statutory bodies and Supervisory Board**	Other related parties	Total
Loans and advances to banks and customers	63 349	6 691	–	2 859	4 716	**77 615**
Receivables from financial derivative transactions	25 217	2 786	–	–	–	**28 003**
Other assets	187	178	–	–	–	**365**
Deposits from banks and customers	3 875	3 874	–	5 478	851	**14 078**
Liabilities from financial derivative transactions	43 831	123	–	–	–	**43 954**
Subordinated debt	236 174	–	–	–	–	**236 174**
Other liabilities	1 735	778	–	–	–	**2 513**
Guarantees issued	4 700	2 294	–	–	–	**6 994**
Commitments	32 810	4 618	–	538	1 803	**39 769**
Guarantees received	3 037	6 792	–	–	–	**9 829**

*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 2014:

Related Parties* (in thousand 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 revenues and expenses with related parties as at 31 December 2015:

Related Parties* (in thousand of EUR)	RBI	RBI Group	Associates	Statutory bodies and Supervisory Board	Other related parties	Total
Interest and similar income	120	89	–	44	123	**376**
Fees and commissions income	591	1 066	–	–	–	**1 657**
Unrealised gain (loss) on financial derivative transactions	4 261	(618)	–	–	–	**3 643**
Operating revenues	828	924	–	–	–	**1 752**
Interest and similar expenses	(9 429)	–	–	(26)	(50)	**(9 505)**
Expenses on charges and commissions	(698)	(5 084)	–	–	–	**(5 782)**
Administrative expenses	(6 181)	(1 570)	–	(4 324)**	–	**(12 075)**
Total	**(10 508)**	**(5 193)**	**–**	**(4 306)**	**73**	**(19 934)**

*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 2014:

Related Parties* (in thousand 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

40. Foreign currency items

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

(in thousand of EUR)	2015	2014
Assets	**87 242**	**288 821**
Of which: USD	26 298	111 556
Of which: CZK	44 499	160 230
Of which: other currencies (PLN, HUF, GBP and other)	16 445	17 035
Liabilities	**497 667**	**565 789**
Of which: USD	353 202	320 130
Of which: CZK	50 598	152 928
Of which: other currencies (PLN, HUF, GBP and other)	93 867	92 731

41. Foreign assets and liabilities

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

(in thousand of EUR)	2015	2014
Assets	**457 206**	**566 462**
Of which: Austria	169 541	132 224
Of which: Czech Republic	119 606	169 511
Of which: Germany	16 598	62 289
Of which: Netherlands	75 764	140 464
Of which: United Kingdom	25 224	11 949
Of which: Other countries (mostly EU member states)	50 472	50 025
Liabilities	**977 633**	**778 073**
Of which: Austria	400 917	316 453
Of which: Other countries (mostly EU member states)	576 716	461 620

As at 31 December 2015 and 31 December 2014, 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 2015 and 31 December 2014, the Group had no other exposure to the aforementioned entities.

As at 31 December 2015, the Group recorded loan receivables mainly from retail customers from Portugal, Italy, Ireland, Greece and Spain in the amount of EUR 1 529 thousand (31 December 2014: EUR 1 772 thousand).

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

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

(in thousand of EUR)	2015	2014
Contingent liabilities:	**496 591**	**420 515**
From guarantees	469 257	410 081
From letters of credit	27 334	10 434
Commitments:	**2 585 918**	**2 427 556**
From irrevocable loan commitments	1 143 407	1 058 122
Up to 1 year	*800 057*	*844 520*
More than 1 year	*343 350*	*213 602*
From revocable loan commitments	1 442 511	1 369 434
Up to 1 year	*1 278 562*	*1 171 612*
More than 1 year	*163 949*	*197 822*
Total	**3 082 509**	**2 848 071**

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 2015, the Parent Company created reserves for these risks amounting to EUR 14 715 thousand (2014: EUR 11 013 thousand), Note 32 "*Provisions for liabilities and charges*".

An overview of the quality of contingent liabilities and other off-balance sheet items is stated in Note 52 "*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 28 231 thousand (31 December 2014: EUR 28 468 thousand), Note 32 "*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 thousand of EUR)	2015	2014
Total non-cancellable payments for operating leases	**94 469**	**24 893**
Less than 1 year	12 268	9 129
1 year to 5 years	32 863	13 959
More than 5 years	49 338	1 805
Operating lease expense in other administrative costs	10 552	11 547

43. Finance lease

The movements in finance lease receivables are analysed as follows:

(in thousand of EUR)	2015	2014
Gross investment	**236 230**	**10 011**
Up to 3 months	18 678	1 754
From 3 months up to 1 year	54 769	7 416
From 1 year up to 5 years	136 320	841
More than 5 years	26 463	–
Unearned finance income	**19 201**	**157**
Up to 3 months	1 978	44
From 3 months up to 1 year	4 999	111
From 1 year up to 5 years	10 244	2
More than 5 years	1 981	–

(in thousand of EUR)	2015	2014
Net investment	**217 029**	**9 854**
Up to 3 months	16 699	1 710
From 3 months up to 1 year	49 771	7 305
From 1 year up to 5 years	126 077	839
More than 5 years	24 482	–

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

Assets leased under finance lease contracts:

(in thousand of EUR)	2015	2014
Lease of cars	94 329	–
Lease of real estate	55 157	–
Lease of movable assets	67 543	9 854
Total	**217 029**	**9 854**

44. Operating lease

Future lease receivables from an operating lease are as follows:

(in thousand of EUR)	2015	2014
Gross investment	**2 051**	**–**
Up to 3 months	357	–
From 3 months up to 1 year	1 427	–
From 1 year up to 5 years	267	–

Based on the aforementioned changes in the Group during 2015 – acquisition of a 52% ownership share in Tatra-Leasing s.r.o. and the subsequent change of the consolidation method from the equity method of consolidation to the full method of consolidation, the Group reports future receivables from operating lease totalling EUR 2 051 thousand.

45. Values in custody and management

(in thousand of EUR)	2015	2014
Values in custody	**40 673**	**46 591**
Investment notes	4 772	12 847
Merchandise and trust receipts	29 769	32 152
Gold	6 132	1 592
Total	**40 673**	**46 591**

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 2015 the Parent Company reported deposited securities in custody of the TAM Unit Trusts in the amount of EUR 1 024 335 thousand (as at 31 December 2014: EUR 1 245 536 thousand). The Group also administers 24 open-end unit trusts with the net asset value of EUR 2 049 910 thousand (2014: EUR 2 156 768 thousand) through its management company, Tatra Asset Management, správ. spol., a. s., and 7 supplementary pension funds with the net asset value of EUR 472 331 thousand (2014: EUR 456 138 thousand) through Doplnková dôchodková spoločnosť Tatra banky, a.s.

46. Repurchase agreements

As at 31 December 2015, the following repurchase agreements were concluded (within reverse repo deals):

(in thousand of EUR)	2015	2014
Repo deals (debtor)		
Deposits from banks	55 297	55 213
Total	**55 297**	**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 55 297 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.

(in thousand of EUR)	2015	2014
Reverse repo deals (creditor)		
Loans and advances to banks	50 688	–
Total	**50 688**	**–**

47. Assets pledged as collateral

Liabilities secured by the Group's assets:

(in thousand of EUR)	2015	2014
Loans received from banks	66 022	71 689
REPO loans received from banks	55 297	55 213
Derivative financial liabilities	43 831	55 260
Total	**165 150**	**182 162**

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

(in thousand of EUR)	2015	2014
Loans and advances to banks	60 828	55 260
Loans and advances to customers	62 741	62 741
Held-to-maturity financial investments	92 251	95 370
Total	**215 820**	**213 371**

Other pledged assets without a liability:

(in thousand of EUR)	2015	2014
Held-to-maturity financial assets	996 368	1 000 130
Total	**996 368**	**1 000 130**

For information on securities pledged as collateral for the Group's liabilities, see Note 27 "*Deposits from banks*", and Note 31 "*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 996 368 thousand (31 December 2014: EUR 1 000 130 thousand). For the pledged securities, the Parent Company can draw an intraday credit in the amount of EUR 400 000 thousand (31 December 2014: EUR 400 000 thousand). As at 31 December 2015, no funds were drawn against the said collateral (31 December 2014: no drawing).

48. 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 2015:

(in thousand of EUR)	Corporate clients	Retail clients	Total
Default loans	198 482	140 255	**338 737**
Provisions for default loans	130 657	66 392	**197 050**
Claim value of received collateral for default loans	73 491	67 414	**140 905**

The following summary analyses the default loan portfolio (off-balance sheet balances) as at 31 December 2015:

(in thousand of EUR)	Corporate clients	Retail clients	Total
Default contingent liabilities and other off-balance-sheet items	76 885	7	**76 892**
Provisions for contingent liabilities and other off-balance-sheet items	11 866	–	**11 866**
Claim value of received collateral for contingent liabilities and other off-balance-sheet items	11 961	196	**12 157**

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

(in thousand 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 thousand 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**

49. Average number of staff

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

(in thousand of EUR)	2015	2014
Group employees	3 637	3 467
Of which: Members of the Board of Directors	*7*	*7*
Total	**3 637**	**3 467**

50. Derivative financial instruments

The total volumes of unsettled derivative financial instruments are as follows on 31 December 2015:

	Nominal amounts by maturity				Fair values	
(in thousand of EUR)	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**	**59 625**	**104 625**	**2 218**	**–**
OTC products:						
Interest rate swaps	–	45 000	59 625	104 625	2 218	–
b) Interest-rate contracts for trading	**2 863 678**	**971 651**	**595 630**	**4 430 959**	**42 876**	**(49 972)**
OTC products:						
Interest rate swaps	290 212	908 242	561 494	1 759 948	42 645	(49 635)
Interest rate options – buy	16 763	32 000	17 386	66 149	231	(92)
Interest rate options – sell	394	31 409	16 750	48 553	–	(245)
Stock exchange products:						
Interest rate futures	2 556 309	–	–	2 556 309	–	–
c) Currency contracts for trading	**1 586 014**	**36 137**	**–**	**1 622 151**	**12 504**	**(12 445)**
OTC products:						
Currency swaps	554 026	–	–	554 026	1 703	(1 582)
Currency-interest rate swaps	11 806	–	–	11 806	99	(102)
Currency forwards	117 080	5 081	–	122 161	985	(1 088)
Currency options-buy	455 978	15 528	–	471 506	9 701	(15)
Currency options-sell	447 124	15 528	–	462 652	16	(9 658)
Stock exchange products:						
Currency futures	–	–	–	–	–	–
d) Index-related contracts for trading	**75 626**	**–**	**–**	**75 626**	**1 466**	**(1 461)**
OTC products:						
Index options - buy	–	–	–	–	–	–
Index options - sell	–	–	–	–	–	–
Index swaps	75 626	–	–	75 626	1 466	(1 461)
Stock exchange products:						
Index futures	–	–	–	–	–	–
e) Commodity contracts for trading	**210**	**131 320**	**–**	**131 530**	**2 786**	**(2 767)**
OTC products:						
Commodity swaps	–	–	–	–	–	–
Commodity options - buy	105	65 865	–	65 970	2 785	–
Commodity options - sell	105	65 455	–	65 560	1	(2 767)
Total	**4 525 528**	**1 184 108**	**655 255**	**6 364 891**	**61 850**	**(66 645)**

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

	Nominal amounts by maturity				Fair values	
(in thousand of EUR)	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**	**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	–	–	–	–	–	–
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)**

51. 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 2015:

Financial assets at fair value (in thousand of EUR)	Level 1*	Level 2**	Level 3***	Total
Derivative financial assets	**–**	**61 850**	**–**	**61 850**
Positive fair value of financial derivative instruments for trading	–	59 632	–	59 632
Positive fair value of financial derivatives for fair value hedging	–	1 784	–	1 784
Positive fair value of financial derivatives for cash flow hedging	–	434	–	434
Held-for-trading financial assets	**21 628**	**729**	**–**	**22 357**
Debt securities and other fixed income securities	21 628	729	–	22 357
Shares, debt and other floating rate securities	–	–	–	–
Financial assets at fair value through profit or loss	**60 590**	**–**	**–**	**60 590**
Debt securities and other fixed income securities	60 590	–	–	60 590
Available-for-sale financial assets	**74 171**	**60 808**	**21 801**	**156 780**
Debt securities and other fixed income securities	74 171	–	–	74 171
Shares, debt and other floating rate securities	–	60 808	21 801	82 609
Total	**156 389**	**123 387**	**21 801**	**301 577**

Financial liabilities at fair value (in thousand of EUR)	Level 1*	Level 2**	Level 3***	Total
Derivative financial liabilities	**–**	**66 645**	**–**	**66 645**
Negative fair value of financial derivative instruments for trading	–	66 645	–	66 645
Total	**–**	**66 645**	**–**	**66 645**

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

Financial assets at fair value (in thousand 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 thousand 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).

Movements between Level I and Level II

In 2015, there was a movement in bonds in the amount of EUR 433 319 thousand, which were transferred from Level I to Level II based on a change in the price source of the respective bonds.

Movements in Level III financial instruments at fair value

If there is at least one significant parameter of the measurement that is not observable in the market, this instrument is assigned to Level III measured at fair value. The following table shows changes in the financial instruments at fair value whose valuation models are based on unobservable inputs:

(in thousand of EUR)	At 1 Jan 2015	Increase	Decrease	Profit/loss in comprehensive income	At 31 Dec 2015
Unit trust certificates	–	219	–	(30)	189
Equity investments	623	–	(9)	20 998	21 612
Total	**623**	**219**	**(9)**	**20 968**	**21 801**

Qualitative information on financial instruments for Level III measurement:

Financial instrument (in thousand of EUR)	Valuation method	Fair value	Significant unobservable inputs	Range of unobservable inputs
Unit trust certificates	Net asset value	189	deduction	20 – 50%
Equity investments	Estimated method	21 612	–	–
Total		**21 801**		

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 thousand of EUR)	Fair value 2015	Carrying amount 2015	Difference 2015	Fair value 2014	Carrying amount 2014	Difference 2014
Assets						
Loans and advances to banks, net	**125 893**	**125 893**	**–**	**238 901**	**238 901**	**–**
of which Level 1	–	–	–	–	–	–
of which Level 2	*67 033*	*67 033*	–	*112 357*	*112 357*	–
of which Level 3	*58 860*	*58 860*	–	*126 544*	*126 544*	–
Loans and advances to customers, net	**8 144 219**	**7 923 037**	**221 182**	**7 154 503**	**6 988 672**	**165 831**
of which Level 1	–	–	–	–	–	–
of which Level 2	–	–	–	–	–	–
of which Level 3	*8 144 219*	*7 923 037*	*221 182*	*7 154 503*	*6 988 672*	*165 831*
Held-to-maturity financial investments	**1 814 331**	**1 729 184**	**85 147**	**1 760 296**	**1 663 835**	**96 461**
of which Level 1	*1 162 942*	*1 101 127*	*61 815*	*1 440 835*	*1 353 768*	*87 067*
of which Level 2	*651 389*	*628 057*	*23 332*	*319 461*	*310 067*	*9 394*
of which Level 3	–	–	–	–	–	–
Investments in associated undertakings	**3**	**3**	**–**	**22 154**	**22 154**	**–**
of which Level 1	–	–	–	–	–	–
of which Level 2	–	–	–	–	–	–
of which Level 3	*3*	*3*	–	*22 154*	*22 154*	–
Liabilities						
Deposits from banks	**357 083**	**357 083**	**–**	**189 868**	**189 868**	**–**
of which Level 1	–	–	–	–	–	–
of which Level 2	*3 921*	*3 921*	–	*27 442*	*27 442*	–
of which Level 3	*353 162*	*353 162*	–	*162 426*	*162 426*	–
Deposit from customers	**8 720 085**	**8 719 428**	**657**	**7 337 522**	**7 337 794**	**(272)**
of which Level 1	–	–	–	–	–	–
of which Level 2	–	–	–	–	–	–
of which Level 3	*8 720 085*	*8 719 428*	*657*	*7 337 522*	*7 337 794*	*(272)*
Liabilities from debt securities	**695 342**	**688 570**	**6 772**	**753 329**	**739 811**	**13 518**
of which Level 1	–	–	–	–	–	–
of which Level 2	*695 342*	*688 570*	*6 772*	*753 329*	*739 811*	*13 518*
of which Level 3	–	–	–	–	–	–
Subordinated debt	**236 174**	**236 174**	**–**	**236 240**	**236 240**	**–**
of which Level 1	–	–	–	–	–	–
of which Level 2	–	–	–	–	–	–
of which Level 3	*236 174*	*236 174*	–	*236 240*	*236 240*	–

52. Risk report

Credit risk

The Parent Company bears a credit risk, ie the risk that the counterparty will not be able to repay the amounts owed at their maturity in full. The Parent Company classifies loan exposure borne by the Parent Company by setting limits of risk accepted with respect to one debtor, or a group of debtors, and with respect to individual countries. The aforementioned risks are monitored on a regular basis and reviewed at least annually. Exposure to one debtor, including banks and securities dealers, is also limited by partial limits set for balance sheet and off-balance sheet exposures, and by daily limits of exposure in relation to items traded, such as forward foreign currency contracts. The actual exposure is compared to set limits on a daily basis.

The loan exposure is managed based on regular analyses of the ability of debtors and potential debtors to repay the principal amount and interest, and using potential adjustments to such loan limits. Credit risks are also partially managed by collaterals and guarantees received from private individuals or legal entities.

Retail debtors are assessed by the Parent Company using the scoring models developed for individual products, or an individual client. Credit risk in the retail loan portfolio is managed using the following main tools: credit scoring is a tool used by the Parent Company in the loan decision-making process for private individuals and retail legal entities. The second most-important tool in credit quality management is the system of credit underwriting by risk assessment specialists, whose goal is to optimise revenues from the portfolio in relation to the risk borne by the Parent Company. The regular monitoring of the existing loan portfolio quality and trends in the portfolio together with appropriate strategies to secure the quality of the existing portfolio are also a very important component that contributes to retaining the entire portfolio quality and the targeted level of risk charges of the Parent Company.

When collecting receivables, the Parent Company uses a very broad scale of tools and collection strategies depending on the amount and type of receivable. The Parent Company uses both internal and external resources to collect receivables. In the event of an unsuccessful collection of receivables from clients, the receivables are subsequently forwarded to external agencies specialising in the enforcement of receivables via the 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 Bank.

As part of credit risk monitoring and management, the Parent Company also closely observes the area of exposure and residual risks.

Exposure risk represents the risk resulting from the concentration of the Parent Company's transactions with an entity, a group of economically-related parties, state, geographical area, industry sector, collateral provider, etc. The risk is closely related to both exposures in the Banking book and exposures in the Trading book. To manage exposure risk effectively, the Bank's focuses on quality portfolio management and its adequate diversification while adhering to set exposure limits (large assets exposure and others). The Parent Company also develops methods for exposure risk quantification.

Residual risk represents the risk stemming from the insufficient enforceability of rights arising to the Parent Company from security received against credit risk. The Parent Company eliminates this risk in particular by means of consistently observing legal and operational requirements, and conservative valuation and revaluation methods, and by applying appropriate discounts depending on the type and quality of the received collateral.

The table below shows the maximum amount of credit risk regardless of received collateral:

(in thousand of EUR)	**2015**	**2014**
Credit risk related to balance sheet assets:		
Loans and advances to banks	125 893	239 553
Loans and advances to customers, net	7 923 037	6 988 668
Derivative financial assets	61 850	74 440
Held-for-trading securities	22 357	54 410
Financial assets at fair value through profit or loss	60 590	52 231
Held-to-maturity financial investments	1 729 184	1 663 835
Available-for-sale financial assets	156 781	25 913
Investments in associated undertakings	3	22 154
Current tax asset	509	418
Deferred tax asset	24 749	26 352
Other assets	45 370	32 079
Total	**10 150 323**	**9 180 053**

	2015	**2014**
Credit risk related to off-balance sheet items:		
Contingent commitments from guarantees and letters of credit	496 591	420 515
Irrevocable loan commitments/stand-by facility	1 143 407	1 058 122
Revocable loan commitments/stand-by facility	1 442 511	1 369 434
Total	**3 082 509**	**2 848 071**

The table below shows a summary of the quality of the loan portfolio as at 31 December 2015:

(in thousand 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	**125 893**	**125 893**	**–**	**–**	**–**	**–**	**125 893**	**3 153**
Loans and advances to customers	**8 144 219**	**7 868 384**	**275 835**	**170 747**	**26 711**	**23 723**	**7 923 038**	**4 698 757**
Public sector	*13 801*	*13 801*	*–*	*–*	*–*	*–*	*13 801*	*499*
Corporate clients	*4 154 423*	*3 965 411*	*189 012*	*123 792*	*7 273*	*14 254*	*4 009 104*	*1 900 305*
Retail clients	*3 975 995*	*3 889 172*	*86 823*	*46 955*	*19 438*	*9 469*	*3 900 133*	*2 797 953*
Total	**8 270 112**	**7 994 277**	**275 835**	**170 747**	**26 711**	**23 723**	**8 048 931**	**4 701 910**

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

(in thousand 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 provides an overview of the quality of contingent liabilities and other off-balance sheet items as at 31 December 2015:

(in thousand 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	**89 889**	**89 889**	**–**	**–**	**2**	**89 887**	**13 253**
Contingent liabilities and other off-balance sheet liabilities to clients	**2 992 620**	**2 915 728**	**76 892**	**11 866**	**2 826**	**2 977 928**	**426 818**
Public sector	*7 868*	*7 868*	*–*	*–*	*–*	*7 868*	*–*
Corporate clients	*2 247 689*	*2 170 804*	*76 885*	*11 866*	*2 826*	*2 232 997*	*327 564*
Retail clients	*737 063*	*737 056*	*7*	*–*	*–*	*737 063*	*99 254*
Total	**3 082 509**	**3 005 617**	**76 892**	**11 866**	**2 828**	**3 067 815**	**440 071**

The table below provides an overview of the quality of contingent liabilities and other off-balance sheet items as at 31 December 2014:

(in thousand 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 following summary represents an analysis of the individually-impaired loan portfolio as at 31 December 2015:

(in thousand of EUR)	Corporate clients	Retail clients	Total
Impaired loans	**189 012**	**86 823**	**275 835**
Specific provisions – assessed on an individual basis	**123 792**	**46 955**	**170 747**
Specific provisions – assessed on a collective basis	**7 273**	**19 438**	**26 711**
Claim value of received collateral	**64 584**	**23 758**	**88 342**
% coverage by provisions for assets	69,3 %	76,5 %	**71,6 %**
% coverage by provisions for assets and received collateral	103,5 %	103,8 %	**103,6 %**
Interest income from impaired loans	2 133	1 712	**3 845**

The following summary represents an analysis of the individually-impaired loan portfolio as at 31 December 2014:

(in thousand 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	64,8 %	74,5 %	**67,9 %**
% coverage by provisions for assets and received collateral	100,8 %	102,0 %	**101,2 %**
Interest income from impaired loans	3 076	10 308	**13 384**

The summary below represents an analysis of the non-impaired loan portfolio by overdue days as at 31 December 2015:

(in thousand 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	**125 893**	**–**	**–**	**–**	**–**	**–**
Loans and advances to customers	**7 714 372**	**131 230**	**12 923**	**3 601**	**6 258**	**81 209**
Public sector	*13 801*	*–*	*–*	*–*	*–*	*–*
Corporate clients	*3 899 036*	*61 372*	*525*	*1 072*	*3 406*	*29 232*
Retail clients	*3 801 535*	*69 858*	*12 398*	*2 529*	*2 852*	*51 977*
Total	**7 840 265**	**131 230**	**12 923**	**3 601**	**6 258**	**81 209**

The summary below represents an analysis of the non-impaired loan portfolio by overdue days as at 31 December 2014:

(in thousand 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**

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

(in thousand of EUR)	2015	2014
Collateralisation of issued loans	**4 698 757**	**3 917 831**
Cash	42 002	45 219
Guarantees	155 791	141 627
Securities	46 941	51 831
Real estate	3 881 946	3 280 202
Movables	347 906	198 379
Receivables and other collateral	224 171	200 573
Collateralisation of receivables from derivative transactions	**3 153**	**10 731**
Cash	3 153	10 731
Total	**4 701 910**	**3 928 562**

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

(in thousand of EUR)	2015	2014
To cover contingent liabilities and other off-balance sheet liabilities		
Cash	56 607	39 200
Guarantees	74 512	54 007
Securities	35 595	27 007
Real estate	109 743	114 575
Movables	6 506	12 471
Receivables and other collateral	157 108	107 310
Total	**440 071**	**354 570**

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

(in thousand of EUR)	2015	2014
Loans and advances to banks:	**125 893**	**239 553**
Minimum risk	–	–
Excellent credit rating	722	927
Very good credit rating	383	175 689
Good credit rating	123 154	58 313
Standard credit rating	94	1 088
Ordinary credit rating	1 036	281
Sub-standard credit rating	471	2 019
Significantly sub-standard credit rating	–	612
Doubtful/high risk of default	–	–
Defaulted	–	–
With no assigned rating	33	624
Loans and advances to customers:	**7 714 372**	**6 814 000**
Of which, public sector:	**13 801**	**9 884**
Minimum risk	4 001	–
Excellent credit rating	–	–
Very good credit rating	116	1 214
Good credit rating	335	191
Standard credit rating	4 440	–
Ordinary credit rating	3 380	6 638
Sub-standard credit rating	1 529	1 770

(in thousand of EUR)	2015	2014
Significantly sub-standard credit rating	–	71
Doubtful/high risk of default	–	–
Defaulted	–	–
With no assigned rating	–	–
Of which, corporate clients without project financing:	**2 876 465**	**2 751 574**
Minimum risk	159 801	107 442
Excellent credit rating	278 898	365 483
Very good credit rating	174 761	261 967
Good credit rating	502 612	496 255
Standard credit rating	740 032	523 158
Ordinary credit rating	510 912	461 712
Sub-standard credit rating	264 115	261 169
Significantly sub-standard credit rating	201 894	210 101
High probability of default	33 145	62 277
Defaulted	3 938	430
With no assigned rating	6 357	1 580
Of which, corporate clients – project financing:	**1 022 571**	**789 980**
Excellent project financing profile rating	479 050	184 900
Good project financing profile rating	446 197	544 219
Acceptable project financing profile rating	55 543	56 022
Weak project financing profile rating	41 421	4 839
Defaulted	360	–
Of which, retail clients	**3 801 535**	**3 262 562**
Total	**7 840 265**	**7 053 553**

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 10 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 2015, such loans amounted to EUR 122 916 thousand (31 December 2014: EUR 126 216 thousand). As at 31 December 2015, loan receivables from these clients that are not impaired or overdue amount to EUR 114 978 thousand (31 December 2014: EUR 109 005 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 71 147 thousand (31 December 2014: EUR 75 672 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 2015 and 31 December 2014. 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 thousand of EUR)	2015	2014
Loans and advances to banks	806 708	246 355
Loans and advances to customers	314 395	337 586
Debt securities	1 755 121	1 689 968
Total	**2 876 224**	**2 273 909**

The overall impact of the Slovak Republic on the Group's results of operations represented income of EUR 43 102 thousand (2014: EUR 56 973 thousand), which is mostly of an interest nature.

Restructuring

The Parent Company can modify repayment terms of its loan receivables if the client's financial position is weak and the client would be unable to repay, within a specified period of time, its liabilities to the Parent Company.

With overdraft loans, Agreement on Debt Instalments is concluded. This agreement cannot be extended, only transformed into an instalment credit after declaration of extraordinary maturity. In extraordinary circumstances, the overdraft loan can be extended but with the use of a gradual reduction.

In the case of instalment loans, repayment schedules are modified due to the client's inability to keep the agreed-upon deadlines. In the case of retail loans, there is an option to ask for loan restructuring in the form of a temporary decrease in the instalment amounts mostly for the period of 12 months with subsequent changes in the original loan (an extension of the loan's maturity, change in the instalment amount) so as to prevent the reduction of cash flows after the termination of the loan relationship (ie no impairment of receivables).

The carrying amount of retail receivables whose contractual repayment terms were modified in 2015 due to the client's default or deteriorated financial position amounted to EUR 15 209 thousand (31 December 2014: EUR 16 752 thousand). In the case of the corporate portfolio, the carrying amount was EUR 70 256 thousand (31 December 2014: EUR 45 596 thousand).

In 2015, 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 3 262 thousand (31 December 2014: EUR 5 315 thousand) and corporate clients in the amount of EUR 5 474 thousand (31 December 2014: EUR 7 054 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 2015 and 2014 were as follows:

(in thousand of EUR)	Net FX position 31 December 2015	Net FX position 31 December 2014
EUR	410 425	276 968
USD	(326 904)	(208 574)
Other (CZK, GBP, CHF, PNL, HUF and other)	(83 521)	(68 394)
Total net FX balance sheet position	**–**	**–**
EUR	(438 705)	(280 506)
USD	329 579	212 841
Other (CZK, GBP, CHF, PNL, HUF and other)	82 051	67 433
Total net FX off-balance sheet position	**(27 075)**	**(232)**
Total Net FX position	**(27 075)**	**(232)**

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 2015:

(in thousand 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	806 712	–	–	–	99 834	906 546
Loans and advances to banks	125 784	71	–	–	38	125 893
Loans and advances to customers, net	4 090 130	1 441 353	2 122 833	126 797	141 924	7 923 037
Derivative financial assets	10 527	6 124	30 335	14 864	–	61 850
Held-for-trading financial assets	753	321	528	20 755	–	22 357
Financial assets at fair value through profit or loss	791	711	59 088	–	–	60 590
Held-to-maturity financial investments	366 913	58 303	946 749	357 219	–	1 729 184
Available-for-sale financial assets	1 979	60 954	72 047	–	21 800	156 780
Other assets	–	–	–	–	45 371	45 371
Interest rate position for financial assets as of 31 December 2015	**5 403 589**	**1 567 837**	**3 231 580**	**519 635**	**308 967**	**11 031 608**
Liabilities						
Deposits and advances from banks	77 802	36 200	222 108	20 943	30	357 083
Deposits from customers	2 140 432	4 249 292	2 296 677	1 850	31 177	8 719 428
Derivative financial liabilities	9 428	8 087	31 985	17 145	–	66 645
Held-for-trading financial liabilities	–	–	–	–	48 904	48 904
Liabilities from debt securities	**212 107**	**192 673**	**229 694**	**54 096**	**–**	**688 570**
Provisions for liabilities and charges	–	–	–	–	46 953	46 953
Other liabilities	–	–	–	–	50 279	50 279
Subordinated debt	236 174	–	–	–	–	236 174
Interest rate position for financial liabilities as of 31 December 2015	**2 675 943**	**4 486 252**	**2 780 464**	**94 034**	**177 343**	**10 214 036**
Net interest rate position as at 31 December 2015	**2 727 646**	**(2 918 415)**	**451 116**	**425 601**	**131 624**	**817 572**

Interest rate gap of financial assets and liabilities as at 31 December 2014:

(in thousand 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**

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 2015 (in thousands of EUR):

(in thousand of EUR)	Present value of exchange rate	Exchange rate in sensitivity scenario	Parent Company's position in the respective currency	Parent Company's loss in the respective scenario
USD	1.0887	1.1431	3 543	(177)
PLN	4.2639	4.0507	(632)	(32)
ZAR	16.9211	16.0750	(221)	(11)
AUD	1.4897	1.5642	180	(9)
CZK	27.0230	25.6719	(179)	(9)
Total			**2 691**	**(238)**

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 thousand of EUR)	Present value of exchange rate	Exchange rate in sensitivity scenario	Parent Company's position in the respective currency	Parent Company's loss in the 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)**

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 2015 (in thousands of EUR):

(in thousand of EUR)	Yield curve shift	Parent Company's loss from yield curve shift
EUR	100 BPV	(44 726)
USD	-100 BPV	(1 372)
Total		**(46 098)**

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 thousand 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)**

As at 31 December 2015, the Parent Company's exposure position in the Trading Book to equity price risk is nil, as at 31 December 2014 it was also nil. The Parent Company, therefore, does not recognise this exposure position to equity price risk.

As at 31 December 2015, the Parent Company's exposure position to commodity in the Trading Book is insignificant; as at 31 December 2014, the Parent Company's position was also 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 2015:

(in thousand of EUR)	Up to 12 months	Over 12 months	Unspecified	Total
Cash and balances in central banks	906 546	–	–	906 546
Loans and advances to banks	125 848	–	45	125 893
Loans and advances to customers, net	2 115 330	5 599 489	208 218	7 923 037
Derivative financial assets	16 651	45 199	–	61 850
Held-for-trading financial assets	1 074	21 283	–	22 357
Financial assets at fair value through profit or loss	1 502	59 088	–	60 590
Held-to-maturity financial assets	405 216	1 323 968	–	1 729 184
Available-for-sale financial investments	62 932	72 047	21 801	156 780
Investments in associate undertakings	–	–	3	3
Non-current intangible assets	–	–	46 332	46 332
Non-current tangible assets	–	–	69 285	69 285
Investment property	–	–	42 630	42 630
Current tax asset	–	–	509	509
Deferred tax asset	–	–	24 749	24 749
Other assets	11 350	–	34 021	45 371
Total assets	**3 646 449**	**7 121 074**	**447 593**	**11 215 116**
Liabilities				
Deposits from banks	94 169	262 884	30	357 083
Deposits from customers[1]	3 438 075	5 249 646	31 707	8 719 428
Derivative financial liabilities	17 515	49 130	–	66 645
Held-for-trading financial liabilities	–	–	48 904	48 904
Liabilities from debt securities	194 605	493 965	–	688 570
Provisions for liabilities and charges	–	–	46 953	46 953
Current tax liability	–	–	3 342	3 342
Deferred tax liability	–	–	1 363	1 363
Other liabilities	–	–	50 279	50 279
Subordinated debt	1 174	235 000	–	236 174
Total liabilities	**3 745 538**	**6 290 625**	**182 578**	**10 218 741**
Equity (excluding current year profit)	–	–	875 813	875 813
Profit after tax	–	–	120 562	120 562
Total equity and liabilities	**3 745 538**	**6 290 625**	**1 178 953**	**11 215 116**
Net balance sheet position	**(99 089)**	**830 449**	**(731 360)**	**–**
Net off-balance sheet position[2]	**(2 652 167)**	**1**	**(1 175 215)**	**(3 827 381)**
Cumulative balance sheet and off-balance sheet position	**(2 751 256)**	**(1 920 806)**	**(3 870 011)**	**(3 870 011)**

[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 2014:

(in thousand 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**
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 summary below represents an analysis of the earliest possible contractual maturity of financial liabilities, ie the worst-case scenario, as at 31 December 2015 (in non-discounted amounts):

			Residual maturity			
(in thousand of EUR)	**Carrying amount**	**Contractual cash flows**	**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	357 083	52 486	52 486	44 028	241 924	26 663
Deposits from customers	8 719 428	8 728 609	7 493 516	1 051 569	182 005	1 519
Held-for-trading financial liabilities	48 904	48 904	48 904	–	–	–
Liabilities from debt securities	688 570	759 887	111 993	136 595	448 301	62 998
Other liabilities	50 279	50 279	50 279	–	–	–
Subordinated debt	236 174	315 019	2 408	7 125	37 989	267 497
Derivative financial liabilities:						
Trading derivatives	66 645	1 087 367	879 799	223 412	(11 646).	(4 198)

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 2015 (in non-discounted amounts):

			Residual maturity			
(in thousand of EUR)	**Carrying amount**	**Contractual cash flows**	**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	469 257	469 257	469 257	–	–	–
Contingent liabilities from letters of credit	27 334	27 334	27 334	–	–	–
From irrevocable loan commitments	1 143 407	1 143 407	1 143 407	–	–	–

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):

			Residual maturity			
(in thousand of EUR)	**Carrying amount**	**Contractual cash flows**	**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):

			Residual maturity			
(in thousand of EUR)	**Carrying amount**	**Contractual cash flows**	**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	–	–	–

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 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 the bulk of the retail portfolio, the advanced internal ratings-based approach is applied.

The IRB approach is used for central governments and central banks, institutions, corporate entities (including project financing, insurance companies, leasing companies and financial institutions) as of 1 January 2009, as of 1 April 2010 for the retail part of the portfolio 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 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.

An important aspect of the Parent Company‘s capital management is a thorough prediction of capital adequacy developments and its stress testing to eliminate 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.

53. Events after the Balance Sheet date

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.

54. Approval of the consolidated financial statements

The annual consolidated financial statements for the immediately-preceding reporting period (as at 31 December 2014) were signed and authorised for issue on 6 March 2015.

The financial statements were signed and authorised for issue on 14 March 2016 by the following bodies/persons:

a) Statutory body

Michal Liday
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 2015 and Dividend Payment

Distribution of the Profit for the Year 2015

(in EUR)	
Profit after tax for the year 2015	**115 786 978**
Allocation to retained earnings	115 786 978

Distribution of the Retained Earnings

(in EUR)	
Retained earnings	**115 787 210**
Dividends - Ordinary shares	102 371 040
Dividends - Preferred shares	13 416 170

Dividend per ordinary share with the nominal value of EUR 800 is in the amount of EUR 1 440.

Dividend per ordinary share with the nominal value of EUR 4 000 is in the amount of EUR 7 200.

Dividend per preference share with the nominal value of EUR 4 is in the amount of EUR 7,20.

Dividends with no title created as at the decisive day for determination of the person entitled to claim title to dividend shall be transferred to retained earnings from previous years as at 31 December 2016.

Royalties for 2015

Royalties for 2015 is in the amount of EUR 421,000.
Annual report for the year 2015, the proposal for distribution of the profit and annual remuneration in the amount of EUR 421,000 for the members of the Supervisory Board were approved by the Ordinary General Meeting of Shareholders on 1 June 2015.

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